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Communities and Local
Government Committee

Implementation of welfare reform by local authorities

Ninth Report of Session 2012–13

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minutes, oral and written evidence*

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The Communities and Local Government Committee

The Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Communities and Local Government.

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

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Summary

From 1 April 2013 some of the most far reaching reforms to the welfare system in 60 years will start to be implemented. These changes will affect local authorities, their housing tenants and those who receive support to help pay their rents and council tax. Local authorities have a long track record of delivering significant reforms and we found evidence of concerted efforts to implement the changes on time.

The significance, timetable and volume of the reforms should not, however, be underestimated. The changes will see Housing Benefit, currently administered by local authorities, transferring into Universal Credit (UC), to be administered by the Department for Work and Pensions (DWP). Moving in the other direction, Council Tax Benefit and parts of the Social Fund will be replaced with schemes designed and administered by local authorities. We welcome the specific localist dimension to the changes and are clear that local authorities have a valuable contribution to make in planning and targeting local welfare provision.

Our report focuses on implementation and the part that local authorities are playing. We identified four key areas that will be crucial to the successful implementation of the changes. None merit a red card but the Government will need to act swiftly to address a number of concerns.

First, these reforms require close interdepartmental working, particularly between the Department for Communities and Local Government and DWP. While satisfied that they may be operating well at a high level in Whitehall, the Departments could do more to assist authorities, especially with information. Of particular importance is the provision of spending data on the Social Fund, to allow local decisions to be made in an informed way. Central Government can also do more to get the national aspects of the changes—the scale and timetable and where to get advice—across to the public and claimants.

Second, while the Government is alive to the new burdens placed on local authorities by specific welfare changes—both in terms of implementation and operation—it needs to work with the Local Government Association to assess the cumulative impact of the entire programme on local authorities' resources.

Third, at the heart of the changes to welfare is the simplification of benefits, making it easier for claimants to manage their own finances and to make the transition into work. The Government is therefore switching the payment of housing support from the landlord directly to the claimant. There will be a cost to housing associations and local authorities of providing support and information to tenants, many of whom will be managing rent as well as council tax for the first time. Housing associations may face increased rent arrears and collection costs, though the Government has agreed that this may be offset by excluding “vulnerable” tenants and an automatic switchback

mechanism (paying rent to the landlord when a tenant's arrears hit a threshold level). In addition, it is vital that DWP makes good on its assurances that the financial viability of housing associations will not be damaged by the welfare reforms. This is crucial to ensure that scarce resources for investment in new housing are not diverted to paying for cash flow problems. Of particular value to housing associations will be the results of the Direct Payment pilots some of which are now emerging. These will inform how the new system can limit burdens on landlords. It is also vital for the Government to provide as soon as possible a clear definition or guidance for what will constitute a "vulnerable" tenant. Information from the Direct Payment pilots including levels of arrears must be made available before the rollout of Direct Payment to tenants.

Fourth, we heard concerns about the readiness of ICT systems, specifically that the systems for fraud detection within UC were still at early development even though implementation is now advanced. DWP must provide swift assurance that the benefit system will not be left vulnerable to fraud either during or after the transition to UC.

1 Introduction

1. The Welfare Reform Act 2012, which received Royal Assent on 8 March 2012, makes the most significant reforms to the welfare system for 60 years. They will include the introduction of Universal Credit (UC), a single unified benefit payment which will subsume income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Income Support, Child Tax Credits, Working Tax Credits and Housing Benefit. Council Tax Benefit, which is a tax relief, will be replaced by local Council Tax Support administered separately by local authorities. In addition, the discretionary parts of the Social Fund—Crisis Loans and Community Care Grants—will also be abolished with funding transferred to local authorities to provide local support. The aims of the Government in designing the changes are to make the welfare system:

- “fairer and more affordable” by capping benefits;
- more effective at tackling “poverty and worklessness”. Specifically the new system would “strengthen work incentives” by tapering the withdrawal of payments more gradually when claimants enter work preventing loss of benefit being a disincentive to work; and
- a means to “promote personal responsibility” by making UC operate like a normal wage paid monthly direct to claimants.¹

2. After the Welfare Reform Bill was published in February 2011, we conducted an inquiry into the implications of the Bill for local government, *Localisation issues in welfare reform*.² We looked at all aspects of the changes, including policy and implementation. On implementation we had the following concerns.

- “The potential negative impact of direct payment arrangements for [the housing aspect of] UC on social landlords and the availability of finance for investment in the social housing sector”.³
- The separation of Council Tax Benefit from Housing Benefit under UC “may introduce unnecessary complexity for customers”.⁴
- The timescale proposed for the changes to Council Tax Benefit was too short to ensure systems put in place were “robust”.⁵
- Funding for local replacements for the discretionary Social Fund would not be accurately calculated to address demand.⁶

1 Ev 88 [DCLG]

2 Communities and Local Government Committee, Fifth Report of Session 2010–12, *Localisation issues in welfare reform*, HC 1406, para 73–76

3 HC (2010–12) 1406, para 72

4 HC (2010–12) 1406, para 68

5 HC (2010–12) 1406, para 56

6 HC (2010–12) 1406, paras 56, 68 and 21

3. With implementation due to start from April 2013 and with reports of concerns that the process might not go smoothly we decided to carry out this inquiry to re-examine the implementation of the changes. Drawing on our 2011 Report and the evidence we received during this inquiry we identified the following key pressure points.

- The volume of changes and the timescale for implementation require that the Departments for Work and Pensions and Communities and Local Government work closely together to provide joined-up policy and guidance to local authorities. We examine the extent to which this has been achieved in chapter 2.
- Following from concerns raised in our 2011 Report,⁷ we consider what are the consequences of paying the housing element of UC direct to tenants, including what effect this would have on the financial viability of housing associations. This issue is examined in chapter 3.
- We consider, further to concerns we raised in 2011,⁸ whether sufficient time and funding is being provided to local authorities for them to set up properly tailored local schemes in place of the Social Fund. This issue is discussed in chapter 4.
- We review the effects of the separation of Housing Benefit and Council Tax Support, in chapter 5.
- The administrative challenges for local authorities in implementing the reforms and the level of financial risk to councils is covered in chapter 6. The chapter also covers the operation of ICT systems.

4. We are conscious that we are not the only committee working on these changes. Our colleagues on the Work and Pensions Committee published their Report, *Universal credit implementation: meeting the needs of vulnerable claimants* in 2012, some aspects of which overlap with our inquiry.⁹ We, however, approached the changes from the perspective of local authorities and consequently examine different areas of the implementation process.

5. During this inquiry we received 52 written evidence submissions and held three oral evidence sessions—on 19 December 2012 and 7 and 28 January 2013. We are grateful to all those who participated and provided memoranda.

7 HC (2010–12) 1406, para 72

8 HC (2010–12) 1406, para 21

9 Work and Pensions Committee, Third Report of Session 2012–13, *Universal Credit: meeting the needs of vulnerable claimants*, HC 576, paras 243–246

2 Departmental co-operation

6. The changes to welfare are being implemented against a backdrop of the Government's localism reforms, reductions in local authority funding as well as a number of other reforms affecting local authorities' responsibilities for health, schools and policing. The wide-ranging and important changes to the welfare system have been developed by the Department for Work and Pensions (DWP) and Department for Communities and Local Government (DCLG). DCLG explained that DWP was the lead department on welfare reform except for localised Council Tax Support and told us that DWP was working across government with local authorities, the Local Government Association and third sector voluntary groups to implement the reforms.¹⁰ Some of our witnesses said that the central departments were not working as well together as they should.¹¹ The Welfare Reform Club, a group of welfare reform consultants, considered that:

There is a lot of liaison taking place, and a clear recognition of the need for close working between the DWP and DCLG. However, the two departments inevitably have different perspectives. The main difference focuses on central versus local service delivery.¹²

Another concern was that the roles of the departments were not completely clear. Citizens Advice told us:

As regards Universal Credit, the DWP is clearly the lead Department, but as the role of local authorities in UC delivery is not yet clear, neither is that of the DCLG.¹³

7. Durham County Council told us that there is “clearly some dialogue” between DWP and DCLG but said that guidance from DWP on taking Universal Credit (UC) into account in the design of local Council Tax Support schemes had been relatively late in arriving.¹⁴ It welcomed the recent establishment of a “local government reference group for [DWP's UC] implementation task group” and added that “more of this type of engagement would be helpful”.¹⁵ The District Councils' Network told us that:

All too often a dialogue with the departments will be focused upon individual projects or strands of projects which gives the impression that no one has an overall sight upon the objective or impact. We remain concerned that this could ultimately lead to a false economy for the tax payer as the system becomes increasingly fragmented and results in increasing debt, cash flow or administrative costs.¹⁶

10 Ev 89, para 1

11 Ev 63 [Thanet District Council], Ev w39 para 1 [East Riding of Yorkshire Council]

12 Ev 70, para 17

13 Ev 80, para 2.1

14 Ev w10, para 14

15 As above

16 Ev w37

Waverley Borough Council said that, because the central departments, DWP, DCLG and the Treasury, did not share a list of key contacts for welfare reform implementation at local level “consistent information is not sent to local authorities” and information that did come through about UC “often by-passes members and senior staff because a standard contact address book doesn’t exist”.¹⁷ The Chartered Institute of Finance and Accountancy added that it would be important for DCLG and DWP to work closely with the Department of Health as “welfare reform will have a major impact on vulnerable people who are often the prime focus of both social care and the NHS”.¹⁸

8. Looking at the changes as a whole the Welfare Reform Club said that, although the changes needed to be made by local authorities to implement welfare reform “could well be a bigger task than the central departments are currently planning for, particularly in the early days”, it believed that:

the implementation challenges can be overcome, through the full co-operation and commitment of central government departments, local authorities and other local stakeholders. The implementation challenges should not derail a fundamental reform of the benefit system that is long overdue.¹⁹

We share the Welfare Reform Club's assessment. It is not only important for central Departments to co-operate on policy and implementation but for them to work together to provide support to local authorities. **The changes to welfare clearly require close co-operation between DWP and DCLG. We welcome the steps already taken by central departments to work together on welfare reforms. There may be scope to improve the arrangements—small steps such as a single contact list shared between departments can aid communication and avoid confusion. We urge the Departments responsible for implementing the changes to test their systems, in co-operation with local authorities, and to make any improvements quickly. Departments must not underestimate the tasks they are asking of local government and they must also be ready, if necessary, to provide additional support, particularly when the changes are being implemented.**

Guidance from central Government

9. There was criticism from several witnesses about the quality of guidance from central Government. Waverley Borough Council, for example described detailed guidance as “patchy”.²⁰ The timeliness of guidance from central Departments was also criticised. East Riding of Yorkshire Council said that the lateness of some guidance posed problems for local authorities:

Local authorities have very long lead in times to ensure reports go through their own democratic processes, and when guidance is issued in late November, for example, for a scheme that has to be agreed by the full council by the end of January, this leaves very little room for authorities to make changes in any schemes

17 Ev 119, para 1 and 2

18 Ev w24, para 3.3.a

19 Ev 69–70 para 14

20 Ev 119

put forward. This could potentially impact on the cost of schemes to the local authority.²¹

Citizens Advice told us that:

Little or no specific guidance has been provided around [Council Tax Support], beyond the criteria for the recently-announced transitional funding. (The default scheme is not intended as guidance). Our impression is that the DWP sees this as a matter for the DCLG; while the DCLG sees it as a matter for [local authorities].²²

In response, DCLG told us in December that it had provided local authorities with “guidance and communication materials” on the changes including the Benefit Cap and local Council Tax Support. It said that “additional guidance is planned for issue prior to Universal Credit implementation from April 2013” including Housing Benefit/Council Tax Benefit General Information Bulletins. The Department told us that it also arranged presentations and events working with groups such as the Institute of Revenue Ratings and Valuation.²³

10. The changes devolve considerable discretion to local authorities to develop their own arrangements. It follows that they will need time to do so. It therefore causes us concern to be told that local authorities may not have sufficient information to understand the changes and develop their own schemes, in particular, for delivering local Council Tax Support and replacements for the Social Fund. East Riding of Yorkshire Council told us that local authorities were having to “attend many paid events to ensure that they maintain a thorough knowledge of the raft of changes forthcoming, at a time when authorities can least afford the cost and the resource to do so”.²⁴

11. Under the welfare changes, it will be for local authorities to make decisions about how they operate local schemes. They cannot, however, draw up their schemes in a vacuum. *There are still areas where information is required and DCLG and DWP must provide local authorities with the information needed in good time ahead of the start of each phase of the changes to enable authorities to make informed local decisions and to understand the changes that will affect their local residents.*

Timescale for change

12. We deal with the concerns about the timetable for specific programmes later in our report. Here, we examine whether there is a case for delaying the over-arching timetable of implementation of the welfare reforms by local authorities. Several witnesses said the timetable was very “challenging”²⁵ but “achievable”²⁶. Lesley Pigott, from Camden Council, said that in “general local authorities have an excellent track record of delivering these kind

21 Ev w39, para 2

22 Ev 81

23 Ev 91, para 12

24 Ev w39, para 2

25 Ev w28, para 3.3 [Southwark Council], Ev w10 para 18 [Durham County Council]

26 Ev 71 [The Welfare Reform Club], Ev 60 para 3.3 [London Borough of Camden]

of changes. The problems we are facing at the moment are the amount of change and the volume that is facing us”.²⁷ Blackpool Council said that:

Local authorities are faced with implementing numerous changes for example; localising Council Tax support, Social Fund, and changes to Local Housing Allowance. It is the volume of these changes and additional work associated with implementing them that is a problematic and unrealistic expectation from government.²⁸

Blackpool Council was among a number of witnesses that called for implementation of some or all aspects of the reforms to be delayed, arguing that “the speed of reform will have a greater impact on customers” and that “more time would enable better preparation and communication of changes to customers”.²⁹ However, other witnesses advised against delay pointing out that all the publicity currently available (particularly related to changes on 1 April 2013) gave a clear indication of when changes would be happening and that announcing changes to the timing of already announced programmes itself caused confusion and additional costs for local authorities. Thanet District Council told us that:

The implementation plans for Universal Credit are already being diluted on a regular basis. From a starting point of “all claims from unemployed people will go onto Universal Credit from October 2013” we are now in a position where we are being told that very little will change for Local Councils in 2013/14.³⁰

We note that Blackpool Council itself said that changes were already being made to staffing in its housing department and that any delay to UC could mean that it would not have enough staff to continue dealing with Housing Benefit, which is currently administered by local authorities.³¹

13. Implementation of the welfare reforms will run from 1 April 2013 to 2017. The changes coming in on 1 April are those to Council Tax Support, local Social Fund replacements and the introduction of the Benefit Cap and the Social Sector Size Criteria. New claims will be migrated into UC in four pilot areas from 1 April 2013 with the national rollout starting from October 2013. All existing claims will be migrated between then and 2017.

14. DCLG told us that “the timetable for implementation spans a number of years to allow sufficient time for preparation by local authorities and claimants”.³² In reference to UC and Personal Independence Payments it said that, the programme had “been carefully designed to avoid a big-bang approach and will be extended gradually to different claimant groups over several years”.³³

27 Q 62

28 Ev 60

29 Ev 66

30 Ev 64

31 Ev 66

32 Ev 91, para 19

33 Ev 92, para 23

15. **Changes, including those to Universal Credit are being rolled out nationally over an extended period and we agree with DCLG that this should assist local authorities implementing the changes. Local authorities need certainty about the timetable for delivering the changes to welfare. We see no pressing need for a postponement of the main changes. *To ensure that the extended implementation period gives maximum benefit to local authorities, the Government needs to make sure that all guidance that it plans to produce is published well in advance of future implementation dates.* The late production of guidance on the reforms starting on 1 April has affected local authority consultation plans and, in some instances, may have increased their costs because of the need to make late changes.**

Public awareness

16. Due to the scale of the changes and their importance to individual claimants, it will be vital for their implementation that individuals as well as local authorities, housing associations and advice charities are fully aware of the changes and how they will be affected. We heard some concerns that public awareness and awareness among people who will be directly affected was still limited. Stockton-on-Tees Borough Council said that residents did not understand the changes despite a “series of home visits, contact letters and publicity campaigns”.³⁴ Cllr Graham Chapman from Nottingham City Council said that:

the most important issue is communication. Most of my constituents still do not have a clue what Universal Credit is. They do not have a clue, so they do not know what will be hitting them. They do not understand the expectations about going online, and they do not understand that they will be paid retrospectively. They do not understand yet that their housing benefit will go into the Universal Credit system and they will have to pay it. It is the human side that I think will be a problem.³⁵

17. Kevin Dodd, Chief Executive of Wakefield District Housing, commented on the extent of publicity on a national level. He said that there had been “more publicity on digital switchover to make sure the nation did not lose any episodes of *Coronation Street* than for the changes to welfare reform”.³⁶

18. **The level of awareness and understanding among benefit claimants about the changes to welfare will inevitably have some impact on the effectiveness of implementation. Ensuring that recipients are aware of the changes in their local area is best done by local authorities as they have the local knowledge to enable them to do it efficiently. *There is however, a role for central Government in highlighting the scale and importance of the changes. The Government should be encouraging broader awareness and advising claimants to contact their local authority to find out more through advertising and in information relating to Universal Credit.***

34 Ev w72, para 3.6.1

35 Q 63

36 Q 139

3 Housing Benefit

19. As we have noted, from 1 April 2013 Housing Benefit will be phased out and new housing benefit claims will migrate into Universal Credit (UC) and become part of a single payment. The process will start in four areas (Tameside, Oldham, Wigan and Warrington) and then roll out across the rest of England from 1 October 2013, covering all claims by October 2017. Housing benefit is a vital payment for claimants because it enables them to have a safe and secure place to live. It is therefore especially important that the Government's planned changes are effectively implemented.

20. Although the submissions we received were broadly supportive of the changes to housing benefit, several concerns were raised about their implementation.³⁷ The first was that it was not yet clear which tenants would have their housing benefit paid to their landlords. Under the new arrangements not all tenants will receive the housing part of UC directly. Two categories will be excluded: those who go into arrears and "vulnerable" tenants. The second concern was that the payment of the housing element of UC direct to claimants could lead to increased arrears and collection cost for housing associations if adequate safeguards against non-payment were not in place. The third concern was that, because the housing element of UC would be paid one month in arrears, claimants would begin their tenancy four weeks in arrears. The fourth concern was that the results of the Direct Payment pilots currently underway would not be fully available in time to inform the rollout starting in October 2013.

Direct payments to tenants

21. Paying the housing element of Universal Credit direct to tenants is designed to encourage financial independence and responsibility by replicating a monthly wage and thereby to make the transition to work more straightforward. Lord Freud, Minister for Welfare Reform, told us:

The principle is that we want to encourage as many people as can handle it to look after their own life and take responsibility for it—that includes paying rent—so that there is not an artificial barrier to those people taking a job, which is the only route for people out of poverty.³⁸

22. To underpin this objective Lord Freud explained in a speech in 2011 to the National Housing Federation (NHF) that, from October 2013, "direct payments to tenants will be the default position for most working age benefit claimants living in social housing when they move on to the new system".³⁹ (As we have noted there will be certain "exceptions" which we discuss at paragraph 27.) This contrasts with the current system for social

³⁷ For example, see Ev 44, para 2.2 [National Housing Federation].

³⁸ Q 200

³⁹ DWP, www.dwp.gov.uk/newsroom/ministers-speeches/2011/14-09-11.shtml

housing where the vast majority of housing benefit claimants have their rent paid to their landlord by their local authority.

Freedom to choose?

23. Some witnesses argued that claimants should have the choice over whether their housing benefit was paid direct to them or to their landlord.⁴⁰ We were told that some claimants could struggle to make payments if the housing element of their benefit was paid direct to them leaving them able to spend it on other things. The NHF told us that early indications from Direct Payment Demonstration Projects currently underway showed that 24 per cent of claimants “reported that they would need support if Housing Benefit were to be paid directly to them”.⁴¹ The DWP’s own survey results from October 2012 show that only around half, 54 per cent, of households, were “confident in receiving payments direct”.⁴² The NHF told us that a 2012 study showed that 86 per cent of social tenants “strongly” believed that their housing benefit should be paid to their landlord “so that they are secure in their home”.⁴³ The Residential Landlords Association (RLA) told us:

In October 2009, data from a survey of LHA [Local Housing Allowance] claimants by Shelter found that of the claimants who would choose payments to be made directly to their landlord, 95% are struggling to manage their finances. Almost half of the claimants who have had experience of both forms of payment believe that landlord payment better helps them in managing their rent and household budget.⁴⁴

The RLA argued that allowing tenants to have their rent paid to their landlord if they wished to opt out of Direct Payment would not contradict the Government’s desire to encourage financial responsibility because “for many it would be a perfectly rational and financially responsible decision to have the assurance that their rent had been paid so that they could decide on how to spend the remainder of their income”.⁴⁵

24. Landlords also have reasons to want to receive rent payments directly. Direct Payment offers them security. This could act as an incentive to seek to persuade, if not pressurise, their tenants into having their housing payments paid direct to their landlord.

25. The key issue for us is whether, if it is accepted that tenants should be encouraged to manage their own finances and to receive housing benefit, the opt-outs should be drawn so tightly as to permit Direct Payment to landlords only in exceptional circumstances. Several witnesses wanted DWP to be flexible in its approach to Direct Payment to tenants. London Councils welcomed an acknowledgement from Lord Freud that “not all recipients will be

40 Ev 44, para 1.4 [National Housing Federation], Ev w42, para 6 [British Property Federation], Ev 74, para 4.1 [Residential Landlords Association], Ev 83, para 3.6 [Citizens Advice] and Ev 88 [Shelter]

41 Ev 46, para 3.27, and DWP press release, 30 October 2012, www.dwp.gov.uk/newsroom/press-releases/2012

42 Ev w16, para 6.2 [London Councils]

43 Ev 45, para 3.2, and Policis, *Optimising welfare reform outcomes for social tenants: Understanding the financial management issues for different tenant groups*, www.housing.org.uk/publications

44 Ev 74, para 4.4

45 Ev 74, para 4.1

able to manage their finances in a way that prevents arrears”.⁴⁶ They suggested that the DWP should be prepared to “act flexibly” regarding Direct Payment, pointing out that it had permitted Northern Ireland to “opt out” of Direct Payments to tenants.⁴⁷

26. Direct Payments will be introduced for all tenants at the same time as they enter UC and will not be phased in. In contrast with the Government’s Digital by Default policy (which focuses on encouraging people to claim benefits online), direct payments will be compulsory for all those not defined as “vulnerable” or subject to “exceptions”. The NHF said that:

Continuing to give tenants the choice to have their housing costs paid direct to their landlord would allow them time to adjust to the new system gradually, rather than deal with several large changes at once.⁴⁸

“Exceptions” and “vulnerable” tenants

27. Under the proposed arrangements there will be certain groups to which Direct Payment will not apply. Some people will continue to have their rent paid to their landlord if they are defined as “vulnerable”. In his speech to the NHF in 2011, Lord Freud told landlords that:

I fully appreciate that some of your tenants simply cannot manage their own finances. I know some people are very vulnerable and this change is just not appropriate for them. We estimate that roughly between five and 10 per cent of all tenants fall into this category. For these vulnerable people we will continue to pay housing costs direct to landlord.⁴⁹

28. In addition to allowing some “vulnerable” tenants to have their benefit paid to their landlord, the Government has proposed making “exceptions” for certain claimants who could, for example, receive housing payments more frequently.⁵⁰ Our colleagues on the Work and Pensions Committee raised concerns last year that the exceptions process “may not accurately identify everyone who will need additional support. It is also likely to be expensive and bureaucratic to operate”.⁵¹ Leeds City Council argued that “time-limited exceptions” should not be used for claimants who, for example, suffered from mental illness and would be likely to have long-term or recurring problems.⁵²

29. DWP has not yet defined what it means by “vulnerable” or set out which claimants will be covered by its “exceptions” to Direct Payments to tenants. Circle Housing Group called on the Government:

46 Ev w16, para 6.2

47 As above

48 Ev 45, paras 3.7 and 3.8

49 DWP, www.dwp.gov.uk/newsroom/ministers-speeches/2011/14-09-11.shtml

50 Ev 95, para 59 [DCLG]

51 HC (2012–13) 576, para 243

52 Ev w66

as a matter of priority to provide guidance on what the term “vulnerable” will mean under Universal Credit and to provide guidance as soon as possible on questions that remain unanswered that have been identified by ourselves and other housing associations as part of this inquiry to provide an element of surety to the sector.⁵³

On the other hand the NHF said that:

The definition of vulnerability—to determine which groups of tenants should continue to have their benefit paid direct to their landlord—to be broad and flexible and include financial vulnerability. Failure to draw this definition realistically risks leading to significant increases in arrears among tenants.⁵⁴

This is supported by other witnesses.⁵⁵

30. Although DCLG states on its website that UC will “ensure sufficient support mechanisms are in place for tenants who may need help managing their finances”, it is not yet clear what these will be.⁵⁶ Lord Freud explained that “we are aiming to avoid the word ‘vulnerable’ and the definition of vulnerable”.⁵⁷ He said that:

To give you an example, if I am heavily disabled, I am at one level to be considered vulnerable, but I might be perfectly capable of handling my financial arrangements, budgeting and everything else. Our approach is to look much more specifically at the types of support somebody is likely to require and tune our efforts in that direction, having established what their requirement is.⁵⁸

31. On 5 February, DWP said in its response to the Work and Pensions Committee’s report on UC that it was not:

Seeking to define “vulnerability” for the purposes of administering Universal Credit. Any attempt to do so would risk some people with complex needs falling outside of the prescribed definitions [...]. As a result full guidance, including financial and vulnerability factors that would trigger a conversation with a claimant about their budgeting needs [...] will be made available to support staff handling these cases.⁵⁹

32. The delay in providing a definition of what constitutes a “vulnerable” tenant and in setting out the “exceptions” that will operate for Direct Payments to tenants needs to be resolved quickly otherwise local authorities and housing associations will be unable to plan effectively. *The Government must provide local authorities and housing providers with a clear set of “exceptions” to Direct Payment to claimants. In addition, whether it*

53 Ev w51, para 1.3

54 Ev 45, para 3.1

55 For example, see Ev w18, para 16 [East 7] and Ev w51, para 1.3 [Circle Housing Group]

56 DWP, www.dwp.gov.uk/policy/welfare-reform/housing-support/

57 Q 205

58 As above

59 DWP, *Government response to the House of Commons Work and Pensions Select Committee’s third report of session 2012–13: Universal Credit implementation: meeting the needs of vulnerable claimants*, Cm 8537, February 2013

calls it guidance or a definition of “vulnerability”, DWP must produce information on which tenants will not receive Direct Payments for local authorities and housing associations quickly. When doing this the Government should bear in mind the need for clarity for tenants and landlords and to minimise bureaucracy for housing associations and local authorities having to assess who will be eligible to have their rent paid on their behalf direct to their landlord. We recommend that any definition or guidance of what constitutes a “vulnerable” tenant should include a wide range of reasons for vulnerability to allow flexibility in its use.

Arrears and collection costs

33. The Government recognises that Direct Payment of the housing element of UC to tenants is a significant change and may have an impact on landlords. Lord Freud said in his 2011 speech to the NHF that:

I am fully conscious that Housing Benefit income streams are a vital component of housing finance, particularly in terms of funding new housing. I am determined that the introduction of Universal Credit, and therefore direct payments to tenants, does not undermine the financial stability of the housing sector. But I remain utterly convinced that there are mechanisms available which will allow us to both introduce a single Universal Credit payment, which includes housing costs, whilst also providing protection for the sector.⁶⁰

34. Lord Freud reiterated to us in January that he was “determined that direct payments will not undermine the ‘financeability’ of housing associations”.⁶¹ We therefore decided to ask whether there are sufficient safeguards in place to protect social landlords from financial harm resulting from Direct Payment to tenants. Our witnesses agreed that rent arrears and rent collection costs would be likely to increase as a result of Direct Payment and that this represented a financial risk to landlords.⁶² The Welfare Reform Club told us that it was “likely” rent arrears would increase “at least in the short-term”.⁶³ We looked at how Direct Payments to tenants had been operating in the private rented sector. The Welfare Reform Club pointed out that, under the Local Housing Allowance, which included the introduction of Direct Payments to tenants in the private rented sector from 2008:

There has been some increase in rent arrears in the private-rented sector as a result of the Local Housing Allowance, particularly where authorities have kept strictly to the policy to pay landlords only in very limited circumstances. If more people are presented with an opportunity to default, whether or not they receive benefits, a proportion of them will do so.⁶⁴

60 DWP, speech by Lord Freud, Minister for Welfare Reform, www.dwp.gov.uk/newsroom/ministers-speeches/2011/14-09-11.shtml; see also DWP, www.dwp.gov.uk/policy/welfare-reform/housing-support/.

61 Q 209

62 Ev w58, para 6.3 [The Riverside Group], Ev 72 [The Welfare Reform Club] and Ev 77 [Wakefield District Housing]

63 Ev 72

64 As above

East Riding of Yorkshire Council said that because arrears were currently increasing in the private rented sector, rent payment direct to private landlords was being increasingly used.⁶⁵

35. Many of our witnesses were fearful of the possible effects on housing associations.⁶⁶ The National Landlords Association (NLA) said that it was “entirely possible” that Direct Payment:

will lead to a greater frequency of rent shortfalls and the possibility of arrears. In turn, this is likely to result in increased costs for housing providers in respect of collecting those arrears, legal proceedings and in the worst cases possession costs.⁶⁷

36. The potential for both arrears and resulting increased collection costs was a significant concern among social housing providers and organisations representing them have told us that many are likely to consider leaving the social rented sector as a result of Direct Payments to tenants. The Residential Landlords Association (RLA) said that a survey of its members showed that 92 per cent would be less likely to rent to social tenants if their current ability, in the private sector, to demand payment of rent direct to them when tenants entered eight weeks of arrears were removed.⁶⁸

37. Another fear was that there would be a knock-on effect on rents. The NLA told us that rents were likely to increase if landlords were unable to negotiate payment of rent direct to them. It pointed out that a change in 2011 had enabled negotiations with local authorities to lower rents in exchange for allowing payments direct to landlords. The NLA told us that the lower rents that had resulted from this “had been made possible by the reduction in risk and cost savings subsequent to the simplification of rent collecting”.⁶⁹ The NLA concluded that:

if this flexibility is removed it is likely that landlords’ collection costs and inherent risk will increase to pre-2011 levels, inevitably leading to increases in rent. Collection costs tend to be higher in respect of LHA recipient households due to the higher level of financial exclusion present in this sector.⁷⁰

38. Some of our witnesses identified several safeguards for social landlords that, they said, would mitigate these risks and which need to be in place for Direct Payments to tenants to work as intended. The first was that there should be an “efficient ‘switch-back’ mechanism to ensure rent was paid direct to the landlord if a tenant builds up eight weeks (or an

65 Ev w41

66 For example, see Ev w3, para 29 [National Landlords Association], Ev w62 [Rochdale Council].

67 Ev w3, para 29

68 Ev 74, para 3.0

69 Ev w3, para 27

70 Ev w3, para 28

equivalent percentage of the annual rent)”⁷¹ The second was that tenants should all have the choice to have their rent paid to their landlord.⁷²

39. As noted, currently under the Local Housing Allowance system automatic switch-back of rent to the landlord is allowed when the tenant enters eight weeks of arrears. Many witnesses called for the same or similar automatic switch-back mechanism to continue under UC.⁷³ The British Property Federation argued that in the social sector the trigger should be at six weeks rather than eight at the start of the rollout of UC:

This would not only represent an improvement on the current [Local Housing Allowance] system but would also help mitigate the overall increases in risks associated with letting to tenants who will be supported by an as yet unknown and untested new benefits system.⁷⁴

In addition, there have been suggestions that an “underpayment trigger” should be used as well as an arrears trigger which would allow landlords to obtain rent when tenants persistently paid less rent than they owed. Evidence from the Direct Payment Demonstration Projects, discussed in detail from paragraph 46, suggest that more tenants would be moved out of Direct Payment due to underpayment than arrears.⁷⁵

40. *If the Government is to meet the assurances it has given landlords, that their financial viability will not be affected by Universal Credit, it should introduce an automatic arrears trigger for switch-back similar to that available under the Local Housing Allowance. Given that this is a new system affecting significant numbers of tenants, the Government should consider starting the rollout of Direct Payments to tenants with a temporary switch-back mechanism with six weeks of arrears, later moving to eight weeks, in order to address the concerns raised by housing associations about initial levels of arrears and collection costs.*

Payment in arrears

41. Several submissions raised concerns that the housing element of UC will be paid one month in arrears. The reason for this provision is to replicate as closely as possible a monthly wage.⁷⁶ Leeds City Council said that monthly payment in arrears would be likely to increase the level of money owed by tenants and it estimated that:

If rent arrears were to increase from £4.2m (2.35% of rent due in 2011/12) to £7m (3.92% of rent due) then it is estimated that the Housing Revenue Account would

71 Ev 44, para 1.2 [National Housing Federation], Ev w18, para 10 [East 7], Ev w58, para 6.1 [The Riverside Group] and Ev w29, para 3.4 [Southwark Council]

72 Ev 44, para 1.4 [National Housing Federation], Ev 74, para 4.1 [Residential Landlords Association] and Ev 83, para 3.6 [Citizens Advice]

73 Ev 44, para 1.2 [National Housing Federation], Ev w44, para 22 [British Property Federation], Ev 77, para 3.2.1 [The Hyde Group] and Ev w3, para 21 [National Landlords Association]

74 Ev w44, para 22

75 Ev 77 [Wakefield District Housing] and DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 16

76 Ev w64, para 5b [Leeds City Council], Ev w88 para 10.1–2 [Liverpool City Region Child Poverty and Life Chances Commission] and Ev 68 [Blackpool Council]

be required to contribute an additional £1m to the bad debt provision. Furthermore, failing to collect 1% of the level of rent due will mean £2m less to spend on Council properties.⁷⁷

Liverpool City Region Child Poverty and Life Chances Commission told us that paying rent one month in arrears would have an effect on housing associations as well as social tenants, and said that:

Backdating under Universal Credit is limited to one month and as the first payment under Universal Credit is likely to be one month after the direct payments application then this will be the limit of backdating possible. Social landlords may have to carry forward more arrears than currently, may have to expend more costs in recovery and think about the time scales and costs of taking legal action.⁷⁸

42. Blackpool Council was concerned that tenants who were unable to pay upfront may take out loans at “punitive interest rates”. The council also said that reduced cash-flow from rent would lead to the provision of the “housing and maintenance service” becoming “unaffordable”.⁷⁹

43. Under the new system of housing benefit payments a proportion of tenants will enter their tenancies one month in arrears. This will lead to reduced cash-flow for housing associations. In addition, we note that most social rent is currently paid on a weekly basis meaning that many housing associations may have to change their systems in order to work with monthly housing payments in arrears. We recommend that the Government hold urgent discussions with the Local Government Association and the National Housing Federation about how this new, automatic four weeks of arrears for many tenants will be managed. The Government must also set out how any reduced cash-flow will be funded.

‘Jam-jar accounts’

44. A set of financial products, so-called “jam jar” bank accounts have been suggested by the Government as a solution to potential problems with Direct Payment.⁸⁰ These budgeting accounts would allow the creation of accounts where money coming in earmarked for a specific purpose could not be spent on anything else. These accounts would allow tenants to see the money for rent passing through their account each month but—because it would be ring-fenced—they would not be able to spend it on anything other than housing costs. Similar accounts are already offered by financial service providers and credit unions at a monthly cost. In September 2012, the Government called for providers to introduce these financial products for UC claimants.⁸¹ The NHF told us that it welcomed the creation of these products as a safeguard against tenants going into arrears.⁸²

77 Ev w64, para 5b

78 Ev w88, para 10.1–2

79 Ev 68 [Blackpool Council]

80 “New financial products to help Universal Credit claimants manage money”, DWP press release 17 September 2012

81 As above

82 Ev 46, para 3.23

These jam jar accounts, alongside a switch-back mechanism (for those not using jam jar accounts) and allowing “vulnerable” tenants to have payments made to their landlords, are intended to provide a package of measures to protect against risk of default under Direct Payment.

45. We welcome the Government’s plans to encourage the introduction of budgeting or “jam-jar” accounts which would allow tenants to see benefit payments moving in and out of their account without the risk of the money being spent on other things. This would provide both transparency for tenants and security for landlords. More information is needed from DWP, however, on how these accounts would work and who would pay for them.

Direct Payment Demonstration Projects

46. DWP recognises that the changes are significant and is running pilots to inform the new system. Six Direct Payment Demonstration Projects across Great Britain are currently being run by DWP in order to test “a number of different aspects of direct payment of housing benefit to social housing sector tenants, ahead of changes that form part of Universal Credit”.⁸³ The projects began between June and August 2012 and are due to report in June 2013. The project areas are:

- Dunedin Canmore Housing Association in Edinburgh, working with the City of Edinburgh Council;
- Oxford City Council and Oxford Citizens which is part of the Greensquare Group, Southern England;
- Shropshire Unitary County Council and Bromford Group, Sanctuary Housing and the Wrekin Housing Trust, West Midlands;
- Southwark Council and Family Mosaic, London;
- Torfaen County Borough Council and Bron Afon Community Housing and Charter Housing, Wales; and
- Wakefield Metropolitan District Council and Wakefield and District Housing, Northern England.⁸⁴

47. DWP provided some initial findings from these projects in a report released in December 2012. Over the first four months of the projects 6,220 tenants were paid rent directly. The current standard average collection rates for housing associations is in the range of 94 to 96 per cent of rent due. Housing Minister, Mark Prisk MP, has told us that housing associations had said to him that there would be “bad implications” for them if rent collection rates dropped below these levels.⁸⁵ The collection rates over the projects ranged from 88 per cent to 97 per cent. “Over the first four months, 6,220 tenants were

83 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 3

84 As above

85 Q 217

paid their housing benefit directly. Against a total level of rent charged of £7,692,844 over the period, payment collection rates stood at 92%”.⁸⁶ This indicates that £615,427 in rent went uncollected over the period.⁸⁷

48. Because the projects are designed to test different methods for operating Direct Payments to tenants, the information available from each project varies—for example, not all results include collection rates—and some figures are not directly comparable. The initial findings do, however, give an indication of how Direct Payments to tenants may affect tenants and landlords when they are introduced nationally. The early indications bear out expectations that arrears are likely to increase, at least in the short term. Kevin Dodd, Chief Executive of Wakefield and District Housing, which had over 1,000 tenants involved in the project told us that:

Overall, we have seen an increase in debt to about 11% of the debit [rent owed], which normally on 31,000 properties is 2.9%. People who came into the demonstration pilot with no arrears now have an average of £180 debt going forward.⁸⁸

Not all the pilots provided precise figures on how many tenants took part or the level of arrears so far. The Edinburgh project shows that among the approximately 2,000 tenants participating, arrears have increased to £27,507.⁸⁹ The report qualifies this figure saying that Edinburgh is testing a four week switch-back mechanism which means that it is not comparable to other projects.⁹⁰ The Oxford project reported increased arrears but said that the trend was for “arrears to steadily reduce after the initial payment”.⁹¹ The Torfaen project reported that its tenants had eight weeks to pay their rent and said that “arrears are moving up and down over the payment cycle”. It added that “payments are taking longer to arrive and the trend we are seeing in arrears is an adverse upward one”.⁹²

49. Overall the projects seem to indicate that late payment of rent is likely to be as much of an issue as non-payment. The Edinburgh project reported that “in respect of October’s rent debt, over 50% of rental income due was received up to two weeks after the period end close”.⁹³ The Shropshire project reported that tenants were clearing their arrears within four weeks of rent being due “meaning that over time arrears are settled”.⁹⁴ The Torfaen project reported that:

86 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 4

87 As above

88 Q 142

89 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 7

90 As above

91 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 9

92 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 15

93 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 7

94 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 11

Our experience of switchback is that it is currently being triggered by repeated underpayment rather than non-payment of rent suggesting it will be an essential safeguard under Universal Credit.⁹⁵

50. On the costs associated with educating and supporting tenants the Edinburgh project reported that:

Engagement, advice on budgeting and financial inclusion will involve markedly more intense housing management resource commitment and staff liaison than has traditionally been the case.⁹⁶

The fact that the cost of providing support and information to tenants in these projects was high is particularly significant given that tenants were able to opt out or were selected for participation in the projects. This indicates that the results of rolling out Direct Payments nationwide may be that arrears will be higher than has been seen in the pilot areas where the most vulnerable tenants can self-exclude or be screened out. The limited number of tenants participating also means that housing associations and local authorities have been able to concentrate their resources on a proportion of their tenants in their housing stock rather than all tenants. The pilots will also differ from any national rollout because they are not operating alongside the other changes to welfare which will increase pressures on many household budgets—for example, with reduced Council Tax relief. In addition, some groups of tenants were identified by their housing association as at risk of non-payment and were given additional support to prepare them for Direct Payment.⁹⁷ But this assumes an additional cost: the Torfaen project reported that increased arrears in its project were “a concern” as it had “proven difficult to identify and access additional capacity amongst existing support providers locally” and:

With one member of staff to every 160 tenants in the project our collection costs have risen significantly.⁹⁸

51. Southwark Council told us that the cost of providing support and advice to claimants, as well as informing them of the changes, was likely to be significant.⁹⁹ Citizens Advice also said that:

the evidence we have seen from the local "Demonstration Projects" suggests that preparing claimants for this change needs significantly more resources than was anticipated. We also understand that some [local authorities] have found that this work has impacted adversely on their day-to-day activity, including rent collection and arrears recovery.¹⁰⁰

95 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 15

96 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 5

97 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, pp 8 and 12

98 DWP, *Direct Payment Demonstration Project: Payment figures*, December 2012, p 15

99 Ev w29, para 3.4

100 Ev 82

52. **Information available from the Direct Payment Demonstration Projects shows that rent arrears have risen initially and then fallen back, settling at higher than the original levels. We recommend that, if arrears rise significantly when Direct Payment is rolled out nationally, the Government works with the LGA and the National Housing Federation to consider what additional measures it will put in place for tenants to help them reduce their arrears.**

53. Providing general financial education, as well as specific information and guidance, to tenants will play an important role in the effective implementation of Direct Payments to tenants nationally. **In this context we welcome the Government’s announcement that financial education will be added to the national curriculum in 2014. However, it will take time before it has an effect and in the meantime we recommend that the Government take the opportunity offered by the changes to welfare to work with the Local Government Association and National Housing Federation to develop methods to encourage more people, particularly benefit claimants, to engage in financial education.**

Timing of the pilots

54. DCLG told us that the results from the Direct Payment Demonstration Projects which are due in June this year would be “feeding into the design of Universal Credit”.¹⁰¹ DCLG explained that it was

testing out how best to support people to manage their finances so they don’t miss rent payments and are able to manage their own budgets, and how to support landlords if people do miss rent payments.¹⁰²

55. Several of our witnesses told us that the results of the projects needed to be made available more quickly than was planned.¹⁰³ Durham County Council, which described the timescales for introducing the changes under UC as “very challenging”,¹⁰⁴ told us that:

There is a very short window between the completion of the Universal Credit pilots and the proposed launch in October 2013. The DWP has stated that no decision would be made on the future role, or future funding of councils on UC until after the pilots have finished and been assessed in September 2013, which is just one month ahead of the planned national roll-out.¹⁰⁵

The Chartered Institute of Public Finance and Accountancy told us that:

We consider it crucial that the lessons from welfare reform [Direct Payment] pilot areas [...] should be shared nationally—and in sufficient time for the lessons to sink in and for appropriate action to be taken in authorities.¹⁰⁶

101 Ev 90, para 6

102 As above

103 Ev w57, para 4.1 [The Riverside Group], Ev 50 [Chartered Institute of Housing], Ev w26, para 5.2 [Chartered Institute of Public Finance and Accountancy] and Ev 45, para 3.8 [National Housing Federation]

104 Ev w10, para 18

105 Ev w10, para 20

106 Ev w25, para 3.3.c

56. The purpose of a pilot is to inform and refine the operation of a policy. We recommended in our 2012 report on the Financing of New Housing Supply, that the Government should:

set out clear criteria by which the success of these projects will be judged [...]. We further recommend that the Government only proceed to direct payment to social tenants if and when any issues identified by the pilots have been fully resolved.¹⁰⁷

In its response to us the Government said that the projects were being “independently evaluated by a research consortium”.¹⁰⁸

57. We welcome assurances from the Government that the results of the Direct Payment pilots will feed into the design of Universal Credit and assist in the development of safeguards. To minimise the risk of unexpected additional expenditure and the need to make unplanned changes after implementation, we recommend that the Government ensure that the results from the pilots are published in time to allow any changes to be properly factored in to plans for the national roll-out.

58. The Government must clearly set out what level of arrears it thinks will be sustainable in the medium to long term for housing associations and at what level it will consider introducing additional safeguards or limiting the use of Direct Payment.

Social Sector Size Criteria

59. Social Sector Size Criteria (SSSC) referred to by some witnesses as the “bedroom tax”, is being introduced from 1 April.¹⁰⁹ Under SSSC households that under-occupy one bedroom will have their housing benefit reduced by 15 per cent. Housing benefit will be reduced by 25 per cent if two or more bedrooms are under-occupied.¹¹⁰ The aim of this measure is to:

encourage claimants to take responsibility for their financial decisions and support landlords to make the most efficient use of their stock.¹¹¹

60. Several of our witnesses said that the introduction of the SSSC would place an additional strain on households, which could lead to them being less able to pay their rent.¹¹² Stockton-on-Tees Borough Council argued that there was insufficient supply of small properties to allow it to find appropriate homes for those currently over-occupying in the social rented sector. It said that:

¹⁰⁷ Communities and Local Government Committee, Eleventh Report of Session 2010–12, *Financing of New Housing Supply*, HC 1652, para 70

¹⁰⁸ DCLG, *Government response to the Committee’s Eleventh Report of Session 2010–12: Financing of New Housing Supply*, Cm 8401, July 2012, p 7

¹⁰⁹ Ev w68 para 25 [Institute of Revenues, Ratings and Valuation], Ev 81–82 and Ev 83, paras 2.5 and 3.5 [Citizens Advice], Ev w122, para 2.3 [RNIB], Ev w21 16, para 4.1 [Core Cities Group], Ev w59 [Rochdale Council], Ev w56, para 2.3 [The Riverside Group], Ev w70, para 3.1.1 [Stockton-on-Tees Borough Council], Ev 78 [Wakefield District Housing], Ev w97 [Hull City Council] and Ev w86, para 4.1 [North West Landlords Association]

¹¹⁰ Ev 89, para 2 [DCLG]

¹¹¹ As above

¹¹² Ev 46, para 3.26 [National Housing Federation], Ev w14, para 2.1 [London Councils], Ev w29, para 3.4 [Southwark Council] and Ev w79 [West Midlands Metropolitan Councils]

Stockton like many northern local authorities has a ‘mismatch’ between social/affordable housing supply and demand i.e. the current make-up of social/affordable rented housing does not mirror the ‘actual’ demand from both current and prospective tenants. This historically has resulted in properties being let on a ‘known’ under-occupancy basis and will inevitably impact on our local RPs ability to offer suitable, smaller accommodation to their tenants.¹¹³

We concluded in our 2012 report on *Financing of New Housing Supply* that there was a “major housing shortage”¹¹⁴ in the UK which was likely to exacerbate problems for housing providers trying to find appropriate properties for tenants. In our report we identified measures to raise finance to increase the supply of housing including:

- encouraging housing associations to work with institutional investors;¹¹⁵
- overcoming the barriers to the establishment of residential Real Estate Investment Trusts;¹¹⁶
- piloting a housing investment fund;¹¹⁷
- expanding the Green Investment Bank to cover housing;¹¹⁸
- introducing plans for delivery of affordable housing post-2015;¹¹⁹
- the use of bonds by housing associations;¹²⁰
- consulting on arrangements for the future financing of housing associations;¹²¹
- suggesting housing associations enter into equity-sharing arrangements with local authorities and developers;¹²²
- lifting the local authority borrowing cap and enabling the sharing of borrowing power between local authorities;¹²³
- allowing arms-length management associations to adopt new models;¹²⁴
- making changes to Government accounting;¹²⁵

113 Ev w70 para 3.2.1

114 HC (2010–12) 1652, p 68 ff

115 HC (2010–12) 1652, para 26

116 HC (2010–12) 1652, para 32

117 HC (2010–12) 1652, para 40

118 HC (2010–12) 1652, para 41

119 HC (2010–12) 1652, para 60

120 HC (2010–12) 1652, para 73

121 HC (2010–12) 1652, para 87

122 HC (2010–12) 1652, para 86

123 HC (2010–12) 1652, paras 93–96

124 HC (2010–12) 1652, para 101

- the use of bonds by local authorities;¹²⁶ and
- releasing public land for development.¹²⁷

61. DCLG told us that it was providing support for local authorities in advance of the introduction of SSSC and had issued guidance for local authority staff on applying the SSSC, including “model letters and leaflets to aid local authorities in publicising these changes”.¹²⁸ DCLG is also funding a group inside the Chartered Institute of Housing “to provide practical support to help landlords tackle under-occupation”.¹²⁹

62. The fundamental problem has been a long-term failure to build sufficient homes. In our report on the *Financing of New Housing Supply* we have already made recommendations, listed in this report, which would begin to address this issue which we urge the Government to consider. The consequent shortage of properties which currently exists in most places means that there are simply not sufficient suitable properties available for people to move into in order to use existing stock effectively. In conjunction, local authorities and housing associations should develop policies and incentives to encourage tenants to move into suitable smaller properties and then to reflect the need for such properties when developing new stock.

63. We welcome the Government’s recent announcement that serving members of the armed forces and families with children with certain disabilities would be exempt from Social Sector Size Criteria (SSSC). *The Government should now look at the impact of SSSC on people with disabilities and parents who care for children part-time.*

125 HC (2010–12) 1652, para 103

126 HC (2010–12) 1652, para 106

127 HC (2010–12) 1652, paras 107, 110, 147

128 Ev 90–91, para 11

129 As above

4 Localisation of the Social Fund

64. In this chapter we examine the implementation of the changes being made to the Social Fund, the funding of local welfare provision to replace the Social Fund and the information being made available to local authorities by the Department for Work and Pensions (DWP). The currently centrally administered and cash-limited Social Fund—established in the 1980s—comprises discretionary elements and statutory elements, such as Funeral Payments and Winter Fuel Payments. From 1 April this year two of the discretionary elements of the Social Fund will be withdrawn:

- a) Short term Crisis Loans which are currently available to those facing unforeseen emergencies or disasters and are not dependent on a claimant being in receipt of any benefits;¹³⁰ and
- b) Community Care Grants which are available to those receiving certain income-related benefits. These can be used to support a person to remain in, or establish themselves within, a community or for expenses such as visiting a sick relative.

65. From 1 April Local Authorities will be able to provide such services as they think appropriate to replace the withdrawn elements of the Social Fund using non-ringfenced funding from central Government. This change is designed to allow local authorities to “develop tailored support based on their communities’ needs”.¹³¹ The Government has assured local authorities that they will not have to set up their own “new schemes” to replicate the Social Fund, and provision of local support will not be a statutory requirement.¹³² No central guidance on developing local schemes has been provided. Instead, Steve Webb MP, Minister of State for Work and Pensions, sent a letter in December 2012 to local authorities, in order to provide “clarity on the purpose of the funding”, leaving them to decide how to spend the money locally.¹³³

Funding local schemes

66. We heard concerns from several councils that the Government was providing insufficient funding for local authorities to set up, administer and operate the new schemes. In addition, councils told us that the timescale for introducing the changes and a lack of information (as opposed to guidance) from DWP were hampering implementation of the changes and preventing innovative and locally tailored programme design. We address each of these issues in turn.

130 A specific type of Crisis Loan, paid in response to problems with receiving benefit, will be replaced with Short Term Advances administered nationally by the Department for Work and Pensions within Universal Credit.

131 Ev 89, para 2 [DCLG]

132 Ev 94, para 46 [DCLG]

133 “Abolition of the discretionary Social Fund and transfer of programme funding for a new provision”, letter to local authorities in England from Steve Webb MP, Minister of State for Work and Pensions, December 2012

67. The Government consultation on local support to replace the Social Fund said that:

We recognise that the design, set up and delivery of the new assistance will place an additional burden on local authorities and we are committed to ensuring that this is funded in full by central government.¹³⁴

Therefore administrative and start-up funding—separate from programme funding from DWP—is being provided for the first two years. Total start-up funding in 2012–13 for England is £1.4 million¹³⁵—1 per cent of the total programme budget—which the Government said was “reasonable being both prudent and giving authorities a degree of flexibility according to their intentions”.¹³⁶

68. Evidence we received from local authorities suggests that setting up local systems to provide assistance to replace Crisis Loans and Community Care Grants by 1 April has proved resource intensive and some have suggested that the start-up funding on offer may not be enough. Hackney and Newham Councils told us that start-up funding provided had been insufficient because local authorities needed to set up schemes to cope with a far more diverse set of claimants than they currently dealt with through existing funds such as Discretionary Housing Payments (discussed at paragraph 76).¹³⁷

69. West Midlands Metropolitan Councils said that funding for setting up and administering programmes in 2012–13 was not enough and that this money had in some areas covered IT costs alone.¹³⁸ It told us that the Government had made no allowance for “the considerable investment councils are providing in terms of staff time to prepare, and further costs attributed to staff recruitment, training and equipment”.¹³⁹ Croydon Council, told us that the Social Fund represented “an entirely new scheme, and new area of work” for the authority.¹⁴⁰ It said that, even if existing IT suppliers were used to develop Social Fund schemes, additional expense would be incurred renegotiating contracts.¹⁴¹

Programme funding

70. For the first two years from 2013–14 programme funding of £144.2 million will be available which the Government said “represents a generous settlement, and aligns with both current Departmental spend and what [local authorities...] asked for during consultation”.¹⁴² This programme funding for local schemes will be allocated to individual authorities on the basis of discretionary Social Fund spend in each area for 2012–13. The funding for individual local authorities is currently indicative as DWP will not know the

134 DWP, *Local Support to replace Community Care Grants and Crisis Loans for Living Expenses: A Call for Evidence*, February 2011, p 4, para 3.3

135 *Localisation of the Social Fund*, Standard Note SN06413, House of Commons Library, November 2012, p 8

136 DWP, *Settlement funding frequently asked questions*, December 2012, p 3

137 Ev w83 and Ev w100

138 Ev w78

139 As above

140 Ev w48, para 3.8.1

141 As above

142 DWP, *Settlement funding frequently asked questions*, December 2012, p 3

final figure for spend in 2012–13 until after 1 April.¹⁴³ Programme funding will be divided by area on the basis of “legitimate demand” which the Government has said will take into account measures currently being taken to reduce demand for Crisis Loans.¹⁴⁴

71. We raised concerns in our 2011 Report about the method being used to calculate future demand for local provision based on past Social Fund spending in 2011–12.¹⁴⁵ The Government responded that a review of its methodology conducted in 2011 had suggested that demand for Community Care Grants was “relatively stable over time” with the implication that past demand could be used as a good indicator for future demand and that it was now confident of its methodology for calculating future need.¹⁴⁶ On this basis the indicative amounts allocated to local authorities are likely to be an accurate representation of the actual funding they will receive.

72. Rochdale Council told us that total programme funding “is unlikely to be adequate to cover all needs” because, when the Government set the budget for localised Social Fund provision, it did not take into account the likelihood of increasing demand, resulting in part from the “economic context generally and welfare reform in particular”.¹⁴⁷ Rochdale Council said that:

The transfer of the social fund from DWP to local authorities brings opportunities to deliver services / financial support to families in crisis locally and more tailored to the needs of families in the Rochdale community. However, this comes at a time when more families may find themselves in crisis due to the abolition of housing benefit, changes to council tax support, the impact of other welfare reform changes and the impact of universal credit as this filters through to claimants.¹⁴⁸

Availability of information

73. Durham County Council told us that, because there will be no transition period for the introduction of local support before 1 April, local authorities will be unable to assess the actual levels of demand for the funding allocation in their areas.¹⁴⁹ The provision of comprehensive information from DWP about current Social Fund spending by area will therefore be especially important for local authority planning. Several councils said that there had been insufficient information made available from DWP about current Social Fund spending.¹⁵⁰ West Midlands Metropolitan Councils said:

143 “Abolition of the discretionary Social Fund and transfer of programme funding for a new provision”, letter to local authorities in England from Steve Webb MP, Minister of State for Work and Pensions, December 2012

144 DCLG, *Government response to the Communities and Local Government Select Committee’s Report: Localisation Issues in Welfare Reform*, Cm 8272, January 2012, p 8, paras 24–25

145 HC (2010–12) 1406, para 21

146 Cm 8272, p 8, para 25

147 Ev w62; see also Ev w102 [London Borough of Newham].

148 Ev w60–w61, para 5

149 Ev w9, para 7

150 Ev w102 [London Borough of Newham], Ev w40 [East Riding of Yorkshire Council], Ev w10 [Durham County Council], Ev w28 [London Borough of Southwark], Ev w47 [London Borough of Croydon], Ev w107 [London Borough of Tower Hamlets], Ev w15, para 4.3 [London Councils] and Ev w63 [Leeds City Council]

DWP have been reluctant to provide detailed information about the delivery of the current social fund. This has placed [local authorities] in a position of establishing local provision without a clear understanding of the level and type of demand that they are likely to encounter from 1 April 2013.¹⁵¹

Southwark Council told us:

in not helping local authorities to understand the nature of local demand for the Social Fund, the Government has inadvertently hindered the development of innovative solutions involving local authority partnering which by their nature take longer to develop.¹⁵²

74. Lord Freud told us that there had been “mutual frustration” for the Government and local authorities because DWP was not legally permitted to transfer certain data to local authorities.¹⁵³ The situation had improved, he said, because “primary powers in the Welfare Reform Act” had been used to allow the Government to send certain types of information to local authorities.¹⁵⁴ He added that “we are reviewing it the whole time, and we may have to make specific moves” to update the legislation.¹⁵⁵ ***We recommend that the Government make available to local authorities the information they need about current Social Fund spending in their area as quickly as possible to enable them to assess accurately the level of local provision that will be needed.***

75. As we have noted, the money provided for replacing Social Fund provision will not be ring-fenced, in order to allow local authorities discretion over how it is spent. We heard concerns that money allocated to local authorities might be spent on existing programmes rather than on locally tailored support. The Government said, in the settlement letter of 6 August 2012 setting out the funding, that “spending decisions are, and will continue to be, a matter for local authorities and the Government does not intend to start placing restrictions on any future decisions they may make on funding.”¹⁵⁶

76. Citizens Advice said that the main channel into which funds from local Social Fund provision may be diverted is Discretionary Housing Payments (DHP).¹⁵⁷ DHP are met from a cash-limited fund with which local authorities can provide additional assistance to those in need of housing support. Although funding of £390 million for DHP to cover the remainder of the current Spending Review has been announced by Government including assistance for those affected by the reforms to welfare, several witnesses considered the funding to be “insufficient” to cope with expected need.¹⁵⁸ The National Audit Office (NAO) in its report *Managing the impact of Housing Benefit reform* questioned the basis for the funding allocation for DHP and whether it would be enough to allow local

151 Ev w77

152 Ev w29, para 3.3

153 Q 247

154 Q 246

155 Q 248

156 “Abolition of the discretionary Social Fund and transfer of programme funding for a new provision”, letter to local authorities in England from Steve Webb MP, Minister of State for Work and Pensions, August 2012

157 Ev 82

158 Ev w122–w123, para 2.3 [RNIB], Ev w13, para 2.8 [London Councils] and Ev w11, para 27 [Durham County Council]

authorities to tackle the impacts of the reforms.¹⁵⁹ London Councils commented that as there was no system in place for reviewing funding levels for DHP it was not clear how any shortfall would be addressed. *We expect that there will be pressure to divert funding for replacing Social Fund provision to support Discretionary Housing Payments (DHP).*¹⁶⁰ It is a matter for local authorities how they allocate non-ring-fenced money from central Government to provide local support in place of the Social Fund.

77. The Government gave local authorities an assurance that replacing the Social Fund would not result in additional unfunded burdens. Replacing Social Fund provision locally is a new area of work for local authorities and represents a major change in their costs particularly when taken together with DHP, the demand for both of which is difficult to forecast. *The Government must ensure that local authorities are provided with the funding they need to set up and administer local support schemes and deal with reasonable demands for DHP from 1 April. We recommend that the Government meet with the Local Government Association after 12 and again after 24 months to review the level of support required and decide on the appropriate level of additional funding if local authorities are incurring reasonable, unfunded costs.*

Monitoring provision

78. Transferring any funding responsibility from central government raises the question how accountability for that funding will be maintained. In 2011 we heard of concerns about a possible “‘postcode lottery’ of support” resulting from the localisation of Social Fund provision but concluded that local authorities were best placed to “refine and deliver” these programmes.¹⁶¹ However, we recommended that central Government clearly identify the money allocated to local authorities and collect information about its use for a period of five years.¹⁶² The Government responded that it was for “local authorities to account to their residents on the scope and quality of the service they provide”.¹⁶³ In our current inquiry Citizens Advice raised the issue of monitoring the use of Social Fund money spent by local authorities. It pointed out that because of the number of different ways the money could be spent it would be difficult to assess where, and how effectively, the Fund was being used alongside other budgets such as funding for the voluntary sector.¹⁶⁴ It concluded that local authorities:

should be required to provide to the public detailed information as to how these resources are being deployed. [Local authorities] should be able to identify clearly a resource to help people in times of crisis and to support independent living.¹⁶⁵

159 NAO, *Managing the impact of Housing Benefit reform*, HC (2012-13) 681, 1 November 2012, p 27, para 2.15, and Ev w14, para 2.7 [London Councils]

160 HC (2012-13) 681, p 27, para 2.15, and Ev w14, para 2.7 [London Councils]

161 HC (2010-12) 1406, paras 16 and 25

162 HC (2010-12) 1406, para 25

163 Cm 8272, p 8, para 30

164 Ev 82, para 2.7

165 Ev 84, para 3.9

79. The Local Government Ombudsman has predicted “huge variance”¹⁶⁶ in locally designed schemes, which suggests that centralised monitoring would be challenging and expensive. **We recognise and accept that the Government should not take on responsibility for monitoring how local authorities use resources locally for the replacement of the Social Fund. However, it is important that local authorities are fully accountable to the public in their area for how they use these resources. We therefore recommend that Government requires local authorities to make information about how they spend localised Social Fund money available in a format that is simple for the public to understand. At the national level, the Government should use this information for high level monitoring of the operation of the new arrangements over the next five years, to assess how local authorities are deploying these resources and whether any vulnerable residents risk falling between the gaps in provision after 1 April 2013.**

National guidelines

80. A consequence of having locally designed welfare schemes will be variation in the ways that support is provided in different areas. This raises the possibility of some areas developing provision that is more generous than others, and the possibility that variation in the arrangements may provide an incentive for some people to move between areas. A further consequence of growing variation between local authority areas is the potential for some groups to be excluded from provision, for example, as a result of residency criteria.

81. Camden Council raised concerns about the potential for significant numbers to move across boundaries, particularly in areas in London with a high number of rough sleepers, on account of differences between neighbouring authorities’ schemes especially if they had different residency criteria.¹⁶⁷ In the wider context of the operation of the local Social Fund, however, we heard no evidence that the changes will lead to widespread ‘benefit chasing’. **Although we found no evidence to support fears that the localised arrangements replacing the Social Fund would provide widespread incentives for ‘benefit chasing’, we have concerns that problems may arise in specific areas, especially in those local authorities with significant transient populations such as rough sleepers. We recommend that the Government provide local authorities with guidance on whether they have any responsibility to provide assistance, in the absence of the national Social Fund, to rough sleepers moving into their area and how such provision should apply to rough sleepers who have recently received support from another local authority.**

82. Residency criteria can be used by councils to ensure that local programmes support their local populations. Citizens Advice, the Local Government Ombudsman and Child Poverty Action Group were all concerned that some localised Social Fund provision might have strict residency criteria or include a requirement for claimants to have a local connection because the money for the provision would be seen to be itself local.¹⁶⁸ Citizens Advice told us that such conditions would make it difficult for victims of domestic violence to claim support in a new area.¹⁶⁹ We received some evidence that local authorities were

166 Ev w32

167 Q 83 [Lesley Pigott]

168 Ev 80, para [Citizens Advice], Ev w32 [Local Government Ombudsman], Ev w36, para 30 [Child Poverty Action Group]

169 Q 173 [Gillian Guy]

planning to provide support to those people who might fall foul of strict residency criteria. Blackpool Council told us that the criteria it would use for allocating welfare provision would “be more robust” than the current Social Fund and be “based on residency [...] with exceptions such as domestic abuse”.¹⁷⁰ **Local authorities that introduce a ‘local connection’ criteria into their local Social Fund provision should ensure that support is not denied to individuals who are displaced from their usual residence because of domestic violence.**

5 Localisation of Council Tax Support

83. Council Tax Benefit (CTB) is a national income-related benefit currently administered by local authorities on behalf of the Department for Work and Pensions (DWP) and designed to assist those on low incomes to pay their council tax. In this chapter we examine the implementation of the changes being made to the current CTB system, which is being discontinued and replaced by localised council tax support schemes designed and administered by local authorities. Before we look at implementation we first briefly set out the changes being made.

Separation of Housing Benefit from Council Tax Benefit

84. Currently those claiming Housing Benefit and Council Tax Benefit apply to their local authority for both benefits. Later in 2013 this will change so that housing payments will be part of Universal Credit (UC) and will be claimed from DWP. Between 1 April 2013 and 2017, all benefit claims, starting with new claims, will be transferred to UC which will cover housing payments. Localised Council Tax Support (CTS), which from 1 April will replace CTB, is not part of UC and will be claimed from local authorities. Under the new arrangements those claiming both CTS and the housing element of UC will need to make separate claims to different government bodies from some point between October 2013 and 2017.

85. One of the main aims behind UC is to simplify the benefits system by creating a ‘universal’ benefit. The decision to separate housing benefit from Council Tax Benefit has drawn criticism from witnesses who say that it is contrary to the main thrust of the welfare changes.¹⁷¹ Their concerns were that incentives to seek work could be undermined; claimants would be confused about where to claim, where to go to for help and by changes in CTS when they moved from one area into another; claimants would have to provide information to two separate organisations; and there would be duplication of administration including appeals processes. We discuss each of these concerns below.

Work incentives

86. One of the primary aims of welfare reform is to remove disincentives to work. The Department for Communities and Local Government (DCLG) explained in its submission that under the current welfare arrangements “people on out of work benefits have no incentive to do work of more than 16 hours a week as their earnings are deducted pound for pound from their benefit after a small disregard”.¹⁷² UC is therefore designed to ensure that claimants would always be better off in work because benefits would be withdrawn on a single taper at a slower rate than their increase in earnings.

171 Ev 50 [Chartered Institute of Housing], Ev 87 [Shelter], Ev 82–83, para 2.8 [Citizens Advice], Ev 76–77, para 3.1.1 [Hyde Group], Ev w120, para 8 [Waverley Borough Council], Ev w125, para 3.0 [RNIB], Ev w26, para h [Chartered Institute of Public Finance and Accountancy], Ev w30, para 3.6 [Southwark Council], Ev 67, para 8 [Blackpool Council], Ev w38 [District Councils’ Network], Ev w44, para 24 [British Property Federation] and Ev w48–w49, para 3.6.1–3 [London Borough of Croydon]

172 Ev 88

87. A concern expressed to us about giving local authorities autonomy over the design of their own local CTS schemes was that work incentives could be compromised. Shelter said that because each local authority would individually determine eligibility and withdrawal criteria for CTS it would be possible for an authority to undermine work incentives by withdrawing CTS too quickly when a claimant entered work.¹⁷³ It said that:

There will be very different schemes for withdrawal rates and that sort of thing, so a lot of the attractions of universal credit, which we would have been happy to support, have unfortunately been undermined by localising the council tax benefit.¹⁷⁴

88. The taper rate set for UC is 65 per cent of net earned income, which means that a claimant earning below the tax threshold who was paid £1 extra would lose 65p from UC (65 per cent of their additional earnings).¹⁷⁵ A claimant in work earning an extra £1 would lose 32p in additional income tax and National Insurance payments but then have just 44.2p removed from their UC (which is 65 per cent of their additional net earnings of 68p), making a total of loss of 76.2p. Lord Freud, Minister for welfare reform at the Department for Work and Pensions, said that “the localisation of council tax means that local councils are able to design their own way of providing rebates” and he said that “we are encouraging them to do that in a way that does not conflict with the work incentives of universal credit”.¹⁷⁶ The Government provided a taper rate in its template CTS system for local authorities which matched the existing CTB rate of 20 per cent. On the basis of the figures available to us in March 2013¹⁷⁷ the table below shows taper rates with number of local authorities proposing to set at each level:

Taper rate	No. of local authorities
15%	3
20%	303
21%	1
25%	14
30%	4
35%	1

173 Ev 87, para 14

174 Q 180 [Kate Webb]

175 Institute for Fiscal Studies briefing note 116, *Universal Credit: A Preliminary Analysis*, 2011, p 9

176 Q 235

177 New Policy Institute, “Impact of the localisation of council tax support”, <http://counciltaxsupport.org/>

89. Under the new arrangements from 1 April 2013 two sets of tapers will operate for taxpaying claimants:

- a) gross income tapers for National Insurance (12 per cent) and Income Tax (20 per cent);
- b) net income tapers for UC (65 per cent); and
- c) CTS (between 15 per cent and 35 per cent).¹⁷⁸

90. The Government has provided in regulations for the default CTS scheme that the CTS taper should be applied after the tapers at (a) and (b) have been calculated and applied. This approach avoids a claimant losing all, or nearly all, of any additional income they earn by capping deductions at 81 per cent. Currently the maximum deduction rate for in-work benefits is 96 per cent. The Government has “encouraged” local authorities producing their own CTS schemes “to consider adopting this approach” and apply the CTS taper to the income remaining after UC and National Insurance and Income Tax tapers “to help ensure that work pays”.¹⁷⁹

91. For illustrative purposes and taking no account of taxation disregards and other features of local CTS schemes, the approach suggested by the Government would mean that when a tax-paying claimant earned an extra £1 they would have 32 pence of that £1 deducted by the tapers at (a) which, acting in combination, would leave 68 pence. From this, 44.2 pence (65 per cent of the remaining additional income) would be deducted by the UC taper leaving 23.8 pence. Applied to that, a 20 per cent CTS taper would allow 19.1 pence extra income. In this case the total deductions would add up to 81 per cent. Where an authority applied a 35 per cent CTS taper the total deductions would be 84.5 per cent leaving 15.5 pence in additional income.

92. Both of these examples rely on the CTS taper being applied on net income remaining after the income tapers at (a) and (b) have been calculated and applied. However, local authorities are not required to adopt this approach and information on how far authorities have taken the Government’s recommended approach is not available to us. In the case where a local authority did not follow the Government’s suggestion and applied the CTS taper in combination with the UC taper the consequences would be very different. To illustrate, if a local authority had a 20 per cent CTS taper a claimant would have 85 per cent of their additional income deducted because the UC and CTS tapers (85 per cent combined)¹⁸⁰ would leave 10.2 pence from the 68 pence left after applying the tapers at (a). If a local authority had a 35 per cent CTS taper in these circumstances claimants would therefore, in this worst case scenario, lose 100 per cent of their additional earnings.¹⁸¹

93. Even on the basis of the imprecise calculations we have set out we can reach a number of conclusions. **As the taper reducing Universal Credit for a claimant entering employment or increasing his or her earnings is fixed at 65 per cent, the level of the**

178 New Policy Institute, “Impact of the localisation of council tax support”, <http://counciltaxsupport.org/>

179 DCLG, ‘Localising Support for Council Tax: Taking work incentives into account’, December 2012, p 4

180 That is, $68 - (68/100 \times (65 + 20)) = 10.2$.

181 That is, $68 - (68/100 \times (65 + 35)) = 0$.

local Council Tax Support (CTS) taper, set by each local authority, and how it is calculated will help either to incentivise or produce a disincentive for claimants to move into work. Given the pressures on local authorities to make savings on their CTS schemes many of them are to be commended for setting the taper at the Government's guideline of 20 per cent. These pressures are unlikely to dissipate with the passage of time. As we note later in this chapter, the grant introduced for 2013–14 to assist in the administration of CTS schemes which meet certain conditions—including a taper rate of a maximum of 25 per cent—is not due to be repeated in 2014–15. Those authorities in receipt of the grant may therefore be under greater pressure to increase the taper rate and so remove support more quickly from claimants in work and dissuade others from seeking employment or working more hours. *We request that in responding to our report the Government provide information on how many local authorities are planning to apply the CTS taper to remaining (net) income and how many will combine their CTS taper with the UC taper. The Government should also provide an estimate of how many claimants will have more than 95 per cent of their additional earned income deducted. In the light of this information and given the Government's intention to encourage work incentives it should consider giving stronger guidance to local authorities.*

Risk of confusion

94. The Chartered Institute of Housing was among many witnesses that were critical of the implementation of localised CTS schemes, which it said would cause confusion for claimants unused to claiming for support for housing and council tax from separate organisations.¹⁸² Blackpool Council added that claimants would also be confused about “who to contact, what to provide and where to go depending on whether a local authority area has started Universal Credit or not” between October 2013 and 2017.¹⁸³

95. Another concern was that confusion could be caused to some claimants when they moved between different local schemes. Differences between local authority schemes, which we look at in more detail later in this chapter, could result in claimants experiencing a significant change in their CTS entitlement. We were told by Citizens Advice that differences between schemes could “be confusing for the general public” when they move across local authority boundaries or if they have family in different areas.¹⁸⁴ Citizens Advice argued that “in times of constraint and difficulty, there needs to be some certainty for people to know what their bills and income are likely to be”.¹⁸⁵

96. The other side of this coin is “benefit chasing”—where claimants move between local authorities to take advantage of more favourable provision. We asked witnesses whether they thought this might be a consequence of some local schemes being more generous than others. We heard no evidence that this would be the case and Shelter told us that they did

182 Ev 51 [Chartered Institute of Housing], Ev 87 [Shelter], Ev 84–85, para 2.8 [Citizens Advice], Ev 78, para 3.1.1 [Hyde Housing], Ev w120, para 8 [Waverley Borough Council], Ev w125, para 3.0 [RNIB], Ev w26, para h [Chartered Institute of Public Finance and Accountancy], Ev w30, para 3.6 [Southwark Council], Ev 67, para 8 [Blackpool Council], Ev w38 [District Councils' Network], Ev w44, para 24 [British Property Federation] and Ev w47–w48, para 3.6.1–3 [London Borough of Croydon]

183 Ev 67

184 Q 180 [Gillian Guy]

185 As above

not think that this situation would arise because people were “attached to their areas” and “most people’s understanding of the different schemes is not going to be that sophisticated”.¹⁸⁶

97. Bringing housing benefit into Universal Credit (UC) while localising Council Tax Support means that claimants who assume that under UC all benefits will come as a single payment will still have to make two separate applications for UC and Council Tax Support (CTS) to two separate bodies. This will cause a level of confusion for some claimants. DWP should ensure in the guidance it provides for UC claimants that it makes it clear that a CTS claim has to be made separately to the local authority.

Duplication of administrative systems

98. We were told that the separation of CTS from housing benefit would result in duplication of administrative systems. Thanet District Council explained that there was currently “one form for one process which is dealt with in one transaction” for housing benefit and CTB.¹⁸⁷ The council added that two separate appeal systems could result in different appeal decisions being made about each benefit causing confusion for applicants.¹⁸⁸

99. The Government said that measures to reduce duplication and improve information sharing between central and local government were being put in place.¹⁸⁹ New applicants for UC “will be asked if they are interested in applying for a reduction of their council tax liability, but they will not be able to submit an application via DWP outlets”.¹⁹⁰ DCLG explained that:

Government departments are working together to ensure that data relating to claimants of current benefits and Universal Credit can be shared with local authorities to minimise the administrative burdens on both authorities and individuals wishing to claim council tax support.¹⁹¹

The DCLG told us that this would mean that those making a CTS claim following a UC application could have to do “little more than confirming that they wish to apply and that the information they provided to DWP was correct”.¹⁹² DWP would then send this information to local authorities on request.¹⁹³ This would not apply, as the Department recognised, if a local authority scheme required additional information from the

186 Q 181 [Kate Webb]

187 Ev 64; see also Ev w30, para 3.6 [Southwark Council].

188 Ev 64

189 Ev 94–95, paras 48–54

190 Ev 94, para 49

191 As above

192 Ev 94, para 49

193 As above

claimant.¹⁹⁴ Despite this reassurance some local authorities were concerned about how the process would work in practice.¹⁹⁵

100. The primary concern for local authorities was over the arrangements for sharing claimants' information between central and local government, including the legal challenges encountered in doing so. Blackpool Council said that it did not expect to receive sufficient information from DWP about UC claims to allow it to start CTS claims. The information would not include a breakdown showing how much had been allocated for housing benefit which the authority would need to establish how much should be awarded in CTS.¹⁹⁶ The council would have to ask the claimant for their entitlement letter from DWP for this figure. This, it said, "will potentially increase the length of time it will take for a claim to be made and processed and in some cases customers may no longer have their entitlement letter" for UC.¹⁹⁷

Passporting benefits

101. Once separate successful claims for CTS and UC have been made the need to exchange information between local and central Government would continue. We raised the extent to which there could be "passporting" between CTS and UC to reduce duplication.¹⁹⁸ Citizens Advice pointed out that "separate reporting of changes of circumstances to different agencies would be burdensome and inefficient".¹⁹⁹ We asked Lord Freud what had been done to address this issue and link applications and changes to information for UC with local CTS systems and whether, in the case of CTS and the housing element of UC, a claimant's information could be passported between UC and local authority CTS systems. He said that this was not impossible and that DWP "may look at that in the medium term" but that it would not be possible to undertake such a project in the "next couple of years, given the work stream we already have".²⁰⁰

102. There is potential for confusion among claimants with the separation of Council Tax Benefit from housing benefit as well as for duplication of administrative tasks. This situation could be improved by making it possible to transfer information from Universal Credit to local authority Council Tax Support systems. DWP and DCLG should have begun work to develop a system to passport claimant information between Council Tax Support and Universal Credit rather than require claimants to submit the same information twice to two separate bodies. DWP should now make it a priority to achieve passporting between Council Tax Support and Universal Credit, in order to help claimants and limit confusion resulting from the separation of housing and council tax benefits.

194 Ev 94, para 49

195 Ev 94, para 51

196 Ev 67

197 As above

198 'Passporting benefits' automatically entitle those receiving them to other benefits and are used to reduce the number of times individuals need to be means-tested making applying for multiple benefits simpler.

199 Ev 82–83, para 2.8

200 Q 252

Design of local schemes

103. By 31 January 2013 all 326 lower tier and unitary local authorities had decided on their new CTS schemes for 2013–14. We examined the characteristics of the schemes using data collated by the New Policy Institute.²⁰¹ The main features of the schemes are set out below.

232 require all working age people to pay at least a proportion (between 5% and 33%) of their CT liability, around half of those requiring 5–10% and the other half 11–33%;
60 lower (from £16,000) the level of savings which make people ineligible for benefit to between £6–10,000;
29 count other benefits as income when calculating how much CT someone should pay:
171 remove or lower the second adult CT rebate paid when a low-earning adult, not their partner, lives with a CTS claimant'
63 cap CTS based on property band for council tax with those living in higher value houses receiving less CTS;
44 remove CTS from those claimants entitled to payments of less than 50p to £5 per week:
23 increase the rate of withdrawal of CTS as a result of increased earnings (to between 15 and 35%);
79 specify a vulnerable group (other than pensioners) to be protected from the changes.

Source: New Policy Institute website, www.counciltaxsupport.org as at 22 February 2013

104. While we welcome the freedom which local authorities have to design their own distinct CTS systems, as we noted in our 2011 report, this freedom is constrained by several factors.²⁰² Three Government policies:

- a 10 percent cut in the budget for CTS
- protection of work incentives and
- protection of pensioners from reductions in support

limit local authority designs. The data shows that 58 of the 326 local authorities in England replicate the existing system. All of the remaining 268 local authority schemes include changes which will reduce the amounts paid out in CTS. The New Policy Institute estimates that the average loss per year to claimants in England will be £130.²⁰³ We examined the possible consequences of these policies in our 2011 report on the localisation issues in welfare reform.²⁰⁴ In this report we address the concerns that have been raised about the time given to local authorities to develop and implement schemes.

201 New Policy Institute, "Impact of the localisation of council tax support", <http://counciltaxsupport.org/>

202 HC (2010–12) 1406, para 72

203 New Policy Institute, "Impact of the localisation of council tax support", <http://counciltaxsupport.org/>

204 HC (2010–12) 1406, paras 2, 3 and 37 ff

Time-constraints

105. Some witnesses suggested that local schemes would not be innovative or truly local because of time-constraints. Camden Council told us that “the more innovative you are, the more cost is involved in trying to get the IT to support it”.²⁰⁵ We were also told that the timescale for introducing local CTS had prevented some local authorities from working together to create efficiencies. The District Councils’ Network told us that the timetable for the changes:

poses a threat and could create a postcode lottery due to differing implementation policies. In respect of the Localised Council Tax Support Scheme, the need to make decision at an individual authority level has resulted in missed opportunities for pooling or collaborative approaches to move to a localised discount scheme.²⁰⁶

106. Lesley Pigott from Camden Council said that her council had looked at working with other London councils to create a wider scheme because they were “conscious of the fact that would help claimants”.²⁰⁷ However, she told us that it “very quickly became apparent that there just was not the time to go through the public consultation, consulting with councillors of 30 different boroughs and different political persuasions, and of course the biggest challenge, as well, is the different finances”.²⁰⁸

107. One of the factors that councils told us had squeezed the time they had to finalise their local CTS schemes was the late announcement of funding from the Government. The Government originally provided £30 million for local authorities to develop their CTS schemes. In October 2012 the Government announced a transitional grant for local authorities to help with their local CTS schemes. However, the funding of £100 million for one year was contingent on local schemes meeting certain criteria.²⁰⁹ In order to qualify, local CTS schemes had to set minimum council tax payments at 8.5 per cent or less of a claimant’s net liability and keep the taper rate below 26 per cent.²¹⁰ The New Policy Institute said that schemes including a band cap or “a savings limits lower than £6,000 [...] would also make a scheme non-compliant”.²¹¹

108. The lateness of this announcement on additional funding had several consequences. Firstly, it meant that councils wishing to take advantage of the funding had to delay publishing their proposals and interrupt or curtail any consultation exercises they were engaged in.²¹² Secondly, to meet the qualifying criteria for the grant councils can only make limited savings from the design of their schemes, and they risks becoming reliant on the grant to sustain them. Southwark Council was one of the councils that chose not to alter its scheme in order to meet the eligibility criteria for the grant. It said that by the time the

205 Q 95 [Lesley Pigott]

206 Ev w38

207 Q 88

208 As above

209 Ev w23, para 5.1 [Core Cities Group]

210 DCLG, *Localising Support for Council Tax: Transitional grant scheme*, October 2012

211 Ev w74, para 8

212 Ev w74, paras 11 and 13 [New Policy institute] and Ev w119, para 4 [Waverley Borough Council]

announcement was made the scheme had been "designed, consulted on and was due to be presented to Council cabinet".²¹³ Southwark was also concerned at the level of the grant:

Our estimates show that a funding gap of over £0.5m would remain if we adapted our scheme to fulfil the eligibility criteria for the funding.²¹⁴

Steve Thompson from Blackpool Council told us that he was "aware of some authorities who would like to take the transition grant, but whose IT systems cannot cope".²¹⁵ In addition, the grant is only available in the first year of the scheme so those councils which altered their plans to take up the Government's offer might have to redesign their schemes for 2014–15.²¹⁶

109. The New Policy Institute released figures in March 2013 showing that 195, that is 59 per cent, of authorities qualified for the transition grant from central Government.²¹⁷

110. We welcome the Government's introduction of a grant to assist local authorities with Council Tax Support schemes that meet certain criteria. However, we note that the lateness of the announcement and the fact that the grant is only available for 2012–13 has, regrettably, introduced confusion and uncertainty into the development of local schemes. We also note that only 59 per cent of local authorities qualify for the grant meaning that the rest will need to meet the full cost of the schemes either by reducing the money they pay to working age claimants or by making cuts in other budgets.

213 Ev w28, para 3.1

214 As above

215 Q 88

216 Ev w74, para 15 [New Policy Institute]; see also Ev w37 [District Councils' Network].

217 New Policy Institute, "Impact of the localisation of council tax support", <http://counciltaxsupport.org/>

6 Implementation

111. In this chapter we look at some of the practical implementation issues for welfare reform including staffing and administration funding of new systems by local authorities. We discuss measures being taken to detect housing fraud under Universal Credit (UC) as well as the readiness of IT systems and the move towards claiming benefits digitally. Finally, we examine the main financial risks to local authorities of the welfare changes.

Funding for administration

112. Some witnesses raised the issue of what they saw as lack of certainty over funding arrangements. The Government has provided funding to local authorities in relation to the administration of individual programmes such as Council Tax Support (CTS) and, as we have noted, the localised Social Fund provision.²¹⁸ The funding provided to local authorities from DWP for the administration of benefits—the Benefit Administration Grant—is being reduced as the result of benefits moving into UC. Councils told us that there would be an additional overall cost to local authorities, not covered by these grants, from the need to make several significant changes at once and provide general support for claimants coping with the changes. The Association of North East Councils said that local authorities could be “penalised” through the loss of the Housing Benefit Administration Grant resulting from responsibility for housing benefit moving to DWP.²¹⁹ It said that there would be a “residual cost to councils” of providing advice and support following the separation of CTS and housing benefit.²²⁰ Sutton Council expressed concern that funding was being removed by DWP while demand for housing and council tax benefits were increasing.²²¹ It said that, “despite assurances that funding for 2013–14 would remain comparable to 2012–13”, it had been told that the DWP administration grant for Sutton would be reduced by £81,000.²²² The council told us that it found the increasing caseload it was experiencing and the cut in funding “difficult to reconcile”.²²³

113. Newham Council said that the funding provided to set up and administer local CTB schemes had “only been sufficient to cover software changes and consultation”.²²⁴ The council was concerned that council officers’ time in developing the schemes had not been taken into account when calculating the funding level and said that “no clarity has been offered over the level of funding that will be provided in future years”.²²⁵ Newham Council told us that its administration grant from DWP had been cut by 10 per cent and gave two examples of “unfunded administration costs” for local authorities:

218 Ev w100–w101, para 5.7 [London Borough of Newham], Ev w95 [The Association of North East Councils] and Ev w89–w90 [London Borough of Sutton]

219 Ev w95

220 As above

221 Ev w89

222 As above

223 As above

224 Ev w100–w101, para 5.7

225 As above

- communications between local authorities and their tenants, and
- the cost of managing appeals where benefits decisions were challenged.²²⁶

114. Other councils, including Nottingham City Council, called for a new administration grant for local authorities to manage demand,²²⁷ while Citizens Advice told us that:

As regards advice on UC, the overall funding scenario is not encouraging as local advice agencies—including our bureaux—are heavily dependent on [local authority] funding.²²⁸

Waverley Borough Council said that, because the Benefit Administration Grant was allocated annually and no indication had been given about future grants, there was uncertainty over funding. It said that it also saw an increased risk of fraud and error from managing a “declining service with uncertain funding and timescales”.²²⁹

115. The withdrawal of one element of benefit administration—for Housing Benefit—from local authorities will not proportionately reduce their administrative costs. In addition, the level of local authority involvement in administering the housing element of Universal Credit has not yet been set out by the Department for Work and Pensions. It therefore does not make sense to withdraw the Housing Benefit Administration Grant in its entirety until the actual cost to local authorities of administering Universal Credit is known. We recommend that the Department for Work and Pensions provide local authorities with certainty over the level of Benefit Administration Grant that they will receive until the end of the Spending Review period. The level of the grant should accurately reflect the level of cost to local authorities of developing and administering the welfare changes.

Local authority staff

116. One of the aims of the reforms is to “simplify the system, making it easier for people to understand, and easier and cheaper for staff to administer”.²³⁰ The Welfare Reform Club, a group of welfare reform consultants, pointed out that in order to keep UC simple, it would not be possible to build in systems to deal with all the different needs of claimants, and that this would “inevitably” require local authorities to “provide more discretionary help, with cash-limited budgets, for those with exceptional and unusual requirements”.²³¹

117. Concerns have been raised about the capacity of local authorities and advice charities to fulfil this need and manage the volume of enquiries, expected by many of our witnesses to rise significantly as a result of the welfare changes. Citizens Advice said that, despite its efforts to increase productivity, without additional funding they would be unable to meet

226 Ev w100 para 5.6

227 Ev 57, para 4.7

228 Ev 81, para 2.4

229 Ev w119

230 Ev 89, para 3 [DCLG]

231 Ev 70, para 11

demand for advice which would create “significant pressures on [local authorities] for advice and help with the consequences of not receiving advice”.²³² They told us that:

Our experience is that major changes lead to a large increase in demand for advice in the short to medium term. Given the scale of the changes, we are expecting an unprecedented increase in demand for advice.²³³

118. Concerns about the ability of local authorities and advice organisations to cover the additional demand on their services as the changes are introduced and beyond, focused on three areas. First, the availability of staff within local authorities to handle queries: When housing benefit migrates to UC at DWP, the staff currently based in local government will have to move. The second concern was that staff and their local authority employers were not being given clear information about future employment prospects during implementation of the reforms and in the period following implementation. The third concern was that local authority staff with the experience and skills needed to implement the changes would respond to a lack of clarity about their job prospects by leaving before implementation could be completed.

119. In examining these concerns, we kept in mind the expectation that increased demand for local authority staff to provide services during the transition period means that the management of staffing levels in local authorities will be particularly important. We were told that there was a lack of clarity for local authority staff about their employment prospects over the implementation period and beyond because of the migration of housing benefit, currently administered by local authority housing departments, into UC, in which the role of local authorities remains uncertain.²³⁴ Blackpool Council told us that:

we have staff who work on housing benefits who know that their jobs are at risk over the transitional period through to 2017. They are told that TUPE will not apply; they will not be able to transfer to equivalent jobs at the DWP. There is a general lack of clarification.²³⁵

120. Thanet District Council said that this would have a negative effect on councils. It told us that because DWP would not be using TUPE regulations²³⁶ to transfer staff whose roles would be migrated into UC, councils would have to “manage potentially substantial redundancy costs”.²³⁷ Witnesses including the Local Government Association were concerned that experienced staff would leave in advance of the introduction of UC as a result of this uncertainty.²³⁸ Blackpool Council said that:

232 Ev 81, para 2.4

233 As above

234 Ev 80, para 2.1 [Citizens Advice], Ev w28–w29 and Ev w30, para 3.3 and 3.7 [Southwark Borough Council], Ev 66 [Blackpool City Council], Ev w39, para 2 [East Riding of Yorkshire Council] and Ev w46 28, para 3.3.6 [London Borough of Croydon]

235 Q 110 [Steve Thompson]

236 Transfer of Undertakings (Protection of Employment) Regulations 2006, also known as TUPE.

237 Ev 64

238 Ev 54, para 2.5

Local authorities are already seeing a migration of Housing Benefit staff due to the introduction of Universal Credit. If this continues and the timetable for Universal Credit slips, there is the real possibility that authorities will not have enough resources left to deal with residual work.²³⁹

Hull City Council said that the lack of clarity about the future role of local authorities in administering UC had led to “a large staff turnover as staff feel that the role of Benefit Assessor has a finite lifespan. This has also made recruitment to vacant posts problematic”.²⁴⁰

121. When we asked the Minister what communications there had been between DWP and local authorities about the consequences for local authority staffing of the changes, Lord Freud said that, in preparation for UC, DWP was “putting down the main elements in some detail on which one can do that kind of detailed planning, and there is time to do that detailed planning”.²⁴¹ He added that “I suspect there will be some re-deployment by local authorities of their total staff. We don’t know the exact figures yet”.²⁴²

122. Local authority staff as well as the large numbers of staff of contractors used by local authorities affected by the changes to welfare need certainty about whether they will be able to retain their current jobs or have the opportunity to transfer into a different role. The danger of leaving staff in the dark about the forthcoming changes is that some of the most employable of them will decide to leave before the reforms come into effect. This could put claimants at risk of receiving a reduced service and local authorities with the problem of having to find and possibly train temporary staff to fill the gaps. The Government must as a matter of urgency set out to local authorities the details of the administrative changes that they will need to make, including the timetable, so that they can give their staff and contractors the certainty that they deserve.

Housing benefit fraud

123. DWP told us that it was “absolutely committed” to addressing benefit fraud.²⁴³ We asked witnesses about the adequacy of measures to detect fraud under new systems. Thanet District Council was concerned that the UC IT system would not be able to distinguish between genuine and fraudulent claims. The council said that, as it understood it, the system would not work from local authority property databases and so it would not be able to detect automatically, as local systems did now, when multiple individuals made a housing benefit claim for the same property.²⁴⁴ Lord Freud said that a new fraud detection service, IRIS, would be built into UC which would have a “similar database” to that used by local authorities for detecting housing benefit fraud.²⁴⁵ He told us that “the objective is to start matching it up with a lot of information held in both Government and non-

²³⁹ Ev 66; see also Ev 64 [Thanet District Council].

²⁴⁰ Ev w98

²⁴¹ Q 188

²⁴² Q 185

²⁴³ Ev 95, para 55

²⁴⁴ Q 110 [Andrew Stevens]

²⁴⁵ Qq 253–54

Government arms”.²⁴⁶ Mark Prisk MP, Minister for Housing at DCLG, added that funding of £9.5 million would shortly be announced for tackling social housing fraud.²⁴⁷

124. As well as ITC systems fraud detection relies on experienced staff to spot problems. We have already referred to the Local Government Association’s claim that experienced staff would be likely to leave housing departments before their jobs disappeared because of uncertainty about their prospects.²⁴⁸ Waverley Council also argued that fraud would increase during the transition period to UC as local authorities made staff redundant or moved them elsewhere, removing skills and resources from combating fraud.²⁴⁹

125. We are concerned that during the transition period before local authorities hand over Housing Benefit to DWP a reduction in experienced local authority housing department staff will leave the system more vulnerable to fraud. *The Government should ensure that local authority housing departments are provided with the administrative funding they need to manage the transition to Universal Credit and prevent staff leaving prematurely.*

126. We welcome assurances from the Government that the new IT system for Universal Credit (IRIS) will incorporate local housing data to enable effective housing benefit fraud detection. However, it is worrying that the system still seems to be at the development stage. *It is incumbent upon DWP to ensure that its system is ready in time for the changes. We will monitor the way in which the system is implemented and its effectiveness as the reforms progress.*

Local authorities’ IT systems

127. While some functions will pass from local authorities to DWP, local authorities will take on new responsibilities. It follows that their ITC systems must be able to adapt and cope with the new arrangements. Large amounts of information will need to be exchanged quickly between these systems. The importance of ITC to the success of the reforms cannot be overstated. We asked whether local authorities had experienced problems in developing their IT systems or in working with central IT systems. Several witnesses pointed out that the implementation process relied on information-sharing between central and local government and housing associations. The particular issues identified were the volume of changes in claimants’ information that needed to be processed on a monthly basis, and compatibility of IT systems between local authorities and DWP.

128. DWP introduced the Automated Information Transfers to Local Authority Systems (ATLAS) system in 2011. It sends claimants’ details including changes of address and contact details to local authorities and will be an essential part of implementing welfare reforms. The system is designed to allow information to be transferred efficiently in machine-readable form making the process much less labour intensive than previously.

246 Q 254

247 Q 256

248 Ev 54, para 2.5

249 Ev w120 para 9

There have been problems reported with the operation of this system as recently as late 2012.²⁵⁰ Leeds Council told us that:

Local councils may find themselves overwhelmed by change notifications coming from DWP as a result of Universal Credit. This relates more to Council Tax Support and the expectation is that every change reported under Universal Credit will be sent through to local councils. Councils are struggling already to deal with the volume of notifications issued by DWP and this issue will worsen considerably under Universal Credit.²⁵¹

Cllr Graham Chapman, Deputy Leader of Nottingham City Council, added that ATLAS was “giving too much information at once, and a lot of it [...] is information that you do not really need, but which nevertheless creates a change unless we deal with it”.²⁵² Blackpool Council raised concerns about the types of data transfers due to take place through ATLAS:

The plan to send benefit cap details via ATLAS is also inadequate as some local authorities already have significant backlogs in this area which means that there is the real possibility that cases will not always be picked up in time. It is anticipated that this will be the same for Universal Credit where STOP notifications for Universal Credit claimants to end HB are also planned to come through ATLAS.²⁵³

129. We asked Lord Freud whether DWP had anticipated the need to talk to local authorities about whether their systems would be compatible before ATLAS was brought in. He said that there had been “teething problems” with the system when some information had been sent out in duplicate and that some authorities had been unable initially to tie up their existing systems with the machine-readable data from ATLAS.²⁵⁴ Lord Freud told us that the ATLAS system was however “a total godsend for transferring information”.²⁵⁵ He said that:

70% to 80% of LAs have now automated the bulk of their ATLAS notifications, so that process has been and is pretty successful, and we will be looking to work with the remainder to get them on the automated system.²⁵⁶

130. Of the local authorities giving evidence, only Camden Council said that it had not had any problems with ATLAS because its existing system was compatible. We asked whether this was through luck or judgement, and we were told by Camden Council’s Assistant Director of Finance, Lesley Pigott, that:

250 *Inside Housing Online*, 23 November 2012, www.insidehousing.co.uk/tenancies/dwp-it-system-causes-benefit-data-backlog/6524754.article

251 Ev w65, para 8a

252 Q 102

253 Ev 66

254 Q 243

255 As above

256 Q 245

I would say judgment by picking the system, but luck that that is the one that has seemed to be able to handle the duplicate changes.²⁵⁷

131. The ATLAS system is intended to share information needed for local Council Tax Support (CTS) schemes between DWP and local systems. This would mean that local authorities should not have to collect all of the information from claimants of CTS separately. Some of our witnesses raised concerns that it would not be ready to perform this function in time for the switch to local CTS on 1 April. Camden Council told us that:

The promise is there that ATLAS will still pick up information that we need, so that we can take information from the Universal Credit and feed it straight through into the council tax schemes. However, obviously we need to see that, and I think the fear that local authorities have is that that is not a priority for DWP. The priority is getting the IT system to work for Universal Credit, not for it to work for our council tax requirements.²⁵⁸

132. Sharing information effectively through ICT systems will be critical to the implementation of welfare reform. Some councils have been able to handle data transferred to them by DWP through ATLAS but this may have been more by luck than planning. DWP told us that it was confident that ATLAS would cope. It is less clear that it gave sufficient attention to ensuring that local authority systems would be compatible with ATLAS and we recorded a significant level of dissatisfaction from them. The consequences of ICT system failure would be significant as large volumes of data will be transferred between DWP and local authorities. It is therefore of crucial importance that the necessary ICT systems are integrated and working efficiently in time for the changes.

Digital by default

133. The Government committed to a “digital by default” strategy for service delivery across Government in the Chancellor’s March 2012 Budget statement.²⁵⁹ In the context of welfare this would mean claimants moving towards applying and managing their claims online and so reducing the volume of claims that local authorities as well as DWP would have to process manually or handle over the phone. While it is widely recognised that the move to digital will, in the longer term, be a cost saving measure, worries were raised about the implementation of online claims. Local authorities expressed concerns as to whether they would have the resources to provide support to those who experienced difficulties or were unable to claim online for local authority or national benefits.²⁶⁰

134. Lord Freud told us that the Government was keen to promote the move to digital which gave individuals control of their information because there was a “social imperative” to move services online adding that: “we are prepared to put significant resources behind

257 Q 105

258 Q 108

259 HC Deb, 21 March 2012, col 793 ff

260 Ev w46 [London Borough of Croydon] and Ev w61 [Rochdale Council]

it”.²⁶¹ Lord Freud said that people who “really cannot handle the digital process” would be given support through a telephone service and, if necessary, face-to-face support.²⁶² DCLG told us that “these services will be funded but the full resource implications will be explored when the details have been further developed”.²⁶³ Lord Freud explained that DWP wanted to avoid ‘locking’ people into an alternative system and would encourage and support them to move to using digital.²⁶⁴

135. The Royal National Institute of Blind People (RNIB) questioned whether the required level of support would be available in time for the changes. RNIB raised specific concerns about the ability of people with visual impairments to cope with online applications.²⁶⁵ It said that:

more needs to be done—and fast—to ensure customers who cannot make an online claim for Universal Credit are provided with the help they need. It is assumed some of this help will be made available through or via councils and other local organisations but we are yet to see much evidence of these alternative plans being put in place.²⁶⁶

136. Moving claims and services online has the potential to result in reduced costs for both central government and local authorities in the longer term. However, savings from the move to digital claims should not be achieved at the expense of failing to provide transitional funding for local and central government to provide support to vulnerable claimants. Whether local authorities or advice charities should take the lead in offering such services needs to be determined and the Government should set out what specific funding will be available within the next five months.

Financial risks

137. Local authorities will be taking on new areas of responsibility and delivering new schemes as a result of the changes to welfare some of which will transfer responsibility for managing cash-limited budgets to local authorities. We have considered what the overall effects of the changes might be and what, if any, new financial risks there might be for local authorities. The National Housing Federation said that:

the cumulative impact of the reforms, including the changes to budgeting and payment patterns under Universal Credit, the introduction of the social sector size criteria and benefit cap, the localisation of the social fund and support for Council Tax and the limiting of annual increases to most working-age benefits and tax credits to 1%, remains unknown.²⁶⁷

261 Q 240

262 Qq 241–42

263 Ev 93, para 38

264 Q 242

265 Ev w125, para 3.3.7

266 Ev w124, para 2.8

267 Ev 47, para 4.1

138. Several witnesses pointed out that no overall assessment had been made of the likely effects of the reforms in their entirety on local authorities and claimants. The RNIB called for a “proper cumulative impact assessment of the Government's welfare reforms; both the impact on disabled people and the impacts on local authorities”.²⁶⁸ The Chartered Institute of Housing said that:

We are concerned that the cumulative effect of under-occupation measures, council tax benefit reductions and other welfare reform measures are not being thought through effectively by some [local authorities] and social landlords. It is not clear to what extent (if any) guidance is prompting people to join these things together.²⁶⁹

139. The Government explained that, as part of the “New Burdens Doctrine”, it “has agreed the process and timetable for assessing new administrative burdens on local authorities arising from our welfare reforms”.²⁷⁰ DCLG told us that:

The Government recognises that local authorities may incur one-off costs associated with decommissioning housing benefit services and is working with local authorities to understand these impacts so that we may meet our obligations under New Burdens Doctrine.²⁷¹

140. Two specific additional financial risks to local authorities resulting from the changes were identified: increased pressure to find affordable accommodation if housing providers reduce their investment or participation in social housing; and additional costs resulting from having to source affordable accommodation for families unable to afford their rent. Housing groups including the National Landlords Association (NLA) warned that the removal of their ability to request housing benefit payments to come direct to them would lead to many providers leaving the social housing sector.²⁷² A survey of NLA members operating in the social sector showed that over 85 per cent would “withdraw from the market” if the automatic arrears trigger were withdrawn.²⁷³ The NLA said that the “cost to local authorities of finding alternative accommodation from other sources is likely to be considerable”.²⁷⁴

141. London Councils told us that they had “serious” concerns that welfare reforms such as the Benefit Cap and Social Sector Size Criteria would result in “additional costs in maintaining or sourcing housing for families who find themselves unable to afford their rent”.²⁷⁵ One London Borough Council, they told us, had estimated the cost of this at £2.5

268 Ev w122, para 1.3 [RNIB]; see also Ev 81, para 2.2 [Citizens Advice] Ev 53 [Local Government Association] and Ev w21, para 4.1 [Core Cities Group]

269 Ev 49

270 The New Burdens Doctrine is a measure designed by the Government to ensure that taxpayers do not face excessive charges as a result of unjustified new burdens on local government spending.

271 Ev 93, para 35

272 Ev w2, para16; see also Ev w2, para15 [National Landlords Association], Ev 46 [National Housing Federation] and Ev 73 [Residential Landlords Association].

273 Ev w2, para17

274 Ev w2, para18

275 Ev w14, para 2.1

million for 2013–14.²⁷⁶ London Councils said that the Government had indicated that it would not provide funding for local authorities to deal with any potential increase in homelessness as a result of the combined effect changes or to cover the additional cost of “sourcing accommodation for homeless households”.²⁷⁷ They told us that:

There has been no indication from government that work is underway to quantify these additional costs or any consideration given to funding these additional costs through the New Burdens Doctrine.²⁷⁸

142. In this report we have identified a number of changes and uncertainties, which Welfare Reform throws up for local authorities, that may add to the overall burden on authorities. These include:

- the impact of Direct Payments to tenants on rent arrears;²⁷⁹
- the impact of paying the housing element of UC a month in arrears on landlords’ cash flow;²⁸⁰
- the arrangements to support the Government’s undertaking to protect the financial viability of housing associations;²⁸¹
- the impact on levels of demand for welfare advice services and the levels of funding that will be available for advice and support;²⁸²
- the impact on the demand for Discretionary Housing Payments;²⁸³
- the need to establish the current level of demand for the Social Fund;²⁸⁴
- the cost of finding affordable accommodation for claimants affected by the Social Sector Size Criteria;²⁸⁵
- the cost of providing advice and support for claimants having to make their claims online;²⁸⁶
- the costs of ensuring compatibility with central Government ICT systems;²⁸⁷

276 Ev w14, para 2.2

277 Ev w14, para 2.6

278 Ev w14, para 2.6

279 See para 21 ff above.

280 See para 41 ff above.

281 See para 33 ff above.

282 See para 112 ff above, Ev w47 [London Borough of Croydon] and Ev w60 [Rochdale Council]

283 See para 76 ff above.

284 See para 73 ff above, Ev w61 [Rochdale Council], and also Ev w102 [London Borough of Newham].

285 See para 59 ff above.

286 See para 133 ff above.

287 See para 127 ff above.

- the level of local authority involvement in administering the housing element of UC and the level of grant support for administrative functions that DWP will provide;²⁸⁸ and
- the costs of redeployment and redundancy payments to local authority staff.²⁸⁹

143. We welcome the Government's assurance that it will assess the total cumulative cost to local authorities of its reforms. *We hope that this assessment will be comprehensive rather than simply assessing each reform separately and include an indication of what additional funding would be available where additional burdens are identified. We have called in this report for the Government to meet with the Local Government Association to discuss the effects of specific burdens on local authorities. These meetings should include discussion about the overall impact of the changes.*

288 See para 137 ff above.

289 See para 115 ff above and Ev 64 [Thanet Borough Council].

Conclusions and recommendations

Department co-operation

1. The changes to welfare clearly require close co-operation between DWP and DCLG. We welcome the steps already taken by central departments to work together on welfare reforms. There may be scope to improve the arrangement—small steps such as a single contact list shared between departments can aid communication and avoid confusion. *We urge the Departments responsible for implementing the changes to test their systems, in co-operation with local authorities, and to make any improvements quickly. Departments must not underestimate the tasks they are asking of local government and they must also be ready, if necessary, to provide additional support, particularly when the changes are being implemented.* (Paragraph 8)

Guidance from central Government

2. Under the welfare changes, it will be for local authorities to make decisions about how they operate local schemes. They cannot, however, draw up their schemes in a vacuum. *There are still areas where information is required and DCLG and DWP must provide local authorities with the information needed in good time ahead of the start of each phase of the changes to enable authorities to make informed local decisions and to understand the changes that will affect their local residents.* (Paragraph 11)

Timescale for change

3. Changes, including those to Universal Credit are being rolled out nationally over an extended period and we agree with DCLG that this should assist local authorities implementing the changes. Local authorities need certainty about the timetable for delivering the changes to welfare. We see no pressing need for a postponement of the main changes. *To ensure that the extended implementation period gives maximum benefit to local authorities, the Government needs to make sure that all guidance that it plans to produce is published well in advance of future implementation dates.* The late production of guidance on the reforms starting on 1 April has affected local authority consultation plans and, in some instances, may have increased their costs because of the need to make late changes. (Paragraph 15)

Public awareness

4. The level of awareness and understanding among benefit claimants about the changes to welfare will inevitably have some impact on the effectiveness of implementation. Ensuring that recipients are aware of the changes in their local area is best done by local authorities as they have the local knowledge to enable them to do it efficiently. *There is however, a role for central Government in highlighting the scale and importance of the changes. The Government should be encouraging broader awareness and advising claimants to contact their local authority to find out more through advertising and in information relating to Universal Credit.* (Paragraph 18)

“Exceptions” and “vulnerable” tenants

5. The delay in providing a definition of what constitutes a “vulnerable” tenant and in setting out the “exceptions” that will operate for Direct Payments to tenants needs to be resolved quickly otherwise local authorities and housing associations will be unable to plan effectively. *The Government must provide local authorities and housing providers with a clear set of “exceptions” to Direct Payment to claimants. In addition, whether it calls it guidance or a definition of “vulnerability”, DWP must produce information on which tenants will not receive Direct Payments for local authorities and housing associations quickly. When doing this the Government should bear in mind the need for clarity for tenants and landlords and to minimise bureaucracy for housing associations and local authorities having to assess who will be eligible to have their rent paid on their behalf direct to their landlord. We recommend that any definition or guidance of what constitutes a “vulnerable” tenant should include a wide range of reasons for vulnerability to allow flexibility in its use.* (Paragraph 32)

Arrears and collections costs

6. *If the Government is to meet the assurances it has given landlords, that their financial viability will not be affected by Universal Credit, it should introduce an automatic arrears trigger for switch-back similar to that available under the Local Housing Allowance. Given that this is a new system affecting significant numbers of tenants, the Government should consider starting the rollout of Direct Payments to tenants with a temporary switch-back mechanism with six weeks of arrears, later moving to eight weeks, in order to address the concerns raised by housing associations about initial levels of arrears and collection costs.* (Paragraph 40)

Payment in arrears

7. Under the new system of housing benefit payments a proportion of tenants will enter their tenancies one month in arrears. This will lead to reduced cash-flow for housing associations. In addition, we note that most social rent is currently paid on a weekly basis meaning that many housing associations may have to change their systems in order to work with monthly housing payments in arrears. *We recommend that the Government hold urgent discussions with the Local Government Association and the National Housing Federation about how this new, automatic four weeks of arrears for many tenants will be managed. The Government must also set out how any reduced cash-flow will be funded.* (Paragraph 43)

‘Jam-jar’ accounts

8. We welcome the Government’s plans to encourage the introduction of budgeting or “jam-jar” accounts which would allow tenants to see benefit payments moving in and out of their account without the risk of the money being spent on other things. This would provide both transparency for tenants and security for landlords. *More information is needed from DWP, however, on how these accounts would work and who would pay for them.* (Paragraph 45)

Direct Payment Demonstration Projects

9. Information available from the Direct Payment Demonstration Projects shows that rent arrears have risen initially and then fallen back, settling at higher than the original levels. *We recommend that, if arrears rise significantly when Direct Payment is rolled out nationally, the Government works with the LGA and the National Housing Federation to consider what additional measures it will put in place for tenants to help them reduce their arrears.* (Paragraph 52)
10. In this context we welcome the Government's announcement that financial education will be added to the national curriculum in 2014. *However, it will take time before it has an effect and in the meantime we recommend that the Government take the opportunity offered by the changes to welfare to work with the Local Government Association and National Housing Federation to develop methods to encourage more people, particularly benefit claimants, to engage in financial education.* (Paragraph 53)

Timing of the pilots

11. We welcome assurances from the Government that the results of the Direct Payment pilots will feed into the design of Universal Credit and assist in the development of safeguards. *To minimise the risk of unexpected additional expenditure and the need to make unplanned changes after implementation, we recommend that the Government ensure that the results from the pilots are published in time to allow any changes to be properly factored in to plans for the national roll-out.* (Paragraph 57)
12. *The Government must clearly set out what level of arrears it thinks will be sustainable in the medium to long term for housing associations and at what level it will consider introducing additional safeguards or limiting the use of Direct Payment.* (Paragraph 58)

Social Sector Size Criteria

13. The fundamental problem has been a long-term failure to build sufficient homes. In our report on the *Financing of New Housing Supply* we have already made recommendations, listed in this report, which would begin to address this issue which we urge the Government to consider. The consequent shortage of properties which currently exists in most places means that there are simply not sufficient suitable properties available for people to move into in order to use existing stock effectively. In conjunction, local authorities and housing associations should develop policies and incentives to encourage tenants to move into suitable smaller properties and then to reflect the need for such properties when developing new stock. (Paragraph 62)
14. We welcome the Government's recent announcement that serving members of the armed forces and families with children with certain disabilities would be exempt from Social Sector Size Criteria (SSSC). *The Government should now look at the impact of SSSC on people with disabilities and parents who care for children part-time.* (Paragraph 63)

Availability of information

15. *We recommend that the Government make available to local authorities the information they need about current Social Fund spending in their area as quickly as possible to enable them to assess accurately the level of local provision that will be needed. (Paragraph 74)*
16. *We expect that there will be pressure to divert funding for replacing Social Fund provision to support Discretionary Housing Payments (DHP). It is a matter for local authorities how they allocate non-ring-fenced money from central Government to provide local support in place of the Social Fund. (Paragraph 76)*
17. *The Government gave local authorities an assurance that replacing the Social Fund would not result in additional unfunded burdens. Replacing Social Fund provision locally is a new area of work for local authorities and represents a major change in their costs particularly when taken together with DHP, the demand for both of which is difficult to forecast. The Government must ensure that local authorities are provided with the funding they need to set up and administer local support schemes and deal with reasonable demands for DHP from 1 April. We recommend that the Government meet with the Local Government Association after 12 and again after 24 months to review the level of support required and decide on the appropriate level of additional funding if local authorities are incurring reasonable, unfunded costs. (Paragraph 77)*

Monitoring provision

18. *We recognise and accept that the Government should not take on responsibility for monitoring how local authorities use resources locally for the replacement of the Social Fund. However, it is important that local authorities are fully accountable to the public in their area for how they use these resources. We therefore recommend that Government requires local authorities to make information about how they spend localised Social Fund money available in a format that is simple for the public to understand. At the national level, the Government should use this information for high level monitoring of the operation of the new arrangements over the next five years, to assess how local authorities are deploying these resources and whether any vulnerable residents risk falling between the gaps in provision after 1 April 2013. (Paragraph 79)*

National guidelines

19. *Although we found no evidence to support fears that the localised arrangements replacing the Social Fund would provide widespread incentives for 'benefit chasing', we have concerns that problems may arise in specific areas, especially in those local authorities with significant transient populations such as rough sleepers. We recommend that the Government provide local authorities with guidance on whether they have any responsibility to provide assistance, in the absence of the national Social Fund, to rough sleepers moving into their area and how such provision should apply to rough sleepers who have recently received support from another local authority. (Paragraph 81)*

20. Local authorities that introduce a 'local connection' criteria into their local Social Fund provision should ensure that support is not denied to individuals who are displaced from their usual residence because of domestic violence. (Paragraph 82)

Work incentives

21. As the taper reducing Universal Credit for a claimant entering employment or increasing his or her earnings is fixed at 65 per cent, the level of the local Council Tax Support (CTS) taper, set by each local authority, and how it is calculated will help either to incentivise or produce a disincentive for claimants to move into work. Given the pressures on local authorities to make savings on their CTS schemes many of them are to be commended for setting the taper at the Government's guideline of 20 per cent. These pressures are unlikely to dissipate with the passage of time. As we note later in this chapter, the grant introduced for 2013–14 to assist in the administration of CTS schemes which meet certain conditions—including a taper rate of a maximum of 25 per cent—is not due to be repeated in 2014–15. Those authorities in receipt of the grant may therefore be under greater pressure to increase the taper rate and so remove support more quickly from claimants in work and dissuade others from seeking employment or working more hours. *We request that in responding to our report that Government provide information on how many local authorities are planning to apply the CTS taper to remaining (net) income and how many will combine their CTS taper with the UC taper. The Government should also provide an estimate of how many claimants will have more than 95 per cent of their additional earned income deducted. In the light of this information and given the Government's intention to encourage work incentives it should consider giving stronger guidance to local authorities.* (Paragraph 93)

Bringing confusion

22. Bringing housing benefit into Universal Credit (UC) while localising Council Tax Support means that claimants who assume that under UC all benefits will come as a single payment will still have to make two separate applications for UC and Council Tax Support (CTS) to two separate bodies. This will cause a level of confusion for some claimants. *DWP should ensure in the guidance it provides for UC claimants that it makes it clear that a CTS claim has to be made separately to the local authority.* (Paragraph 97)
23. There is potential for confusion among claimants with the separation of Council Tax Benefit from housing benefit as well as for duplication of administrative tasks. This situation could be improved by making it possible to transfer information from Universal Credit to local authority Council Tax Support systems. DWP and DCLG should have begun work to develop a system to passport claimant information between Council Tax Support and Universal Credit rather than require claimants to submit the same information twice to two separate bodies. *DWP should now make it a priority to achieve passporting between Council Tax Support and Universal Credit, in order to help claimants and limit confusion resulting from the separation of housing and council tax benefits.* (Paragraph 102)

Time constraints

24. We welcome the Government's introduction of a grant to assist local authorities with Council Tax Support schemes that meet certain criteria. However, we note that the lateness of the announcement and the fact that the grant is only available for 2012–13 has, regrettably, introduced confusion and uncertainty into the development of local schemes. We also note that only 59 per cent of local authorities qualify for the grant meaning that the rest will need to meet the full cost of the schemes either by reducing the money they pay to working age claimants or by making cuts in other budgets. (Paragraph 110)

Funding for administration

25. The withdrawal of one element of benefit administration—for Housing Benefit—from local authorities will not proportionately reduce their administrative costs. In addition, the level of local authority involvement in administering the housing element of Universal Credit has not yet been set out by the Department for Work and Pensions. It therefore does not make sense to withdraw the Housing Benefit Administration Grant in its entirety until the actual cost to local authorities of administering Universal Credit is known. *We recommend that the Department for Work and Pensions provide local authorities with certainty over the level of Benefit Administration Grant that they will receive until the end of the Spending Review period. The level of the grant should accurately reflect the level of cost to local authorities of developing and administering the welfare changes.* (Paragraph 115)

Local authority staff

26. Local authority staff as well as the large numbers of staff of contractors used by local authorities affected by the changes to welfare need certainty about whether they will be able to retain their current jobs or have the opportunity to transfer into a different role. The danger of leaving staff in the dark about the forthcoming changes is that some of the most employable of them will decide to leave before the reforms come into effect. This could put claimants at risk of receiving a reduced service and local authorities with the problem of having to find and possibly train temporary staff to fill the gaps. *The Government must as a matter of urgency set out to local authorities the details of the administrative changes that they will need to make, including the timetable, so that they can give their staff and contractors the certainty that they deserve.* (Paragraph 122)

Housing benefit fraud

27. We are concerned that during the transition period before local authorities hand over Housing Benefit to DWP a reduction in experienced local authority housing department staff will leave the system more vulnerable to fraud. *The Government should ensure that local authority housing departments are provided with the administrative funding they need to manage the transition to Universal Credit and prevent staff leaving prematurely.* (Paragraph 125)

28. We welcome assurances from the Government that the new IT system for Universal Credit (IRIS) will incorporate local housing data to enable effective housing benefit fraud detection. However, it is worrying that the system still seems to be at the development stage. *It is incumbent upon DWP to ensure that its system is ready in time for the changes. We will monitor the way in which the system is implemented and its effectiveness as the reforms progress.* (Paragraph 126)

Local authorities' IT systems

29. Sharing information effectively through ICT systems will be critical to the implementation of welfare reform. Some councils have been able to handle data transferred to them by DWP through ATLAS but this may have been more by luck than planning. DWP told us that it was confident that ATLAS would cope. It is less clear that it gave sufficient attention to ensuring that local authority systems would be compatible with ATLAS and we recorded a significant level of dissatisfaction from them. The consequences of ICT system failure would be significant as large volumes of data will be transferred between DWP and local authorities. It is therefore of crucial importance that the necessary ICT systems are integrated and working efficiently in time for the changes. (Paragraph 132)

Digital by default

30. Moving claims and services online has the potential to result in reduced costs for both central government and local authorities in the longer term. However, savings from the move to digital claims should not be achieved at the expense of failing to provide transitional funding for local and central government to provide support to vulnerable claimants. Whether local authorities or advice charities should take the lead in offering such services needs to be determined and the Government should set out what specific funding will be available within the next five months. (Paragraph 136)

Financial risks

31. We welcome the Government's assurance that it will assess the total cumulative cost to local authorities of its reforms. *We hope that this assessment will be comprehensive rather than simply assessing each reform separately and include an indication of what additional funding would be available where additional burdens are identified. We have called in this report for the Government to meet with the Local Government Association to discuss the effects of specific burdens on local authorities. These meetings should include discussion about the overall impact of the changes.* (Paragraph 143)

Formal Minutes

Tuesday 26 March 2013

Members present:

Mr Clive Betts, in the Chair

Simon Danczuk
Mrs Mary Glindon
James Morris
Mark Pawsey

John Pugh
Andy Sawford
Heather Wheeler

Draft Report (*Implementation of welfare reform by local authorities*), proposed by the Chair, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 143 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 19 December 2012, 7 and 28 January, and 4 and 11 February.

[Adjourned till 3.00 p.m. on Monday 15 April

Witnesses

Wednesday 19 December 2012

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Sue Ramsden, Policy Leader, National Housing Federation, **Gavin Smart**, Director, Policy and Practice, Chartered Institute of Housing, and **Cllr Sharon Taylor**, Leader, Stevenage Borough Council, Local Government Association Ev 1

Monday 7 January 2013

Cllr Graham Chapman, Deputy Leader, Nottingham City Council, **Lesley Piggott**, Assistant Director of Finance, London Borough of Camden, **Andrew Stevens**, Assistant Director, Customer Services, Thanet District Council, and **Steve Thompson**, Assistant Chief Executive, Treasurer Services, Blackpool Council Ev 12

Paul Howarth, The Welfare Reform Club, **Chris Town**, Vice Chair, Residential Landlords Association, and **Steve White**, Chief Executive Officer, The Hyde Group Ev 20

Monday 28 January 2013

Kevin Dodd, Chief Executive, Wakefield District Housing, **Gillian Guy**, Chief Executive, Citizens Advice Bureau, and **Kate Webb**, Senior Policy Officer, Shelter Ev 25

Mark Prisk MP, Minister for Housing, Department for Communities and Local Government, and **Lord Freud**, Parliamentary Under Secretary of State, Department for Work and Pensions Ev 32

List of printed written evidence

Blackpool Council	Ev 65
The Chartered Institute of Housing	Ev 48
Citizens Advice	Ev 80, Ev 84
Department for Communities and Local Government and the Department for Work and Pensions	Ev 88, Ev 96
The Hyde Group	Ev 76
Local Government Association	Ev 52
London Borough of Camden	Ev 59, Ev 63
National Housing Federation	Ev 44
Nottingham City Council	Ev 55
Residential Landlords Association	Ev 73
Shelter	Ev 85
Thanet District Council	Ev 63
Wakefield District Housing	Ev 77, Ev 78
The Welfare Reform Club	Ev 69

List of additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/clgcom)

Administrative Justice and Tribunals Council	Ev w4
Association of North East Councils	Ev w93
British Property Federation	Ev w41
Centrepont	Ev w48
Chartered Institute of Public Finance and Accountancy	Ev w23
Child Poverty Action Group	Ev w33
Circle Housing Group	Ev w50
Core Cities Group	Ev w19
District Councils' Network	Ev w37
Durham County Council	Ev w9
East 7	Ev w17
East Riding of Yorkshire Council	Ev w39
Gipton Supported Living	Ev w117
Hull City Council	Ev w96
Institute of Revenues Rating and Valuation	Ev w66
LASA	Ev w120
Leeds City Council	Ev w62
Liverpool City Region Child Poverty and Life Chances Commission	Ev w85
Local Government Ombudsman	Ev w31
London Borough of Croydon	Ev w45
London Borough of Hackney	Ev w80
London Borough of Newham	Ev w99
London Borough of Sutton	Ev w89
London Borough of Tower Hamlets	Ev w103
London Councils	Ev w13
MasterCard	Ev w127
National Association of Local Councils	Ev w116
National Housing Federation	Ev w1
New Policy Institute	Ev w73
North West Landlords Association	Ev w84
Oldham Council	Ev w52
The Riverside Group	Ev w55
Rochdale Council	Ev w58
Royal National Institute for Blind People	Ev w122
SIGOMA	Ev w108
Southwark Council	Ev w27
Stockton-on-Tees Borough Council	Ev w69
Surrey County Council	Ev w112
Waverley Borough Council	Ev w119
West Midlands Metropolitan Council (Collective)	Ev w77

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2012–13

First Report	Park Homes	HC 177-I (CM 8424)
Second Report	European Regional Development Fund	HC 81 (CM 8389)
Third Report	The work of the Local Government Ombudsman	HC 431 (HC 615 & HC 650)
Fourth Report	Pre-appointment hearing for the Chair of the Audit Commission	HC 553
Fifth Report	Mutual and co-operative approaches to delivering local services	HC 112 (CM 8547)
Sixth Report	Councillors on the frontline	HC 432 (CM 8582)
Seventh Report	The Committee's response to the Government's consultation on permitted development rights for homeowners	HC 830
Eighth Report	The role of local authorities in health issues	HC 694

Session 2010–12

First Special Report	Beyond Decent Homes: Government response to the Committee's Fourth Report of Session 2009–10	HC 746
First Report	Local Authority Publications	HC 666 (HC 834)
Second Special Report	Local Authority Publications: Government response to the Committee's Sixth Report of Session 2010–11	HC 834
Second Report	Abolition of Regional Spatial Strategies: a planning vacuum?	HC 517 (CM 8103)
Third Special Report	FiReControl: Government response to the Committee's Fifth Report of Session 2009–10	HC 835
Third Report	Localism	HC 547 (CM 8183)
Fourth Report	Audit and inspection of local authorities	HC 763 (CM 8209)
Fifth Report	Localisation issues in welfare reform	HC 1406 (CM 8272)
Sixth Report	Regeneration	HC 1014 (CM 8264)
Seventh Report	Pre-appointment hearing for the Government's preferred nominee for Chair of the Homes and Communities Agency Regulation Committee	HC 1612
Eighth Report	The National Planning Policy Framework	HC 1526 (CM 8322)
Ninth Report	Taking forward Community Budgets	HC 1750
Tenth Report	Building regulations applying to electrical and gas installation and repairs in dwellings	HC 1851 (CM 8369)
Fourth Special Report	Preventing violent extremism: Government response to the Committee's Sixth Report of Session 2009–10	HC 1951
Eleventh Report	Financing of new housing supply	HC 1652 (CM 8401)

Oral evidence

Taken before the Communities and Local Government Committee on Wednesday 19 December 2012

Members present:

Mr Clive Betts (Chair)

Bob Blackman
Simon Danczuk
Bill Esterson
James Morris

Mark Pawsey
Andy Sawford
John Stevenson

Examination of Witnesses

Witnesses: **Councillor Sharon Taylor**, Deputy Chair, Local Government Association, **Paul Raynes**, Head of Finance and Localism Programmes, LGA, **Gavin Smart**, Director, Policy and Practice, Chartered Institute of Housing, and **Sue Ramsden**, Policy Leader, National Housing Federation, gave evidence.

Chair: Welcome to our first evidence session of the inquiry into the implementation of welfare reform. First, one or two of us have to make a declaration of interest that is specific to this inquiry. As vice-president of the Local Government Association, I have to put that on the record.

Andy Sawford: In my previous job, I was chief executive of the LGIU. I have a continuing relationship with them, and they work on the issues that I want to raise.

Chair: Thank you all for attending this afternoon. For the sake of our records, please begin by saying who you are and the organisation that you represent.

Councillor Taylor: I am Councillor Sharon Taylor, and I represent the Local Government Association.

Paul Raynes: I am Paul Raynes, and I am an officer at the Local Government Association.

Gavin Smart: I am Gavin Smart, and I am from the Chartered Institute of Housing.

Sue Ramsden: I am Sue Ramsden. I am from the National Housing Federation, representing housing associations.

Q1 Chair: Thank you all for coming this afternoon. To begin with, the most important question is about the many changes in housing benefit. Is everyone ready for them? They will particularly affect councils, but housing associations might have some work to do as well.

Councillor Taylor: Local government is preparing. We still have quite a lot of detail that we need to understand properly as we go through the process. Clearly, one of the things that local government sets out to do as well as we can is to address issues of poverty, deprivation and so on. It is absolutely at our core to do that. We need to manage the effects of welfare reform on some claimants, the way in which the Government are delivering it and the risks in the reform programme along with our own risks. We have had the settlement today, and we are assessing the financial situation that we are in. We need to manage all that, alongside councillors' desire to do the best we can to help our residents through what may be a very difficult process for some of them. That is what

we are trying to do but, as you are all aware, we do so in the context of a greatly decreasing resource base. We have had, what will be by the end of the comprehensive spending review period, 33% cuts. That is a fairly conservative estimate of the cuts that we will be experiencing by the end of that period. We take this on in a constructive way. We have some pilots running to look at what the issues might be, but there are definitely issues of great concern about universal credit, the changes to the housing benefit system, the council tax support schemes and so on, and the way in which they impact on our residents and their ability to cope with them.

Gavin Smart: I agree with that. People are getting ready, but they are not fully ready yet. There is a need for more information in some places. There are a large number of landlords and a large number of local authorities across the country with different states of preparedness as well and, of course, tenants and residents also need to prepare. The level of understanding is variable amongst tenants and residents of just how big a change they are facing. People are planning and preparing, but there is more to learn from things like the direct payment demonstration projects. More information is needed as well before people can complete that process.

Sue Ramsden: In terms of the forthcoming cuts, specifically in April 2013 and particularly those relating to the social sector size criteria for social landlords, housing associations are putting a lot of resources into visiting tenants, to explain to them the changes, to set up new payment arrangements when people will have to make a payment towards the rent and to discuss their options in moving to a smaller home. That is a very resource-intensive process.

Q2 Chair: So you are doing that on a face-to-face contact basis. Generally, is that what is happening?

Sue Ramsden: A lot of associations have done that on the basis of face-to-face visits. Key to that, in terms of being able to identify the people affected, has been the data sharing arrangements with local authorities, so that local authorities can share data about somebody's benefit circumstances. That then allows the housing association to target their resources in

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terms of people particularly affected by the size criteria.

Q3 Chair: Paul, to answer more generally for local government, can you indicate whether you have worries that there may be some councils that are not quite getting there? It is all very well to say that most of them are, but it is the ones that are not which will hit the headlines. Their tenants will be really badly affected, if they don't get it right.

Paul Raynes: Partly amplifying the point that Councillor Taylor made, any major change carries risks with it. There are a certain number of unknowns in all of this. We are at a phase of the conversation about welfare reform, where we are getting to understand better the uncertainties and the unknowns, and what the issues are. Reference has already been made, for example, to the demonstration projects. They have been ready for four months and are throwing up not only challenges, but avenues that councils are pursuing to manage those challenges. Part of where we will be during the next phase is looking at the demonstration projects, the pilots and so on, and saying that these places have either addressed issues we knew were coming down the track or have identified challenges that we were not expecting, but a said issue has emerged. One of the interesting things about the pilots is their variety, and they have identified in their various ways in which risks might be managed. The conversation is about taking that out to everybody else and helping them share in what has been learned.

Q4 Chair: As for identifying problems by running pilots, we are only three months from people actually having the effect on their doorsteps.

Councillor Taylor: I am concerned about putting too much weight on pilot projects where, inevitably, more resource and effort are put in. You may have a selective group of clients that you are running the pilot with; it is a bit dangerous to extrapolate all of the information from that out to a hugely wider section of benefit claimants.

The kind of concerns we have about building capacity—financial capacity—for benefit recipients in order to manage this business of having universal credit payments paid direct to them is, as I have discovered through family intervention project work, that it is not a quick project. It takes time to build that capacity, and it is very resource intensive. If you are going to provide someone with that capability who has perhaps come from a family of two or three generations of worklessness, it takes a lot of resource to deliver the capacity to manage personal resources. I am not saying it is not possible. I think that it is possible. I am just concerned about the level of resources that will be required to enable it to happen. The same applies to the digital by default issue. It can be managed. It can be done, but we need time to help residents through it. Councils are doing a huge amount. East Lindsey, for example, is running a training programme for benefit claimants on issues to do with financial capacity. Other councils are doing that. Most of us are now providing a lot of information to our residents about what is happening, and trying

to start that process. But, as you say, with three months to go, it is a fairly short time scale.

Q5 Chair: Let us raise two other issues. Something that often causes problems is bits of government, whether central or local, not communicating very well with each other. I just wonder if we are making progress with councils informing DWP automatically when rents change, and how that would happen with housing associations.

In reverse, when people's income changes, how are we going to manage to avoid people having to go to two different places to get their housing benefit or eventually their housing element of universal credit changed, on the one hand, and their council tax benefit changed on the other? Has DWP engaged at last?

Councillor Taylor: We certainly have the will to make this data sharing much quicker and simpler, but there has been, for example, a huge increase in change of circumstances because people's job profiles are changing so rapidly. A lot of people are on zero hour contracts now, so they will go from working 30 hours one week to 16 hours the following week.

The increase in change of circumstances is putting a huge burden on revenue and benefit sections at the moment, keeping up with that. I have gone into a shared service on revenues and benefits. Nearly all the savings we made on that shared service have now been eaten away by the increase in work load. It is obviously better than if we had not had the shared service, because we would have had that on top of it, but it is putting pressure on. The will is there to do it but the increase in work load is slowing that down to a certain extent.

Sue Ramsden: Can I add something on the issue of data transfer between landlords and the DWP, when it comes to the point that the DWP are administering housing costs? We have certainly made the argument that it is much more efficient to allow that data to come direct from a landlord into the system. For example, landlords put their rents up every year. It should be possible for that data to be transferred from the landlord to the DWP rather than each individual tenant having to input that into their claim, taking up resources of the tenant's time and those of the DWP. It is much more efficient if landlords can just transfer that information directly, as they do in the current system. I think there are a number of efficiencies in the current system that need to be transferred into the new system.

Gavin Smart: On a related point, under the current system local authorities, housing associations and other landlords have got used to working together and exchanging information very well. I have made this point to the Committee before: one of the challenges of moving to a national system is replicating those working relationships as effectively as we can. There is also a question about the degree to which local authorities have access to information on individual claimants' situations. We need to be sure that can happen under the operation of fully blown universal credit.

Q6 Chair: So we are not sure yet.

Gavin Smart: I am unsure about that. Are we?

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Paul Raynes: I think that is right. There is talk about risks and uncertainties. This is one of the uncertainties. One of the things that is very functional about the current set of arrangements is the way that people do work together and share information about clients. There is a risk that an oversimplistic view of how universal credit might work would effectively chop things back up into silos. We need to preserve that information sharing and working together on particular customers who present particular challenges.

Q7 Chair: Briefly, the matter of discretionary housing payments. Is it sufficient? What are you going to do if it isn't?

Councillor Taylor: Discretionary housing payments represent about 6% of the total cuts to housing benefit. It is likely that councils will find that DHPs are unable to respond to need. That is our view at the moment. There are some big issues around this: the case of foster parents, for example. If we are going to allow foster parents to continue to under-occupy, we need to have the financial flexibility in the system to allow us to do that. That is a good example of where we would clearly want to make things as easy and flexible as possible to allow for that fostering. I am not sure there is enough money in the system to do that at the moment.

Sue Ramsden: We are very concerned that the discretionary housing payments budget will not be adequate to cover the demands on it. We are also concerned about the use of discretionary housing payments to plug some of the gaps that have been created within the system.

For example, a disabled person living in an adapted property—say, the property is wheelchair-accessible—may use their spare room for storage of their equipment. They may have been allocated that property because it particularly suits their circumstances. They will be hit by the social sector size criteria; they will see a reduction in their benefit. The problem with using discretionary housing payments to plug that gap is that that is a long-term situation for that disabled person. They need the security of knowing that the benefit is going to cover their rent in the long term. A discretionary system is inevitably at best a year-on-year decision; it can be much shorter than a year in terms of councils making a decision about a cash-limited pot.

Councillor Taylor: It further adds to the risks that councils are taking on. That is another point. I would want to stress very much that, the way that this system looks at the moment, councils will be taking on greatly increased levels of risk.

There is a particular issue around London councils. If you are in temporary accommodation exceeding the benefit cap, you will then have a statutory homelessness claim. If councils are going to meet that gap or house you out of the borough—the CLG has just ruled that you can't house them out of the borough; they have to be housed in the borough—where are you going to house them? Back in the property that exceeds the benefit cap. We are kind of between a rock and a hard place on that at the

moment. There are some big issues around this that need resolution.

Gavin Smart: One minor but important point is that the other problem is, because there is a cash limit, there is a timing problem here as well. You would very much prefer to be someone who presents at the start of the financial year with a problem than you would someone who presents at the end of the financial year.

Q8 Bob Blackman: I want to cover some of the issues around universal credit, starting with you, Sue. Under universal credit, all the payments will go directly to the claimant, and it will be up to them to pay their landlord, whether it is the council or another provider. Do you think that that is right, or do you think it should be done in a different way?

Sue Ramsden: I would support the recommendation made by the Select Committee on Work and Pensions on this matter. Do not underestimate the change that universal credit will bring to claimants: a single monthly payment to the household and a direct payment, in terms of all the money, including the rent money, in the tenants' hand. That is a huge change from the system that we have at the moment.

The DWP Select Committee came to quite a wise conclusion in terms of issues about the transition over to universal credit and smoothing through that transition. The way to do that is not to automatically have it as the default option that people receive all the money in their hands.

Q9 Bob Blackman: What do you think the default option should be, if you don't think tenants should get it?

Sue Ramsden: The system should recognise that for a number of people, this will cause a big problem in terms of budgeting. People are used to budgeting on a weekly basis, by and large. In order to manage this change, it will be very helpful for people to continue to have the option of having the benefit money paid directly to their landlord.

Q10 Bob Blackman: To be clear, your view is that the claimant should say, "Yes, I'd like this paid directly to my landlord."

Sue Ramsden: The claimant should be able to have that choice.

Bob Blackman: So the claimant can say that.

Sue Ramsden: Yes.

Q11 Bob Blackman: But no one else should be able to say that.

Sue Ramsden: Well, no; I think there is still a need for categories of people who are vulnerable.

Bob Blackman: I am going to come on to that in a minute.

Sue Ramsden: Also a trigger in terms of people who get into arrears.

Q12 Bob Blackman: Given that that is not the position, are there any other safeguards that should be built in for the sake of landlords?

Sue Ramsden: Certainly. These are not just safeguards for landlords, but safeguards for tenants, in

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terms of helping them manage their money and keep a roof over their heads. Certainly, there needs to be a category of vulnerable people identified at the start of the claim. That category of “vulnerable” needs to be broad and flexible, and include issues such as mental health problems, financial vulnerability—in terms of a history of unsecured debts or arrears with the tenancy—and also their housing history; whether a person comes through a statutory homelessness route.

Q13 Bob Blackman: Gavin, the pilots are under way. The DWP gives some views of trends emerging within the pilots. Have you seen any assessments of how these pilots on direct payments have been going?

Gavin Smart: I have only seen the published information. What we know from that information is that the rent collection figures are lower than you would normally expect. I think we have publicly said that. That is a cause of concern.

Q14 Bob Blackman: Should landlords in those areas take special measures to ensure that they recover the rent that is due?

Gavin Smart: I think all landlords in those areas are already taking special measures, and that is part of the purpose of the demonstration projects. I think they demonstrate, as Sue was saying, just what a big change this is and how tricky this is. We might expect that some of those figures may improve over time, as people develop the most effective mechanisms for ensuring that they collect the maximum amount of rent. But I think you will see arrears levels rise as a result of a switch to direct payment. That creates challenges for landlords and challenges in terms of where they choose to invest and not to invest. I agree with Sue: we would prefer that tenants have the choice to decide whether or not they want their rent paid directly to the landlord—excluding discussions about vulnerability, which I know you want to come on to.

Q15 Bob Blackman: Should there be any views about the length of a tenancy? My experience was that, in my local authority, people on six-month tenancies would make their claims, rents may or may not get paid, they might disappear early—all sorts of things would happen, and they would become untraceable. Do you think that the length of the tenancy agreement should have anything to do with it?

Gavin Smart: I am not sure that there is a direct relationship between the length of a tenancy agreement and the operation of the welfare system. I can see that there might be, but social landlords have the flexibility to give different length tenancies. Some are exploring that, but I would not say that that was directly related to the principle of direct payment.

Sue Ramsden: There is a particular issue around temporary accommodation and direct payments: people in temporary accommodation find the rent levels are higher. There is an issue about supply in terms of encouraging landlords to put properties forward for temporary accommodation, and the population in temporary accommodation is much more volatile; people come and go, and there is the difficulty of recovering money—even if you are just

looking at waiting two months for the arrears trigger—when the people have disappeared.

Q16 Bob Blackman: So what do you think the arrears trigger should be: one month, or two months?

Sue Ramsden: I gave two months as an example.

Q17 Bob Blackman: But would you say that that should be the trigger?

Sue Ramsden: I think that we need to look at the evidence from the demonstration projects as they are testing a variety of arrears triggers. But we also need to look at how the legal system operates in terms of a landlord’s ability to recover possession of a property and the ground by which we can pursue legal action on the basis of arrears after eight weeks.

Q18 Bob Blackman: Sharon, do you have a view from the LGA perspective of the payments going direct to the tenants?

Councillor Taylor: We very much want to look at the outcome of the pilots; the best way to assess how this is working is to look at what happens when we try it out to see what kinds of issues arise. Most councils already do a lot of work on income maximisation and tenancy sustainability, but this may throw a spanner in the works.

From my own council’s point of view, we would not wait two months in terms of arrears; we would try to get on top of that as quickly as possible so that people do not get into the sort of arrears that they cannot pay back. There are big issues around the prevalence of payday loan companies, loan sharks and people like that; some of our tenants and housing benefit claimants are particularly vulnerable to that. If, when their rent payment is due, they find that they have not got the money because they have spent it on other things that they need—for example, the car breaks down and they need to fix it to get to work, and so on—they become vulnerable. That is a huge issue.

There are issues around the voluntary sector, who generally support our residents and tenants with issues around debt and managing their money. They are having their funding cut back at the same time that these additional issues are coming forward. Certainly, where I live I have an economy taskforce which works with the citizens advice bureaux, Jobcentre Plus, and so on. We will do our best to try to create a programme that helps to support people with this sort of financial capability, but the voluntary sector is struggling with the funds to help us deliver that at the moment.

I need to stress the point about councils’ HRA accounts. If I look at my own, and if we get a decrease from our current 92% rent collection to, say, 80%, which I do not think is beyond the realms of possibility in the universal credit programme, that would have an impact of £6.8 million on my HRA. The massive payment I have to make each year to pay back the £218 million debt we took on would be absolutely impacted upon in our business plan by that £6.8 million drop in income.

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Q19 Bob Blackman: Can I just stop you? I understand and sympathise with your local authority—

Councillor Taylor: You are much more concerned with residents, clearly.

Q20 Bob Blackman: Hang on. You will have a trigger after one month, so if people have not paid their rent, you will pursue them. So why, if your council—as it should—is going to pursue people to make sure that they pay their rent on time, would those rent arrears go up?

Councillor Taylor: If they go to a payday loan company to borrow the money, you are stacking up future problems there—

Q21 Bob Blackman: But why should they? They have got the benefit in their hands—

Councillor Taylor: And potentially putting homelessness up. We have evicted 14 families so far this year for non-payment of rent, and that is before all of this comes in. People are struggling financially already. We need to see the outcome of the pilots. It may be that with some financial capability training this works, but it is very resource intensive to do that. Family intervention programmes have a key worker for each family who goes in and supports this work. That is very resource intensive. Whether we have the capacity across local government to deliver that kind of one-to-one support, I don't know.

Q22 Bob Blackman: One of the trigger points is obviously, as Sue and Gavin mentioned, vulnerable families. What is your definition of “vulnerable”? If someone is vulnerable then that would be a trigger for the money to be paid direct to the landlord rather than into their hands for them to then pay out. Have you got a definition?

Councillor Taylor: I certainly think that if any of the families in our family intervention projects meet those triggers they should be in there. We will be working with them anyway. There will be other families where the particular vulnerability is around their financial vulnerability. We should be able to assess that.

Q23 Bob Blackman: At the moment there is no clear definition—

Councillor Taylor: No, there is no clear definition.

Q24 Bob Blackman: One of the things I am concerned about here is that when you have lack of clarity there are always problems.

Councillor Taylor: Absolutely.

Paul Raynes: This is a particularly interesting theme. There is a temptation in the way that universal credit has been designed to oversimplify and think that life is going to be less complicated than it really is. It is possible to get into a dialogue about vulnerable people and then forget what is coming out of what Councillor Taylor is saying. The need to build financial capacity, to learn how to budget, may be much closer to a general phenomenon that everybody is going to make the transition from the current benefit world into a universal credit world. There may be a much wider need for that sort of support precisely because, as Sue

said, most people living within the current benefit world budget on patterns that are dictated by the way the old benefit system works.

Q25 John Stevenson: Moving on to the social fund, the community care grants and crisis loans; the discretionary part, as you are aware, is being abolished. This question is really to Councillor Taylor. What progress are local authorities making towards developing their own discretionary social fund?

Councillor Taylor: Generally, councils are concerned about their capacity to manage crisis loans. In two-tier areas this is exacerbated by the fact that they have been put with upper tier authorities and they may not be quite close enough to the front line. Crisis loan—the clue is in the name, really. People have a crisis. They need it resolved as quickly as possible. You are not going to be able to have a committee set up to decide whether someone can have a crisis loan and I don't think councils are doing that.

Q26 John Stevenson: But the council could put a procedure in place and give an authority to an officer within certain parameters.

Councillor Taylor: Some councils are doing it through the voluntary sector. Some are doing it themselves but have a specific procedure to do it. But the quantum of funding at the moment is not sufficient to manage the need. I don't think it ever was in the social fund. There probably never was enough there to manage the need.

Q27 John Stevenson: Can I just pick you up on a point there? What you are saying is that some of the councils are doing it themselves and some are effectively using the voluntary sector to do it for them?

Councillor Taylor: Yes.

Q28 John Stevenson: Do you think the smaller authorities are going to have the greatest difficulty in producing an adequate policy?

Councillor Taylor: I don't think the two things necessarily correlate. Some small councils, because they may be closer to the people they are administering these grants to, may produce better systems than people who are more remote from it. We will keep a very close eye on it. If you apply for a crisis loan at the beginning of the year you may be more likely to get it than if you have a crisis at the end of the year. Sadly, crises don't limit themselves to April, May and June. They tend to happen all year round. I have seen it before: you get a bank holiday weekend and people cannot get access and they have no cooker or their cooker breaks down and they have small children and they can't cook a meal for them and all this sort of thing. When that happens it needs resolving very quickly. We need to keep a watchful eye on this and see how councils cope with the change.

Q29 John Stevenson: Are there any councils doing nothing?

Councillor Taylor: Not my knowledge, no.

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Q30 John Stevenson: It is a discretionary policy, so, theoretically at least, a council could do absolutely nothing.

Councillor Taylor: The money is not ring-fenced, as you know. Paul may know better than I, but, as far as I am aware, most councils have some procedure in place. We can perhaps come back to the Committee when we have done our assessment.

Q31 John Stevenson: A council could effectively pass the problem down the road.

Councillor Taylor: They can, yes.

Q32 Simon Danczuk: Sharon, is the time scale for the implementation of localisation of council tax realistic?

Councillor Taylor: It has been incredibly difficult to get schemes ready in time, particularly because of the need to consult effectively on this and to respond to that consultation, which has been difficult to do with the constraints that councils have been under with the 10% cut. It has been very difficult to get there. I think that most councils have drawn up a scheme. They are very different, and there is a huge element here of the scheme in my borough being different from the scheme 3 miles away in the next-door borough. Councils have struggled to do it in the time scale. I do not think that we really know whether the software will work, and that remains to be tested when we get into the new financial year.

There is another big risk in this for us, because there are questions around whether it will drive down the take-up of council tax benefit. It may have exactly the opposite effect, because it is no longer a benefit; it is a support system. That may increase the take-up, and the financial risk, as you know, is with councils here. It has been a very difficult exercise for councils. Having to go out to consultation with such a group is like—I am sorry to use an old cliché—asking turkeys whether they will vote for Christmas. The consultations have been difficult. I would agree with previous comments. I think some of the recipients of council tax benefit are not aware as yet, and will not realise until it hits them, that they are going to be liable for paying some of their council tax bill when it comes round to April next year. I am concerned about that.

Q33 Simon Danczuk: Paul, the LGA is effectively the trade association for local authorities. You represent it. On a scale of one to 10, how unhappy or happy are your members about this process that they have been directed to deliver?

Paul Raynes: Without canvassing all 400-odd LGA members, I probably could not—

Simon Danczuk: I am sure that they would let you know.

Paul Raynes: It generated a lot of discontent.

Q34 Simon Danczuk: Where is it on the scale? If one is very unhappy and 10 is very happy, where are they?

Councillor Taylor: Looking across parties, I would say that it was an eight or upwards, because—

Simon Danczuk: For unhappiness?

Councillor Taylor: People are very, very unhappy about it

Paul Raynes: It partly comes back to the things that Councillor Taylor was saying earlier. It is not only adapting to a new system, it is implementing a new system with a large cut in the budget available. It is not administrative good practice to ask people to start paying tax at a higher—normally, what you do is that you start a new burden as low as you can. You do not bring in a funding cut in year one of a new system. There is that element, but there is also the instability element. This House and the other House were actually considering the legislation, and the legislation had not received Royal Assent at a time when, for practical reasons, councils had to be out to consultation. There was then a last-minute transitional grant introduced into the equation when the schemes were already out for consultation. As a process, it was not a terrifically happy one.

Q35 Simon Danczuk: You sound very unhappy about it, never mind all your members.

Paul Raynes: It was a great experience.

Councillor Taylor: The unhappiness is cross-party. It is important to say that.

Q36 Simon Danczuk: I accept that point.

Gavin, Sue, do you have views on this or are you not as close to it?

Gavin Smart: I have a view on some of the challenges for local authorities. One challenge is that it would appear to be a situation where coming together to run a policy across a number of local authorities would be a sensible approach, but there are some perverse incentives within the system that make that hard to deliver. For instance, the degree to which the proportion of the claimants in a given local authority area are within one of the protected groups determines how hard the burden falls on people who are not protected. Where you have a differential between local authorities in that proportion of people who are not protected, you will have some local authorities that will want to club together, but the ones that they would want to club together with will be reluctant to do so, because they will be spreading the burden across a greater group of people. In practice, it is hard for local authorities to club together, even though they might want to.

Councillor Taylor: We all start from different financial positions.

Sue Ramsden: There is a real issue about getting information out to people, and people understanding what they are and are not entitled to. A huge number of social housing tenants are reliant on council tax benefit to cover all or some of their council tax costs. This is coming in at the same time that they are potentially seeing reductions in their housing benefit. In terms of the size criteria, the benefit cap is coming in at the same time.

Gavin Smart: There is a massive communication challenge here because of the large number of changes that are happening. They are not happening absolutely all at once, but at about the same time, so people may find that their circumstances change several times. It is quite hard for people to understand what is going on.

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Q37 Simon Danczuk: That is a really important issue. I have one final, quick question. Are local authorities designing systems that will reduce the amounts paid in council tax benefit? Are they designing systems that will reduce the money that they are spending on it?

Councillor Taylor: Because all the systems are different, it is very difficult to say that. Some of us are having to impose the payments that people make because we cannot afford to put the money back in. I suppose, from that point of view, the money is coming back from residents. Some councils are in a better position financially, and have been able to implement a default system. Some councils use all the exemptions that they are now granted—second homes, empty properties and so on—to support the system. In our case, if I had protected all the groups that came out of the consultation other than those that are protected by the Bill it would have meant that the other claimants would have had to pay 30% of their council tax. It would be a massive hit to go from zero to paying 30%. So we have designed systems around what resources we have to put into it. The other big issue for two-tier authorities is that districts are charged, if they do it, with making up the county council's element of the council tax.

Q38 Simon Danczuk: That will be popular, won't it?

Councillor Taylor: Yes. Let's just say we had inducements from some counties to do just that. Some districts have put their foot down and said, "No, we are not doing it. We are only going to collect our bit of the council tax." So there may be issues that arise between tiers of authorities because of this. That remains to be seen. I am not sure how many districts are taking that line—I am not, by the way—but some are.

Paul Raynes: In terms of monitoring what is going on, we looked at 200 schemes at an earlier stage. Of course, that has now changed with the introduction of the transitional grant arrangements. The most up-to-date piece of work looking at what councils are doing was done by something called the New Policy Institute. By 13 December, they were looking at about 68 schemes. A third of those were preserving the council tax benefit system unchanged, so they must have been finding money from elsewhere to subsidise the cut. About a third were compliant with the conditions you have to meet to qualify for the Government's transitional money—an 8.5% limit on minimum contributions. A third are going beyond that, therefore ex hypothesi they are looking to take savings out.

Q39 Andy Sawford: I want to focus on council tax benefit reductions. The Government said their aim was to give local authorities a greater stake in the economic future of their area. Speaking to the Select Committee last year—it was before I was a member, but I have read the write-up—the Minister, Grant Shapps, said that this would create a greater interest in starting up that new industrial estate or business park and getting economic activity going so that there are jobs. Councillor Taylor, what your has experience been of this new opportunity for economic

development that the council tax benefit cut has created?

Councillor Taylor: Well, 60% of benefit claimants are in work anyway, so that is a huge issue; this does not apply only to people who are out of work. That is something that local government need to keep saying. Local authorities are very keen to take up the challenge of promoting economic growth. Many authorities do lots in that regard already, but we have a diminishing resource base, which makes it ever more difficult for us to do the vital things we need to do to support the growing economy. We are all doing our best out there to do this, but as council resources diminish, we need to keep more of our reserves to protect us from the increased risks we are facing.

Our ability to do the infrastructure investment that we might have made to support economic growth may reduce. Our ability to support revenue base schemes, such as incubator-type functions to get new businesses going and so on, diminishes. That said, many councils that are keen on supporting economic growth will continue to do so. I am not sure that the council tax benefit scheme, in itself, provides the incentive to do that.

It is the overall resource base of local government that is fundamental—that either helps or does not help, depending on which way the needle is pointing at the time. The continual undermining of local government resource is taking its toll on our ability to support economic growth. That is a shame, because local government can absolutely be at the front line of driving the economic recovery, if we are given the freedoms and the finance to do it.

Q40 Andy Sawford: Does anyone else want to comment on that?

Gavin Smart: It is not an area where our members have a particular level of involvement, but I agree with Councillor Taylor. Local authorities are very interested in the economic development of their area, but the challenge is how you can drive that work forward with the reduced resource base. That is particularly tricky.

Q41 Andy Sawford: Paul, you said you had not asked all 400 of your members specifically about these things, but has any local authority in your membership, to your knowledge, expressly linked the changes in the council tax benefit—the council tax benefit cut—to economic development activity?

Paul Raynes: There is very little to add to the way that Councillor Taylor expressed it. Councils are incredibly powerfully incentivised to care about growing their local economies anyway, and many changes that are currently going on strengthen those incentives. In another conversation, we can talk about localisation of the business rate, the new homes bonus, the CIL and all those kinds of things, but there are lots of incentives in the system to care about growth to which councils respond. I do not think anybody has come to us putting the council tax benefit change high on the list of things that improve that incentives environment.

Councillor Taylor: It is about £5 or £8 a week from each claimant. It is the overall resource base that

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counts here, not the money that we get back in from council tax.

Q42 Andy Sawford: We are quite interested in the impact of localisation and the ideas behind this. I looked at the range of criteria that you could vary in the means test. What research or awareness do you have of the extent to which there will be variation of the means test?

Councillor Taylor: The means test for?

Q43 Andy Sawford: Well, you could have different means tests in different areas for council tax benefit. Some of the concerns that have been expressed in the past are around, for example, people moving between local authorities and the potential for that because of the way council tax benefit is applied in different areas—the schemes are different. Is that something that your members are concerned about? Have they raised that?

Councillor Taylor: Because different schemes are being drawn up in practically every council area in the country, and we are all applying our own financial situation to the solution that we find to this issue, I think there is a danger that people will want to start moving around between areas. In some parts of the country, the housing situation would militate against that, because the housing shortage, particularly in the south and south-east, is so severe that it is not easy for people to move around, but I think there is the potential for tensions to occur where you have very different schemes across borders. We have to look out for that in the LGA and see how that situation develops, but you are absolutely right. I have not looked at my neighbours' schemes yet, but they will be different from mine. Our resource base and housing situation are very different from our neighbours'. People may well want to start moving around between boroughs to get the benefits of a different council tax system. No doubt somebody will put up a website that shows where to get the best advantage—I have no doubt about that.

Paul Raynes: Although, as Councillor Taylor has said, it all depends on the amounts at stake. I don't think at the moment that there is a powerful public debate about people who are not on benefit moving between different areas, driven primarily by the varying level of the council tax, which of course does vary between places. I think we will just have to look at what emerges in terms of differential schemes and then see if we do pick up any behavioural effects; it is a live situation.

Q44 Andy Sawford: On a final point following from that: in terms of the significance for people's finances and their decision making about their lives, are you concerned that, depending on how you structure the scheme in your local authority area, you may make pursuing the relatively few job opportunities less worthwhile for your local resident seeking work compared with someone in a neighbouring local authority?

Councillor Taylor: First, there is a group of people for whom seeking work is not possible. We have a huge group of disabled people in our area for whom

there may be work options but they are limited. We have to think about them as a group. It is the combination of all these things—as Sue said, they are all coming along and they are coming at slightly different times.

If your budget is very tight, having to pay £5 a week towards your council tax can be the difference between having enough food to last for the week and not. That is why we see 230,000 food banks being set up around the country. These things really do make a difference: £5 a week can make the difference between your food lasting until Friday and not. The combination of that with the housing benefit changes, the universal credit changes and other pressures from outside, such as the increasing cost of energy, are having a very deep impact on people's ability to manage financially from one end of the week to the next. I am concerned about that. We will keep an eye on that. As ever in local government, we will do our best to support our residents through it.

Q45 Mark Pawsey: I want to stick with council tax benefit, so my questions are largely directed at Councillor Taylor and Mr Raynes. Council tax benefit is a sum that central Government give annually to local government. It is a bill that has increased pretty steadily over the past few years, so as part of the economic measures the Government took in 2010 they said they would like to see the total amount paid out reduced by 10%. Given that everybody else and everywhere else in the public sector is taking these big cuts in budget, why shouldn't council tax benefit take a hit in the same way? Mr Raynes, you said a third of councils were leaving their systems unchanged. That implies that they are going to find that additional 10% from somewhere else and that there are other services that they will not be able to deliver. Isn't that irresponsible on the part of those councils?

Paul Raynes: One of the unsatisfactory aspects of the way the council tax benefit scheme has been localised or replaced with local council tax support, is as I have said. There is a debate about the merits of localising things or generally reforming things to make them work better, and there is a debate about taking money out of the budget, and normally—

Q46 Mark Pawsey: Getting expenditures back to a level that people can afford.

Paul Raynes: Exactly, but normally—I speak as a former Treasury official—the modus operandi is that you ease in reform and you don't accompany reform with a significant budget cut.

Q47 Mark Pawsey: But these are exceptional times, aren't they? The country is in a difficult financial position. So we are asking local authorities to do two things at once. What is unreasonable about that?

Paul Raynes: Exactly, but to go back to your original question, is it irresponsible to say, "Globally, within our responsibilities, we have this total of money, and for our community—because this is a world of localism—weighing all our priorities one against another, we are going to protect working poor people from having to pay more, and that will come at the

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cost of our ability to spend money on something else.”? That is a completely responsible budgetary choice within the global budgetary picture, and it is apparent that some places have chosen to do that.

Councillor Taylor: Hopefully, they have done their consultation and talked to their local community, and they have taken the decision according to the responses they have had to the consultation. Some of us have taken a different decision, but it is for the local community to say either, “Yes, that was the right decision. Cutting out that service because you wanted to fund this is fine,” or, “No, it wasn’t,” in which case they will find out when the election comes round.

Q48 Mark Pawsey: A further objective is that everybody should pay something. I think there is a minimum 20% that people will pay. Can I ask you about the challenge of getting in relatively small sums of money? How are local authorities working on that?

Councillor Taylor: It costs about £80 to chase a debt, and if you consider that some residents will be paying about £150 a year council tax in my area—

Q49 Mark Pawsey: But is there not an obligation on local authorities to say, “The system has changed and we are now in a regime where everybody enjoys the services that local authorities provide and, even if it is a modest amount, it is quite reasonable for everybody to contribute something”?

Councillor Taylor: Theoretically that is fine, but when it comes down to your weekly budget, having to find £5 a week that you did not have to find before, when your budget is very tight already, may be beyond some people. As I say, we have seen an increase in the prevalence of food banks because some people just cannot—

Q50 Mark Pawsey: Food banks have existed for years, haven’t they? They are not a new phenomenon.

Councillor Taylor: We have got a lot more of them now than we had before.

Q51 Mark Pawsey: They are charities doing a great job.

Councillor Taylor: They are, but when it comes to just making ends meet, that extra £5 a week can be a tipping point for some people. I am not saying that it is for everybody, but it can be.

Q52 Mark Pawsey: For those authorities that are reducing by 10%, is there a bit of a perverse incentive within that for them to devise a scheme that is a little bit more complicated than before, which perhaps does not encourage take-up? I would be interested to know if you can tell us what the percentage of take-up was under the old scheme. Are new schemes likely to be taken up at a higher or lower level?

Councillor Taylor: As I said, there is a potential that there will be a greater take-up, because this is no longer a benefit; it is a support scheme.

Q53 Mark Pawsey: What were levels of take-up previously?

Councillor Taylor: I do not know the actual levels.

Q54 Mark Pawsey: Mr Raynes, are you able to help us with that?

Paul Raynes: I do not have the figure in my head, but I know that there was a very large number of people with probably very modest entitlements who were not taking it up. One of the bits of the science around that was that they were deterred by the fact that they did not see themselves as the kind of people who made a claim for benefit. Redefining it as just a discount on the council tax bill may well change that take-up dynamic.

Q55 James Morris: Chair, can I ask some questions about some of the potential data barriers to some of the changes? I think DWP are moving towards wanting to encourage people to use a digital route for claiming JSA, and I have seen some comments about the unintended consequences of trying to drive people down that channel. What do you think the implications would be if we went down the route of trying to put people exclusively down a digital channel for claiming some of the benefits that we are talking about in relation to universal credit?

Gavin Smart: Digital channels will not work for all people. It is increasingly common for people to be used to operating large parts of their lives through digital means, and it is a sensible mechanism for DWP to adopt, but we also know from work on digital exclusion through skills and abilities that it will not work for all claimants. One of our concerns is what mechanisms you put in place for those people who are not able to manage with a digital-by-default dimension. That is not to say that the ambition to have digital by default as the primary delivery route is not the right one, but it is clear that it will not work for everyone.

Sue Ramsden: May I add to that the extent of support that people might need—not just support to make the initial claim, but support in managing their claim online? DWP is proposing that there is no paper form; it is digital by default. Whether or not somebody is there to support the person to claim digitally and you ensure the person has access, there is no paper form. That is a problem particularly for social housing tenants: the DWP’s research shows that about 74% of working age people on benefits have access to broadband internet, but when you look at the population of social housing tenants, which is concentrated in particular areas, you see much higher levels of people excluded from digital access. Some housing associations have reported that 40%, 50% or 60% of their tenants do not have access to the internet. Taking the sheer numbers of people, concentrated in particular communities, there are issues about access for those communities. It is not just about the skills to use the internet, although that is really important, but about poverty and costs. The cost of a broadband connection if you have not got a landline is prohibitively high for a number of households, and there is also the issue of access to broadband full stop in rural areas. Our concern is the extent of the support people will need to manage their claim, and how people are going to gain access if they do not have it in their own home.

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Councillor Taylor: Currently, only about 14% of claimants claim online. When asked, about 45% of claimants said that they would need assistance to enable them to claim online, which is quite a high percentage—higher than I would have expected. We understand the need to move to online claims, because it is obviously more efficient, but there is a generational issue here as well. I am really generalising, but younger people are more comfortable with IT than some of our older residents. One of the worries the LGA has is that there is an increased risk to councils from having to provide this support without it being recognised as a new burden. It won't be, because it is simply a way of applying for something, and not a new policy as such. We are concerned that library rationalisation may be going on, so people may not have access to IT in a library, or one that is close enough for them to get to, because transport is a huge issue. If you have not got much money, getting from one place to another is really a massive issue, so you need something that is close to you, and it may be that the only place you can get that is from your local council. Are we going to have to provide that support to our residents to enable them to do this online? We will not shirk the task, but it needs thinking through and a lot of resource and thought put into it if we are going to assist with it.

Gavin Smart: A point of detail, but one that demonstrates the risk of unintended consequences here, is that one of the things that may happen as a result of the move to the digital-only system is that, if you have a claimant who fails to be able engage with that system, you may see behavioural change in landlords as well. At the moment, if a landlord is worried that a tenant is going into arrears, but the tenant has the paperwork and says, "Look, I have a benefit claim and it is being processed," the landlord may take a view that, "That's okay. In the fullness of time, this claim is likely to be sorted out, because we can understand your circumstances and we can see that you have made a claim." If the resident has failed to be able to engage with the digital-only route, and so does not have any documentation, what does that do to the view that the landlord has to take about whether or not these arrears are likely to be repaid or whether they need to start to move to repossess the property?

Q56 James Morris: May I ask a couple of specific questions about data and potential data problems? Some wider problems have been reported with the Atlas computer system. What are your views on the effect of those problems on the implementation of localised council tax support, for example?

Councillor Taylor: Some councils have struggled with trying to put the volumes of data that we need to through the Atlas system, so there are issues around that. We will continue to monitor that. We can perhaps feed into the Committee as the evidence builds up on whether the volumes are really causing a problem.

Q57 James Morris: The second part of the question is about barriers to local authorities sharing information with housing associations. Do you

perceive that as being a problem? What do you think needs to be overcome?

Sue Ramsden: The powers are in place to allow data sharing between local authorities and housing associations, and that has worked very successfully in a number of areas, particularly, for example, in allowing landlords to identify people affected by the benefit cap. There have been some issues in some areas around systems, such as systems needing updating and people not being able to transfer the data as yet. Obviously we are now getting very close to April 2013, and the cap and the size criteria coming in. In the longer term, we need to start concentrating on the issue of data sharing between the DWP and landlords, in terms of how universal credit is going to work. Particularly over the past 10 years, a very good relationship has built up, broadly, between social landlords and local authorities, in terms of the delivery of housing benefit. We now run a much more efficient service in terms of local authority administration of housing benefit than 10 years ago.

Councillor Taylor: I agree with Sue. When there is such a big change to the system, the danger is in the change process. We are worried that some of that effective communication may be lost. The DWP are very aware of this problem and we will continue to talk to them about how we resolve those issues. But inevitably, with a huge change programme like this, there is always the danger that good working relationships get lost in the process somewhere.

Q58 Chair: You were talking about the practical implementation of the online claiming, so we do not get to a situation where people are told—there has been evidence of this—"If you have not got a computer at home, haven't your family got one?" One or two local authorities have said that to people, I understand, where they have instituted online claiming in the past. It is not up to the family to provide a means for someone to claim their benefit, is it? Have you had any discussions with the DWP about the sort of criteria they are going to apply on this?

Councillor Taylor: Again, this is part of the pilot projects that we are running. We are looking at the digital implementation and what kind of effect that has on people. We will be reporting further on that when we have the evidence from the pilot projects. I imagine that most councils—I am not speaking for all of them—would want to support most residents with this. Nearly all of us have one stop shops. We help every day with online things, whether they are to do with the council or—as is often the case—are not. Libraries do this; libraries are very good at support. But with such a huge change affecting so many people, the capability to deal with that all at the same time is concerning some of us. We need to monitor what happens in the pilots, and see how much support people need, both in terms of hardware resource and software support to make the actual claims. Again, Chair, if you will permit us, we will report back to the Committee when we have the output from the pilots.

Paul Raynes: There is a specific point there about whether, if there is to be new burdens funding for a future face-to-face offer aimed at individual claimants, within the scope of that, DWP see the provision of

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actual IT kit—it might be in public libraries or council offices—to help people to claim as the kind of thing that merits public funding. There is a very interesting conversation there about public libraries.

Councillor Taylor: There are huge issues, of course, in rural areas: accessing fast broadband is very difficult, still, in many areas of the country. Although we are all working on that as hard as we can, that still exists. As I say, if you are very short of money, transport and getting yourself from one place to another in order to access that kind of IT facility can be very difficult. Councils need to continue to work on this to see what we can do to support residents with it.

Q59 Chair: Very briefly, what is your biggest concern in terms of something that could go badly wrong with this?

Councillor Taylor: I think it is the extent of the change all happening at once, both from the residents' side, in terms of coping with the financial capability, and from the councils' side, with all the issues around change management—communicating it effectively, the software changes we need to deal with it and the financial resilience we have to deal with it. It is the scale of the changes happening in such a short time that would be my biggest concern.

Paul Raynes: The thing that could go wrong is around communication. It is really important that all the players on the governmental side are communicating adequately with each other about what they are up to and what is changing, and that there is enough communication with residents about the changes they will face, the changes in behaviours—that word has been used—and how the residents interface with the new system.

Gavin Smart: It is the scale of change in a compressed time frame, the communication challenge that that provides to all the actors involved and, I suppose, the need to ensure that there is a back-stop mechanism for those claimants who still require face-to-face assistance to help them process their claim.

Sue Ramsden: I absolutely echo those three other comments. There is the level of risk, in terms of the leap of faith that has been made in terms of people being able to cope with this, and the need for systems to be in place for people who are not able to manage. Those systems need to recognise that that will be a significant number of people.

Chair: Thank you all very much indeed for coming to give evidence this afternoon.

Monday 7 January 2013

Members present:

Mr Clive Betts (Chair)

Simon Danczuk
Bill Esterson
James Morris
Mark Pawsey

Andy Sawford
John Stevenson
Heather Wheeler

Examination of Witnesses

Witnesses: **Councillor Graham Chapman**, Deputy Leader, Nottingham City Council, **Lesley Pigott**, Assistant Director of Finance, Camden Council, **Steve Thompson**, Assistant Chief Executive, Treasurer Services, Blackpool Council, and **Andrew Stevens**, Assistant Director, Customer Delivery, Thanet District Council, gave evidence.

Chair: Welcome to our second evidence session on the inquiry into the implementation of welfare reform. You are all most welcome this afternoon. Could you just say who you are and the organisation you represent?

Cllr Chapman: Councillor Graham Chapman, Deputy Leader of Nottingham City Council.

Steve Thompson: Steve Thompson, Borough Treasurer of Blackpool Council.

Lesley Pigott: I am Lesley Pigott, Assistant Director of Finance at London Borough of Camden. I am also an advisor to the LGA and London Councils.

Andrew Stevens: I am Andrew Stevens, Assistant Director for Customer Delivery for Thanet District Council, and also serve on the National DWP Steering Group.

Q60 Chair: Given the formula of the panel, if you find that someone says something you agree with, can you just indicate that, rather than repeating exactly what they said? It helps us get through all the issues we want to discuss with you this afternoon. Thank you very much.

We have had quite a lot of evidence in from local authorities in their written submissions that suggests that one of the problems you are facing is that the Department for Communities and Local Government and the Department for Work and Pensions do not always seem to be working together as closely as they might be. Is that a fair comment? Do you have one or two examples of the difficulty that is causing you? Or, indeed, if you do not think it is the case, just tell us that everything is perfect and there are no problems, and we can move on from there. Who would like to start?

Lesley Pigott: I am happy to go at the start. There are a couple of examples we could share with the Committee. One that springs to mind is the issue that we are very worried about, particularly in London, around homelessness, and the issues around the application of the benefit cap. DWP are obviously trying to encourage local authorities to find people accommodation outside London, which will be affordable, because there is very little affordable in central London. The DCLG guidance, however, is still that we have to be very careful: if people are made homeless because they cannot afford their current rent in London, then in order to fulfil our statutory

obligations around homelessness we should be looking to house them within the locality. Bits of guidance coming from both Departments are not really gelling for a local authority.

Cllr Chapman: The example I am getting amongst my constituents, at the moment, is sanctions and what the approach is towards sanctions. They seem to have tightened up quite substantially recently, which means a number of people are not getting any money, because the sanctions are being applied quite mechanically. Moreover, the communications with the people who are being sanctioned are very poor, so often they do not know why they are being sanctioned, they do not know what the next steps are and how they become un-sanctioned. I have had a lot of correspondence with the DWP, and they have been very helpful, but I think the system itself is not working, irrespective of how hard some of the people there are trying.

Andrew Stevens: An example I would give is the localisation of council tax support. Where it used to be under the directorate of the Department for Work and Pensions, obviously it is now under the directorate of the Department for Communities and Local Government. DCLG, I would say, have had to pick it up from scratch, and have done an enormous amount of work in a very short space of time, but the impression sometimes is that they perhaps have not had the cooperation from DWP that they should have had.

Steve Thompson: The problem for us is just the sheer extent of change taking place. We have the localisation of council tax support, changes within the housing benefit rules prior to Universal Credit and the business rates retention scheme coming along, which is generally being managed and monitored by the same revenues and benefits staff. It is the sheer magnitude, which is, from the people I have spoken to, the greatest change in their whole career, and greater than the move of housing benefits to local government in 1982.

Chair: I think we will move on to some of those specific issues that you have identified there, and look at those in a bit more detail.

Q61 John Stevenson: Turning specifically to housing benefit, I would be interested to know how each of you feels that your own individual authority

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is getting on with the preparations. Will you be ready in time when the new regime comes in?

Cllr Chapman: Our problem is we do not know how the new operating system is going to work. We do not know what the role is for councils. We do not know who is going to manage it, especially when it is integrated into Universal Credit. We are finding it very, very difficult to plan. Our other concern, of course, is that it will not work: the IT will not work. Our council tax system will not integrate with the Universal Credit system and they will not be able to talk to each other. We need that information to operate our system.

We are very, very concerned that that is not happening. The problem is, of course, what is the Plan B when it does not happen? I must say that our feeling is it is not going to work on time, and there is no Plan B. Even under Plan A, we are not too sure what the different functions will be.

Steve Thompson: It is the whole sequencing of events, because the two are dovetailed: localisation of council tax, or the council tax reduction scheme, will be determined to some extent by the level of Universal Credit, and the way the two talk to one another, through electronic transfer of data or ATLAS. We are finding in Blackpool that we are receiving roughly 10,000 changes per month. That is 2,500 per week, 500 per day, some of which are just initials, commas or slight tweaks to addresses, but every one has to be manually filtered to determine whether it is important or has a significant impact upon the benefit change.

Cllr Chapman: That is costing an enormous amount of money. We have had to take on additional staff to manage that.

Q62 John Stevenson: How is your authority getting on?

Lesley Pigott: I would say in general local authorities have an excellent track record of delivering these kind of changes. The problems we are facing at the moment are the amount of change and the volume that is facing us, starting from next April. So many changes all at once make it very hard not only to prepare your local authority, but to prepare claimants. Also one of the biggest issues for my authority is trying to gauge the cumulative impact of all these changes. You are not just looking at one small change and trying to work out how you put in support mechanisms for people. You have to look across a range of changes, and that is what is making it difficult—coupled with late changes, late announcements. For instance, a couple of days before Christmas, a change to the announcement about the benefit cap has completely unhinged all the work that has been going on in my local authority to deal with people and make them aware that their benefit will be reduced in April. It will be very hard to go back to those people and re-engage with them, and say, “Your benefit will not go down in April, but it is still going to go down, and you need to engage with us and work with us, and we need to get you work-ready and skill you up.” That is making it very difficult for us to prepare properly.

Andrew Stevens: To echo Lesley’s point, as far as local authorities are concerned I think we have

generally done a sterling job in preparing for change and being ready to deliver this change. The example of the benefits cap is a good one. We have been holding joint surgeries with the local Jobcentre, inviting claimants in to tell them about how it will affect them, writing to them to tell them, and then, with no warning at all, it has been pushed back, potentially for months. It is very difficult now to go back to the customers and to explain when it will affect them, and how much it will affect them by, because at this point we do not know. We are ready, but the last-minute interventions really are not helping.

Q63 John Stevenson: Councillor Chapman, you indicated that it was IT that seemed to be one of the biggest issues. Would you say that is the most important issue that you have, or do you foresee other issues as being more important?

Cllr Chapman: No, I think the most important issue is communication. Most of my constituents still do not have a clue what Universal Credit is. They do not have a clue, so they do not know what will be hitting them. They do not understand the expectations about going online, and they do not understand that they will be paid retrospectively. They do not understand yet that their housing benefit will go into the Universal Credit system and they will have to pay it. It is the human side that I think will be a problem. However, we have spoken to the private sector, and they are equally concerned that on top of that, the IT will not synchronise.

Q64 John Stevenson: You have a similar view, Mr Thompson.

Steve Thompson: I do, yes. When I first read about the benefit cap, I naively felt it would impact upon inner London or urban authorities. I was surprised at the last count to see 340 couples within Blackpool affected by this. Clearly a further six-month deferment will give us more time to speak with those people, and of course it is a moveable feast. It may be a different composition of people in the next few months. It will be useful to provide that support by the local authority. We are also finding that already Jobcentre Plus are directing claimants to the Central Library across the road to access the IT there. As you are aware, local authorities are facing some significant funding cuts. We are looking to protect libraries, thankfully, but our customer services within the town hall are being significantly affected, so we will see a shift, as well, and it will be difficult for staff to gear up to provide that support.

Q65 John Stevenson: Ms Pigott, you indicated less about the IT issue. Do you foresee IT being a problem, or are you managing to cope with it in your authority?

Lesley Pigott: I am worried about the IT, but in fairness, the approach we have taken in Camden, by necessity, is that whilst we are concerned about the implementation of the Universal Credit and whether the IT will work, the changes we are facing from next April are so great that we are prioritising trying to get claimants through those April changes first, and then start looking towards Universal Credit. That will only

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impact new claimants from next October. We do not yet know when our existing caseload will migrate to Universal Credit. The likelihood for central London, from the early work I have seen, is that it will not be until 2016. It is less of a priority, purely through timing, but it will become a greater and greater issue, and I think the IT is something the DWP should be worried about, because the scale of the system they will need to handle all those changes will be immense.

Q66 Bill Esterson: Can I ask you about the effect on landlords of housing costs being paid direct to tenants, whether that is in the social sector or the private sector? What do you think the impact will be?

Cllr Chapman: I will start on this, because I used to run a housing association. When I left the housing association, they decided they would have the money directly paid to the tenants. It was mainly for homeless people, so they were more difficult tenants, and the housing association went bust, because the money did not come in. Our concern is that you will increase the costs of collection—already our housing company is looking at putting aside £600,000,¹ which will be collection costs and provision for bad debt. You will have rising debt and increasing collection costs. There is a whiff of the poll tax about this, because we have to implement it, and we have to get that debt in. We cannot leave it, and therefore you are talking about making people homeless.

That is the Armageddon scenario, but I have to say that I have had some experience with this and it could be very, very bad. What is interesting is that in the pilots that have been brought forward, most of the people who signed up for it were volunteers, so the pilots are not giving you the proper view of the situation. As far as I have been informed—I stand to be corrected—they were volunteers.

Q67 Bill Esterson: Does anybody else want to comment on the impact? We have the evidence from the pilots. What do you think that will show? Or does this point about it being self-selecting mean that it is not that valid as evidence?

Steve Thompson: I think it will vary from authority to authority. There are parallels between housing benefit and council tax, as you say, and parallels with the community charge in the early 1990s. We currently pay landlords—about 20% of benefit goes directly to landlords—because of vulnerabilities around certain people with a history of arrears or substance abuse and so forth. The fact that Universal Credit will be paid four weeks in arrears makes you wonder what claimants' priorities for payment of debt will be, and the impact upon collection. We are already making assumptions around increasing bad debt provision, which will impact upon our bottom line.

Q68 Bill Esterson: In the evidence you gave, you suggested it would have an impact on the availability of housing stock in this process. Would you like to expand on that?

Steve Thompson: I think we will see a concentration in the more deprived areas, which attract more

vulnerable people, but on the periphery we may see a reduction in housing supply, as landlords leave the market because of the cost of collection for themselves, the cost of maintaining their properties, and the rates of return.

Cllr Chapman: If the Government could change one thing, I think it would be this—it is the one thing that would have the biggest impact, if you are talking about changes, for the least cost. It is madness to go down this line, given all my experience. It seems to be an ideological approach they are taking, which defies practicality. They could change that and have a very positive impact for very little cost.

Q69 Bill Esterson: Lesley and Andrew, do you share the concerns of Graham?

Lesley Pigott: I do. I would just like to say that not only are we concerned about the impact rent direct would have on our own housing rental income, echoing what has been said about the enormous amount of cost that will be incurred by paying people and then having to collect the money from them, not to mention the fact that most people will not understand why we are paying them money with one hand and then asking for it back with the other.

We would just like to say that the use of the private rented sector is really important to a London authority, not only in discharge of our homelessness duties, but also for temporary accommodation. What I would like the Committee to consider is that it is absolutely impossible for us to see a situation where we would be able to continue to procure property in the private rented sector for temporary accommodation if people are paid directly, because people in temporary accommodation often only spend a night or a couple of nights in that accommodation before they move on. If they are paid directly, four weeks in arrears, the likelihood of that money ever ending up at the landlord is minimal.

Andrew Stevens: Just to add to that, a while ago the Department for Work and Pensions amended their definition of “vulnerable” in their payment direct criteria to include a provision where, if it meant payment direct to the landlord would secure or maintain a tenancy, that was okay to do. We have operated that very successfully with Thanet District Council to prevent homelessness. If paying the landlord direct or not is the difference between having a roof over somebody's head or not, we would much prefer it to be done that way.

Q70 Bill Esterson: So the definition of vulnerable is absolutely crucial here.

Andrew Stevens: Yes.

Q71 Bill Esterson: Does anybody want to add anything on that point? Do you think that Andrew has set that out sensibly?

Lesley Pigott: There is a danger in defining “vulnerable” too tightly. In the situation that Andrew and I have just outlined, we would consider anybody who is seeking temporary accommodation to be vulnerable. We need to keep a roof over their head in order for them to be able to get a stable lifestyle, if they are to hope to look for work or to secure

¹ Correction by witness: the correct figure is £260,000.

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permanent, stable education for their children. They are vulnerable in that sense. It is not only people who perhaps have health or mental health problems.

Q72 Bill Esterson: Talking about the impact of arrears and the problems that will cause, you all almost seem to be saying, “Do not have direct payments if you want to avoid arrears”. Does it go as far as that, or are there other safeguards, before you get to that point, that you think could solve that problem?

Lesley Pigott: It comes at a cost. The safeguards that we would have to put in would be going back to the days when you were employing far more local authority staff to go out and do debt advice, rent collection. You are looking at going back to the days when you had rent collectors going round estates to make sure that you are top of the list of people who are being paid.

Q73 Bill Esterson: So safeguards would come at a significant cost?

Lesley Pigott: Absolutely.

Cllr Chapman: There are bailiff costs, court costs, costs of homelessness, and it is so unnecessary. It is so impractical.

Steve Thompson: There is talk of the solution of “jam-jar accounts”—if any providers could distribute the Universal Credit into particular jam jars to pay these bills—but it defeats the object of a universal benefit, does it not?

Andrew Stevens: I do not think it has to be either/or. At the moment, housing benefits are paid directly to the tenant in some circumstances, the landlord in some circumstances. If a landlord approached us and said, “I will not take this tenant unless housing benefit is paid to me,” then to us that is a very persuasive argument to pay direct to the landlord.

Q74 Bill Esterson: And you would like to keep that system?

Andrew Stevens: Absolutely. I think that should be in Universal Credit.

Q75 Mark Pawsey: I want to ask some questions about the Social Fund, but can I stick with universal benefits for the moment? Do none of you believe that benefit recipients are responsible people, able to manage their finances and make allocations of money in a suitable way, in the way that the remainder of the population does? You seem to have a very negative approach.

Lesley Pigott: I do not think it is negative. Some people are well able to manage their finances, and some are not. What we are arguing against is the blanket decision that it should always be paid directly—

Q76 Mark Pawsey: But there is this concession for “vulnerable”, so the fact that it is not all going direct to landlords means that many people should be and will be enabled to stand on their own two feet, make the payment and get back into a more familiar method of running their lives.

Lesley Pigott: But it remains a fact that many landlords see this category of tenant as not the most desirable, and if we are trying to encourage them to rent to these people, one of the mechanisms we have used very successfully up until now is by negotiating with the landlord and with the tenant, and paying their housing benefit directly.

Q77 Mark Pawsey: That still will be an option to you.

Lesley Pigott: We have not yet seen the definition of what “vulnerable” will be within Universal Credit.

Q78 Mark Pawsey: So as an alternative, your catch-all is that it all goes direct to landlords?

Lesley Pigott: No, I think, as Andrew said, we are asking that there is a provision that, as now, a decision can be made.

Q79 Mark Pawsey: I will move on to the Social Fund. That is being replaced with locally based schemes. I will ask you how you are getting on with managing your schemes. There is always more demand for the Social Fund than can ever be fulfilled. I think that Nottingham, in their evidence, said that in 2009–2010, only 67% of those applying for an award actually received one. I am imagining that you will tell me that you are not getting enough money, but there was never enough money. How does the allocation-of-money side of things look?

Cllr Chapman: We have not said there is not enough money, and certainly for the moment, we are getting enough money. The difficulty will be predicting what the demand will be, particularly when you have some people who will be hit three or four ways by benefit cuts. You will have what is called a bedroom tax, they will have to pay a portion of council tax, and there is a whole range of other benefits they could be losing. If they are receiving a triple or quadruple whammy, they will be in a different position. Our problem is that we cannot predict it.

Q80 Mark Pawsey: So it is not a matter that you do not have enough; it is that you do not know what you need.

Cllr Chapman: No, we do not know what we need, and therefore it will be difficult to set the criteria. We are having to do so, and we are trying to set the criteria as to who will get it, but it does not mean to say there will not be the demand.

Q81 Mark Pawsey: In terms of the other councils, do you think you are getting enough?

Steve Thompson: You do not know what you do not know. If you compare our allocation with previous years, it is less, and I suspect that with the economic downturn, the demand will be greater, but our criteria will be more robust. It will be based on residency. It will be based on one claim per annum, with exceptions such as domestic abuse, and we will monitor it very, very closely. However, it will be a case of rationing.

Q82 Mark Pawsey: You have pre-empted my second question, which is: is your scheme in place, bearing

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in mind that you have to implement it in April this year—three and a bit months away?

Cllr Chapman: Yes, we have a scheme.

Steve Thompson: The concept is in place; it will be formally approved by the council in March. We are looking to use the third sector where possible, and cashless ways of providing this through existing voluntary sector groups, be that through food parcels, clothing, et cetera.

Lesley Pigott: I would agree that the funding that Camden has received is less than was paid out by Jobcentre Plus two years ago. The problem is that we could estimate demand if there were not the rest of the welfare reform changes coming in in April, which means there could be greater demand, so we are concerned about whether we have enough. Similarly, we are not looking to administer the scheme ourselves for the first year. We are going out for a third party supplier, in the hope that that will minimise the admin costs, so we have more money to pay out for people.

Q83 Mark Pawsey: Given the closer contact you have with the residents of your borough, do you think you know better what the likely need would be than a much bigger body that has been administering it up to now? Do you have a better handle on what the likely need will be?

Lesley Pigott: In some cases, but not in all. Some people have circumstances that would be common up and down the country. One of the concerns I have about the Social Fund being localised is particularly around people like rough sleepers, the idea of a postcode lottery. If neighbouring boroughs, particularly in London, do not have identical schemes—some have more generous schemes, some have tougher residency criteria—then we could be creating a situation where people are applying cross-boundary. For instance, when you think about rough sleepers, who do not have a residence in one borough, it is a concern within London as to how we track where those people might be claiming, and where the best place is for them to claim.

Q84 Mark Pawsey: Mr Stevens, have Thanet got a scheme in place?

Andrew Stevens: Ours is a slightly different situation, because we are in a two-tier area and the function is going to the County Council. Kent County Council are dealing with it in year one, and they are responsible for devising their own scheme.

Q85 Mark Pawsey: There is some evidence in Kent that district councils are resisting the transfer of powers to them. Is that the case in Thanet?

Andrew Stevens: I think it was the case for the district councils in Kent that whilst we had the choice, it was too many changes at one time to deal with. Obviously, colleagues in unitaries and London boroughs did not have that choice, but in two-tier areas we did have that choice.

Q86 Mark Pawsey: But you are happy to take the responsibility at a later stage, when things perhaps have settled down?

Andrew Stevens: What happens then will be up for discussion in about 2014–2015.

Q87 Simon Danczuk: I wanted to ask about implementation of the localisation of council tax benefit. From what I have heard so far, I think it is fair to say it all sounds a bit of a nightmare, to be quite honest. Has the timescale been realistic for this implementation, do you think?

Cllr Chapman: Have timescales been realistic? They are manageable, but again I will come back to the IT. I think the IT will be a major, major issue for us if we cannot get access to DWP systems, or if the DWP system is not working properly. That is one of the problems. The other difficulty is that nationally you have now set up 365 different systems.² We tried to coordinate first of all with our neighbouring boroughs. We work very well with our neighbouring boroughs, irrespective of political party, and there are some very good people there, but we could not manage to do it because of the different circumstances. We then went on to try to coordinate with two other cities in the area, Derby and Leicester. We had a perfectly good scheme that we all agreed on in order to be able to get the same system, and then it got bust, and it got bust simply because two of them decided they would not take the transitional money from the Government, and we decided we would. That has caused a number of problems.

The other difficulty is that you offset some of the deficit. We are losing £6.2 million on this, because of the 10% slice cut off. We can offset some of that by getting rid of the exemption on council tax on empty properties. However, we do not have enough empty properties to offset a lot of the costs. Therefore, we will have to cut our benefit levels for our people far more than the neighbouring boroughs, whereas Rushcliffe does have the voids and could actually make a profit on it. You have this silly, arbitrary system that is not at all helpful, and people get very confused. We will just have to manage. I think it almost goes against the whole philosophy of having Universal Credit, because on the other side you have a fragmented council tax benefit system. It is 365 systems.³

Q88 Simon Danczuk: Steve, have the timescales been realistic?

Steve Thompson: I would say yes and no. We received early notice about the changes to the system, and we undertook a three-month consultation, I think from August. During that period, the counteroffer of the transition grant came out, which scuppered the consultation for some people. I am aware of some authorities who would like to take the transition grant, but whose IT systems cannot cope with that, so they have a real dilemma.

Notwithstanding that, we only learned what our council tax reduction scheme grant was on 19 or 20 December. We have to have a scheme formally in place by 31 January. The local democratic process requires us to put that in the public domain by

² Correction by witness: There are 326 LAs who have to introduce local council tax support schemes, not 365.

³ Ibid

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mid-January, and you have Christmas and New Year in the middle. I would say in that respect, no, it is not, but we will have one in place.

Lesley Pigott: Timescales have been very, very tight, and as a result of that most of the schemes you will look at up and down the country stay pretty close to the existing council tax benefit scheme. There simply has not been any time to do anything more innovative or very different, least of all because you have to carry on processing housing benefit claims to the existing criteria, and therefore the further you veer away from that, the more cost you incur in trying to calculate entitlement for a council tax reduction scheme. I think in London we did, in the early days, look at the possibility of getting a London-wide scheme, conscious of the fact that would help claimants. It very quickly became apparent that there just was not the time to go through the public consultation, consulting with councillors of 30 different boroughs and different political persuasions, and of course the biggest challenge, as well, is the different finances. A lot of the financial impact of the scheme depends on what percentage of your claimants are pensioners.

Simon Danczuk: Of course it does.

Lesley Pigott: That features quite highly in whether or not you will be able to get a scheme that you can share with your neighbouring borough. We are hopeful that after the first year, we might be able to look at this again in London, but those challenges will still exist.

Andrew Stevens: The timescale has been extremely aggressive. I have been in benefits for some time and this is the most challenging implementation in the timescale that we have been given. I must say that it has not been helped by some last-minute announcements on transitional grant; I think we only saw the regulations in December; the funding was announced on 21 December, the last Friday before Christmas. We have parish councils in Thanet, and treatment of benefit claimants in those areas was announced very late in the day. I think we are still waiting for some details. I understand we still do not have details about how the appeal system will work. We have managed to get a scheme in place and approved, but I will say it has been extremely demanding.

Q89 Simon Danczuk: Let me just ask a quick question to answer in a couple of words. What would be the effect of any delays in the implementation of welfare reform changes, or would a planned delay be welcome? Is that a good idea or a bad idea, Graham, quickly?

Cllr Chapman: Again I think it will depend on where we are with the IT in particular, but I also think it would be welcomed—

Q90 Simon Danczuk: Do you think a delay would be welcomed now: yes or no?

Cllr Chapman: Yes, I think so, for communications and IT reasons.

Steve Thompson: I think it depends on your perspective. As an officer, as the Treasurer of the Council I think a delay would improve our cashflow, so in that respect, yes.

Simon Danczuk: Smart answer.

Lesley Pigott: A similar vein: as finance person in the Council, there is a tremendous risk on the authority going forward about a funding gap. From the claimant's perspective I think any delay is welcome if it gives us longer to work with them.

Simon Danczuk: I will come back to that, because that is a good point.

Andrew Stevens: Yes. Any delay in reductions for claimants is to be welcomed; however, we have done a whole load of publicity telling them this is happening from April, and I would be worried about that.

Q91 Simon Danczuk: My final question is whether, irrespective of whether you or I agree or disagree with the policy changes that are being proposed, many people will be affected simply because of the technical implementation of this policy. Do you see what I mean—the fact that it has been rushed through, the IT changes? Will there be many people adversely affected, not because of the policy changes but because of the technical changes that are taking place, do you think?

Cllr Chapman: Yes. I think there are three areas: firstly, the IT and the expectation that they will do stuff online. Secondly, the retrospective payment, which will cause some very poor families problems with cashflow. And thirdly, direct payments, which are technical. Those are the three areas that will cause us real problems.

Steve Thompson: Notwithstanding the policy implications, no, I do not.

Simon Danczuk: You think they will be all right.

Lesley Pigott: I think the policy implications are huge for claimants, but as I said at the very beginning, local authorities will do their level best to support people through this, and we have a good track record of doing that.

Andrew Stevens: When Universal Credit comes in, for people who are receiving a partial award of Universal Credit, they will not be told how much their housing element is in their award, so that is a technical issue that could rebound on them. They will not know which element of their Universal Credit is supposed to pay their rent—for people who receive the partial award, not the full award.

Q92 Heather Wheeler: I am interested in hearing from any of you guys some good ideas that you have on how you are saving this 10%. You have been working on it for some months now, and there are all sort of different council schemes. Before Christmas, the New Policy Institute had a website and database and at that point 53 schemes were up and running on there, and now it is 110. It has jumped enormously, so councils are out there doing it. What good ideas have you got for sorting out your 10% savings?

Steve Thompson: Blackpool's 10% is 11.4%, to start with.

Heather Wheeler: Okay, very good.

Steve Thompson: It is still to be approved by the members, but we will be looking to pass that on to the claimant.

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Q93 Heather Wheeler: Just a straight pass forward? You have not looked at anything innovative at all? You have just decided on a straight pass forward?

Steve Thompson: We have looked at the use of changes to discounts, and we will probably use the equivalent to set up a discretionary hardship fund for such things as backdating claims, but it equates to £3 million, and the only way you can deliver £3 million is to create more claimants, because you would be losing jobs within the council.

Q94 Heather Wheeler: Have you already taken out the discounts for second homes in Blackpool? You would have loads of second homes in Blackpool.

Steve Thompson: Only landlord second homes. We have very few tourist second homes in Blackpool.

Heather Wheeler: I am stunned.

Steve Thompson: Honest.

Q95 Heather Wheeler: Any other innovative ideas? Or is it just a straight pass forward?

Lesley Pigott: I think, as I said at the beginning, the innovative ideas have been hampered by the timetable to bring things in. The more innovative you are, the more cost is involved in trying to get the IT to support it. For Camden the decision was that we were going to stick pretty close to the existing scheme for this year, so we were looking to pass the cost on. In Camden the 10% equates to around 15% for working-age people.

When the additional £100 million funding was announced, that again was another strait-lace if you like on the sort of innovation that a council could consider, because either you turn down that money that is being offered, or you take it, but by taking it you are constrained to making sure that people are no more than 8.5% worse off. That is quite a hard choice. That is the choice we have made in Camden. We have taken advantage of all the changes to the second homes, but that money was already earmarked by politicians to do other things that they wanted to do within the budget, because we have had a round of cuts for a number of years. They have been looking at other things around supporting play and childcare. It is a straight choice: do you go ahead with that, or do you cut the money there?

Andrew Stevens: As far as Thanet is concerned, we have taken the freedoms we have been given on the council tax changes. We have removed the 10% discount for second home owners; that will be going from next April. There are about 1,400 in the Thanet area. We have also completely removed the class C exemption for council tax, which is the empty property exemption, so if the property is empty, the owner will have no exemption from council tax. Removing those two aspects of the council tax discounts and exemptions has left us with about a 5% to 6% reduction from people's benefits that we will be making from next April. We are looking at options on what to do with the transitional grant. We are automatically entitled to apply for that, and we are looking at things like debt counselling in year one. We want to help people as much as we can.

Q96 Mark Pawsey: I would like to ask about computer systems, and you have already told us a little about the computer systems and your concerns about the systems working. Can I just go from the perspective of benefit claimants—those people who are applying for housing benefit and council tax benefits? Will they be able to make their application online in the way the Government is intending? I know, Ms Pigott, your authority has spoken about the additional resources that the council might need in order to get people to do that, but presumably that is just a short-term thing, because once people have got used to applying online, you will not need an army of clerks to help them do it.

Lesley Pigott: That assumes that the person who claims online is the only person who ever then continues to claim online. There are always new people who come along who will require some support. I think as well it is complicated by the fact that divorcing support for council tax from housing benefits means that people need to put in two different claims with two different sets of criteria, so that will always complicate it for people.

Q97 Mark Pawsey: Do the other witnesses have any thoughts on people applying online, challenges in implementing the system with people making online applications?

Lesley Pigott: Could I just add as well—this may have changed, but we have been advised that in the beginning for the Universal Credit claims, when you start to make your claim online, you have to complete it. You cannot do what I think most people will be familiar with when you go on to an Amazon site or something, where your details are stored. If they get part of the way through their claim and they find there is a piece of information missing or they need some support, and they walk away, all of that is lost. That will be a huge challenge for people in the early days, not only for the people making the claim, but for—

Q98 Mark Pawsey: Do we know why that is the case and why that has been written into the system? Have we challenged this?

Lesley Pigott: I suspect it has not been written in; I suspect it has not been written out as yet.

Q99 Mark Pawsey: Right. But have requests been made?

Lesley Pigott: We have made representations that that does not seem very sensible.

Q100 Mark Pawsey: Right. And what was the outcome of your representation?

Lesley Pigott: I think at the moment it follows on from some of the concerns that have been raised by my colleagues about whether the IT will be ready. I think that is maybe a piece of finesse that is stage two.

Q101 Mark Pawsey: So that might come in at a later date. Can I ask those of you who may have some experience with the ATLAS system, which is the DWP IT system? I know that *Inside Housing* ran a story saying that it was unable to deal with the volumes of information. Has that impacted on any of

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your councils? Councillor Chapman, you are nodding. Can you tell us a little bit more about the problem?

Cllr Chapman: I think we have had loads and loads of information dumped on us, and at the beginning we just did not realise how much was going to happen, so it has had a knock-on effect on the whole of the rest of the system. We got into backlogs, and once we got into backlogs we had to then bring in agency staff in order to try to clear it, and we are still trying to clear some of it. That—

Q102 Mark Pawsey: So it is not a fault with the system; it is just that it gave you too much information at once?

Cllr Chapman: It is giving too much information at once, and a lot of it—I think the sort of information that you were talking about—is information that you do not really need, but which nevertheless creates a change unless we deal with it.

Q103 Mark Pawsey: So it is not a failure with the system, then?

Cllr Chapman: I think it is probably a failure of the system. It is a failure with the timing, and part of the timing is a failure of the system.

Steve Thompson: I gave some indicative figures before. One example is that if somebody fails to sign on in the morning, they may have their benefit suspended. That will trigger a data entry that goes back to the local authority, who will then suspend their council tax benefit, and they may come in the afternoon and sign on. You have two or three different actions triggering from just one, and in the end you may end up deleting their claim and having to re-input it.

Cllr Chapman: We have made 90,000 changes, apparently, as a result of this. I have just received information that it has cost us about £300,000.

Q104 Mark Pawsey: In staff time to input?

Cllr Chapman: Yes, yes. Everything we are talking about now has a cost, and it has a cost to local government. On the train I was trying to add it up; you are talking about several million in Nottingham.

Lesley Pigott: I feel I need to add that Camden has been very supportive of the ATLAS process. It has worked very well in Camden. A lot of that, with due deference to my colleagues here, has to do with the housing benefit processing system that is used by the local authority, and it just so happens that for us it has worked very well, and we have welcomed it.

Q105 Mark Pawsey: Was that by luck or judgment on Camden's part?

Lesley Pigott: I would say judgment by picking the system, but luck that that is the one that has seemed to be able to handle the duplicate changes. I just wanted to pick up the point you were making about the changes during the day. It is worth pointing out that with Universal Credit and the way it works, there could be a change to people's income every month, so there is likely to be an ATLAS change every month for everybody, which is different from now.

Q106 Mark Pawsey: Can I just ask: does all this have to be put in manually because the systems cannot effectively talk to one another? A great deal about the system relies on data sharing. Does there need to be some flexibility moving forward with the systems that are run by local authorities and organisations such as DWP, so that when you are provided with data it can be automatically uploaded rather than having to have an army of people available to do it?

Cllr Chapman: Yes. That is entirely what we want, but the chances of getting that are virtually nil, and then you have to go through 365 different versions of it.

Mark Pawsey: Why are they virtually nil? Why cannot local authorities strive to work together with a national agency to have data systems that are compatible with one another?

Q107 Heather Wheeler: Now that you have heard that it works in Camden, will you ask your officers to find out how much the system in Camden costs?

Andrew Stevens: To be honest, with the introduction of Universal Credit, I am not sure many local authorities will be investing in housing benefit technology until our role is made clear in the future.

Heather Wheeler: That is a fair point.

Q108 Chair: One point was made about the issue of the claimants, because in the end they are the people who are actually important and who will be affected by this. It is a very pertinent point that in future, when someone's income changes, they have to go to two different places now, for their council tax benefit and for their housing benefit. Are DWP talking to local authorities about how to get one point of contact? They said they would do so 12 months ago, and I have not heard any evidence yet that there might be some effort made to enable people to go to one point.

Lesley Pigott: I think we are still waiting. The promise is there that ATLAS will still pick up information that we need, so that we can take information from the Universal Credit and feed it straight through into the council tax schemes. However, obviously we need to see that, and I think the fear that local authorities have is that that is not a priority for DWP. The priority is getting the IT system to work for Universal Credit, not for it to work for our council tax requirements.

Q109 Chair: So they are not talking to you at all at present?

Lesley Pigott: They are; the promise is there, but we have not seen anything.

Q110 Chair: The promise is the talk, but does that mean actual talk or simply, "We will get round to you in due course"?

Steve Thompson: I do not believe so. We would welcome clarification on the role of local authorities with Universal Credit. We have staff who work on housing benefits who know that their jobs are at risk over the transitional period through to 2017. They are told that TUPE will not apply; they will not be able to transfer to equivalent jobs at the DWP. There is a general lack of clarification. If local authorities

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perhaps were the sole interface, then you would have that matching between the two benefits.

Andrew Stevens: The DWP will need our help with Universal Credit. As I understand it, the Universal Credit computer system will not work off the property database, and that is very significant. At the moment, if we have four claims, for example, from a property that only has two flats in it, our council tax database, our property database, will pick up instantly that there is fraud there. In the future, the Universal Credit computer system will not know that there are 15 or 16 claims arriving from one particular house or flat. We have a property database; as far as I understand it, the Universal Credit computer system does not have that, or will not link into our systems. It is a check and a balance that we have at the point of assessing the claim.

Q111 Chair: Did anyone ask the DWP why that is?

Andrew Stevens: We have been raising that for at least two years, maybe more.

Q112 Chair: So what you are saying is the system is wide open to fraud?

Andrew Stevens: Tenancy fraud is a real concern for us, because as I say we have landlords who, in the past, may have put in more claims than there were actually properties. It is normally flats in buildings, or rooms in buildings. We have a property database that can cross-check against that instantly. If the claims are being processed remotely with no property database, what is stopping 15 people from putting in a housing cost claim for one flat? There is nothing stopping them.

Chair: Something getting people talking to each other about those problems might be a good start. Thank you very much indeed for coming in this afternoon and giving evidence to us. Thank you very much.

Examination of Witnesses

Witnesses: **Steve White**, Chief Executive, The Hyde Group, **Chris Town**, Vice Chair, Residential Landlords Association, and **Paul Howarth**, Director, Welfare Reform Club, gave evidence.

Q113 Chair: Welcome, and thank you very much for joining us for this second session this afternoon on welfare reform. Perhaps just for our records you could say who you are and the organisation you represent?

Steve White: Yes, good afternoon. My name is Steve White, and I am the Chief Executive of The Hyde Group, a Housing Association, based out of London and the south and east of England.

Chris Town: Chris Town; I am Vice Chair of the Residential Landlords Association.

Paul Howarth: I am Paul Howarth, Director of the Welfare Reform Club, which is committed to giving support to local authorities in the implementation of welfare reform.

Q114 Chair: You are all most welcome this afternoon. You have probably heard some of the discussions we have just been having about slightly mixed messages and Departments not speaking to each other, and whether DCLG and DWP have slightly different objectives and maybe do not talk together as often as they should. Are you picking up, from your various perspectives, mixed messages and confusion that is causing you any concern?

Steve White: We do not see the level of detail our colleagues do from the councils, so we cannot comment. There are some policy inconsistencies, though, which are perhaps making implementation of the Government's policy a bit more difficult than it might be. If I may give you one example, the current policy or guidance that DCLG gives to local authorities and Housing Associations for allocations is quite different from the DWP's guidance on allocation rules for under and over-occupation.

What does that mean? It means that the two different rules are competing against each other. The practical reality will be that we could be asked to house somebody today, and in three or four months' time, when the under-occupation rules come into play, they

will be subject to a penalty. Those two things could do with being aligned. There is a broader issue that I have—the Committee may want some information on this—about the extent to which the welfare reform proposals push against the Government's affordable housing programme and the ability for housing associations and others to build new homes.

Q115 Chair: Do you just want to elaborate on that, and we will come back to the other witnesses?

Steve White: Sure. Colleagues will be aware that the Affordable Homes Programme provides housing associations and others the ability to build homes by linking the rent to the market value up to 80%, but of course in the case where there is a benefit cap of £500, that effectively limits the extent to which one can apply rent. The general acceptance in the sector is that you should not charge more than one-third of an individual's disposable income for rent, so taking the benefit cap, that equates to about £170 to £180 per week. That practically means it is very, very difficult economically to build large homes in places where it is expensive to build, like London and the south-east of England.

Chris Town: From the private sector's point of view, the conflict between DCLG and DWP is on the under-35s change. That is where the single room rate is now applied to people under 35, when it was under 25. That is DWP policy. On the DCLG side, there is the article 4 direction that limits the amount of HMOs in local authority areas where they take up that option. On the one hand you have a higher demand for single rooms, and on the other hand you have a restriction being put in place by article 4 directions. That is the main conflict that we find between the two Departments.

Q116 Chair: Have you asked the two Departments if they could manage to explain the—

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Chris Town: We have asked the Minister, and we have asked the Departments as well on several occasions to look at this issue. The Minister did say he would look at it, but nothing has come through so far. You will recall, of course, that article 4 is an option that local authorities can take up. It is not a Government policy as such, and about 34 local authorities have taken this policy up.

Paul Howarth: You may know that I retired a year ago from DWP after 38 years, so I know quite a bit about what DWP and DCLG did up to that point. I can assure you that there was a lot of liaison and a lot of talking. I am sure that is now continuing and is probably even stronger. Some of the reports we have had are that the close working does seem to exist pretty well, although more could perhaps be done. I think it is important to remember that different Departments will have different perspectives on these issues. DWP is obviously completely focused on the work agenda. DCLG is obviously concerned about housing and about localisation. I think there are bound to be some tensions in there, but the important thing is that they continue to talk and resolve issues where they can. I think that does happen.

Q117 John Stevenson: At the end of the day, what matters is delivery: getting the reforms through and making them work. Do you believe the Government's timetable is achievable, and do you think the local authorities are ready for these changes?

Steve White: Some aspects of the Government's reform programme have been sensibly tested in pilots or have been phased, and I think that aspect of the timetable is good. There are other aspects, though, that are not being phased or tested in that way, and I do worry a little that those reforms, particularly the under-occupation changes from this April, which have not been tested, will have a potentially fairly significant impact on the overall programme for the Government, and for stakeholders. It does concern me somewhat that that might slow the machinery down. I am happy to elaborate a bit more if you would like that.

Chris Town: From our perspective, a lot of the regulation is not written yet, so it is very difficult to know exactly. It was mentioned by the earlier witnesses, particularly on vulnerability. However, the one thing that really surprised us about this particular benefit change was the fact that the experience of the private sector under local housing allowance has seemingly not been used at all in this process. We were given to understand when local housing allowance came in that that would be the forerunner of this particular benefit. It seems that that experience—it is now almost nine years, I believe, since the pathfinders came in—has not been used. Listening to the other witnesses from the local authority side and so on, who are trying to get a grip on this, it seems a very valuable resource, which has been built up over several years by the private sector, is not being used, and we find that quite surprising really.

Q118 John Stevenson: I was going to ask you, exactly on that point, whether you think the

Government is right in its approach with direct payment.

Chris Town: No.

Q119 John Stevenson: Would you therefore think that they should also reverse their position with regard to the private sector as well?

Chris Town: Of course, yes. When local housing allowance came in, it was going to be applied to the social sector, and of course it never was, because the social sector, we believe, lobbied very strongly against it. This time it seems it will be applied to them. I think this was mentioned earlier: it is very important to recognise that there are many people on benefits who are perfectly able to pay the rent successfully and we have no problems with whatsoever, but there is an element who are not able to carry that out, and this is the fear within the private sector. We know—we have long experience of this—and again, we feel that that experience is not being used successfully. The experience of the private sector in this matter could help our social sector, as well.

Q120 John Stevenson: Could I ask, then, what would your advice to the Government be? What approach should they take?

Chris Town: To reiterate, I believe that the local housing allowance experience should be used. That has been trialled and run for several years now. It is not without its problems, and many landlords have suffered significant losses as a result, but what our members are telling us—more than 90% have said that they would get out of the sector if they can—is that seemingly the safety net that is there in the local housing allowance, where a landlord could request, or insist, if you like, on direct payment once arrears of eight weeks have been reached, will only be a request in future. The certainty that you will at least stop the bleeding, as it were, will not be there. From a business standpoint, that is completely untenable, from a business point of view. Renting property is a business, after all. It has serious implications, and again we feel that that has not really been considered. We understand the driver for this is to make people financially responsible, but we also do not accept that we should be the sufferers of that, effectively.

Paul Howarth: I was very much involved in the development of the local housing allowance while I was working in DWP. I think that the lessons should be learned and are in fact being learned. I do not think, as far as I am aware, we have yet heard the final word on what the exceptions will be in terms of direct payments to landlords. I think that is an issue that is still being discussed and developed. In a sense, the local housing allowance is a forerunner of Universal Credit in this respect, because the whole idea was to try to get people financially literate, to try to get people ready to work, and indeed to try to encourage people to work.

The whole point about Universal Credit is that it is founded on the idea that it should be like a salary. Universal Credit is paid monthly in arrears; it is paid into a bank account. That is how it will work, and that is the right way to go. In terms of direct payments, where at all possible, the payment should go to the

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tenant to use in the way we have described, but there should be some safeguards. If you have direct payments to landlords, and you are trying to encourage people to work, even with the current housing benefits system, the issue is that if people do get a job, they will start to lose their housing benefit. As their earnings increase they will lose more of it, and direct payments to the landlord become impossible. The real concept here is to ensure that where possible, we pay the money to the tenant.

Steve White: Can I just offer another view that might be helpful in terms of the initial question, which was about the Government's timetable? The earlier group talked about the level of awareness among their residents being very low, and that is absolutely something that our experience echoes. We wrote to 6,000—

Q121 John Stevenson: I was going to come on to that. I will widen the question, then, and ask: what do you see as being the main administrative challenges for local authorities in implementing these new policies?

Steve White: I think local authority colleagues should perhaps answer that for themselves. Housing associations have a fair few things to scratch their heads about in terms of administration.

Q122 John Stevenson: We have already talked about communication.

Steve White: Yes, and communication is a very significant issue. The point I was going to make was that we identified, based upon information that local authority colleagues shared with us, 6,000 Hyde residents who would be affected by the changes in the occupation penalty from this April. Only 48 residents responded to that mailing of 6,000, requesting further information, guidance or support. In addition to that, we put messages on our phone systems and have sent magazines. That experience has been echoed in some of the demonstration projects. My own organisation, and I suspect local authorities, to answer your question, will have to spend quite a bit of time quite literally knocking on doors over the coming weeks, preparing people and increasing the level of awareness about the changes that will be effected or implemented from April.

Q123 John Stevenson: Mr Town, what do you see as the main hurdles or challenges for councils?

Chris Town: Again it is the communication issue. I have tenants; I am a landlord, and I speak to them about these changes, which completely baffle them. Their question is, "Why are they changing this? Why is this happening?" They do not understand it. Nobody I have spoken to so far has been aware of it. From our perspective as a landlord organisation we have just introduced a Universal Credit training module, which clearly is incomplete, but gives a background to the benefit changes and how it could impact on landlords. I can tell you that it is selling very, very well among members, because there is a hunger for information on this. I know it will be ramped in relatively gradually, but nevertheless people need to be prepared

for that. The communication issue is the big one; there is no doubt about that.

Paul Howarth: I think the challenges for local authorities are quite significant. First of all, they have a direct role in delivering welfare reform; we have heard about council tax support and the Social Fund, but there are discretionary housing payments, and aspects of the housing benefit scheme will still be delivered by local authorities, such as supported housing provision. There is the direct role in delivering welfare reform, and then they will have a role in delivering Universal Credit: first of all the transition over the four-year period, and then still an unanswered question about the level to which they will deliver face-to-face support for those people who need it. I think there will be some people who need it, despite the intention to try and put this online.

There are two big challenges there, simply in the amount of involvement in welfare reform that local authorities will have. Flowing from that, one of the big challenges will be to identify, through data matching and various other sources, who exactly are the vulnerable people, if you like, to whom they want to give most help.

Q124 John Stevenson: I am going to pick you up on the IT issue. The evidence we have had is that there are some major concerns about IT. Do you think the DWP is up to it in terms of their IT capacity?

Paul Howarth: I do not know the ins and outs of the DWP's IT capacity now, but I would say that yes, it is up to it.

Q125 John Stevenson: You do not foresee issues around IT in relation to local authorities and the DWP working together?

Paul Howarth: I think that is a slightly different question, in a sense. Yes, there are issues with the IT in terms of the transfer of information and data to local authorities. My point is that local authorities have a crucial role in the delivery of welfare reform and therefore data transfer, information flows and so on between DWP and local authorities is crucial if that is to succeed. Where there are potential problems, they need to be addressed.

Chris Town: Just on the IT, I do not know whether this is accurate, but we have heard that the IT system will not be ready until 2014, which is a long time after implementation. That is the information I have been given.

Q126 John Stevenson: What was your source, if I may ask?

Chris Town: That was from the DWP.

Q127 Bill Esterson: Coming back to the point about direct payments, Paul, we have heard a lot of evidence from all the other witnesses, one way or another, that there is a huge concern that a significant number of people will struggle with paying their rent out of the housing component, and that this will have an effect on them in terms of being made homeless, but also have an effect on private landlords, who will decide to sell up, and social landlords, who will struggle to remain viable. Do you think that this concern is

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sufficiently addressed by the definition of “vulnerable”?

Paul Howarth: I think the definition of “vulnerable” is one of the big issues that have not yet been fully resolved. I do not think you can have a very easy definition of “vulnerable”. You cannot describe categories of people as vulnerable. There will be some people who perhaps have learning difficulties who may be vulnerable, but others might be coping very well. It is very difficult to come up with a definition. This comes back to the challenges to local authorities. I think one of the challenges will be for them to identify who these vulnerable people are, and to help in the process of ensuring—

Q128 Bill Esterson: The point I am really asking you about is anybody who struggles for whatever reason with paying their rent and avoiding getting into arrears, which involves them being evicted with the consequent impact on housing providers, with then a knock-on effect on the housing stock. That is a very, very real concern we have heard almost unanimously. Is it not absolutely vital that that is sorted out?

Paul Howarth: You have the demonstration pilots looking at some of these issues. The one I know about best is the one in Oxford, and that involves, I think, about 1,800 tenants altogether. At the last count, arrears had gone up from, I think, a normal arrangement of about 2% to about 5%, but they are doing a lot of work directed at communicating and ensuring that they identify the tenants who need the support and the help. That is the critical thing. Clearly we cannot simply pay all tenants Universal Credit without any provision for support and help for those who need it, and that definitely needs to happen.

Q129 Bill Esterson: The suggestion earlier was that landlords be able to request, as they can now, and negotiate with local authorities, as they can now, on the housing component. Do you think that that has merit?

Paul Howarth: There has to be provision, or some safeguards, similar, as Chris was saying just now, to the provisions in the local housing allowance. There are safeguards in the local housing allowance for those people who cannot manage their finances very well or who have had a proven track record of wilfully not managing their rent payments. I do not think, as I say, this has been finalised yet, but those are the sorts of safeguards that could be carried forward into Universal Credit, and I think that is right, because you are then protecting those people.

However, I do not think that we can continue with the arrangement whereby we just reach an arrangement with the landlord, because that defeats the fundamental objectives, as I mentioned earlier, about what Universal Credit is trying to do. The fact is that in terms of housing benefit in the private rented sector, since November 2008 we have seen nearly an extra million people claiming housing benefit in the private rented sector, and those people are obviously being housed by private landlords. Of that million, a good proportion—in fact, I think over a quarter of current

housing benefit recipients—are now in work.⁴ This is what we want to encourage, and direct payments do not work in that context very well.

Q130 Bill Esterson: Chris, do you want to respond to that?

Chris Town: Yes. Clearly, I am drawing on experience from local housing allowance and when that was first introduced. I am a landlord in Leeds, which was one of the pathfinder areas, so we worked very closely with the local authority in developing their policy on vulnerability and so on. One of the things we got as a concession was that if the rent payment was delayed beyond four weeks then it would go to the tenant in the form of a cheque in the name of the landlord, to prevent fraud. Fraud still was committed, because some tenants managed to get the cheque cashed somehow, but nevertheless that was one concession. That was the first hurdle, and that also signified the start of the claim. One thing that concerns us regarding Universal Credit is that we will not know when the claim starts. We will not have any information, as we understand it. Where we have a relationship with the local authority as a landlord now for benefit claimants, when Universal Credit comes in, we understand that that will not be the case; we will not have that relationship, so we will be completely in the dark. That is another concern.

As far as vulnerability is concerned, there were certain criteria: if tenants had issues with substance abuse, or alcohol or gambling or whatever, and they were documented, that was fine, but of course you do not really know who is vulnerable to taking their rent, let us say, until it happens. We discovered quite a few people were far more vulnerable than they realised, let us say. What I am trying to say is that you can put policies in place, but it does not necessarily follow that those will be particularly accurate, and there will be losses. I think the demonstration project so far has shown that even with handpicked claimants who volunteered, they have still not been able to make their rent payments in quite a large proportion, in relative terms. So there will be losses; there is no doubt about that. It is the chasing around that is the problem: trying to track people down, trying basically to find out what is going on will be the real issue, as it was in the local housing allowance. As I say, we did have the safeguards there.

Q131 Bill Esterson: What is the view in the social sector?

Steve White: On vulnerability, I think we agree with everything that has just been said. That needs to be set as wide as possible, taking into account information that the housing associations and colleagues outside in the private sector are offering. In terms of direct payments, I think there are three issues there that are impediments. There are skills—a lot of these individuals simply do not have the skills yet, and they need to be assisted and supported to develop those budgeting skills to enable them to manage their own financial affairs in the way that is intended. Access to the internet is a problem, if there

⁴ Correction by witness: Almost a fifth of current housing benefit recipients are now in work.

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is a heavy reliance on use of online facilities: not only are the knowledge and skill to be able to do that an issue, as was shared in the previous evidence session, but also access to the internet is a problem.

What has not been said so far is also an additional point that is worth considering: the level of indebtedness that exists amongst a large proportion of these residents is already very high. We have 50,000 homes and 1,000 homes have had direct support from us in the last eight months to help them budget better, because they have and are carrying very significant levels of debt. That needs to be factored into the decisions around vulnerability. The earlier team also talked about the types of debt. I do worry about people having to make decisions about whether to pay the rent, or to pay the guy who is knocking on the door on a Friday night, looking for repayment of a loan, illicit or otherwise. I think those types of factors also need to be taken into consideration.

Q132 Bill Esterson: Do you have concerns about your viability as a housing association?

Steve White: I have concerns that our financial strength will be impaired. I do not believe that this will fundamentally change my organisation's viability, but we will have to spend more money—considerably more money—to collect our rent and support our residents than is the case at the moment. All that money hitherto would have been spent on building more homes. That is significant. Next year, for my organisation, before Universal Credit is fully deployed, we are expecting a £1.5 million additional cost. That is a lot of money.

Q133 Heather Wheeler: I am interested, Mr Howarth, in whether local authorities ought to have more of an input into Universal Credit. Should they be doing it, not the DWP?

Paul Howarth: I think they should be doing it with the DWP. My view is that this is a massive series of changes, and one of the issues is the cumulative impact of it all. It will take more than one organisation or one agency to implement this successfully and deliver this successfully. There are things in Universal Credit where it is right and proper that that is done centrally, and that there is the central system to do that; but I think there are things that can only be done locally, and where local authorities should have a bigger role.

Ideally, I would give local authorities access to the Universal Credit IT systems, so they could process claims where it was necessary, but short of that, we need to have really effective data flows between the two, and we need to clarify very quickly what exactly local authorities will be expected to do, and what funding they will receive.

Q134 Heather Wheeler: You just used an interesting phrase there, "data flows". How do you think private landlords ought to be able to get access to data from

local authorities, to make sure that there are not the gaps between where the money is coming from and where it is going out. Local authorities will work very closely with the CAB and all these other people to help people with their budgeting. Nobody seems to have been worried about them paying their water bills, their electricity bills or their gas bills, but we are worried about them paying their rent. Part of the new exercise may be jam-jar accounts or something like that. Maybe that is where we will go and where local authorities can help, but how do the private landlords deal with the data protection stuff with local authorities to help make it as seamless as possible?

Paul Howarth: In the way of delivering that I have just described, I would envisage that there would still be a role for local authorities to liaise with private landlords over some of these issues. I understand exactly what Chris has said on this: there is clearly a role for liaising with landlords, and those relationships and that engagement that have been developed over the years should not just disappear. It is not clear whether DWP will do that or whether it will be a role for local authorities. I suspect local authorities, because they are local and because they are on the ground, as it were, are probably better placed to do it, but I do not think that has been decided yet.

Q135 Heather Wheeler: I know social housing is not exactly private landlord, but do you feel you will be able to bridge the data protection issues?

Chris Town: We do now. The delivery of local housing allowance was very patchy at the beginning; there is no doubt about that, and there was a huge learning curve. I think local authorities, talking broadly, deliver a good service now, whereas it was patchy before for various reasons. There is an element in the application that allows the landlord access to certain parts of information that the tenant gives, and on which the local authority communicates with the landlord and the tenant.

We have all used call centres, and the thing that strikes fear in most landlords I speak to is that they will no longer have this relationship with the local authority. We will be dealing with a call centre, and we know how call centres operate. That is not to say there are any cosy relationships going on between local authorities and landlords—it is a business-like relationship, but they understand the issues, they understand the system and the relationship between landlord and tenant. It works very well in most cases, and we do not feel it is broken and we do not see why it should be fixed if it is not broken.

Steve White: My answer is pretty much the same, really: reliance upon good-quality data that is provided quickly from the DWP is essential. The systems points made earlier are ones that we would absolutely echo.

Chair: Thank you very much indeed for coming in this afternoon, and for giving us some very interesting evidence.

Monday 28 January 2013

Members present:

Mr Clive Betts (Chair)

Bob Blackman
Simon Danczuk
Bill Esterson
James Morris

Mark Pawsey
Andy Sawford
John Stevenson
Heather Wheeler

Examination of Witnesses

Witnesses: **Gillian Guy**, Chief Executive, Citizens Advice Bureau, **Kate Webb**, Senior Policy Officer, Shelter, and **Kevin Dodd**, Chief Executive, Wakefield and District Housing, gave evidence.

Q136 Chair: Good afternoon, and welcome all of you to the third and final evidence session of our inquiry into the implementation of welfare reform. For the sake of our records, could you indicate who you are and the organisations you represent?

Gillian Guy: I am Gillian Guy, chief executive of Citizens Advice.

Kate Webb: I am Kate Webb, senior policy officer at Shelter.

Kevin Dodd: My name is Kevin Dodd, chief executive of Wakefield and District Housing.

Q137 Chair: Thank you all very much for coming this afternoon to discuss with us this important issue. We have had quite a bit of evidence already, so we can reflect on that this afternoon and raise with you some of the concerns that have been raised with us. One of the concerns raised by a number of witnesses is that the two Departments most concerned, the Department for Communities and Local Government and the Department for Work and Pensions, are not necessarily working terribly well together, and that reflects itself in the problems that organisations that have to implement these measures are having. Do you have those concerns as well, or do you think things are basically going along smoothly?

Gillian Guy: Citizens Advice get communication from both sides of that, so from central Government and also local government. Our concerns would be about the reassurance between those two parts of government. If I were in government I would be concerned about the state of readiness and the degree of resource available in local government for local implementation. If I were in local government I would be very concerned about the timetable for implementation, not just the timing of it but whether it is even clear. I do not think it is particularly clear exactly what will happen when the demonstration projects are out of the way, because that keeps shifting, and that makes it quite difficult to prepare people.

Kate Webb: We would agree with that. Based on the scale of the reforms, we would perhaps expect a little more co-ordination between the two Departments than we have seen. There have been a few instances where contradictory policy has come out between the two. I am sure we will get into it in more detail. DWP do not always seem to be entirely aware of the legal duties that DCLG require, and vice versa. There have been a few policy issues of development that have

been delayed, and our perception is that that is because of tension between the two Departments.

Q138 Chair: Do you have any examples of those?

Kate Webb: Implementation of the overall benefit cap will create some quite significant challenges for local authorities who have to provide temporary accommodation for homeless households. This was raised as a concern during the Welfare Reform Act. We, MPs and peers were told that proposals for reforming the TA subsidy would address that, but the announcement on that reform was delayed for about nine months, based on our understanding of the timetable, and that seemed to be because of the inability of DWP and DCLG to resolve the issue.

Kevin Dodd: The confliction we seem to get as a housing association is that we are expected to build more homes, and yet through welfare reform there is a lack of financial capacity to build those home. In the current climate it is nearly impossible and very expensive to get resources from banks. We are in a situation where we are also expected to sell homes, and yet our waiting list of people wanting accommodation has doubled over the last seven years to 22,000. From April our organisation will experience, as will others, lost capacity of £100,000 a week in relation to the bedroom tax and the benefit cap, which is equivalent to one new home a week that we could have built.

Q139 Chair: One thing that has been said to us is that the sheer number of changes coming in all at once—universal credit and changes to council tax benefit going on alongside, changes to the occupation arrangements in terms of housing benefit and benefit cap—mean that local authorities, as well as some housing authorities, are almost overwhelmed. Is that also your concern? Are you picking that up as well, whether at national or local level?

Gillian Guy: It is two things nationally. It is a massive change programme with impacts on people probably least likely to cope with that kind of change. The other part of it is that local authorities themselves are facing a programme of cuts, so they have to juggle that with the resources needed to bring in massive change. Having to provide support to communities through advice and preparation, which is under pressure and also being cut, is a particularly difficult equation to deal with.

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Kate Webb: That is certainly a picture we also recognise. We are seeing huge amounts of confusion among people who will be affected by these changes. People are conflating one cut with another; it is very difficult for people to understand what is going to happen to their income, and it is local authorities, along with advice providers, who will be playing a large role in trying to help people navigate through that process. It does not seem that the phasing has been designed to make that as simple as it could be.

Kevin Dodd: I would agree with that. Housing benefit staff in local authorities, who are deluged on a normal basis, are now affected by losing their jobs because there are no TUPE rights to transfer to the new system. Therefore, the most valuable commodity is leaving the ship to a degree, so you are losing expertise in managing the transition. Equally, there was more publicity on digital switchover to make sure the nation did not lose any episodes of *Coronation Street* than for the changes to welfare reform. It does not just go back to the changes going forward; it goes back to supporting people. It is being reduced, and it rolls forward into local taxation.

Q140 Chair: Do you think there is any more that the Government Departments could do to give guidance on these matters? On the other hand, is it right that central Government should keep their hands off and say, “We’ve got a localist agenda now. It really is down to people at local level to sort out these matters”?

Gillian Guy: The trouble with that philosophy—I understand the press towards localism—is that it makes a lot of assumptions. I do not think those assumptions are necessarily borne out. One of those is that all local authorities are in exactly the same place and have the same degree of resource and autonomy in what they can and cannot do and the same kinds of communities. One of them is that local authorities will work at the same pace and be able to co-operate with the whole of the implementation. That is not necessarily the case. We would be concerned about the kind of postcode variance that that can bring about, not just from one area to another but within an area, when you think that county and district councils have different responsibilities for these changes; and the ability of local advice to soak up all of the demand. We as an organisation are expecting a massive increase in demand. When the employment and support allowance came in we saw a 76% increase in inquiries on that subject alone, so we are expecting pretty much a deluge. The assumption that that can be picked up is quite a dangerous one. The assumptions about digital by default, monthly payments not having very much impact but getting people ready for work and about a single recipient not really having an impact are problematic. It is those things, and understanding what cumulative impact they are likely to have with other reforms as well, that will test this programme.

Kate Webb: At times we would appreciate a more hands-on role, particularly from DWP. It is a particular frustration for us that we are not always clear on the communication timescales and materials that are going out to households who will be affected.

We can work with the Department for Work and Pensions on model letters and understand their timescale, but ultimately it is left to local authorities as the housing benefit administrator to inform people of individual losses. As a national advice provider, it is very hard for us to co-ordinate with that many local authorities, feed in ideas about best practice and get a handle on when people are going to be notified of significant changes in a lot of circumstances.

Kevin Dodd: We have a good working relationship with our local authority. We try to make sure that what we can do is done jointly. As a major housing provider in the area with 31,000 tenancies, when we get enquiries, which have increased tenfold, it is very difficult to try to give advice. We are seen, on the ground, as the provider giving advice to people who find the changes quite difficult to administer for themselves.

Q141 Simon Danczuk: The Government’s argument is that direct payment of benefits encourages claimants to be individually responsible for their own finances. Would you agree with that, Kevin?

Kevin Dodd: I have some case studies that I can supply afterwards that can illustrate it. I would agree in principle that direct universal credit is about those people who could manage the money managing it, but there are a significant number who cannot manage their money and that is creating a lot of stress on them as households. In some circumstances, in the cases I have got here, they have nowhere else to turn to, and in some of the circumstances the changes that are happening are making people extremely stressed about the situation. That is an unintended consequence of the direction of travel.

Kate Webb: Shelter supports the principle of universal credit. If you look at the philosophy that underpins it, it is easy to see why Ministers have decided that, as a point of principle, direct payments make sense. You then have to set that against the reality of trying to budget on a very low income. It can be an entirely rational, responsible decision. If you know you have debt with very high interest levels, or you are going to be constantly bumping along at the bottom of the overdraft, it can be the utterly rational, responsible decision to say, “It would make my budgeting much simpler if I could choose to have my rent payment paid direct to my landlord.”

Gillian Guy: For us, it is very much the same. It is another assumption that is made that by adopting a principle it is going to happen. Whether that will happen or not is a matter of thinking about the reality of the people it will impact. It will be interesting to see how the demonstration projects come out, but as far as I am aware they do not indicate that higher levels of rent are paid than under a system where rent is paid to the landlord, and it has caused serious difficulty for a large number of people. Certainly, the results of those projects are that they need a significant amount of support if they are to manage in those circumstances and not go into arrears and possibly lose their homes, which is not a good way of either proving or disproving a principle.

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Q142 Simon Danczuk: Do you know what preparation housing associations and charitable organisations are making before the introduction of changes to housing benefit? What are you guys doing?

Kevin Dodd: We are part of a demonstration project. We have got experiences that we are going through. Overall, we have seen an increase in debt to about 11% of the debit, which normally on 31,000 properties is 2.9%. People who came into the demonstration pilot with no arrears now have an average of £180 debt going forward. On arrears cases, we used to make five, six or eight visits; now it is 40 visits in each particular case. One thing that is not understood is that the cost of administration of the system by the landlord, which could be an extra £3 million to £5 million of bureaucracy, is being borne by full and partial rent-payers. For every rent-payer who has paid the full amount, £6 will go towards the administration costs passported by DWP to landlords to maintain an effective rent account. The social value of the work that landlords put in is a cost borne by other rent-payers. That is quite important to us as a landlord.

Kate Webb: On this change, as with the package of reform, we are looking at our own advice provision, particularly online digital advice, and trying to make sure that is promoted as widely as possible and is ready to support people. That taps into one of our concerns about the demonstration projects. There is big emphasis in the pilots on providing support for households so they can manage direct payments. It might well be that achieves what look like very positive results, but our concern is that they are very resource-intensive. We certainly could not step in to provide that on a nationwide basis to support the potential number of households who will need support, based on what people say they need to receive, to feel confident about managing their affairs.

Q143 Simon Danczuk: Are you worried that in areas that are not demonstration projects there will not be the intensity of support to help vulnerable people?

Kate Webb: Yes. It is the inevitable problem you have when you pilot something. When you pilot it, you want it to work so you put in the resources. Our concern is that those results will not be replicable on a nationwide scale because the resources will not be there to replicate some of the support packages.

Q144 Simon Danczuk: It has been suggested, has it not, that vulnerable people can have direct payments?

Kate Webb: The DWP have said that vulnerable households will retain them.

Q145 Simon Danczuk: Is there a definition of “vulnerable”?

Kate Webb: No, and that then becomes the key question for all of us. That is why we say that a better solution is to let people choose whether or not they feel able to handle the payment. Trying to come up with a definition of vulnerability that will not make patronising assumptions about people or, worse, will let them fall through the net will be incredibly difficult. Our view is that it is far more workable if you let people self-certify as vulnerable.

Q146 Simon Danczuk: There has not been anything determined on the definitions of vulnerability yet, or whether people can choose themselves. We are going to ask the Ministers in a minute.

Kate Webb: Our assumption has been that it will largely mirror what happens under local housing allowance at the moment, because for private tenants this is the status quo. They have been receiving housing benefit direct since 2008, and there is a definition of vulnerability in place where people are unlikely to pay, or have difficulty paying. Our experience is that when that was first introduced was that there were an awful lot of teething problems, particularly about the inconsistent application of it between different local authorities, but largely it has got to a pretty workable position. Our overarching plea to the DWP is not to lose lessons from the local housing allowance. There is a definition there that works okay in a lot of circumstances, but our preference would be to let people choose whether or not they feel able to manage it.

Gillian Guy: We are working on demonstration projects. We also have a pilot on budgeting that is underway at the moment, or just about to start. I echo the point that we cannot make the assumption that this level of support can just happen out there because it has happened before, because we are talking about very large numbers and high-intensity support. The pilots are not necessarily testing either the kinds of volumes or the complexity of cases we are going to face, so we need to ratchet up the support we give. We have heard from one of the pilots that, if we were not involved in trying to prepare people and help them through it, it would not be as successful as it is, which is limited anyway. The other thing to say is that if we gave people the option, we would not have to worry about how we define vulnerability.

Q147 Simon Danczuk: Kate, to turn to an issue that keeps coming up in the Select Committee, do you think homelessness is getting worse, staying stable or going down?

Kate Webb: If you look at the official figures, it is definitely getting worse, so those would be statutory acceptances. You also have an underlying housing benefit beneath that, so people who are sofa-surfing, or staying on friends’ sofas. Our anecdotal experience is that that is also getting worse.

Q148 Simon Danczuk: Do you think these changes after April will make the situation better or worse, or have little effect?

Kate Webb: It is hard to see how they will not make it more challenging.

Q149 Simon Danczuk: Does that mean worse?

Kate Webb: Yes.

Q150 Mark Pawsey: My questions are mostly for Mr Dodd. On the principle of direct payment, the Government make all sorts of welfare payments to all sorts of people where they do not mandate how the recipient should spend it. Why should housing be different?

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Kate Webb: Housing benefit is unlike most other benefits—perhaps any other benefit, apart from council tax benefit—in that it is for a very specific cost. It is not like child tax credit.

Q151 Mark Pawsey: Child tax credit is for bringing up children. We do not mandate recipients to spend the money in a particular way.

Kate Webb: But there is a huge number of things on which you could choose to spend that income in the interests of your child. It might be winter shoes, school food or a museum entry; it is what you think is best for your child. Housing benefit is for a very specific cost, and it is also one where, if you are not paying the rent, the consequences are very severe—homelessness—and in all likelihood you will be deemed to be intentionally homeless, so your right to assistance from the state is then reduced.

Q152 Mark Pawsey: Can I put the same question to the other two witnesses?

Gillian Guy: Can I add that this is actually a change. That is what makes it particularly different.

Q153 Mark Pawsey: It is not a change for the private sector because they have been doing it for the past five years.

Gillian Guy: It is a change in the public sector, and I am sure we will bring evidence to bear on the private sector as well, because there were changes that happened as a result of that. But it is a change among a whole gamut of changes that are affecting very vulnerable families and people in positions where they are struggling to make ends meet, and there are very many different demands on the money that comes through the door. Protecting the roof over those families has been seen to be important, and continues to be important. If there is to be such a change for policy reasons, that is fine, but let's prepare people for it and make sure the advice, support, budgeting and financial capability education is there so that they don't get into difficulty.

Q154 Mark Pawsey: I am sure we can all agree on that. Kevin, can I ask about your experience?

Kevin Dodd: If people don't pay their rent, they can lose their house. It is about people prioritising and paying the rent with the money they get. We are saying that if people can manage it they have to prioritise paying the rent, because the issue for associations like ours is cash flow to reignite the economy, to borrow more and build more houses.

Q155 Mark Pawsey: But because a small proportion of people in receipt of housing benefit may find some difficulty, you are arguing that we should not be making this change.

Kevin Dodd: I did not say that. I said that for those people who can manage their money well—there are those who are doing it with the support we give directly to them, at a cost to full rent-payers—they will succeed, but getting people prepared is intensive. If people do not pay their rent—we have examples in the demonstration pilot where people are not paying their rent because they have other life circumstances

for which they choose to use that money—it deprives them of their home.

Q156 Mark Pawsey: Were the people in that demonstration self-selecting, or did it involve your entire tenant base?

Kevin Dodd: We were asked to pick 2,000 people who were obviously in receipt of housing benefit, of whom 1,000 did not really want to participate in the project, so it was narrowed down to 1,000 people. For those 1,000 people, the basic ingredient was a bank account, so that was how the people were selected in a pilot area within our district.

Q157 Mark Pawsey: You have told us about the additional administrative costs, but isn't that because this is a pretty radical change; it is very new and different? Over time, won't these problems bed down and become the norm? I was interested in Kate's remarks about teething problems in the private sector, but now it seems to have settled down and seems to be working okay. Why can't that happen in this sector?

Kevin Dodd: Coming back to the first question that was asked, we are expected to build, and we need capacity to build. If people don't pay, we cannot borrow money.

Q158 Mark Pawsey: The private sector is saying exactly the same thing.

Kevin Dodd: But they don't build in the same way we are, to meet a demand. There is a genuine reduction and a reluctance to—

Q159 Mark Pawsey: The private rented sector is there to meet a demand, and they are suffering losses of income in exactly the same way as your housing association.

Kevin Dodd: I can answer the question if I can get the point out. We are in a situation where 1,000 people had no debt when they went in and now they have an average debt of £180 already. We are putting in more support to get that money we used to get more conveniently before, and the costs of administration are being borne by the association, which is wasted money. If that money was put towards more effective use—building houses or providing additional support—we may get more people ready and a better economy to boot.

Q160 Mark Pawsey: What circumstances would you require for direct payments to be successful?

Kevin Dodd: People having the choice whether or not they wanted direct payments, and that would be the principle of universal credit.

Q161 Mark Pawsey: There are no circumstances under which you would support the move the Government are making.

Kevin Dodd: I did not say that. For those people who could adequately manage their finances, I would say that could be done.

Q162 Mark Pawsey: As far as you are concerned, it all comes down to the definition of "vulnerable".

Kevin Dodd: And individual choice.

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Q163 Bill Esterson: Kevin, can I ask you about the people who were selected for the pilot? From the type of person who in the end took part in it, do you think that group as a whole is more or less likely to go into arrears than the total number of your tenants, if everybody came off direct payment?

Kevin Dodd: We have to accept that the 1,000 sample is a microcosm of the full 31,000, because people that did choose and came forward were no problems to us at all. We did not put any cost into managing their tenancies. They were in no arrears; they did not cause any problems relatively, so we have got a structured sample of people.

Q164 Bill Esterson: Are there other people who are in arrears who did not come forward?

Kevin Dodd: If they were in arrears to a particular level, they did not get on the sample for direct payment; they were excluded as being vulnerable.

Q165 Bill Esterson: The point I am trying to drive at is that for your overall 31,000 tenants, it could be worse than the sample.

Kevin Dodd: Without a shadow of a doubt. We just got a sample. Generally, we can give only ranges of the problems we may face going forward. Therefore, we can have a worst-case scenario or, hopefully, a best-case scenario, but we can work only on ranges at present.

Q166 Bill Esterson: You are a relatively large social housing provider. Do you think some social housing providers could have a problem not just with their inability to build more houses but their ability to survive?

Kevin Dodd: Bedroom tax is the one that would fundamentally hit viability. Any organisation should manage its costs in relation to the income it gets, and that will happen as part of direct payments or universal credit, but for bedroom tax the issue is about affordability. People make choices about what they can afford. If you have not got the stock—take the example of Northern Ireland, where there is not single-person accommodation for people to move into—how can you help people who from April will genuinely be paying more? They can only just manage now and they will have to pay an average of £22 more, and there is no accommodation for them to move into. It will not happen overnight, even if they want it, because people want to stay in their homes. In some examples we have, having two bedrooms is a necessity, and yet people who are disabled will be penalised for that when they need two bedrooms to sleep separately.

Q167 Bill Esterson: If they cannot afford it, potentially you will end up having to evict some of these people.

Kevin Dodd: We hope not, because the court will make that decision. That is yet untested. I think the court will not make the decision to evict in certain circumstances, but if it did it exacerbates the problem. Homelessness increases and the cost goes back to the local authority. As we are quite confined in one particular area, it will come to us to rehouse them as

a priority need. We might turn round and say, “We’ve got a property here that has more bedrooms,” so you are penalised by the bedroom tax. That seems to be a vicious circle going forward.

Q168 Bill Esterson: Do your organisations have a concern about the impact on social housing providers in the way Kevin has outlined?

Kate Webb: We have a concern about the impact on providers, but our starting concern is about the households. We echo Kevin’s points about the lack of stock. It will be extremely difficult for people to move into a situation where their housing becomes affordable again so the housing benefit covers the rent. There is also the risk that people will not be prepared to take those kinds of actions because these are people’s homes. In most cases they are secure tenancies; they have lived there for very long periods of time. Even with housing benefit cuts in the private rented sector, which is far more mobile, we have seen that people do not want to move; understandably, they are attached to their homes. Our expectation is that people will try to make up benefit shortfalls, but the obvious risk is that when you are on a very low income there is a limit to how many essential bills you can cut back on and how many times you can borrow a bit from friends or from a lender.

Gillian Guy: We have a concern for those families particularly, but it is not just about the increased payments for the extra rooms, as it were, because of the reduction in the benefit; it is also council tax going to more people than had previously been the case. You begin to add up that bill. Fuel and food costs are going up at the same time, and income is coming down. We are also concerned about the whole of the public sector having to chase bad debt, because that has a cost attached to it as well. What is the reality of realising that bad debt at any time? It probably just comes off their balance sheet again.

Q169 Chair: You mentioned, at the beginning of the discussion, the issue of some case studies that you had. Would it be possible to let our secretariat have that information?

Kevin Dodd: Yes, certainly. I will do.

Q170 Heather Wheeler: I would like to widen this out a little and put a question to Kevin in particular, if I may. You have made quite a big play about the fact that for every extra pound of rent you get it is £4 in your local community and it affects the amount you can borrow to build more properties. Can you flesh that out a bit more, particularly the business about how it will affect how you can borrow more money to build more houses?

Kevin Dodd: We are a business, so we need money, which is cash flow. We need to be able to use that cash flow and asset strength, which we have, to borrow more money to build more houses. For example, to build the houses needed in the locality, in conjunction with the local authority, our projection is that we will be treading water at least until we understand the impact of universal credits and the bedroom tax. We project that we will have a shortfall in income of about £100,000 a week. We have 31,000

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properties in one local authority area; we are not geographically spread around the district. For every pound we put into the local community we expect to generate at least £3 to £4 social value of return. We are quite pleased that we measure that, and measure it productively. Our concern is that, if we cut back on that kind of activity, the support people need will get worse, because we are seen as people to turn to in order to provide support in times of difficulty. When I give you the case studies we have got, you will see the support we provide as a landlord to help people live hopefully happy, content and independent lives, and currently we are concerned that that might be at risk.

Q171 Heather Wheeler: So, that is X number of units a year you won't be able to build.

Kevin Dodd: It works out that that would be the case. I cannot give you exact figures, but, in light of our business plan, overall we are losing the equivalent of one house per week. Over the life of our business plan it could be £220 million to £250 million in lost capacity to build new homes, which means about 3,000 to 4,000 homes will not be provided in the Wakefield district.

Q172 Heather Wheeler: It seems like a big assumption to me. I am wondering about the planning permission for the thousands of houses you are going to build, but that is another story.

Kevin Dodd: I can tell you where they are going in Wakefield, for example. We had 18 pits and 18 mining communities. Those are the areas now being reclaimed on which to put sizeable new house building in our district.

Heather Wheeler: Fascinating.

Q173 Andy Sawford: My questions are about changes to the social fund. Gillian, Citizens Advice have questioned the extent to which the localised funds will be set up. The welfare reform White Paper from the Government said that local authorities will tailor support to local circumstances and target only genuine need. What do you think will happen to the money? Why do you think these local funds will not be set up?

Gillian Guy: There is not provision for them to be ring-fenced funds. I guess that at the moment local authorities are thinking about how they square the circle of reducing resources and increasing demands and having to bring about this allocation of money, when they also have to chase bad debts and have the cost of all of those things. We are working with local authorities at the moment to try to set these things up. First, there is not consistency about them, so how they will be applied and set up varies enormously, and understandably in a sense, but that makes it very difficult for people to understand what the differences will be in their locality. We understand that some will make local connection a qualification, because that is where the money is coming from, but it makes it very difficult for victims of domestic violence, who might move from one authority to another, to be able to make any claims, and that causes particular hardship. We are concerned about the administration of that. We

are concerned that the opportunity may not be taken—this could be a positive element—to pool that kind of resource with other local agencies and organisations, such as Citizens Advice, to make sure there is integrated spending around families in need to try to get more impact from that. Our other concern is about what happens at the end of the year, because, even if a pot is identified, perhaps the person who comes in at the end of that time with the most compelling case has nowhere to go.

Q174 Andy Sawford: Kevin, has a local scheme been established in Wakefield?

Kevin Dodd: We are in the process of establishing that, but I am not from the authority. The report to establish it is going forward as part of this year's budget preparations, but I am not yet clear what that is in Wakefield.

Q175 Andy Sawford: I put my next question to all the panel, but Kate might go first. What do you think will be the likely effect of these changes on claimants?

Kate Webb: The changes to local housing allowance give us some sort of prediction of what the effect will be. Our experience to date has been that it is extremely difficult for households to navigate their way through this process. Communication materials have not always been as clear as they could be. In some cases people are completely unaware that their benefits have even been cut, and misleading terminology can mean that one cut is conflated with another. For instance, we find that the overall benefit cap is often confused with universal credit.

Q176 Andy Sawford: By whom—the authority or the claimant?

Kate Webb: Frequently by the claimant, but also often by the contact they will have via informal and formal networks for seeking advice. It is very difficult for people to understand what is happening to their income, but the impact will be that a lot of people on very low incomes will have to find a way to balance an ever-tighter budget, and that will mean cutting back on essential spending. More people will get into debt. We did some research recently which found that last year 1 million households had used a payday loan to pay their housing cost. It is very difficult to see how that sort of trend will not be exacerbated after April.

Gillian Guy: They use payday loans to pay off a payday loan as well, which is a dire situation to get into. In terms of local welfare assistance particularly, in addition to all Kate said, I would add that this is for crisis. We are talking about a situation where people have nowhere else to go and have to make out that kind of case, so the consequences can be even more dire if there is not assistance available. To go back to my earlier point, there is a difference between county and district councils here, so it is an isolated payment that may not be administered in the same way as other benefits.

Kevin Dodd: The only point I would add is about the disease of doorstep lending that this kind of system generates. It is not controlled. There needs to be more legislation to control this. Very few cases are taken to court involving unscrupulous lending. These are

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people who are genuinely trying to survive and are looking at other means by which they get money to have an independent life.

Q177 Andy Sawford: Kate, you made a point about the advice that people may be being given. Could you comment on the basis on which you are concerned about the quality of advice? Do you have any research that you might share with us? How might we make any useful or practical recommendations as a Committee about how to ensure people are not given the wrong advice at the wrong time?

Kate Webb: It is probably most helpful if we follow that up with written evidence around some of the research we have done on what prompts people to seek advice and the channels they will go to. We know that people often rely on informal networks for advice in the first instance. The problem with that is that there is absolutely no check on the validity of the information they are being given, or that it is helpful advice. We are seeing some informal campaign groups, for instance around the bedroom tax, telling people to stand their ground and not pay, which is terrible from the perspective of advice, but if those messages are getting into communities potentially it will be quite persuasive for some people, but we would be very happy to follow up in writing with some of the research we have done on how you can encourage people to seek accurate advice promptly.

Gillian Guy: Representing a rather large advice agency, the advice is quite complicated and complex, even for those who are trained in this, because we are dealing with different people at different points of transition. We will have people under the old system, people partly under the old system moving into the new one and people who come on board under the new system. That in itself adds to the complexity and confusion, because people in informal networks will have different situations and therefore will be tempted to give the wrong advice. The other point is that we are not making sure there is capacity in communities to ensure there is sound advice, and that does take an investment. The third piece is that it is more than just advice after the event; it is preparation for the event and making sure that information is out there now. We have got 3,500 outlets, which I am ready to use now if we can get the information out to people, and that is really critical.

Kevin Dodd: One of the issues that could be addressed by the Committee is more effective data-sharing. If you can share data effectively with organisations like ourselves, we will be able to understand the changes and deal directly with the individual to explain more about the changes that have happened, or, more importantly, if the change has happened and is more adverse, to support the person to make them aware of it, not after the event when it has gone through a cycle of misunderstanding. If we could get more data-sharing, we might be in a better position to help people who may have circumstances that have been affected by some of the changes.

Andy Sawford: We will raise that with the Minister.

Q178 Mark Pawsey: I would like to ask some questions about the localisation of council tax benefit

schemes. Given that the amount the Government spend on council tax benefit doubled between 2007 and 2010, was it not inevitable that they would want to control expenditure? Given that the money gets spent in local communities, was it not the right decision for local councils to set up their own schemes of council tax benefits? Therefore, a number of schemes have come forward. On the basis of the schemes you have heard about, have you got any concerns about the way the process is developing?

Gillian Guy: I am a great fan of delegation. My rules of delegation are to make sure I am absolutely clear about the framework within which I delegate, so that I am pretty confident about how things are going to happen. Where we would have issue with the council tax delegation is that it is going to the authorities with two caveats. One is that there is a protected group of people which constrains local authorities, depending on their population.

Q179 Mark Pawsey: Would you rather that protection was not there?

Gillian Guy: I did not say that. I said that that was a constraint, so it is different from full delegation. The second constraint is that it has been cut, so it is saying to the local authority, "It is yours to manage but you have to manage it within this kind of constraint, as opposed to within this kind of framework." Our concern is that in lots of authorities that means that families who are pretty close to the edge at the moment find they have a bill that they did not previously have, and they will have to manage that along with everything else. More than that, it will be different depending on which council you happen to refer to and work with.

Q180 Mark Pawsey: Do you have any concerns about the fact that it may be different in one authority from another?

Gillian Guy: I have concerns that that could be confusing for the general public, and they do not stay within one local authority boundary for all their lives or have all of their family within local authority boundaries. In times of constraint and difficulty, there needs to be some certainty for people to know what their bills and income are likely to be. This makes it quite uncertain without some kind of framework that says, "Let's have at least some consistency about the way this is dealt with."

Kate Webb: Shelter have been flexible on the housing benefit reforms, not the council tax benefit reforms, but the observation we have made taps into what we said at the beginning about the relationship between DWP and DCLG. We, like a lot of organisations working with benefit claimants, welcomed universal credit because it was designed to simplify the benefits system; it was meant to mean that you had to report only one change of circumstance; it was going to be a single taper on which your benefits would be drawn, and that should have made it much simpler for people to see how much better off they would be in work. They are all very positive changes for people. Unfortunately, that has been undermined by a decision quite late in the day to take council tax benefit out of universal credit and localise it, which means you now

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get an overlapping taper again. There will be very different schemes for withdrawal rates and that sort of thing, so a lot of the attractions of universal credit, which we would have been happy to support, have unfortunately been undermined by localising the council tax benefit.

Q181 Mark Pawsey: There has been some concern that people might choose to move from one authority to another, simply to benefit from a more generous local council tax benefit scheme. Do you think there is any validity to that concern?

Kate Webb: That is not something we think would happen at all. Most people's understanding of the different schemes is not going to be that sophisticated. We will be lucky if even advisers can see a mental league table, but also people are very attached to their areas; they do not want to move home and definitely do not want to uproot themselves. We have different council tax rates at the moment and that does not lead to people moving between local authorities.

Q182 Mark Pawsey: Do you think voters may end up lobbying their local councillors about the appropriate council tax benefit scheme for their area? Will there be an element of democracy to it?

Kate Webb: It is possible. Our concern is always that changes such as these, which tend to affect a minority of sometimes the least visible households, are not necessarily the ones that engage local communities.

Kevin Dodd: I have nothing to add, other than that we have 10,000 tenants who will be affected by that. Adding to what has been said before, different schemes in operation have different complexities, and understanding it is an issue. That is how we would look at it from the landlord's perspective.

Chair: Thank you all very much for coming along this afternoon and giving evidence to us. It is very much appreciated.

Examination of Witnesses

Witnesses: **Mr Mark Prisk MP**, Minister for Housing, DCLG, and **Lord Freud**, Parliamentary Under-Secretary of State, DWP, gave evidence.

Q183 Chair: Ministers, both of you are welcome to the final evidence session of our inquiry into the implementation of welfare reform. Mark, you have already been to see us on a number of occasions in your new capacity; David, it is the first time you have been to see our Select Committee. Both of you are welcome this afternoon. One thing that has been said to us by a number of witnesses—I am sure you have had a chance to look at the evidence—is that perhaps on this, as on several other things, it is not always apparent that the objectives of the two Departments, DCLG and DWP, are in common, and certainly it is not always evident that the two Departments are absolutely working together, and that local authorities who are key to the implementation of these measures are seeing the same guidance and same indications coming from both Departments. What would you say to that criticism?

Lord Freud: We are working pretty tightly together at different levels. At ministerial level, Mark and his predecessor Grant have regular meetings. On the council tax benefit side, Brandon Lewis worked with Bob Neill on making sure that the data-sharing was working well, so we have had a strategic grip. At director general level, we have regular board meetings. Right the way down, we have always had DCLG on the welfare reform transition steering group, so at senior level we have worked very closely together, and that is working down through the process. So we have been working closely together at working level. Particularly in the area of working with local authorities, DCLG together with DWP have always been involved in work with those authorities. I could go on. It may be worth just giving an example or two.

Mr Prisk: To be fair, Lord Freud is much more the architect, particularly of welfare reforms, than I. I am

a relative newcomer, although, as you rightly say, this is the third visit I have had in but a few months. I don't know whether one gets loyalty stamps or a fresh coffee at the end of it, but I am very pleased to be back. I say I am coming to this new, because it is worth bearing in mind that in coming to it fresh and not pretending to be a great expert in the workings of the welfare system, I have genuinely been encouraged by seeing, in complex changes, a working level both between officials in the Departments but also between ourselves at ministerial level. That has been one of those areas where there is, as we all know, a natural instinct within Whitehall to have an element of the silo around it, but I genuinely have not seen that. One good example I would cite—I do not know whether David wants to touch on, for example, the demonstration projects—is the alignment of timetables over the local council tax support system alongside welfare reforms. They are complex in themselves, but what we have sought to do, and officials have been impressing upon me in starting to learn about this a few months ago, is ensure those timetables are aligned. In terms of the challenge of getting the two Departments together, as a relative newcomer to this ministerially I have been encouraged by that.

Lord Freud: You touched on the housing demonstration projects, which have been a very important and valuable set of pilots. We have two big sets of pilots: the housing demonstration projects and the local authority pilots, which we run together. For the housing demonstration projects, we are testing the direct payment of rent by individual tenants to their landlords, and we have been working very closely—DCLG and DWP—on that to work out how best to make sure that important transition is handled in the best possible way.

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Q184 Chair: We will come back to the demonstration projects on direct payments, because that is an important issue that we want to explore in a bit more detail in due course. I raise two issues on which concerns have been raised with us. One is a very practical issue. A lot of staff are employed in housing benefits delivery, up and down the country. These are people with a great deal of expertise in handling complicated problems, often for people with considerable difficulties. Those staff don't have a clue what is going to happen to them when universal credit comes in. Local authorities are saying that DWP are simply not giving them any information.

Lord Freud: There is a very complicated situation going on here. Let me just try to outline this in broad terms before getting into detail. What is happening at the same time is that we are centralising the benefits system and taking the six main working age benefits into one, including housing benefit which the local authorities have been working on. At the same time, we have been localising a lot of services, whether it is the social fund and so on, and other areas have been going to local authorities. Overall, there has been quite a change in the nature of the future work of local authorities. Within that, we are looking at a structure whereby we have a standardised system for people who can handle a standardised system; people who are more vulnerable and need support are looked after on a local basis; and, more than that, local authorities have got control of enough of the levers so they can look after those people on a much more holistic basis, looking after their whole requirements, for instance because they have got own welfare system when they take the social fund. We are building a local support service for UC support, for instance, so that they can do that successfully at a local level, which is something that a national system simply could not do.

Q185 Chair: What is going to happen to housing benefit staff?

Lord Freud: Without going through it in great detail, I suspect there will be some re-deployment by local authorities of their total staff. We don't know the exact figures yet.

Q186 Chair: But is your Department actually talking to local authorities about this?

Lord Freud: Yes, of course we are talking to local authorities.

Q187 Chair: What feedback are you getting?

Lord Freud: It is a little early for us to work out some of this approach. We are building this system and introducing it on a fairly gradual basis. For instance, we are starting it nationally in October, but on a very gentle basis. That rolls forward for four years into 2017. Some of the big moves are likely to take place a couple of years into the process.

Q188 Chair: But you have a timescale and you know what you are doing. It is not too early, therefore, to talk to local authorities about this, involve them in it and get a joint approach? Why isn't it happening? Why are we getting complaints that it is not happening?

Lord Freud: We are now putting down the main elements in some detail on which one can do that kind of detailed planning, and there is time to do that detailed planning.

Q189 Chair: Even though staff may be losing their jobs next October with the beginning of the scheme, you have not started talking in detail to local authorities about it.

Lord Freud: We are going very gradually from next October, and the numbers of claimants who are going into the system are, in the scheme of things, not very substantial. I have not heard about people losing their jobs. That is up to local authorities, but they are making a presupposition there that I suspect is incorrect.

Q190 Mark Pawsey: I would like to ask questions about the state of preparedness of local authorities to implement what are very significant changes. We have taken evidence where people are particularly concerned about the tightness of this timetable. Lord Freud, you said that it would be a gradual start, but it is starting in October of this year, which is not very far away. There is the tightness of the timetable allied to undertaking a significant project at a time of fewer resources. What is your assessment of how local authorities and housing providers are going to be able to cope?

Mr Prisk: We are in regular contact, both formally and more informally, which in some ways is the more important element of this dialogue. Alongside specific guidance targeted at different elements of the welfare reform, we have also sought to make sure that we provide them with direct information. There are what are known as awareness seminars, which are detailed briefings drilling down into some of the technical details. We have also been making sure that there are specific briefings for individual officers, so what we need to be saying to chief financial officers will be technically more complex than perhaps on a general briefing. We have also taken the view that we need to make sure that there is a much greater approach to looking at the way in which councils deal with the broader issues of how the other elements Lord Freud has just alluded to, not just housing, work. That means briefings awareness but regular updates, because this is an evolving animal.

To answer your question in terms of where I think they are, in all of my discussions with councils I have always said, at the end of the meeting, or whatever, "Do you feel that you will be ready?" They have always made it quite clear to us that, although there are particular challenges, problems and, quite naturally, gripes about X or Y, it is absolutely their intention to be ready, and I have no reason to doubt them.

Q191 Mark Pawsey: Do you think they are being as frank with you about the tightness of the timetable as they see it? Given the evidence we have taken and the resource pressure they are facing, are they telling you what you want to hear?

Mr Prisk: No. I can assure you that we have had what might have been described a few years ago by the

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Foreign and Commonwealth Office as the occasional free and frank exchange of views. That is exactly as it should be, because both sides to this quite complex process need to be open with each other. I always tend to say to councils that I want to hear it as it is, even if it is not particularly pretty, because we need to make sure we get under the skin of these things.

Q192 Mark Pawsey: On the issue of housing, both those in the public and private sector, the Residential Landlords Association in particular, have told us that they would see a need for more discretionary help. Do you think that discretionary help is going to be available, particularly once the changes to housing benefit come forward? Are local authorities ready for the demand that they are going to get for that kind of help?

Mr Prisk: That is one of the questions I do put to the councils. They seem quite robust on this. There is already a £400 million discretionary housing payment package. What we have looked to do is understand, particularly with registered social landlords, where the impact might be in terms of the question around direct payments. I suspect we will come to this in more detail in due course. That is an area where we have looked carefully to understand the details. Some of the evidence now coming out of the demonstration projects—it is a mixed set of details at an early stage—indicates that, as far as we can see, about 92% of people are able, after four payments, to pay their rents appropriately. That suggests to me that, although there will always be a 6% to 10% element who will struggle, as they do under current payment arrangements, some of the fears that I suspect RSLs have said to you, about whether they will lose a huge proportion of their income, are natural ones but probably unfounded.

Q193 Mark Pawsey: If there is a good dialogue going on between your Department and councils, what about the recipients of benefit, the social tenants particularly? Are councils, in your view, at this stage—perhaps Lord Freud you might come in—doing enough to communicate these changes? Is there enough awareness across the country of what is about to happen?

Lord Freud: Councils have been putting a lot of effort into this, and clearly, on the introduction of universal credit and direct payments, we have got various pilots going on that all of the councils are watching very closely. On the social sector size criteria coming in in April, they have put in a lot of work. We have made available guidance, which includes model letters and leaflets. In particular, there has been work by the Chartered Institute of Housing who put out a valuable guidance manual called “Making it fit”, which gave a lot of examples of what different councils are doing on that side. We have a national partnership team liaising with external stakeholders to make sure that they are up to date on housing changes and that information is going out. A lot of work is going on in this area.

Q194 Mark Pawsey: Would you say that the average benefit recipient is aware that there are changes coming down the road that are likely to affect them?

Lord Freud: Those who are affected will usually have been contacted. For instance, some councils are making sure that each individual likely to be affected by the size criteria has got a personal visit. On the benefit cap, which is another change coming through in April, we have written to all people who might be affected, and will be writing again with details, so information is going to individuals on a person-by-person basis.

Q195 Mark Pawsey: Do you think it likely that Members of Parliament may see more traffic to their advice surgeries once these changes are implemented? To what extent do you suggest we can expect to be busier?

Lord Freud: One of the things we are talking about is having a hotline for MPs. We have just commissioned a factsheet on the benefit cap to go to all MPs to advise their constituents, but, where people want the support of their MPs on what is a substantial set of changes coming in, we will be aiming to support MPs as much as we possibly can.

Mr Prisk: Timing is also important. We need to make sure there is general awareness, but for the individual their first question will tend to be, “What does this mean specifically for me?” We have to be careful that we do not come in too soon when the authorities have not been able to shake that down to an individual level. Of course, they need to be aware early of substantial things that will generally affect them, but it will be the last couple of months before the bills change for the individual, as it were, that is the crucial bit, because that is the moment. You cannot do it too soon. One of the dangers is that, if you tell somebody six months beforehand that there might be a change but you cannot give the detail of what it will be, you have probably lost their interest to start with. It is a tricky one to time, but we need to be persistent at it.

Q196 Bill Esterson: Lord Freud, for a minute it sounded as if you were suggesting that MPs will take up the slack of a massive change because the local authorities will not be able to. I am sure that is not what you were suggesting. If you are starting a hotline for MPs, the impact this is having must be of very grave concern.

Lord Freud: To be clear, there was a direct request from MPs to make sure there was something available, to which we responded positively and have committed to making that available. I do not think it reflects anything else but a request. MPs are too hard-working to replace local authorities, and I would never suggest that.

Q197 Bill Esterson: I am very pleased to hear it. Mr Prisk, I want to come to what you said about councils saying they will manage. Is there not a danger that, as with any organisation, they would be very reluctant to admit they are going to have a problem for obvious reasons of public perception and confidence? Given the fact we are going to have a 10% cut in the budget available for council tax and huge pressures for cuts

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to council budgets of between 30% to 50% over the coming years in some authorities, isn't it going to be very difficult for them to manage the financial impact alone, as we heard in the last evidence session?

Mr Prisk: It is a challenge. We have to remember that, alongside the 90% of the old money, as it were—the £3.7 billion, so that money coming forward—we have said, “How do we address some of the administrative issues?” You are right to highlight those. At the moment—this will continue—we start with an additional £403 million for ongoing administrative costs. That is an important additional support. We have also recognised that there are new burdens, which you were just mentioning. As a Department we put in an additional £30 million last year, and another £33.5 million next year, so we can start to make sure, in terms of any additional things councils face, that over and above the core funding they have those additional elements to see them through. Alongside that, we recognise that all parts of government have to play their part. For example, my Department have cut their running costs by over 40%. The 10% reduction does mean that it will be challenging for councils, but it is manageable. To go back to your original point about whether organisations naturally say that they will come through this, there is a risk to that.

Q198 Bill Esterson: Does that worry you?

Mr Prisk: No, because, having run organisations outside of politics in business—and indeed, I have been chairman of a school board and so on—you are right to say that a natural, and welcome, attitude of an organisation is to say, “Yes, we'll work our way through it,” but the job of myself as Minister, officials and others is to drill down into that and see just how ready they are. The demonstration projects are really about finding out where the wrinkles and genuine problems are, so we can start to unlock those and we do not find ourselves with problems we have not anticipated.

Q199 Simon Danczuk: Why can't tenants have the power to request that their housing benefit is paid directly to their landlord?

Lord Freud: That is exactly what they have today, and it has resulted in 92% of them being encouraged to have their payments paid by the state to the landlords. This is in the social housing sector. That was changed in the private rented sector when local housing allowance was introduced. For working age in the private rented sector, the current figure is that 24% have payments made state to landlord. In the introduction of universal credit we are determined that not only are there no financial barriers between someone being out of work to going into work, but that we remove non-financial barriers, one of which is that, if you get a job, suddenly your rental arrangements are thrown into disarray and it disincentivises you to make the step. If you are already responsible for making a housing rental payment, that does not act as a barrier. The trouble with having a straight choice is that, when you are in such a dominant position as a social landlord, the

choice is much more likely to be with the landlord than the tenant.

Q200 Simon Danczuk: What is the principle behind this?

Lord Freud: The principle is that we want to encourage as many people as can handle it to look after their own life and take responsibility for it—that includes paying rent—so that there is not an artificial barrier to those people taking a job, which is the only route for people out of poverty. Universal credit on its own is a transformation of our benefits system designed to make work pay, and to make the system simple and comprehensible. It is also designed to give responsibility back to people, so that they are no longer left dependent on the state—in a minor way for what the state does for them—and they can take control of their own lives.

Q201 Simon Danczuk: It is about control and responsibility. MPs can request that IPSA directly pay their London flat landlords, can't they? What is the difference?

Lord Freud: Well, the difference is—the difference is—

Mr Prisk: If it is not unfair to Lord Freud, I think I can say as a Member of Parliament that IPSA—

Q202 Simon Danczuk: I am sure he knows what IPSA is.

Mr Prisk: We would like to make sure that our arrangements are rather more popular with our clientele, if I may put it delicately in that way, unlike the arrangements between MPs and IPSA. Sorry, there is a certain naked interest here that we all have, and I should declare that to colleagues.

Q203 Simon Danczuk: But what is the difference, Lord Freud?

Lord Freud: It is probably invidious to compare any particular arrangement, but the reality is that if you are not in a job—

Q204 Simon Danczuk: You are irresponsible, but if you are in a job you are responsible, and IPSA can pay it on your behalf. That is the gist of what you are saying.

Lord Freud: I don't think that is what I said. I would like to say what I want to say, if that is all right. If you are not in a job and want to move into a job, it is a major barrier to change your rental payment structure, because at that stage you no longer have the right to be a recipient of benefits. Therefore, you have to change your systems, particularly in a context where that might fluctuate quite a lot, which for many people it does. We are trying to remove an artificial barrier for people going into work. Clearly, that is not a concern for MPs who are in work.

Q205 Simon Danczuk: Which group or groups of social tenants should be defined as vulnerable and continue to have their benefits paid directly?

Lord Freud: We are aiming to avoid the word “vulnerable” and the definition of vulnerable. To give you an example, if I am heavily disabled, I am at

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one level to be considered vulnerable, but I might be perfectly capable of handling my financial arrangements, budgeting and everything else. Our approach is to look much more specifically at the types of support somebody is likely to require and tune our efforts in that direction, having established what their requirement is.

Q206 Bill Esterson: Why can't tenants choose to have their housing benefit paid direct to the landlord, if they want to?

Lord Freud: Because that will institutionalise them very quickly; it already has, i.e. most people who go into social rented accommodation find that in practice it is hard to do anything else but have the rent paid over from the state.

Q207 Bill Esterson: But you believe in choice in lots of other areas, don't you?

Lord Freud: I believe in choice.

Q208 Bill Esterson: Why not this?

Lord Freud: It is the balance of power between the two parties. If you could give me an open choice between an all-powerful landlord and a tenant desperate to move into a particular property, I would be more convinced, but in practice that is not the power position between the two.

Q209 Simon Danczuk: Can you give housing providers an assurance that they will be able to have housing benefit paid directly to them when arrears reach an agreed level?

Lord Freud: Yes. Let me just make clear exactly where we are on this. I am on record as saying that I am determined that direct payments will not undermine the financeability of housing associations.

Q210 Chair: Or presumably local councils as well.

Lord Freud: Yes, obviously housing associations and local councils, although local councils do not have quite the ability to raise independent funding. That is why the test is for housing associations, and clearly that would read across to local councils. That is what we are finding with the housing demonstration projects. What are the kinds of people we just should not put on the system in the first place? We have systems like that with the private rented sector where people are not put on anyway because they are likely to find it difficult.

Q211 Simon Danczuk: You are going to use a system similar to that.

Lord Freud: We hope we will get a better system.

Q212 Simon Danczuk: You have only 60 days left, Lord Freud. That is what I am concerned about.

Lord Freud: No. The pilots are very gentle; we will find more with the pilots, and the volumes will gradually increase. We are working out now exactly what that should be in time to apply it. The second thing we are trying to find out from the housing demonstration projects is the right level of arrears when you switch. Some very interesting things are already coming out of the housing demonstration

projects. One is that we have not got a problem of people just not paying anything at all; many of them have issues of partial payments. We need to work out the trigger for the switch-back and how you make sure that money is restored to the housing association that was not paid. All of that is vital stuff for us to make good on the commitment that we do not cause the problems people are concerned about.

Q213 Simon Danczuk: You have provided that reassurance. Just before you came to give evidence we heard that homelessness is getting worse, and will get increasingly so after these benefit changes. What do you say to that?

Lord Freud: Our aim is not to increase homelessness on any substantial basis.

Simon Danczuk: That is a good start.

Lord Freud: I will ask Mark to come in in a minute. When we introduced the changes to the local housing allowance, which have now come through—they came through for the people who were in the stock, so to speak, during last year, and we started it the year before for people who flow on to the system—we had terrible warnings about the impact on homelessness. I just checked some of what we were warned about 18 months ago. We were warned that 82,000 people in London were at risk of losing their home. The latest figures we have got is for the second quarter of last year when all of this was in train. In that quarter the figures were up, but by 600. Those were the people accepted as homeless. Another estimate was that 134,000 people would have to move or become homeless, and the figure for the third quarter—we do not yet have the full year—shows that households in temporary accommodation are up but up by 900.

Q214 Simon Danczuk: So your prediction is that homelessness will not increase.

Lord Freud: What I am saying is that some of the warnings we get ahead of these changes are very, very dramatic, and when you get to it it works out. We are putting in a lot of effort, working with local authorities to keep homelessness figures down to their historic lows. It is currently 2.3 per thousand households; in the mid-2000s it was six per thousand. Our objective is to keep down homelessness.

Mr Prisk: I understand the fear that there may be a danger of this. I have talked to housing associations who particularly say, "We are anxious about what this might mean for our income streams. If it goes to direct payment, what would that mean?" and so on. If you look at direct payments of housing benefit in the private rented sector, 80% is paid direct already. I understand their concerns, and we want to work through them. This is a big change, and inevitably there is a degree of uncertainty. We are absolutely committed to making sure we continue to get a net improvement in the supply of homes and, therefore, that we do not see homelessness soar away again. There are complex reasons behind why someone becomes homeless. For example, under the last Administration it peaked at twice the current rate. There are a number of complex reasons related to families, as well as what is going on in the housing market, but I do not believe that what we are doing

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here, as perhaps some people have characterised it, will drive up a substantial increase in homelessness.

Q215 Bob Blackman: Some of the issues have already been dealt with. Housing benefit is very complicated to start with. Local authorities often have large numbers of people administering housing benefit and, very importantly, they have often outsourced those contracts. Those contracts will be coming up for renegotiation very shortly, or they'll have a number of years to go before they are renegotiated. What guidance and advice has been given to local authorities about what they should do with these contracts?

Lord Freud: Local authorities are aware of the timing of the introduction of universal credit, and it is being done on a gradual basis. One of the happy outcomes of that is that they have got time to look at these longer-term contracts and work out when they are coming to a natural end and make sure that their runs are of appropriate length.

One of the things we have done with the housing element of universal credit is simplify it very, very substantially. A lot of the really complicated processes that housing officials have had to undertake have simply been removed. One simple example is that at the moment we have a rate for what your housing allowance is, but if you have recently become unemployed you are allowed a rate based on what you have been paying for the first three months. We have just stripped that out and said, "This is the rate that the state is paying," and simplified it out, which takes away a whole process of checking and everything else. We have done that at level after level after level, so it is a much simpler process from the policy perspective. We have done that very deliberately, because clearly you could not run a national system with the complexity of the current housing benefit. You would go round and need to replicate the local knowledge and everything else to run the complex system that exists today.

Q216 Bob Blackman: Just to encapsulate this, because it is being simplified the reality is that councils will probably be coming to the Departments, either DCLG or DWP, to say, "Can we get on with this and implement it in our area?"

Lord Freud: Universal credit is being done at a national level, so there are elements of support for the most vulnerable that are being localised, through localising the social fund and local councils running discretionary housing payments. Local councils have had a hand in making the decisions on who should get direct payments, i.e. state-to-landlord in the private rented sector. All those things I suspect could continue, and we are talking to them about how the local support service goes on. There will be complicated and individualised local areas, which include housing and other aspects of universal credit, where we will be working with local authorities and the local partnerships that they create to make sure there is a service for claimants.

Q217 Mark Pawsey: We heard from the chief executive of a housing association earlier today that

for every pound he invests there is £4 of additional social value. Therefore, a loss of £4 million of investment would occur as a consequence of the changes. That works out over 30 years to a loss of 2,200 new homes that would not be built as a consequence of your changes. Do you refute that approach?

Lord Freud: Let me try to break that down. We are working to make sure there is not an acute problem of arrears and we have a solution to that. To the extent that the concerns are based on sheer loss of money from rental payment and arrears, that is something we are looking to erode very significantly, if not eliminate.

The second issue—I think it is the most interesting thing to come out of the housing demonstration projects to date—is that it is quite resource-intensive to go in and support tenants. I am hearing a lot of really interesting things—I am sure the Committee is, too—about the value of that intervention. Some of the most modern and forward-looking housing associations, who see their role in a rounder social context, are using this as one of the bases to redefine the level of their relationship with their tenants and improve the lives of their tenants. You can run an argument—I suspect there is not time for it today—as to where the value of that lies in terms of turning round people's lives, making them responsible and able to handle their budgets and their lives, and get a job and everything else. That may be the most valuable use of that resource. All I can say is that I am now looking at housing associations as potentially the strongest and greatest ally we have in the transformation of people's lives we are trying to achieve by universal credit.

Mr Prisk: I strongly endorse that social point. I have talked to a number of housing associations about this. Initially, they have said, "Look, this is another thing we've got to do," but others have said they see this as a gain and an opportunity to give people, who perhaps have never been asked to manage their own household budgets and now need to do so, a great social skill. For some households this will make a big change in their hopes and aspirations. I am not naïve. There are some families here who will really struggle and we recognise that in the system, but there is a big social gain in spreading out the ability to manage household budgets, and this is a good way of doing it.

To come back to the other point that you raised, which is important, housing associations have said to me, "Despite the fact you have given us really good freedoms to be able to invest in affordable housing, if we see our collection rates drop, in terms of rents, below the standard 94% to 96%"—that sort of ballpark—"that clearly has bad implications for us." So far, we are seeing collection rates of roughly 92% with the demonstration projects for direct payments. It is early days, and it is a little too soon to take the cries of horror and any protestations of glory, but I am encouraged that at this early stage—this is very new for a lot of people—we are in that sort of ballpark.

Q218 Mark Pawsey: But the fall from 98% or 96% down to 92% does involve a loss of income to the

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housing association and the ability to build fewer houses. Is that a matter of concern?

Mr Prisk: That is why simply seeing it drop to 92% and saying, “Well, there we go,” would be the wrong thing to do. If we see it drop to 92%, the question then is, as these projects develop, how we crank it back up to where it needs to be. That is the challenge.

Q219 Chair: We have now come to quite an important issue. We heard evidence from the chief executive of Wakefield and District Housing before you came in that basically they have got over 11% arrears among their demonstration pilot tenants, compared with less than 3% for the rest of their tenants in similar circumstances. That fourfold increase must be very worrying indeed. Lord Freud, I have a great deal of sympathy with the principle you enunciated at the beginning about people having the right to demonstrate the ability to control their own finances. That is an interesting principle. The problem is that, if it comes with a significant increase in arrears, which the pilots eventually prove cannot be properly controlled, and a great amount of effort to assist families, that is very laudable but it means that the extra cost will be paid by other tenants who do not require that effort. Is that fair to them? There will also be an increase in borrowing costs to authorities. Is all of that a price worth paying for the first principle you enunciated?

Lord Freud: What we are looking at in the housing demonstration projects is the fall-down rate. People are then switched back. At the moment the figure of switch-back into direct payments—

Q220 Bill Esterson: Why switch them in the first place?

Lord Freud: I don’t want to confuse myself. Switch-back from tenant-to-landlord to state-to-landlord is now running in the housing demonstration projects—it is early days—at 5%. Therefore, we are looking at arrears in Wakefield of maybe 11%; at Torfaen it is running at 3%, which is much lower. You then switch back the people who cannot handle it; you get the arrears paid, and then perhaps have another go at an appropriate time with those people to see if they can handle it. They may have needed more support to do it.

Q221 Chair: Isn’t one of the problems that, if you have people who cannot cope and switch them back, they have already built up arrears, and the chances of managing their situation, even to get them to pay back the arrears, are virtually nil?

Lord Freud: That is exactly what we are going to be finding out. We now have a group who have been switched back, and we will find out what happens and what the issue is about getting the money back.

Q222 Chair: Do you have any assurance that the Government won’t move over to direct payments right across the board until the results of those pilots are available and there is a chance to look at them and be consulted about the impact?

Lord Freud: We are going to take the lessons from the demonstration projects and design a system, all of

which is a very open process, to make sure that we do not undermine the finances of the industry.

Q223 Chair: That is helpful reassurance, but it is a slightly different position from where we were in our last inquiry about 18 months ago. Then the Government seemed to be saying they were going to push on regardless.

Lord Freud: It is not a different position; it is one of the reasons we launched the housing demonstration projects. Clearly, that has taken some time. I forget exactly when we started, but it was probably around that time. We did that exactly to build the evidence base so that we got the right answers here. Universal credit is a huge change, and maybe some of the subtleties of it were not communicated adequately. To that extent I apologise, but the reality is that we were always going to do this in a way that did not undermine housing associations. I made that commitment a good 18 months ago. We saw that right at the start. We had housing associations and local authorities in and really worked it. I have been working with rating agencies, banks, housing associations and local authorities to make sure this happens. I want to have our cake and eat it, and I think we can do that.

Q224 Chair: But if the pilots prove you cannot, there is room for reconsideration.

Lord Freud: At some level there will always be a large group of people who can handle their own financial affairs. The issue is trying to find out the sweet spots here.

Q225 Chair: But you are telling us that there is room for reconsideration based on the evidence from the pilots.

Lord Freud: A reconsideration sounds awfully like, “We will do a U-turn,” and everything else. That is not what I am saying. I am saying we were always going to run this process in a way that got the right answer in terms of getting as many tenants as we possibly can to a position where they can move into work easily and run their own lives without undermining the finances of the housing sector.

Q226 Chair: But if that means you have to make a change of approach based on the information from the pilots and that information demonstrates certain things, you will take account of those certain things in determining your eventual policy to be implemented across the board. Is that a fair comment?

Lord Freud: No.

Q227 Chair: What is the point of the pilots?

Lord Freud: We have an issue of language here. We will take the lessons. The point of the pilots is to get this right. It is not about reconsidering anything; it is about getting the right figures and levels of support and groups into the different categories. That is not a reconsideration, and that is why I am sounding resistant, because I do not want those words put into my mouth.

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Q228 Bill Esterson: If we look again at the figures from Wakefield, 1,000 tenants have received direct payments through the project. Over 170 tenants have been served with a notice seeking possession. To put that into perspective, that compares with 1% of the whole stock. Not one of those 170 tenants was in arrears before they went into the pilot. Isn't that very, very compelling evidence?

Mr Prisk: One of the things we have been looking at is how comparable the demographics are between some of the different pilot areas. What I do not know—we will go back and double-check Wakefield specifically—is the nature of the demographics there and whether there is a higher proportion of more vulnerable cases as part of that project. You will always get a difference.

Q229 Bill Esterson: They were asked that question and said it was the other way round. They said that in the population as a whole it would be a bigger proportion.

Lord Freud: Our evidence about Wakefield is that no one has been evicted or taken to court solely as a result of rent arrears. In a very small number of cases where tenants have been taken to court, it is because of a wide range of issues. I say that because we have looked at it, and I think we leave it as a difference of opinion between DWP and Wakefield.

Mr Prisk: Looking across the piece, it is interesting that the average payment rate is 92%. I have not heard the evidence you have just heard from Wakefield; I will certainly want to have a look at that. I was looking at Oxford. I quote Val Smith from the city council: "It has been pleasing to see that [a] majority of our tenants have been able to manage direct payment of their housing benefit." She then drew the interesting contrast—it may be there is a different demographic, which is why I put it in—that, "Encouragingly the trend for each phase of people who move into the project is for arrears to steadily reduce after the initial payment. This suggests that our tenants are able to adapt to the new process quite quickly." There may be a differential there, but it would be interesting to compare and contrast the two.

Q230 Chair: If you have the information about the other pilots—because we have not got that as a committee—would it be possible for us to have it?

Mr Prisk: I would be very happy to do that.

Q231 Heather Wheeler: Notwithstanding how fascinating all of that was, I would like to move on. I have not yet got in my favourite bit about jam-jars accounts. I am really interested in the next move, which is about the social fund and councils administering it and coping with that. There are two issues. First, councils are saying they are not receiving enough guidance and information from you guys just yet about that. It could be early days, but they would certainly welcome that. Do you have any concerns that, because the way of doing business is not a ring-fenced area, we will get total and utter localism, which I am obviously happy with, but some councils might use it as an excuse to help shore up other areas where they are a bit short of money?

Lord Freud: We are transferring this aspect of the social fund dealing with community care grants and so on, which comes to £178.2 million per year, to local authorities in England and the devolved Administrations of Scotland and Wales. We are also transferring the funds for administration, which in the next two years will be £72 million. The idea is not that the local authorities run a social fund; the idea is that they run the kind of localised welfare provision that they deem appropriate and necessary for their areas. That is what the localisation is about. To that extent, there is clearly a limit to the amount of guidance one would want to provide to those local authorities, because the whole point is they need to set up their own welfare support system. Likewise, the idea is that they are trusted with that money to do what is best needed in their areas, and it has not been ring-fenced for that reason. The feedback we have is that local authorities welcome the freedom and flexibility with which they are provided to make a difference to their own people in the way they understand how to do.

Q232 Andy Sawford: My questions are about council tax benefit and the 10% reduction. Croydon Council told us that councils were at financial risk because of the threats to council tax. They tell us specifically that they have had to pass the reduction in funding on to residents through a revised scheme that will create additional demand and financial pressures through more administration, debt collection, effects on services, such as debt advice, welfare support and housing advice, and provision in areas such as adult social care. They also say that, contrary to the evidence you have given so far today, the effects on homelessness will be huge. Are they wrong?

Mr Prisk: We have been meeting Croydon on a number of other related issues only recently, so I am aware they have some particular difficulties, not least a long-standing problem about low housing supply going back seven or eight years. That has created acute issues for them. In terms of the shift away from old to new system of council tax benefit, which is at the heart of this, we are very much focused on the fact that the old system was not working. We saw it double between 1997 and 2010, a rate that frankly was unsustainable whoever was in government, but also, if we are to change this, we need to do it in a way that allows councils to reflect local circumstances. How do they square the spending circle, which is at the heart of your point?

Q233 Andy Sawford: The point is that they identify a whole range of ways in which, in terms of their service provision, budgets and residents, they will be negatively affected by the change. Are they right?

Mr Prisk: I do not think we should simply say that the reduction of 10% is somehow going to lead to a wholly negative situation.

Q234 Andy Sawford: They do not say it will be wholly negative. They specifically identify a range of areas. For example, they talk about administration costs. Do you acknowledge that they will increase as

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a result of the change? They refer to an increase in the cost of debt collection; the effect on debt advice, welfare support and housing advice. Do you accept that those costs will increase? Specifically, do you accept their point that the effect on homelessness will be huge?

Mr Prisk: We are putting in place an additional £403 million for ongoing administration, of which Croydon can have a part. We have put in an additional £30 million for the new burdens—we accept there are some—for which Croydon can apply. That was just last year; there is another £33.5 million this year. We have also put into place a £100 million transition grant specifically for those councils who would like to apply for this. It is a voluntary additional amount of money, because it relates to the challenge that councils like Croydon face. I would say to councils that they can achieve that 10% saving. There are a number of ways of doing it, not least if you look at local government finance more widely. We are bringing in new streams of income, the new homes bonus being a very good example, and also making sure that the business rate retention scheme is there. My answer to Croydon will be, “You need to make the choices you believe are right, for which you are accountable to your local electorate, but we believe we are providing the right financial package to enable you to square that circle.”

Q235 Andy Sawford: The overwhelming majority of councils have told the New Policy Institute, who conducted a survey recently, that they have not been able to absorb the reduction with other savings and so on, so the Government’s belief that that is possible is not something local councils believe that they can do. On homelessness specifically, the evidence from Croydon Council contrasts very starkly with what Lord Freud told us. I cannot quite remember your use of language, but they say that the effect on homelessness will be huge. Do you dispute that?

Mr Prisk: Both of us have recently met Croydon. David is more than capable of answering for himself, but the context is that we have met Croydon. They have some very specific issues that we have discussed with them and are not related to this package. I recognise they have some challenges here, but I do not think it is right simply to put them at the foot of these changes.

Lord Freud: The localisation of council tax means that local councils are able to design their own way of providing rebates. We are encouraging them to do that in a way that does not conflict with the work incentives of universal credit. There is a default on offer, but in the end local councils would look to create a rebate system that works for their areas, and it will be different in different areas.

Q236 Andy Sawford: What do you say to councils who suggest that the changes will reduce council tax collection rates?

Mr Prisk: I don’t think there is any definitive evidence on that, but it is early stages.

Q237 Andy Sawford: What do you say to councils who suggest that the final council tax support allocation will be a much larger cut than 10%? For

example, Nottingham modelled figures for us in their evidence that show the cut will be 18%.

Mr Prisk: We have made quite clear that we are aiming for a 10% saving. There will be no further cut in the year after 2014–15. There has been some newspaper speculation about that, but our policy is quite clear on it.

Q238 Andy Sawford: I want to turn to specific evidence that the Committee has received from the National Association of Local Councils. I want to read you a short paragraph from a letter they have sent to the Committee expressing their “extreme disappointment at the response from the Government to its second consultation regarding the localisation of council tax support.” They say you previously gave assurances about the council tax base and that the changes would not impact on local councils, by which they mean town and parish councils. They say that you have made a U-turn and had a sudden change of mind, and this is a surprise not least because of the discussions they have held with Ministers and officials about the impact on town and parish councils, and also the timing, given that budget and precept-setting decisions are at advanced stages. How do you respond to their criticism?

Mr Prisk: I have been lobbied. My local parishes have been bending my ear on this one, so it is painfully familiar. To explain where we have come from on this, because obviously this predates not only my time in this job but it is not even my immediate responsibility, though it is a very important one. The genuine dilemma here, which is a tricky one that even the LGA have recognised, is that at the first step last year parish councils identified the risk that in our funding proposals for May of last year, which is what the NALC will be thinking about, if the billing authorities did not voluntarily pass down revenues there could be an increase in their parish precept. They were anxious about that, understandably, and we listened to that. We sought to see whether we could achieve an alternative in the council tax base consultation in August, with which I am sure members of the Committee will be familiar. The majority were supportive of that second opinion, but the problem was that it flagged up two risks that my predecessors and colleagues did identify. These were sharper than I had realised when looking at it as a constituency Member. First, 240 billing authorities with parishes would face an increased burden because of the increase in precept over time, so they would get locked into that. Second, about 66 billing authorities, with Melton leading the way, without having increased their bills, could face the need to reduce their expenditure or be tipped over into a referendum, not because of what they were doing but what was happening at parish level. I totally understand the concern of the NALC.

Q239 Andy Sawford: In the interests of time, the Committee understands the concept of cause and effect. What NALC say is that this undermines the 100-year principle of the independence of town and parish councils in determining their own precepts.

Mr Prisk: I am sorry if they take that view. The line we have taken is that we want the billing authorities

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and their parish and town councils to collaborate and work together. The voluntary route is the right one, and it avoids a particular danger. If you take Waverley Council as an example, about a third of their budget is parished. It would be in a completely invidious situation if we had gone for the first option. We recognise that and have listened to it. I understand they are concerned about it, but my message is that we should make sure the billing authorities, parishes and towns, work together, and we want to encourage that.

Q240 James Morris: DWP have a policy around digital by default. I know that has been extended into jobseeker's allowance claimants. A few issues have arisen that have come my way in my constituency surgeries about people responding to that. Is that policy to be extended to people claiming the replacement of housing benefit and council tax, and do you think there will be any problems that might be associated with that?

Lord Freud: Let me explain why we have gone with the digital-by-default strategy. The reasoning is very similar to that for taking control of your own budget. Nowadays, to take a full part in 21st century life it is important for people to be digitally competent. It is quite hard to apply for most jobs without using digital means or the internet, and then doing those jobs without being able to handle a computer. There is an underlying social imperative.

On top of that, one of the things that is attractive for people if a service is digital is that it gives them control of it, and it means they can run their own lives and understand what is happening to them. One of the things that is desperately wrong with today's benefit system is not that there are lots of benefits that are complicated and difficult to understand, although that is bad, but that you do not know what will happen if you change your own behaviour. If you do something, the system is too complicated to allow you to know whether, if you work another five hours and earn more money, you may lose your benefit, or something terrible may happen.

James Morris: I understand that.

Lord Freud: I am giving a bit of context. That is our ambition and drive, and we are prepared to put considerable resource behind it.

Q241 James Morris: So it will be extended from where it is now.

Lord Freud: Yes, because universal credit incorporates housing, so by definition people's housing benefit will be part of their universal credit claim. Therefore, it will be digital by default. That does not mean there are no safeguards so that people who really cannot handle the digital process are not supported.

Q242 James Morris: What is the nature of the support they will be able to get? We are talking about some of the most vulnerable people.

Lord Freud: We have two types of telephone support. We have developed a service so you can do it on the telephone, and then digital support on the telephone. You will be there, working your system, and will be

able to phone up someone to help you as you are on it. There will be face-to-face support for some people who need that level of support. However, all the time these support systems will be looking to help people up and on to the system, so that they run it themselves. We will not just lock people into the alternative methodology; in our systems we will be looking to help them in, and maybe the second, third or fourth time they will, we hope, be handling it digitally.

Q243 James Morris: We have had some evidence from various councils that there have been problems with the ATLAS computer system handling large volumes of information. Is that true, and is it going to be able to cope with the new demands that will be placed on that system?

Lord Freud: ATLAS, which is a relatively recent system, has been a total godsend for transferring information between DWP and local authorities. Rather than the kind of individual paper-based information trails that were very late and labour-intensive to incorporate, there is now a flow of data which is machine-readable. Some of the problems have been teething problems, and some have been that local authorities have not been able to tie up the machine-readable flows of data into their own systems, or have taken a bit of time to do it. We had one incident where there was a double flow of the same information, which was confusing. Fundamentally, however, ATLAS is a hugely important link between what will be universal credit and local authorities as we use the same information.

Q244 James Morris: Is it going to be able to cope with the increased volumes?

Lord Freud: Yes, absolutely. Not only will it be able to cope with sending information from the centre to local authorities, but it will be able to cope with it the other way, as well.

Q245 Chair: Wasn't one of the things to be anticipated the need to talk to local authorities about whether their computer systems could talk to ATLAS before the system was brought in?

Lord Freud: 70% to 80% of LAs have now automated the bulk of their ATLAS notifications, so that process has been and is pretty successful, and we will be looking to work with the remainder to get them on the automated system. It saves them a lot of money and effort.

Q246 Bob Blackman: To move on to information-sharing between local authorities and RSLs, we have had mixed evidence about the difficulties in certain respects of computer systems talking to each other, to which the Chairman has just alluded, but also the legal aspects of transferring data between these organisations, particularly when we are talking about vulnerable people. What has been the experience in the pilot areas so far of this, and what are you doing to overcome it?

Lord Freud: To summarise it, the situation has improved but is not yet perfect. It has improved in the sense we have taken primary powers in the Welfare Reform Act to send information over to local

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authorities who can then share it with key agencies, in particular housing association and other landlords.

Q247 Bob Blackman: From your perspective, are you saying there are no legal obstacles to sharing this information, or have you found some and they need to be corrected?

Lord Freud: The point about data gateways is that they are very, very specific. We can share data on benefit awards, the benefit cap, the blue badge, DLA assessment, DHPs, the disabled facility grants, the domiciliary care financial assessments, homelessness prevention, housing benefit, supporting people services, the social sector size criteria, troubled families and residential care financial assessments. Those are the reasons we can share, but there are other reasons that local authorities may think that having information is valuable and useful. That remains a tension for us, because we are not legally allowed to transfer that data, so we cannot respond positively in those circumstances to requests for data. That causes mutual frustration, but, as this Committee will be aware, the provision of data and the reason for it is an area of great sensitivity. That is the position we have got to. It is a lot better than it was.

Q248 Bob Blackman: There are no plans to change the law to correct the legal position.

Lord Freud: We are reviewing it the whole time, and we may have to make specific moves. We are watching. This is an area to watch very closely.

Q249 Bob Blackman: We have concentrated a bit on the legalities, but what about the practical difficulties of sharing?

Lord Freud: The practical difficulty is that where you want to align services for a client, sometimes it is not possible to share the data in order to do that. One of the attractions of localising more of this is that the information can be made available and the alignment process is not as necessary because the local areas are taking more complete control of the situation and have the information anyway.

Q250 Bob Blackman: The evidence we have had is that landlords are a bit worried that they will not be able to get the information they need in order to assess whether or not a tenant is a good financial risk. Is that bound up with the legalities, or is that something else?

Lord Freud: We have now made it possible for local authorities to share information with landlords in a way they could not before, particularly for this reason. It may be that some of the frustrations that you are hearing in this area reflect past practice and a slow catch-up with the present legal position. That was a key relaxation because of the importance of the landlord knowing some of the information, but it is an area on which I am keeping a pretty close eye.

Q251 Chair: What are the impacts of the changes? A large number of people currently just claim housing benefit and council tax benefit; they are the only benefits they claim. When their income changes they go to one place: the local council. They tell them that and their benefits are recalculated. They will now have

to go to two places when that happens. Is there any way that can be altered to remove the inconvenience to claimants?

Lord Freud: No. People will now go to universal credit for their housing benefit, and there will be a signpost for them saying they could be eligible for council tax rebate and directing them to the local authority. That is not hugely different from a range of passported benefits that we are looking at for all the other elements that people could get, whether they are free school meals or whatever else. That is not hugely different. We have the most elaborate passporting arrangement of any country in the world and we rely on them far more than anyone else. One of my objectives in the medium term is to simplify that system.

Q252 Chair: No thought has been given to passporting along the information instead of the claimant, so he does not have to fill in another lot of forms with another agency.

Lord Freud: We have not devised a system for that, but it is not impossible that we may look at that in the medium term. As local authorities develop their own systems, it is not impossible we can find some links, but that is absolutely not something we could contemplate doing in the next couple of years, given the work stream we already have.

Q253 Chair: We had evidence from Thanet District Council that was quite concerning. They said that currently the housing benefit system can relate to the local authority property database. If local authorities get four different claims for housing benefit from individuals when they know that in that property there are only two flats, immediately the alarm bells go off. Benefit fraud looms on the horizon and checks are made. We were told that under the universal credit system, however, that will not work off the local authority database, and if there is more than one claim for a property the system simply will not know and will not flash it up as a problem. Is that a worry that this could be an open goal for fraudsters to move in?

Lord Freud: We are building into universal credit something called IRIS, which is our fraud detection process. That will have electronic links to a huge number of different systems, and in practice it will pick up that kind of anomaly electronically. Where we see it, it will go up on a risk rating and we will examine it pretty closely before we go ahead.

Q254 Chair: IRIS has a similar database to that which local authorities use.

Lord Freud: We are building IRIS currently, but the objective is to start matching it up with a lot of information held in both government and non-government arms.

Q255 Chair: Presumably, the register for the council tax system itself must be one of the bases you are using.

Lord Freud: That could be one of the bases. Clearly, it has to be built. In practice, we are sending more information over than we get back, but we will be connecting with that. We will look at connecting with

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land registries, the DVLA and all kinds of different systems that we can start to tie together to test where it looks as if fraudulent activity is going on.

Q256 Chair: Is that being done in conjunction with local authorities, because obviously they have an equal interest in making sure there are not fraudulent claims?

Mr Prisk: Yes, absolutely. It also needs to be seen in the context that it is an important joining-up point. My colleague Minister Don Foster is about to announce a further £9.5 million fund looking at grant funding for social housing fraud. It also needs to be seen in context that in the Prevention of Social Housing Fraud

Bill we have now looked to make sure there are stiffer penalties in this field. By sorting out that database, putting in the funding and making sure we join those together, those additional criminal offences will help.

Lord Freud: The other thing we are doing is pulling together the different groups into a single fraud investigation service, and that is starting this year. That pulls together into a single service the efforts of local authorities, our efforts and those of HMRC, which previously had been scattered.

Chair: Ministers, thank you very much indeed for coming this afternoon and answering so many questions.

Written evidence

Written evidence from the National Housing Federation

The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That's why we represent the work of housing associations and campaign for better housing.

Our members provide two and a half million homes for more than five million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

The Federation welcomes the opportunity to respond to the Communities and Local Government Committee's inquiry into the implementation of welfare reform by local authorities.

1. SUMMARY OF RECOMMENDATIONS

1.1 The National Housing Federation supports many of the principles behind the introduction of Universal Credit. However we are concerned about the risks the implementation of the new system poses to tenants and housing associations. Time is running out to provide the clarity needed on how safeguards will operate to protect vulnerable claimants. The successful implementation of Universal Credit will require:

1.2 An efficient "switch-back" mechanism to ensure rent is paid direct to the landlord if a tenant builds up eight weeks (or an equivalent percentage of the annual rent) of arrears. Without an effective trigger, tenants' arrears could build up very quickly.

1.3 The definition of vulnerability—to determine which groups of tenants should continue to have their benefit paid direct to their landlord—to be broad and flexible and include financial vulnerability. Failure to draw this definition realistically risks leading to significant increases in arrears among tenants.

1.4 Giving tenants the choice to have their housing costs paid direct to their landlord when they first claim Universal Credit. This would allow claimants time to adjust to the new system gradually, rather than deal with several large changes at once.

1.5 The Government to set out minimum service levels for the provision of local support to claimants and provide sufficient resources to local agencies to ensure that there are no gaps in provision. Advice and support should include help with budgeting and access to banking, help with making and managing claims online, and help in understanding responsibility for rent payments and other bills.

1.6 The Government to ensure that data sharing between local authorities and housing associations is as efficient and timely as possible to allow housing associations and local authorities to target support and resources effectively.

2. INTRODUCTION

2.1 Housing associations operate in some of the most deprived and disadvantaged communities in the UK, and understand the importance of getting people into work to tackle poverty and raise aspirations.

2.2 The National Housing Federation supports many of the principles behind the introduction of Universal Credit, from making sure work pays through to simplification of the benefits system. However, the transition to the new system includes many challenges which pose risks to the financial wellbeing of tenants, which in turn present risks for social landlords and for the successful implementation of Universal Credit.

2.3 Our evidence below focuses on the key issues which impact on housing associations and their tenants. These include two which were raised by the Committee in the call for evidence—whether sufficient safeguards are in place to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants and whether sufficient resources have been allocated to local authorities to provide advice and support to Universal Credit claimants. We have also commented on data sharing between local authorities and housing associations, a crucial aspect of being able to effectively target and provide support to those who need it.

2.4 We would welcome the opportunity to discuss these matters with the Committee in due course.

3. EVIDENCE

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

3.1 For many people, the transition to Universal Credit will mean a move from budgeting weekly or fortnightly to budgeting monthly. Most working-age social housing tenants will also lose the option of having their support for housing costs paid direct to their landlord.

3.2 A recent report, *Optimising welfare reform outcomes for social tenants*,¹ found that 86% of social tenants believe “strongly” that it is better for housing benefit to be paid direct to the landlord so that they are secure in their home. At present, nine in 10 tenants opt for rent to be paid direct to their landlord, with 92% saying they would choose this option again, if given the choice.²

3.3 Welfare Reform Minister Lord Freud has stated that this change, to direct payment to claimants, “...will not undermine social landlords’ finances”³ however, the details of the safeguards to ensure that this is the case are still being worked out. It is essential that the protections intended to be part of the system work as planned. A successful roll out of Universal Credit requires the following safeguards to be in place:

3.4 An efficient “switch-back” mechanism to ensure rent is paid direct to the landlord if a tenant builds up eight weeks (or an equivalent percentage of the annual rent) of arrears. Without an effective trigger, tenants’ arrears could build up very quickly.

3.5 The definition of vulnerability—to determine which groups of tenants should continue to have their benefit paid direct to their landlord—needs to be broad and flexible and include financial vulnerability. Failure to draw this definition realistically risks leading to significant increases in arrears among tenants.

3.6 Additional resources for local agencies to provide advice and support to tenants including help with budgeting and access to banking, help with making and managing claims online, and help in understanding responsibility for rent payments and other bills.

3.7 The Work and Pensions Committee’s report *Universal Credit implementation: meeting the needs of vulnerable claimants* recommended that during the initial phases of Universal Credit “claimants who currently have their housing costs paid to their landlord should have the option to continue with this arrangement” and that direct payments to claimants should be phased in “after appropriate safety net arrangements for vulnerable people have been developed and tested”.⁴

3.8 We agree with the Committee’s call to delay the introduction of direct payments to tenants by default. Such a delay would give time for a full evaluation of the Government’s Direct Payment Demonstration Projects before the system is rolled-out nationally, and enable effective safety nets to be arranged for the most vulnerable. Continuing to give tenants the choice to have their housing costs paid direct to their landlord would allow them time to adjust to the new system gradually, rather than deal with several large changes at once.

ARREARS TRIGGER

3.9 In a speech to the National Housing Federation’s annual conference in September 2011 Lord Freud said: “We want to have in place a trigger which switches the housing payment to direct to landlords if tenants start to get behind with their rent. How this trigger will operate—whether it’s by number of payments, amount of money, length of time—are all questions for the demonstration projects. But what isn’t in any doubt is its existence.”⁵

3.10 A reliable, automatic trigger is an important safeguard to prevent arrears mounting to unsustainable levels that would risk tenant eviction and undermine the ability of social landlords’ to borrow and invest. We are still waiting to see the detailed design of the trigger. It is vital that its design includes and considers the following:

3.11 A landlord may contractually seek possession of a property from eight weeks of arrears. If any process of interviewing or investigating were to extend the process and delay the switch, the tenant could be at serious risk of losing their home.

3.12 Direct payment to landlord should be triggered when arrears have reached a set level; the trigger should operate automatically and must not be delayed by an investigation into vulnerability at the first stage.

3.13 If the trigger takes too long to operate, and the process is too complicated, it could lead to unsustainable levels of arrears being built up.

3.14 Commercial lenders and investors to the sector continue to be concerned that any delay in reverting to direct payment to landlords upon arrears could undermine the stability of rental income streams and risk damaging the sector’s overall strong credit rating.

3.15 Although we understand that the intention is for any switch to direct payment to landlords not to be permanent, it should operate automatically when a set level of arrears has been reached. A conversation with the tenant and assessment of what additional support they might need should happen in parallel with the switch, not before it, as this could result in delays that would prove difficult to manage for both tenant and landlord.

¹ Policis (2012) “Optimising welfare reform outcomes for social tenants: Understanding the financial management issues for different tenant groups”. www.housing.org.uk/publications/find_a_publication/general/social_tenants_finances_and_v.aspx

² *Ibid*

³ Lord Freud, 23 May 2012, www.dwp.gov.uk/newsroom/ministers-speeches/2012/23-05-12.shtml

⁴ Work and Pensions Committee (2012) “Universal Credit implementation: meeting the needs of vulnerable claimants”.

⁵ Lord Freud, 14 September 2011, www.dwp.gov.uk/newsroom/ministers-speeches/2011/14-09-11.shtml

3.16 An effective arrears trigger is an important safety net, however, landlords will want to prevent arrears reaching a level which prompts the switch of payments to them. Other safeguards for vulnerable claimants, including payment exceptions, access to new financial products and appropriate advice and support also need to be available to help prevent rent arrears accruing.

PAYMENT EXCEPTIONS

3.18 Payment exceptions which will allow for direct payment of the housing element to landlords, split payments within a household or more frequent than monthly payments of Universal Credit will be available for vulnerable claimants. The existence of payment exceptions within Universal Credit will provide vital safeguards for both tenants and landlords. Policy in this area is still being developed but it is essential that the definition of vulnerability used to identify claimants who are eligible for payment exceptions is broad and flexible.

3.19 A recent report on the groups likely to struggle under Universal Credit, based on interviews with nearly 2,000 people living in social housing, states that: “Risk factors should include not only narrow indicators of vulnerability such as mental health issues or learning disability, but also a wider range of contextual issues such as lack of financial capability, problematic credit and debt and existing problems with meeting rental and other commitments... it will be critical to success to accept that a realistic definition of vulnerability will involve a significant minority of social tenants.”⁶

Are local authorities being allocated sufficient resources to deliver services such as advice to claimants on Universal Credit?

3.20 As highlighted above, appropriate, tailored support needs to be readily available if all claimants are to make the transition to UC successfully. Information about the changes and advice and support on dealing with them needs to be available before the introduction of Universal Credit.

3.21 The Government needs to set out minimum service levels and ensure that there are no gaps in local provision. Without this there may be significant differences in the support available in different areas. This is particularly important given the localisation of other aspects of welfare provision, including elements of the social fund and support for Council Tax. Support should include help with budgeting and access to banking, help with making and managing claims online, and help in understanding responsibility for rent payments and other bills.

3.22 We are concerned that there is a lack of awareness among claimants about the changes that are going to happen. The Government needs to ensure that sufficient resources are put into raising awareness of Universal Credit, so that claimants understand the reforms before they are affected.

3.23 Government funding for the development of new financial products which allow the ring-fencing of money for rent and other bills is welcome. Such accounts will help many tenants with the transition to the new payment methods, however they are only part of the solution and need to be made available in conjunction with the types of support outlined above.

3.24 Many of those living on low incomes currently manage their money in cash, over short periods, including 51% of benefit-dependent social tenants but also 41% of social tenants in work.⁷ Such patterns of money management have evolved in response to the challenges of living on a low income. It is easier to forgo essentials, such as food or fuel, for one day a week, but much harder to do so for several days at the end of a month.

3.25 Without substantial support a significant minority of social tenants (29%) are likely to struggle and fail under the new system.⁸ In the last 12 months, 45% of these tenants have struggled to afford food and 39% fuel, while 49% have struggled to afford shoes and clothing. A half (50%) are experiencing problematic credit use and a third (34%) have consulted debt advice.⁹

3.26 Demand for support services is likely to increase as many claimants will see their income reduced, due to the benefit cap, social sector size criteria or changes to council tax benefit, and/or face big changes to the way they have to manage their money after the introduction of Universal Credit.

3.27 Early learning from the Direct Payment Demonstration Projects shows that only about half (54%) of respondents thought they would be able to manage direct payment of housing benefit, whereas almost a quarter (24%) reported that they would need support if Housing Benefit were to be paid directly to them.¹⁰

3.28 Local authorities and housing associations involved in the Demonstration Projects are finding that putting additional resources into delivering direct payments to tenants is adversely impacting on their ability to undertake their day-to-day business activities. In the long term, this could severely impact on the ability of housing associations to develop affordable homes.

⁶ Policis (2012) “Optimising welfare reform outcomes for social tenants”.

⁷ *Ibid*

⁸ *Ibid*

⁹ *Ibid*

¹⁰ DWP press release, 30 October 2012, www.dwp.gov.uk/newsroom/press-releases/2012/oct-2012/dwp112-12.shtml

3.29 It is vital that the Government provides local agencies, including local authorities, housing associations and local advice agencies, with additional funds to deliver the support needed to make sure there are no gaps in provision. However, it is not yet clear what, if any, additional funds will be made available by Government to deal with the expected increased demand, and who any funds will be available to. It is also not clear where the responsibility falls for co-ordinating and providing the support that will be needed, especially if there are gaps in provision.

3.30 Housing associations should have access to any additional resources that are made available. Many housing associations already provide a wide range of support, including financial inclusion services, for their tenants, however the expected increase in demand falls outside of their “business-as-usual” provision. Failure to provide additional resources could potentially put tenants at higher risk of arrears, as well as making it harder for housing associations to invest in and develop much-needed new affordable homes.

3.31 The local authority-led Universal Credit pilots will be useful in understanding how local authorities can deliver support, but will not conclude until late 2013—potentially too late to influence the design of the new system. Landlords are assessing what they will be able to do now, so clarity is needed on sources of and funding for support to aid this planning, to achieve a successful transition to Universal Credit.

OTHER ISSUES—DATA SHARING

3.32 Housing associations are actively trying to support their tenants to prepare for the changes. In order to do this effectively they need to know which of their tenants are likely to be affected by the different welfare reforms, in particular the size criteria and the household benefit cap.

3.33 New regulations on the sharing of social security information were published in July 2012. The regulations enable a two-way flow of information, meaning that local authorities and housing associations can work together to identify and assist claimants who are likely to be affected by benefit cuts at an early stage.

3.34 The new legal framework, allowing information to be shared on those who might be affected by the social sector size criteria or benefit cap, is both welcome and important for ensuring that support can be targeted at those who need it. However, practice and implementation on the ground is varied. We understand that a number of local authorities are still waiting for computer upgrades to benefit systems to allow them to use or pass on data.

3.35 Housing associations working in more than one local authority area are encountering different approaches—leading to delays and impacting on how well they are able to target support for their tenants. For example, one association has reported that they have been able to share data with a local authority in which they have only a small number of properties, but the local authority in which most of their stock is based has not yet been able to share the information needed as the required computer systems are not yet in place.

3.36 Government needs to ensure that data is shared as efficiently as possible. Ironing out delays is crucial to ensuring that housing associations and local authorities are able to target support and resources effectively. Where needed, computer system upgrades should be implemented as swiftly as possible and the development of common systems, so local authorities are able to share data in common formats would also be welcome. It would be helpful for local clusters of local authorities to work together and offer suggestions as to the most efficient ways to receive and share data.

4. CONCLUSION

4.1 The introduction of Universal Credit provides the opportunity for positive improvements including a simpler, more streamlined benefits system and greater work incentives. However, the cumulative impact of the reforms, including the changes to budgeting and payment patterns under Universal Credit, the introduction of the social sector size criteria and benefit cap, the localisation of the social fund and support for Council Tax and the limiting of annual increases to most working-age benefits and tax credits to 1%, remains unknown.

4.2 There is growing unease across the housing association sector that the Government’s implementation of welfare reform will prove extremely challenging for claimants who are already struggling to make ends meet, leading to a significant increase in rent arrears. This, in turn, would severely impact on the ability of housing associations to service their debt, jeopardising their ability to develop affordable homes in the future.

4.3 We hope that the Government will give serious consideration to the issues highlighted in our response, and ensure that the necessary safeguards are in place before the introduction of Universal Credit. The Federation remains committed to working constructively with the Government to ensure the most effective implementation possible.

Written evidence from The Chartered Institute of Housing

The Chartered Institute of Housing (CIH) is the professional body for everyone involved in housing and communities. Our goal is simple—to provide housing professionals with the advice, support and knowledge they need to be brilliant. Our work is driven by a passionate belief that our contribution as housing professionals is vital to making communities great places to live and work—and that everyone is entitled to a decent, affordable home in a thriving, safe community.

CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We are a membership organisation with a diverse and growing membership of over 22,000 people who work in both the public and private sectors, in 20 countries on five continents across the world.

This response draws on the experience and expertise of members and officers across CIH, including Scotland, Wales and Northern Ireland. CIH delivers a range of services and tools to help local authorities (LA), social landlords and tenants prepare for changes to welfare benefits, and a great deal of our knowledge and understanding of impact and implementation comes from this work.

Some of our concerns about the administration and implementation of universal credit have already been raised in our written evidence to the Communities and Local Government Select Committee, the DWP Select Committee implementation inquiry into universal credit (August), the Social Security Advisory Committee Inquiry and during the passage of the Welfare Reform Act.

We note the Select Committee is inviting submissions covering progress made to date on the implementation of welfare reform by LAs. Although the inquiry is focussed on LAs we have also gathered feedback on the interaction between social landlords and LAs on welfare reform too where relevant. Our response focuses on six of the Committees' core questions as below.

SUMMARY

CIH has long called for reform of the welfare system and has supported the principle of a universal credit to simplify benefits. CIH have worked with DWP and DCLG throughout the design of universal credit and reforms to the welfare system to seek to ensure the proposed system works for claimants and housing providers. Our priority for the welfare system is that it provides an effective system for help with housing costs. Central to that effective system are:

- Provision of sufficient funds for the claimant to secure suitable accommodation (size, quality and location).
- Transparency in how the system will work and what claimants can expect to receive.
- Speed and accuracy in determining payments and ensuring payments are received in a timely manner.
- A definition of “vulnerability”.
- Claimant choice in whether their payment is made to them or their landlord in the first instance.
- Certainty for the claimant and landlord—this includes provision of a trigger or switch back mechanism to ensure rent is paid direct to the landlord where arrears build up.

As universal credit implementation progresses, we continue to assess whether it will create an effective system of help with housing costs and continue to have concerns about the implementation of universal credit.

The process of designing and implementing universal credit poses a number of strategic and operational risks to provision of an effective system. At this stage we are still looking for assurance that these risks will not occur, because of their potential impact on both the ability of lower income households to secure appropriate housing and on the ability of social landlords to provide it.

Q1: Is the guidance available to local authorities from central government on implementing welfare reform adequate? Are there areas where more or better guidance is required?

While there has been guidance on what the changes are within welfare reform and universal credit in particular, there has been limited guidance on the implementation aspects of the new system. There are still many gaps in the details of welfare reform which hinder LA and landlord ability to plan sufficiently for the future—although we recognise some of the detail is due to be deliberated via the draft regulations which have just been published.

We are concerned that it is still unclear how some elements of universal credit will work. Consequently, additional guidance and clarity is needed on:

- Tackling homelessness and housing options.
- Delivering the social fund.
- Working with partners to deliver local support around implementation of universal credit.
- Shape and availability of a local DWP service for those who need a face to face service.

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- LA role in administration of universal credit and subsequent advice function.
 - Guidance on dealing with consequences of welfare reform (eg problems from rent arrears, overcrowding, under-occupying and so on).
 - Trigger points on direct payment of housing costs to landlords are not clear:
 - Vulnerability criteria needed quickly.
 - When can landlords obtain direct payment in response to rent arrears?
 - How long will that last?

The housing sector is incredibly resourceful and resilient and will, of course, look to provide positive solutions for its tenants. However, the lack of knowledge underpinning how future changes will be rolled out hinder the development of proactive responses. Indeed, it is evident that providing a resourceful solution for one client group will not necessarily benefit all client groups.

We are concerned that the cumulative effect of under-occupation measures, council tax benefit reductions and other welfare reform measures are not being thought through effectively by some LAs and social landlords. It is not clear to what extent (if any) guidance is prompting people to join these things together.

We are aware LAs and social landlords are expressing concern that the “real” findings from the direct payment pilots are being hidden by DWP. We do not believe DWP are necessarily deliberately withholding these findings, but the results are being made available much more slowly than originally planned. While we recognise some of the complex analysis and interpretation challenges here, the timing of the implementation of universal credit has not been changed, and it is imperative that DWP releases this information as a matter of urgency, if LAs and social landlords are to prepare effectively for the introduction of universal credit. On this matter, as facilitators of the Direct Payment Learning Network, we strongly urge DWP to be more open and transparent so that organisations can prepare effectively, realistically and pragmatically.

There is a lack of information on how welfare reform will be implemented in Northern Ireland. While this is in part understandable (given the Bill is passing through the Assembly) work on regulation and implementation under universal credit is underway and organisations may be in a better position to prepare for supporting the delivery of the new system if they have more information at this stage.

Q2: Is the Government’s timetable for implementing Welfare Reform achievable?

The timetable for implementing welfare reform in an ideal world would mean that all learning from pilot or experimental approaches is understood first before national roll-out. However, we know that is not realistic, but are concerned that the timetable appears to be driven by a political programme rather than through implementation practicalities. Having demonstration projects finishing just as the main elements of universal credit are to be rolled out nationally (albeit in a phased way) means DWP, LAs and providers will need to act incredibly quickly to put learning as to what works and how it needs implementing in place before October 2013.

Hence the question returns to the degree to which the systems and processes will be in place to work through the changes. There are some real concerns that failure to really digest, absorb and understand the implications and experiences of the direct payment demonstration projects and next April’s North West pilots will lead to poor quality implementation.

LAs and social landlords are going to be looking at their budgets for 2013–14 now, but there is relatively little information available from the direct payment projects and the universal credit pathfinders haven’t started yet. In terms of business planning this lack of information is creating a massive difficulty for housing providers who simply do not yet know the extent of the resources and services they are going to need to provide.

The links between different parts of the implementation programme (eg the universal credit pathfinders and the direct payment demonstration projects) appear to be weak. This increases the risk that the final system will not work smoothly and it gives rise to many questions and concerns which hinder preparations for implementation by third parties.

Many organisations are concerned whether the IT system will be ready in time and able to cope—if this isn’t, it places into jeopardy the ability of universal credit to be rolled out effectively and could place considerable strain on the LA and housing sector in attempting to deliver services using an ineffective IT system. There is a real risk of significant problems where families will lose payments and housing providers will need to pick up the pieces as a result. There needs to be a greater degree of transparency and clarity around what the national IT roll out on

October 2013 will actually look like and what provisions are being made for new claimants to access the old system for a protected period after October 2013. We understand DWP’s intention is for all new claimants to access universal credit from October 2013 but our members question whether a contingency plan is in place.

Northern Ireland will benefit from a delay in introducing universal credit which will allow more time to prepare for the new structures. However, NI housing providers will be faced with implementing the under-occupation penalty barely a month after the Bill has received Royal Assent. The uncertainty around the legislative timetable and what concessions may or may not be secured has left housing providers and tenants

in a situation where information will only become available in some cases, as new measures are implemented. This is obviously not practically suitable for organisations planning services and mirrors concerns in the rest of the UK.

Q3: Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on universal credit?

There is a lack of resources available for LAs now and it is not yet clear what additional resources LAs will need given the on-going processes/mechanism for delivery of universal credit is still being discussed or developed. Until plans are firm, it is difficult for LAs to identify the exact resources required.

We would welcome clarity on the advice role of LAs and on whether LAs will be able to administer some elements of the claims process; in gaining such clarity, this would enable some firm decisions on resourcing to be made as discussed earlier.

As we have continued to argue, there will remain a need for the LA to have an administration role in determining universal credit claims. It is difficult for LAs to set budget plans for future years now, when the potential resource implications from this decision are not yet known. Under the current welfare system, LAs can intervene in a claim and give appropriate advice. However, under universal credit in the proposed system of a nationally delivered advice and sign up through DWP, LAs will not be able to intervene in a claim or give appropriate advice. In the absence of a defined advice role, LAs envisage their resources being diverted into advising/supporting people on universal credit issues as a substitute for a locally accessible DWP presence.

LA and social landlords are also concerned they will need to provide a high level of staff time assisting people to make universal credit claims where they are providing IT access (eg in reception areas) or signposting to other services, despite potentially having no advice role in the locality. It is highly likely that any advisory service offered by LA is likely to be affected by cuts to the General Fund in terms of the way in which LA services are provided. If LAs were to have an administrative role their advice role will be more effective.

Respondents to a baseline survey¹¹ from the Direct Payments Demonstration Projects' shows that 54% of tenants surveyed would be confident in receiving their housing payment direct to their bank account. However this means 46% of tenants surveyed would not be confident receiving their housing benefit payment direct to their own bank account; and a quarter of all respondents said they would need support if housing benefit were paid directly to them. This raises questions as to the extent to which LAs are adequately resourced to provide sufficient help to claimants.

Part of a responsible approach to this would be to have a joined up service working with advice and support agencies locally, such as CAB. However, it is vital to note that the voluntary sector can not be expected to pick up the pieces left by a reduction in LA capacity and advisory services without adequate resourcing. It is not yet clear what, if any, additional funds will be available to LAs, housing providers and partners to deal with the increased demand in support services.

We are also concerned that there is a general lack of awareness among claimants about how the changes will affect them and what is going to happen locally and nationally. At the moment, our evidence seems to suggest it is often social landlords proactively informing claimants on changes to the welfare system rather than LA benefit departments. There is a real need for a joined-up approach so that LAs share the burden of informing tenants and claimants and taking a positive proactive approach.

The effect of changes to the welfare system in terms of other benefit/tax credit changes, alongside changes to council tax support and universal credit, will have a greater cumulative impact on the groups likely to suffer most and those already struggling in today's economic and employment climate.

We are concerned that private tenants are not receiving the level of information needed to make informed choices and decisions around their on-going housing and welfare needs. Ensuring private tenants have access to advice and support is vital and LAs should ensure this occurs in their area too.

Q4: Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

There are of course risks to LAs from welfare reform changes and we have articulated a number of these throughout this consultation response.

Our key concern is that there remains a difficulty in accurately assessing the entire risks from welfare reform, simply because there is a lack of information. It is difficult to assess risks simply because of the uncertainty around universal credit and the impact on customers.

Increasingly we are finding that LAs are finding it difficult to manage these risks simply because there is insufficient information available on the detail or practical processes as yet. LAs and social landlords are having to plan for changes and make financial assessments for potential service delivery mechanisms when the detail of processes and mechanisms are still being assessed through the demonstration projects and the North West roll out in April 2012.

¹¹ DWP press release, 30 October 2012, www.dwp.gov.uk/newsroom/press-releases/2012/oct2012/dwp112-12.shtml

LAs are doing their best to address and contain risks, but there are considerable risks to revenue. Many LAs seem to be making extra provision for rent arrears or bad debts. Stock holding LAs, for example, are likely to lose money through rent arrears. Those without stock but still with homelessness duties will see an increase in homelessness without the recourse to discharge the duty. This is bound to mean caution for LAs in using their HRA reserves and similar difficulty for social landlords. Holding reserves is a key part of any successful organisation's business and risk management approach; some will need to tap into these reserves. An additional risk is around new development—there may be a potential increase required in capital subsidy to new housing development to protect registered providers from the increased risks of welfare reform.

Evidence from our members suggests LAs and housing providers are thinking about the knock-on effects of welfare reform. For some, this is around looking at the potential increases in costs in the provision of homelessness services (including temporary accommodation) following evictions arising from loss of benefit and or direct payments. Indeed, many will need to look at the increased demands on health and local care services, and a potential increased need for support from children's services especially around safeguarding children. Similarly, providers are also concerned about the increase in transaction costs and increased income collection costs where non-payment of rent or failed direct debits impact on cash flow. The need for increased levels of support for such claimants has previously been mentioned in this response. The cumulative effect of the welfare changes, not simply related to local housing allowance, housing benefit, council tax benefit but also to disabled people, means that changes to income will hit tenants/claimants in all directions but not necessarily all at once. For some, this may mean adjusting to one change in circumstances only to face another later down the line.

Consequently one of the biggest knock on effects from welfare reform surrounds communicating and supporting tenants/claimants through the changes which is an incredibly resource intensive process.

In Northern Ireland—the Northern Ireland Housing Executive's 90,000 houses are deficit funded with rents set by the Minister for Social Development. Therefore the NIHE's budget will be impacted by failure to collect rental income (if under-occupation shortfalls aren't paid by tenants). The implementation in Northern Ireland is hampered by the delayed legislative process, lack of information to conduct an impact assessment and different housing structures to the rest of the UK. Hence, planning for implementation is difficult when it is not yet clear what Northern Ireland should be planning for and whether decisions or regulations made in England will apply there. Consequently, our members in Northern Ireland argue the need for greater transparency and engagement with the housing sector would be helpful.

Q5: How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

Most LAs manage council tax benefit (CTB) and housing benefit together so claimants may not currently think about these claims in isolation. However, most will need to shortly as the 10% changes to CTB start to be felt.

Our evidence suggests the separation of these functions is likely to lead to a combination of effects. The complexity of universal credit, applying online, receiving monthly payments to one household member, along with impending changes to CTB and households having to make further adjustments to already stretched budgets, is likely to cause confusion among claimants who will simply find the scale of changes to the system difficult to navigate. Aligned to this, claimants are also likely to be unprepared for the contribution they will need to make (for example in addition to the under-occupancy contribution). The LA and housing providers' role in assessing stress points and providing adequate support and advice is evident. However, in common with our points made previously, there are currently insufficient resources available for LAs and others to act accordingly.

In Northern Ireland, the restricting of the NIHE when there is significant change to the benefits system is also going to have an impact with, as yet, no clarity on when and how the benefits and administration that currently sits without the NIHE will operate in the future.

Q6: Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

Overwhelmingly, our members report that there are, as yet insufficient safeguards in place or on the horizon, to protect social landlords from financial harm arising from welfare reforms. Our evidence suggests welfare reform poses a substantial risk to a number of social housing providers particularly the smaller, more specialist and, potentially, more rural providers.

Many claimants are simply not used to handling rent and monthly payments and there is still a real concern among landlords on this issue. This is a particular issue for private landlords (outside the scope of this inquiry) who feel they are not receiving any indications from Government about how they will be paid should their tenants not receive the right benefit payment or withhold part or all of their rent for any reason. For this reason, we believe new claimants should have a choice as to whether their payment is made to them or their landlord in the first instance. For new claimants this is a period of considerable change and potential additional stress; having choice to pay the landlord direct would remove some of the difficulties of new claimants and ensure they are able to adjust to a new system more gradually.

The DWP Select Committee report in 2012, *Universal Credit Implementation: meeting the needs of vulnerable claimants*,¹² recommended to delay the default option of direct payments to tenants. This delay would give time for the learning from the demonstration projects to be understood and practice amended prior to universal credit rolling out nationally. This would in turn ensure appropriate safety nets are developed especially for the most vulnerable. However, without an agreed definition of “vulnerable”, landlords are finding it increasingly difficult to plan services for the future based on uncertainties in the system. Consequently, one of the safeguards that should be developed imminently is the definition of vulnerability, which will need to include a range of risk factors including previous arrears history, credit/debt history—not simply a narrow indicator such as mental health or disability.

Additionally, our members report that having certainty for the claimant and LA/social landlord through the safeguard of a switch back or “trigger” mechanism would be welcomed. This would ensure rent is paid direct to the landlord where arrears build up. We are still waiting to see the detailed design of such a trigger but we believe it should be available where there is proven vulnerability, where the tenant agrees they may fall into the trap of paying the most demanding but lowest priority creditor first, or where high levels of arrears are likely to risk tenant eviction.

The credit rating agency Moody’s,¹³ in their December 2012 release, recognise housing providers face a number of challenges going forward. In particular, they note the introduction of universal credit will add risks in terms of rent collection for a share of housing associations’ total rental income.

Moody’s assess this risk as manageable but that the loss of income from weak rent collection could exert downward pressure on ratings. Furthermore, Moody’s estimate welfare reform will expose one third of rated housing associations’ revenue to collection risk—assuming no precautionary measures are taken from now until the full implementation of the reforms in 2017–18. Additionally and, perhaps more crucially, linked to the need to safeguard social landlords from financial harm, Moody’s argue that while the Autumn Statement measures on welfare will not impact on the majority of housing benefit recipients directly, they recognise that the real cut in non-housing related benefits will exacerbate housing associations’ overall reliance on tenants’ ability to pay, leading to higher arrears and bad debts.

CONCLUSION

The implementation of welfare reform by local authorities and the introduction of universal credit provide the opportunity for a simpler system which better meets claimants’ needs. However, we remain concerned that the cumulative impacts of the reforms are still unknown and the mechanisms by which effective support and administration is to be provided are still unclear. Without these elements being known, the implementation of welfare reform remains guesswork jeopardising the ability of housing providers to ensure the right levels of support, services and advice are offered to tenants and claimants. We remain committed to working with DWP and DCLG in highlighting implementation challenges and to ensure the welfare system operates to provide an effective mechanism for those who need help with housing costs.

January 2013

Written evidence from the Local Government Association

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national Government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector. Visit www.local.gov.uk

SUMMARY

- Addressing poverty is at the core of what councils do. The LGA believes the effects of welfare reform on some claimants, the Government’s delivery risks in its reform programme, and councils’ own risks, can best be managed by taking full advantage of councils’ desire to serve their residents and their ability to lead a range of local partners. We believe the Government increasingly recognises that councils are an asset it needs to utilise if its reforms are to succeed.
- The overall intention of the Government’s reforms—to simplify the benefits system and improve work incentives—is supported by the LGA. However, there are three issues causing concern for councils:

¹² DWP Select Committee: *Universal Credit Implementation: meeting the needs of vulnerable claimants*, 22 November 2012 <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/576/576.pdf>

¹³ Moody’s sector comment: *English Housing Associations: Lingering downside risks despite positive 2012 results*, 11 December 2012 www.moody.com

- Councils anticipate many clients will need support that cannot be provided through a digital channel and it is currently not clear how that support will be provided or by whom;
 - Councils do not yet know the pace, cost or operational/workforce implications of the introduction of Universal Credit (UC) and pensions credit to replace Housing Benefit (HB); and
 - The overall reform package creates financial risks, some of them due to uncertainty about the details of UC implementation, but others due to as-yet unknown behavioural and market effects of changing the welfare system.
- The LGA is working with the Department for Work and Pensions (DWP) and the Department of Communities and Local Government (DCLG) to try and address all these issues but there is still some way to go. Areas of joint work focus on:
- (a) understanding the impact of benefit reforms on the housing market;
 - (b) designing a support offer for UC claimants through a joint taskforce and pilot projects; and
 - (c) linked to the support offer, aiming by next year to have a fuller understanding of the workforce implications of UC.

1. THE IMPACT ON BENEFIT CLAIMANTS AND HOW SUPPORT WILL BE PROVIDED

1.1 The welfare reform programme will have a significant impact upon customers, particularly in relation to the digital channel. It is currently not clear how support not delivered through a digital channel will be provided and who will provide it.

1.2 Whilst the LGA and councils welcome the vision to have customers predominantly accessing benefits via online system, and only 14%¹⁴ of main benefit claimants have put in a new claim for benefits on line. 45% said they would need help or support to apply on line. With younger people and those claiming Job Seekers Allowance and Income Support more likely to access the internet in a library, customers may very well find themselves reliant upon council provided IT facilities to access the new welfare system, and receive the advice they need to make a claim.

1.3 The payment of benefit on a monthly basis rather than the current weekly system will mean that many customers will need to develop their budgeting skills and there is a risk claimants may be exploited by loan sharks and other inappropriate forms of credit. Many claimants currently use different benefits, coming in at different times of the month, to pay different bills.

1.4 The advent of Universal Credit will mean that many customers will be receiving financial help with their rent as a monthly cash payment, having previously had it paid by the council direct to their landlords. Some claimants will run the risk of missing rent payments which could have a significant impact on them and on cash flows of housing providers.

1.5 Overall, the impact on claimants, especially those least prepared for independent self-management of their claims, is the central unknown in the welfare reform programme. It will be important that these risks are effectively managed with a support offer to claimants delivered locally and personally.

2. Uncertainty and Risk

2.1 While some of the financial impacts of the welfare reform agenda are clear and in principle, quantifiable, quantifying them at present may not be possible. There is uncertainty for councils as they do not yet know when the Housing Benefit caseload will start to shift over to UC and therefore when they will stop taking Housing Benefit claims for working-age claimants. Where identifiable costs are clearly and directly attributable to welfare reform, the Government is committed to compensating councils through its new burdens doctrine. Councils are likely to have to bear other costs themselves.

2.2 As a result of this uncertainty and the wider changes, we have identified potential new burdens, which reflect from both direct and indirect effects of the reforms.

2.3 The LGA has had limited involvement in the Government's assessment of new burdens but this has not yet been completed and councils remain concerned that they do not have visibility about future costs. The assessment will need to be an ongoing process covering the full period of UC implementation to ensure that councils are fully compensated for any hidden or unforeseen pressures arising from the changes.

2.4 There is a widespread perception that the benefit cap and housing reforms may lead to an increase in homelessness, to which councils will be obliged to respond through an increase in the provision of temporary and bed & breakfast accommodation. Homelessness has, however, already increased significantly with a 9% increase in homelessness April–June 2012 compared with the same quarter in 2011 even before the main reforms have been implemented. Councils with a shortage of social housing for temporary use and claimants unable to afford the private rented sector will be faced with difficult decisions around accommodating people out of borough. This will have not only impact on the families concerned, but also on the councils to which families migrate.

¹⁴ DWP Research Report No 800 2012.

2.5 There are also risks associated with the workforce. Earlier this year, DWP wrote to council Chief Executives advising that following the introduction of UC and the run down of councils' housing benefit teams it was envisaged that there would be no opportunities for council staff to transfer to Jobcentre Plus under the TUPE regulations. This opinion has been challenged by the LGA with the result that the future role of council staff in the delivery of UC is now under active discussion. However this uncertainty could result in experienced staff electing to take up new opportunities before the completion of the roll out of UC.

2.6 Localising support for council tax at the same time as cutting the budget without the discretion on council tax discounts that the LGA sought in the Local Government Finance Act means that councils will have to bill many of the working poor for council tax for the first time. While the £100 million one-off grant announced by Baroness Hanham will go some way towards reducing the council tax burden for some, the eligibility conditions placed on the grant by DCLG mean that many councils may be unable to afford to take advantage of it. Even with the one-off grant to reduce the burden on working poor, faced with paying council tax for the first time, for one year there are many people who may find having to pay even relatively small amounts of council tax a burden too far and may either not pay or pay late. Many councils are planning for an increase in the cost of collecting council tax and a reduction in collection rates.

2.7 In addition, transferring responsibility for delivering elements of the former discretionary social fund to councils at a time when demand is likely to increase as reforms are implemented, risks councils finding it difficult to meet demand for crisis welfare support within the grant provided.

2.8 There are also risks associated with fraud. The counter fraud environment is being fundamentally altered. The creation of the Single Fraud Investigation service to tackle benefit fraud will considerably alter current fraud governance arrangements. These changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase.

2.9 Many local authorities have identified that tackling fraud can be a source of sizeable savings and have used innovative ways to prevent, detect and recover losses from fraud. Birmingham City Council has saved £25 million in the last five years as a result of regular data matching, Ealing Council is set to realise nearly £7 million of savings from taking action against fraudulent claims for single person discount from council tax and similar action by West Berkshire is expected to yield £4 million in three years. The risk is that the establishment of the new Single Fraud Investigation Service, charged with the investigation of benefit and tax credit fraud only, may lead to a fragmentation of the fraud investigation environment as responsibility for the investigation of other types of fraud such as tenancy and council tax fraud will remain with councils.

2.10 The total new financial risk to the sector—there are 360 housing authorities—therefore may run into hundreds of millions of pounds. Unsurprisingly, councils are taking provisions against these risks as a necessary part of prudent financial management, which increase the overall level of council reserves. Housing Associations, which also anticipate the risk of higher rent arrears, are doing likewise.

3. SOLUTIONS—COUNCIL LED PARTNERSHIPS

3.1 The delivery and financial risks inherent in such a major programme of welfare reform can be mitigated by recognising councils as an asset with a leading role in commissioning local support to claimants. Local government already works with the identified client base and currently supports them through a range of relationships developed with partners, such as Jobcentre Plus, the voluntary sector, and housing providers. Councils will build on these existing partnerships to help deliver the support package welfare reform will need.

3.2 Some councils, such as West Lindsay and North Dorset, are supporting tenants by trialling tenancy training courses. These are to ensure tenants have the correct financial management skills prior to signing up for new tenancies and monitoring will take place of housing accounts to check rent payments are being made.

3.3 Others are addressing concerns about claimants turning to pay day loan companies through a range of options including closer working with local Citizens Advice Bureaux (CABs) and credit unions. For example, Lewisham Council will be making an emergency loan system available. It is also looking at rolling out a pre-paid card as a mechanism of managing money.

3.4 The Government's initial statements about its plans for delivering universal credit understandably focussed on the core, digital service. With the passage of time, however, and as the result of conversations with the LGA, the other local authority associations, and with councils, DWP Ministers and officials have publicly recognised the potential role for local government in the local face-to-face offer as part of Universal Credit.

3.5 In particular, the Minister for Welfare Reform agreed earlier this year with the LGA that pilots would be established to test the ways in which the local support offer might be delivered through council-led partnerships. Twelve council-led pilots have now been established across Great Britain to run until June next year, with eight councils engaged in seven pilots in England. They are developing ways of mitigating many of the key risks associated with the welfare reform agenda and most particularly the introduction of UC. So for example Birmingham City Council is identifying, through triage, the level of intervention required to help customers sustain and manage their finances, and improve digital literacy and financial capability, while Oxford City Council is working to assist claimants into work or if work is not available give them opportunities for beneficial activity that will increase their chances of finding work, or help reduce their dependency on benefits.

North Dorset District Council on the other hand is taking a different approach by working in specified rural areas to provide services from CAB, Spectrum the local housing provider, DWP operations and a Credit Union to deliver money advice, budgeting and employability support in a rural environment and to learn lessons about the most effective approaches to deliver positive outcomes for remote customers. The LGA looks forward to further engagement with DWP as the learning from these pilots and other evidence is used to develop a formal proposition about the future local support offer.

3.6 The LGA takes the view that the best way of managing and containing the risks identified in this note is to address the needs of claimants through local service redesign based on people and places. Councils are not making a unilateral offer to deal with clients and problems that the core digital UC service cannot address, however: councils and central government need to work together over the coming months to achieve clarity about the future welfare delivery landscape and to reach the right solution.

December 2012

Written evidence from Nottingham City Council

Nottingham is the second largest city in the East Midlands with a population of 305,700.¹⁵ It is also one of the eight members of the English Core Cities network. The Nottingham Urban Area has a population of approximately 640,900¹⁶ and it is the eighth largest urban area in the United Kingdom.

- 43,120 people aged 16–64 in Nottingham City were claiming one or more Department for Work and Pensions benefits in February 2012.
- The total number of claimants increased by 4.7% in the City between February 2011 and February 2012, compared to a 2.3% increase nationally.

EXECUTIVE SUMMARY

Welfare Reform

- The welfare reforms present significant challenges to local government including significant financial risks.
- The timetable for implementation of Universal Credit (UC), Council Tax Support Schemes and Emergency Hardship/Welfare Schemes is very challenging.

Council Tax Support

- Not integrating Council Tax Support with UC may undermine the policy intent of UC, especially in relation to simplification and improving incentives to work.
- The shortfall in funding for Nottingham will be £6.2 million in 2013–14 and £7.4 million in 2014–15—nearer to an 18% reduction in funding.

Universal Credit

- Further data sharing is needed between Local Authorities and the DWP so that authorities can prepare better for the implementation of UC and other welfare reforms.
- There is a need for greater dialogue and greater transparency from DWP in relation to UC.

Housing Benefit

- Changes to Housing Benefit will affect up to 7,000 people in Nottingham. Nottingham City Homes (our ALMO) estimate that this will mean that they will have to collect an extra £2.3 million in rent.
- The significant reductions in benefit awards (capping and under occupancy) and single monthly payment of UC direct to benefit recipients may well result in more households falling into rent arrears and increased financial hardship.

Communications

- Nottingham would welcome closer working with the DWP on transition and communication planning (locally and nationally) for the move to UC, the administration of housing costs within UC and the abolition of the Discretionary Social Fund. Nottingham City Council response to the Communities and Local Government Committee inquiry on the implementation of welfare reform by local authorities

¹⁵ Census 2011

¹⁶ Census 2011

1. How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

1.1 The welfare reforms introduced already and the further changes proposed present significant challenges to local government and some of the most deprived communities that we serve. Given these significant challenges, the DWP and DCLG at times do not appear to be working together as effectively as they might, both in terms of policy design and in terms of the practical preparations needed.

1.2 Nottingham City Council has particular concerns regarding the reforms in relation to Local Council Tax Support, Housing Benefits and Universal Credit.

1.3 Like many Authorities, Nottingham does not understand why the government decided to pass responsibility for help with Council Tax to local authorities rather than integrate it with Universal Credit. As a consequence, local authorities have faced an unprecedented task in designing their own local Council Tax Support Schemes while facing a significant reduction in Central Government funding and preparing for launch in time for April 2013. There will be a wide range of Council Tax Support Schemes that differ across local authorities, which may well be confusing for citizens. These local schemes will sit alongside a number of other benefit changes happening at the same time which is likely to add to confusion and hardship for citizens.

1.4 Choosing to not integrate Council Tax Support with Universal Credit may well undermine the overall policy intent of Universal Credit, especially in relation to simplification and improving incentives to work. And, in the longer term, separating the claims process for Council Tax Support and housing costs (which go into UC) may well cause confusion for citizens.

1.5 There is also a need for further data sharing between local authorities and the DWP so that authorities can prepare better for the implementation of Universal Credit and other welfare reforms and identify and support those citizens affected. We would also welcome closer working with the DWP on transition planning and communication planning for the move to UC.

2. Is the guidance available to local authorities from central government on implementing welfare reform adequate? Are there areas where more or better guidance is required?

2.1 Guidance on the localisation of welfare reform has been mixed.

2.2 In terms of Council Tax Support, while the policy intent has been to pass responsibility for scheme design to local authorities, the guidance has been quite prescriptive, such as prescribing in regulations the inclusion in local schemes of the protection of low income pensioners.

2.3 Given that DCLG were aware of the work happening in local authorities to design and consult on proposals for local Council Tax Support Schemes, the announcement of the £100 million transition funding from DCLG could have been timed at a more helpful point in the process.

2.4 There is a need for greater dialogue and greater transparency from DWP in relation to UC so that local authorities can help to make sure that the introduction of UC by DWP does not create significant disruption and concern to local people and within local communities. We do have concerns about the lack of time for the findings of the from the UC pilots to influence the implementation of the new UC system.

3. Is the Government's timetable for implementing Welfare Reform achievable?

3.1 The timetable for implementation for both Council Tax Support Schemes and local emergency hardship support in lieu of the Discretionary Social Fund is very challenging for Local Authorities and perhaps fails to recognise the complexity of activities required at a local level to design and implement these new policies. The activities required include:

- full and proper needs analysis;
- insight and evaluation of data;
- consultation periods;
- decision making and governance arrangements;
- procurement and commissioning; and
- practical operational implementation.

3.2 The timetable for the implementation of UC looks very challenging for the Government, given that successful implementation relies on two new IT systems being delivered on time and to specification. This presents significant risks since there will be considerable disruption to claimants if the IT systems are not fit for purpose. It is essential that contingency plans for this and other risks are shared with local authorities and others who may be required to help, particularly as citizens are likely to come to local authorities for assistance. We ask for contingency plans for IT failure and risk management to be shared with Local Authorities.

4. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

4.1 No.

Council Tax Support

4.2 The Government is giving Local Authorities responsibility for Council Tax Support and is reducing the funding by 10%. Based on our assumptions of how the Government will calculate the final Council Tax Support allocation, we estimate that the shortfall in funding for Nottingham will be £6.2 million in 2013–14 and £7.4 million in 2014–15—nearer to an 18% reduction in funding.

4.3 Given the reduction in Government funding for Council Tax Support and wider budget challenges we face, Nottingham’s proposed local Council Tax Support Scheme will mean that all working age people may have to pay something towards their Council Tax bill, although Nottingham proposals for its Council Tax Support Scheme do comply with the criteria required to access the recently announced DCLG transition funding (the proposals are that working age households who get 100% help with their Council Tax bills now can receive a maximum of 91.5% help in 2013–14 and all working age households will pay at least 8.5% of their Council Tax bill in 2013–14).

4.4 The DCLG transition grant funding of £775k only goes some way to reducing the impact on Nottingham City.

4.5 The Government did provide some transitional administration funding to assist with the preparations required to develop local Council Tax Support Schemes. For Nottingham, this was £84k. However, the suppliers of the Council Tax system software are charging a standard fee of £65k to make the software system adjustments required, which will absorb a large proportion of the funding and means that the council still faces the other significant costs to operationally implement the changes.

Wider welfare changes

4.6 Nottingham City Council has already allocated a significant amount of resources to prepare for welfare changes; for example:

- 4.61 Dealing with the under occupancy and Benefit cap welfare change—Local Authorities have invested time and money working with Registered Social Landlords to identify households directly affected, which has required purchase of software and significant manual intervention.
- 4.62 Notifying and informing all affected households as appropriate.
- 4.63 Responding to feedback and queries from citizens about the welfare changes and communicating these changes to citizens, councillors, colleagues, partners and local communities.
- 4.64 Providing additional support and advice through advice networks.

4.7 Recognition of this additional expenditure, activity and use of local resources, perhaps via additional administration grant, would be welcome.

5. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

5.1 Yes, welfare reform is creating financial risks to Local Authorities.

Council Tax Support

5.2 The Government is giving Local Authorities responsibility for Council Tax Support and is reducing the funding by 10%. Based on our assumptions of how the Government will calculate the final Council Tax Support allocation, we estimate that the shortfall in funding for Nottingham will be £6.2 million in 2013–14 and £7.4 million in 2014–15—nearer to an 18% reduction in funding.

Housing benefit—Under occupancy

5.3 The “under-occupancy” changes to Housing Benefit will affect up to 7,000 people in Nottingham. This will have an impact on social housing landlords—for example, Nottingham City Homes (our ALMO) estimate that this will mean that they will have to collect an extra £2.3 million in rent from the households affected. This will also involve additional transaction costs.

5.4 This is likely to drive demand for help via Discretionary Housing Payments, which, though due to increase in 2013–14, is a limited pot of funding and is not likely to meet the increased demand as a result of HB changes.

5.5 We are also seeing an increase in demand for services, such as money advice and debt advice and welfare rights advice as well as housing and homelessness advice. Discussions with other cities suggest that this is being mirrored across the Core Cities.

6. What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

6.1 The Work Programme has so far achieved only modest outcomes within Nottingham, at a level previously achieved by other, less costly means. This largely reflects the insular way that the prime contractors operate. Their reluctance to engage or partner with the City Council or other local providers in working with the unemployed means they have thus far missed a significant opportunity to gain work outcomes for local people.

7. What evidence is there that local authorities are able to use effectively existing services or contracts for the delivery of new local Social Fund schemes?

7.1 In Nottingham, we anticipate that existing services are likely to be used to deal with assessment and decision making about access to emergency hardship assistance, but that the provision of resources whether it is goods or emergency finance will need to be commissioned as additional provision.

7.2 In Nottingham, demand for Discretionary Social Fund assistance has consistently exceeded available funding. In 2009–10 15,980 applications were made with only 67% of those receiving an award, in 2010–11 applications increased to 17,490 receiving an award and in 2011–12 there were 15,780 applications with only 77% of CL applications and 45% of CCG applications granted.

7.3 In addition, those voluntary organisations in Nottingham that already provide some services to help meet hardship such as a range of food banks and providers of recycled/donated furniture tell us that demand for their help is also oversubscribed. They already provide “top up” help with hardship to those awarded CCGs/CLs that are lower than they need as well as helping those unable to access CCGs/CLs.

8. How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

8.1 As Universal Credit is rolled out, we are concerned that the separation of the administration of Council Tax Support and Housing Benefit/housing costs is likely to result in confusion for citizens who are used to using a single organisation to make/update a claim for both Housing Benefit and Council Tax Benefit.

8.2 Citizens already have a relationship with their Local Authority, particularly those receiving housing benefits. Therefore we are likely to be the first point of contact for citizens who have questions about how UC will work and what it will mean for them. Data sharing will be absolutely vital to ensure that where possible the impact is mitigated, along with legislation to enable the collection of Council Tax arrears direct from claimants’ Universal Credit payments to avoid Council Tax arrears and indebtedness.

8.3 Given that Local Authorities currently administer Housing Benefit and that transition to UC will include housing costs, it is essential that we know how the DWP plans to communicate with citizens both locally and nationally.

9. How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it? Which new scheme?

9.1 Universal Credit will encompass Housing Benefit and therefore Housing Benefit fraud will be the responsibility of the DWP. Legacy overpayments as a consequence of past Housing Benefit fraud will be a significant issue for Local Authorities, if under the Universal Credit system Local Authorities are not able to recoup the money from ongoing benefit entitlement.

10. Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

10.1 It is uncertain at this time if there are sufficient safeguards to protect social landlords from financial harm resulting from the payment of Housing Benefit direct to claimants.

10.2 Registered Social Landlord’s and tenants have expressed concerns about the impact of payment of HB direct to tenants, regardless of whether the tenant wants this to happen or not. They fear that levels of rent arrears will increase, as will the risk of homelessness, and in Nottingham, they are currently active in bringing in new approaches to enable people to get their rent accounts into payment in advance, working with credit unions to look at Jam Jar accounts and checking alternatives for households that may be affected by the under-occupancy rules.

10.3 The significant reductions in benefit awards (capping and under occupancy) and single monthly payment of UC direct to benefit recipients (without a breakdown of what the single payment is for) may well result in more households falling into rent arrears, which will affect the finances of social housing landlords. If this results in increased homelessness, then there will also be additional financial pressures on local authorities.

10.4 The direct payment pilots are critical to understanding how UC will work and the role to be played by Local Authorities. We understand that the evidence so far suggests that communication and effective engagement with tenants is important and findings suggest that a range of communication methods may be required to inform tenants of changes to welfare systems and how they might be affected. We do have concerns

about the lack of time for the findings from the UC pilots to influence the implementation of the new UC system.

January 2013

Written evidence from London Borough of Camden Council

1. IMPACT ON RESIDENTS

1.1 Our latest analysis shows that 761 households in Camden will be affected by the Total Benefit Cap from April. Below is a table showing the number of households affected for each tenancy type, and the estimated weekly reduction in their benefit as a result of the Cap:

<i>Tenancy type</i>	<i>No: affected</i>	<i>Average weekly loss</i>
Council	167	£82.97
RSL	135	£69.75
Private—LHA	320	£89.27
Private other	30	£89.79
Temporary	109 (of which 70 placed out of borough)	£141.44
Total/overall	761	£91.34

1.2 Across the borough, 42% of households affected by the Total Benefit Cap are in the private rented sector, so it seems likely that there will be increased demand for private rented sector housing at the lower end of the market, as affected households seek cheaper accommodation. For many of them, and including some in the social rented sector where rents are already much lower than the LHA, a move out of the borough seems the most likely outcome.

1.3 In Camden, nearly 80% of the affected households have children. The total number of children affected is 1,887 (about 4% of all children in Camden), with an average loss of benefit per week of £107 per household. 58% are in households with four or more children. This means current living arrangements are unlikely to be sustainable for most. The number will be higher for all Camden residents, as some send their children out-of-borough. Primary schools will very much be at the front-line coping with change, and already some are instituting breakfast clubs for low income households seeking, on reduced weekly incomes, to stay in their local area.

1.4 We predict that the proposed cut housing support for under-25s in Camden would see over 925 young people claiming housing benefit impacted. The largest group are young people in council housing, many of whom are vulnerable or were previously in care, or have succeeded tenancies from their parents after caring for them. 320 of Camden under-25s supported in this way are single parents with young dependents. For young people who have lost parents, but remain in the area, these new changes could uproot them from their neighbourhood, and for vulnerable people getting settled after trauma this would be another unwelcome change.

2. LOCAL MITIGATIONS

2.1 Jobcentre Plus has written to all the affected claimants three times to offer advice and support, and are now considering visiting those who have not so far engaged with them. Linking to this, the Council has a joint visiting team of Benefit and Housing officers and are now establishing contact with everyone to explain what is going to happen.

2.2 A number of the affected households have already had a Local Housing Allowance Cap and have already been visited by council officers. We have had some success in helping people to re-negotiate rents with their landlords, sometimes for a limited period. We have also helped some families to find cheaper, suitable alternative accommodation and have helped with removal costs and deposits. 449 clients have been supported since January 2012. Of these, 204 (45%) have been resolved as follows:

- For 66 families, council has negotiated with landlord to reduce rent to capped level, with judicious use of DHP & HPF payments.
- 26 households supported to move to more affordable accommodation, generally outside the borough.
- Six families have approached another LA.
- 69 families have successfully bid for social housing (although often for homes that are slightly smaller than their assessed need).
- 13 families are making up shortfall from other income.
- 19 families moved of own accord (although some to overcrowded accommodation as a stepping stone to a bid for social housing).
- Five families have made statutory homeless applications.

2.3 However, the position for those who will be affected by the total Benefit Cap is bleak and the opportunity to find cheaper affordable accommodation for them is very limited. The only way for them to avoid the Cap is to find work but officers are reporting that, in the majority of cases the claimants are very far from work ready. The Council is actively working with Jobcentre Plus to see what can be done to increase skills and job opportunities for these people.

2.4 We are working very closely with local advice agencies as part of the Camden Advice Partnership. This is an important network through which we can share timely information on the effects as the changes are implemented, reaching residents that we are finding difficult to engage, and ensure that people get the welfare, housing and debt advice they need. The partnership is a mix of internal and external advice providers working together to achieve a more strategic, integrated “one borough” approach to advice provision. The Council has signed up to a seven year commitment with our partners, and remains one of the largest funding authorities in the country.

3. WORK WITH DWP AND DCLG, AND GUIDANCE

3.1 In Camden, we have effective and close working arrangements with our local Jobcentre Plus, overseen by the District Operations Manager who is an active member of our welfare reform steering group.

3.2 At a national level, we have been frustrated with the limited and late information coming from DWP and DCLG relating to administration and new burdens funding, for instance: the last minute changes to additional funding for Council Tax Reduction Scheme, and late information on the Social Fund. This has delayed our ability to finalise the size and shape of the Council Tax Reduction and Social Fund schemes we want to put in place.

3.3 There has been limited information available for the Council in determining the impact of the welfare changes and how we can help manage them, during a time of significant funding cuts for local authorities. For instance, detail on the roll out of Universal Credit has not been sufficient for the Council to plan Housing Benefit staffing for the period 2013 to 2018, or to plan mitigating actions such as encouraging tenants to pay by direct debit or ensuring sufficient staff to tackle increases in rent arrears.

4. FINANCIAL RISKS TO LOCAL AUTHORITIES

4.1 The statutory duties on local authorities to support vulnerable residents will place the Council under considerable financial pressure with the introduction of these welfare changes. At the moment, there are 667 households in temporary accommodation in Camden. We expect a surge in the number and cost of these households from April 2013 as the total benefit cap is implemented and the private rented sector becomes more difficult to procure. This is particularly true for larger families. Whilst we can support people in the short term, for instance through the strategic use of Discretionary Housing Payments, we do not have the means to support everyone.

4.2 The changes also present a significant risk in terms of our ability to collect rent and Council Tax, as residents risk falling into arrears despite our best efforts. With the introduction of Universal Credit and benefits going directly to a single householder rather than paid to the Council directly, there is a risk that for some households little or none will be paid. The Council currently receives £86 million in rent rebate, and £27 million through Council Tax Benefit each year.

4.3 We believe, subject to further detail, social landlords are also bound to face losses. This will have a knock-on impact on local authorities if eviction rates go up, and we find we have a duty to rehouse people in priority need.

4.4 Transition to PIP and Universal Credit following on from a range of benefit changes will significantly increase the requests for advice and assistance to the Council and our advice partners. There are no additional resources for this increased pressure on the Council and on voluntary sector partners funded by the Council. We are already seeing the effect of this with changes to Employment and Support Allowance and Disability Living Allowance. For instance, last year, the Supporting Council Tenants Team had 78 benefit appeals with 100% success rate for ESA, and 98% success rate with DLA. Our advice partners are also reporting a near 90% success rate in appeals they support.

4.5 Finally, there is as yet no information on what resources local authorities will be allocated to support the rollout of Universal Credit, as it seems likely that we will be expected to help support residents with the online interface. We are already, though our digital inclusion strategy, looking at what we can do to support residents who have not had or wanted in the past to use computers. This will take considerable resourcing.

5. THE COST OF LIVING IN CAMDEN

From the Equality Taskforce evidence base: www.camden.gov.uk/equalitytaskforce

5.1 Camden’s Equality Taskforce has sought to explore the following question—how much do you need to earn to live in Camden?

5.2 They have calculated socially acceptable incomes for four household types based on the national Joseph Rowntree Foundation's Minimum Income Standard (MIS) adjusted for Camden in key expenditure areas of housing, childcare and travel. It assumes that parents work full-time and has been calculated separately for private rented and council housing costs to reflect the large disparities between the two in the borough. A couple with two young children need £1,040 a week to achieve a socially acceptable income while working full-time and renting privately in Camden and a lone parent with one child aged under one would need £775. This is 50% more than the national Minimum Income Standard. See the table below for details.

MINIMUM INCOME STANDARD FOR CAMDEN FOR FOUR HOUSEHOLD TYPES AND THE INCOME NEEDED TO ACHIEVE IT

Household type	National MIS	Camden MIS—private rent	Camden MIS—council rent	Gross annual income from employment needed to achieve the MIS in private rented sector (after universal benefits)	Gross annual income from employment needed to achieve the MIS in council property (after universal benefits)	Median household income in Camden 2012 ¹
Single working age	£262.25	£327.74	£246.66	£17,042.40	£12,785.65	£32,625
Couple pensioner	£308.91	£561.59	£306.97	£4,288.72	-£1,099.28	
Couple, 2 children (1 aged 2–4; 1 primary school age)	£685.04	£1,037.96	£695.04	£69,350.28	£41,925.01	
Lone parent, 1 child aged 0–1	£502.80	£775.75	£521.14	£56,057.81	£33,050.89	

Table Note:

¹ Source: CACI Paycheck 2012 data

5.3 We have also calculated the gross annual income from employment (or a private pension) needed to achieve the MIS in Camden, after universal benefits. In the private rented sector, a couple with two young children would need to earn £69,000 a year and a lone parent with one child aged under one £56,000. The national figures would be £34,000 and £25,000 respectively, about half the amount. The level of income needed in Camden would mean that the families wouldn't qualify for housing benefit and it is far higher than the actual median household income in Camden (£32,625). In fact, both household types would need to be above the 80th percentile of household income in Camden to achieve the MIS.

5.4 Furthermore the incomes needed for the two household types with children to live in council accommodation are still higher than the median household income. This is because while housing costs are clearly much lower in council properties (about a quarter of the market rate for a two bed flat), full-time childcare costs are another major expense.

January 2013

Supplementary written submission from the London Borough of Camden

Thank you for inviting me to give oral evidence to the committee on behalf of the London Borough of Camden on 7 January 2013.

As I set out in my evidence, the council is deeply concerned about the scale and speed of implementation of the welfare benefit changes and their individual and cumulative impact on the most vulnerable residents in Camden. As the Council we are doing everything within our power to provide advice and support to people which, as well as encouraging and working with them to find employment, means finding alternative suitable and cheaper accommodation where appropriate.

I explained to the Committee that one of our main concerns is the different advice being given by the Department for Work and Pensions from that of Communities and Local Government and I would like to take the opportunity to emphasise this point.

As was set out to the committee, there is less and less affordable privately rented accommodation in London for people on benefits and a limited supply of social housing. In advance of the introduction of the Total Benefit Cap, we are working with people to identify cheaper accommodation and this is increasingly not in Camden or indeed in central London. We also need to think very carefully about where we place families we have accepted as statutorily homeless to avoid putting them into accommodation where the rent will not be covered by Housing Benefit.

The advice from CLG is that people should be housed within the borough to discharge our statutory duty whilst DWP is clearly saying that people need to move to areas of the country where they can afford the rent. These conflicting policy lines are putting all London Councils in the very difficult position of either placing people outside the borough where rents are lower and facing a judicial review of those decisions or keeping people in the borough and accepting that they will not be able to pay their rent. In both cases, the tax payers in the borough will be picking up the financial cost.

I would ask that you and the panel give this matter urgent attention and would be grateful for any pressure you could bring on the two sets of Ministers and officials to reach an agreed position.

Thank you for taking the time to consider this.

January 2013

Written evidence from Thanet District Council

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement welfare reform?

Our experience would suggest a lack of joined up working between the two departments and a lack of focus on the overall impact of a raft of different reforms on the customer. Housing Benefit, Social Sector Size Criteria, and the introduction of local Council Tax Benefit all come at the same time in April 2013. Couple this to the launch in some areas of Universal Credit arrangements and we would have welcomed much closer working between the different agencies and a recognition that there will be impacts such as increased debt/hardship, homelessness etc resulting from the changes.

We would very much welcome a multi-disciplinary team who could review the overall impact on the customer.

Is the guidance available to Local Authorities from Central Government on implementing welfare reform adequate? Are there areas where more or better guidance is required?

We would appreciate a better information flow. For example, recently the Minister for Welfare Reform announced to the select committee that temporary accommodation claims for management costs would be

rolled into Discretionary Housing Payments (DHP), which seemed to be news to his own department, as well as a shock to local authorities.

Is the Government's timetable for Welfare Reform Achievable?

Based on current evidence the answer would be no. It appears that very little of what the Government plan to do is even close to ready, this includes IT infrastructure, lack of clarity over how certain claims are to be dealt with, scepticism towards the online claim expectations, data sharing and cross-working between DWP/HMRC/LAs etc.

The implementation plans for Universal Credit are already being diluted on a regular basis. From a starting point of "all claims from unemployed people will go onto Universal Credit from October 2013" we are now in a position where we are being told that very little will change for Local Councils in 2013–14. Furthermore, the milestone for including low wage earners with HMRC RTI interface seems incredibly optimistic, considering the logistical problems this raises.

This provides real uncertainty. DWP will be managing Universal Credit but not TUPE-ing Local Authority staff. Due to the need to manage potentially substantial redundancy costs, this leaves Councils with real management issues (such as the use of short-term contracts whilst the timetable slips) and the potential for significant redundancy payments at times which are not yet clear.

Are Local Authorities being allocated sufficient resources to deliver services such as Localised Council Tax Support and advice to claimants on Universal Credit?

Given the Government reduced funding for this new Localised Council Tax Support scheme alone by approximately £2.2 million, it is not felt that Local Authorities have been allocated nearly sufficient resources to deliver these services, leave alone offer advice to claimants on Universal Credit. In order to mitigate the effects of these changes we have had to reduce benefits for working age people by between 5% and 6%, remove the 10% "second home" discount, remove the exemption for empty and unfurnished properties and discontinue Second Adult Rebate for working age claimants.

Although these measures have been put in place to minimize the risk to the most vulnerable and those on the lowest incomes as far as is possible, it must be recognised that people will face additional financial burden and hardship which in turn will cost local authorities in a number of ways, including debt recovery, debt write-offs and the associated court costs, homelessness and the need to re-house, temporary accommodation provision and payment thereof. The additional financial burden on a wide range of council services will cost.

Are there financial risks to Local Authorities from Welfare Reform changes? Are such risks being adequately addressed?

This follows on from the point above. There are huge financial risks to Local Authorities. The loss of reduction of subsidy claims for the administration of Housing Benefits, shortfall as a result of the Localised Council Tax Support Scheme, an increase in demand on a wide range of Local Authority Departments (Housing, Housing Options, Council Tax, Community Safety, Community Development etc). There is a real concern that the "national" savings from Welfare Reform will never materialise as the costs will simply be shunted elsewhere through increased pressure on Local Authority departments as outlined above—for example through bad debts and redundancy payments to long-standing Local Authority staff (payments made from the public purse).

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

This is not an easy question to answer, however, a recent BBC article shows the Welfare to Work scheme has achieved a 3.53% increase as opposed to the Government's 5.5% target. This is significantly under target and does not bode well for the future.

What evidence is there that Local Authorities are able to use effectively existing services or contracts for the delivery of new local Social Fund Schemes?

Kent County Council are delivering this in Kent and District Councils are resisting the transfer of powers to them.

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimant?

This duplication of work is only going to confuse customers. By confusing the customer this generates additional, avoidable contact which increases the cost/burden on the local authority. It also duplicates the work. At the moment there is one form for one process which is dealt with in one transaction. In the future (when Housing Benefit moves into Universal Credit) there will need to be two separate assessments made by two different organisations, it is a struggle to see where the financial saving is to be made here. Furthermore, Universal Credit and Localised Council Tax Support will have two distinct appeal systems with different processes and potentially different decisions, further confusing and negatively affecting the claimant.

How significant an issue is Housing Benefit fraud under the proposed new system and what measures are being taken to address it?

Fraud is a major issue in the proposed new system. With no way of cross-referencing properties against the local property database the system is left wide open for multiple, fraudulent claims at the same address, especially in Houses of Multiple Occupation (HMOs). The lack of a property database within the Universal Credit system is a major failing, one that Local Authorities have been raising with the Department for Work and Pensions for at least three years. With the verification of certain documentation no longer being required this also leaves the proposed new system open to fraud.

With a centralised hub dealing with claims nationwide, you begin to lose all the acquired local knowledge that Local Authorities have, which has been proven, time and time again, to be a crucial tool in fighting benefit fraud.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

Based upon the information we have been given, sufficient safeguards are not in place. The direct payment of benefits directly to claimants is likely to result in arrears/non-payment of rent, as has been proven historically, which will cause significant financial harm to social landlords in the obvious, direct sense. Moreover, they will then have to endure further financial burden trying to reclaim that money (legal costs, staffing costs etc). In the long term, it may also affect social landlords' ability to borrow money to build new property as that "guaranteed" income they currently receive from Housing Benefit departments will simply no longer exist.

January 2013

Written evidence from Blackpool Council

CONTEXT

Blackpool has a large deprived population and is currently ranked the 6th most deprived authority in England under the Indices of Deprivation 2010. Poverty is also a significant factor; data released by HMRC based on the 2010 figures show that child poverty in Blackpool increased (from 29.5% to 30%) while for England and Wales it decreased over the same period (from 21.4% to 20.7% for all children).

In light of the above, welfare reform is anticipated to have a huge impact on Blackpool's residents, the table below shows that across all benefit groups Blackpool has substantially higher proportions of claimants than England as a whole. This is likely to mean Blackpool will experience a greater local impact than many other authorities as a result of changes to welfare provision.

<i>Benefit</i>	<i>Blackpool (n)</i>	<i>Blackpool %</i>	<i>England %</i>	<i>Population</i>	<i>Date</i>
DLA	13,390	9.4%	5.0%	All	Feb-12
Income Support	6,120	6.9%	3.7%	Working Age	Feb-12
JSA (income based)	5,300	5.9%	3.2%	Working Age	Feb-12
ESA (income based)	12,460	14.0%	7.7%	Working Age	Feb-12
Housing Benefit	20,890	17.9%	10.0%	16+	Aug-12
Tax Credits	18,100	28.1%	21.7%	Households	Apr-12

Source: DWP and HMRC

1. How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

Both government departments are simultaneously introducing changes to the welfare system that have far reaching implications for the local authority, both in terms of implementation and impact; the nature of these changes would suggest that the DWP and DCLG are not working together effectively.

Local authorities are faced with implementing numerous changes for example; localising Council Tax support, Social Fund, and changes to Local Housing Allowance. It is the volume of these changes and additional work associated with implementing them that is a problematic and unrealistic expectation from government. In particular, having to implement them from existing resources will inevitably put pressure on how effectively services are delivered and how well the changes are implemented. At the same time local authorities are preparing for the introduction of Universal Credit and Personal Independence Payment and the impact that this will inevitably have on residents and knock on effect to the authority.

2. Is the guidance available to local authorities from central government on implementing welfare reform adequate? Are there areas where more or better guidance is required?

The guidance that has been made available to local authorities on implementing welfare reform is generally inconsistent. In some areas it is sufficient for example; information on changes for under occupancy is

sufficient, however there is no information about how Council's will be audited to ensure that the changes have been implemented.

In other areas the guidance provided is inadequate, for example with regards to the Benefit Cap. It will be up to local authorities to implement the cap to start with but customers will still continue to receive other excess income until Universal Credit is introduced. This is contradictory and puts further pressure on local authorities as implementation will appear to be piecemeal with local authorities ensuring the cap is applied but DWP not doing so. While we wish to pro-actively assist customers, links with Job Centre's who are dealing with customers affected by the Benefit Cap customers are poor and we will not be in a position to signpost customers unless better relationships are established.

The plan to send benefit cap details via ATLAS is also inadequate as some local authorities already have significant backlogs in this area which means that there is the real possibility that cases will not always be picked up in time. It is anticipated that this will be the same for Universal Credit where STOP notifications for Universal Credit claimants to end HB are also planned to come through ATLAS.

Blackpool Coastal Housing—the arms length management company for the social housing stock have commented that there is very little guidance available directly and there is no central point for information for social landlords. They have searched for information including obtaining information from other sources scanning the changes, such as HQN/Landlords Information Network.

They also state that they have not received any information from DWP with regards to how direct payments to vulnerable applicants will be managed, and what the agreed criteria for direct payments to landlords in certain circumstances will be. They have received no guidance regarding how direct payment to landlords for tenants in arrears will be managed.

BCH advise that they have heard from other sources that the Government have commenced a procurement exercise within the banking industry for so-called jam jar accounts, but have had no direct information about this, how we can access it and progress made to date. They have many questions about Welfare Reform but have been told that as an organisation providing housing services to local authority tenants, we should not have a direct relationship with the Department of Work and Pensions.

3. Is the Government's timetable for implementing Welfare Reform achievable?

The timetable for implementing Welfare Reform is extremely challenging but local authorities have a long history of introducing change on time and changes from April 2013 will be done on time. The speed of reform will have a greater impact on customers (do they really know what's coming and how they will be affected?). More time would enable better preparation and communication of changes to customers.

Given that Universal Credit is due to be introduced in less than a year and timescales are being adhered to, the number of customers in pilot projects and the initial "go live" phase now seems to be minimal, which when compared to the introduction of Local Housing Allowance is insufficient and inadequate.

Local authorities were expecting customers to start migrating onto Universal Credit in October 2013. It appears now that this will only apply to "some" claimants in "some" areas now. It is unclear which types of change in circumstances will trigger a transfer onto Universal Credit and how will the authority know if someone moves into the area who has already claimed Universal Credit elsewhere for example, in a pilot area in order to refer them to JCP? Hardly an approach that we are able to plan for!

Local authorities are already seeing a migration of Housing Benefit staff due to the introduction of Universal Credit. If this continues and the timetable for Universal Credit slips, there is the real possibility that authorities will not have enough resources left to deal with residual work.

Blackpool Coastal Housing anticipates that the implementation will happen on the timescales we have been given, however is concerned that all the changes are happening almost simultaneously and the implications on social landlords and tenants are not being taken seriously. If there is likely to be slippage in the timetable this needs to be communicated as soon as possible to ensure that business plan projections can be amended accordingly and debt headroom forecast as accurately as possible.

4. Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

Local authorities have been allocated enough resources to deliver localised Council Tax Support. However there are insufficient resources, lack of information on funding and notably a lack of clarity on the role of local authorities with regards to Universal Credit.

5. Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

The introduction of PIP will potentially lead to a reduction in income for local authorities as people are transferred from DLA and their net disposable income reduces in turn placing an additional financial burden on Social Services departments.

Once Universal Credit is introduced and the authority no longer deals with Housing Benefit claims, there may be a reduced incentive for people to notify us of where they are living, leading to increased issues and problems regarding the collection of Council Tax.

Recovery of overpayments remains with the authority but as yet there is little information about rates of recovery from DWP benefits or data sharing protocols therefore we may have an increased administrative burden to collect monies.

Localised Council Tax Support may have a negative impact on Council Tax collection rates as people are unable to manage with the additional expenditure when budgets are already stretched and they begin to feel the impact of other reductions to their income as a result of welfare reform.

There are also significant risks to the local authority Housing Revenue Account. In particular, the direct payment to claimants of the Housing Credit element of Universal Credit means that our income stream is at risk. This could negatively impact on our ability to effectively deliver services, leading to service reductions and a risk that the housing stock falls into non-decency again.

Our social housing tenants include the most chaotic individuals within the community, suffering a variety of vulnerabilities from physical disabilities, social isolation, mental health issues, learning disabilities and substance misuse. The move to direct payments means that some of the least able people to cope with these significant changes could potentially face eviction and further poverty.

Other support services to help these individuals deal with an increase in homelessness and other social problems are required, but we are at a time when such services have received drastic cuts. At the time of these significant changes, the Council has faced and continues to face cuts in its general funding, including the cuts that will arise from moving from Council Tax benefit to a locally administered scheme. Undoubtedly, the pressures on Children's and Adult Services and other support services will increase at a time when they are least able to deal with them.

The risks described above are not being sufficiently addressed by the DWP or DCLG.

6. What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

Unless or until the job market within Blackpool improves, there will always be a shortfall of employment opportunities within the town, and no amount of Welfare to Work schemes will be successful in improving the ultimate outcome of reduced worklessness.

7. What evidence is there that local authorities are able to use effectively existing services or contracts for the delivery of new local Social Fund schemes?

There is less money to administer and fund Crisis Loans and Community Care Grants therefore the same level of support cannot be offered and new services and contracts will have to be commissioned, however we will be able to continue with some existing services but this will be in an adapted way.

The numbers of welfare benefit advice providers has reduced and therefore signposting of customers for additional help will fall on the community and voluntary sector bringing further implications for already stretched resources.

8. How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

Once Universal Credit is introduced, it is clear that local authorities will not get a breakdown of the components of an individual's claim and will therefore need to ask the customer to provide their initial Universal Credit entitlement letter in order to be able to remove housing costs from the UC award to establish the amount to be used for LCTS. This will potentially increase the length of time it will take for a claim to be made and processed and in some cases customers may no longer have their entitlement letter.

It is highly likely that customers will be confused about who to contact, what to provide and where to go depending on whether a local authority area has started Universal Credit or not, despite the best efforts of the authority. Customers will need to provide evidence of claims to both the DWP and the local authority; this is contradictory to the ethos of reducing avoidable contact, a DWP initiative.

Claimants have been used to both benefits being administered in the same way for many years. How will they react when a claim for Housing Benefit can be backdated but there is no such provision under LCTS? One will be a DWP benefit, the other will not. Will claimants really understand the difference in how the schemes are administered?

9. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

The significance of housing benefit fraud as an issue is unknown at the present time. There is a lack of detail as to how legitimate tenancies will be validated by the DWP. It should not be underestimated that the loss of local knowledge will probably lead to an increase in fraud.

10. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

The Direct Payment demonstration projects relate to such a small number of social sector tenants that the full impact of the change will not be understood until the introduction of direct payments. Lack of a random approach to picking customers to trial direct payments will lead to biased results.

Social landlords will potentially be faced with tenants getting less Housing Benefit due to under-occupancy, which is a major problem with the lack of affordable homes; as well as potentially less in LCTS than Council Tax Benefit, this is likely to create problems regarding collection of rent and Council Tax and increased arrears.

Blackpool Coastal Housing does not think that sufficient safeguards are in place and identifies their income stream as at significant risk as claimants have not been prepared adequately, or risk assessed to how well they can cope with managing such large amounts of money received directly.

Payment of the amounts one month in arrears will exacerbate the difficulties. Tenants may spend their rent money on other things, and this may be exacerbated by loans taken out at punitive interest rates. If we have a reduced income, then providing the housing and maintenance service will become unaffordable, homes will fall into disrepair, and housing services which are in some cases bridging the gap caused by reduced funding in other provision will also disappear.

In addition the impact of direct payments without safeguards on private landlords should not be underestimated. There is a potential for a reduction in available housing as landlords leave the market, which could in turn put additional pressure on local authority housing options and homelessness teams.

A broader impact of welfare reform for Blackpool is the impact on the private rented housing market and although the most significant changes taking place now are to tenants in social rented housing, there will still be significant adverse effects on landlords' cash flow; this will discourage landlords from letting to people on benefits where they have alternative options. In some areas, like inner Blackpool, the "market" is dominated by landlords letting to people on Housing Benefit, and it is to these areas that people on benefits will be forced to migrate when they cannot find suitable accommodation in other areas. This further exacerbates concentrations of poverty and economic under-performance. The adverse effects on cash flow will be caused by:

- Longer periods between benefits payments to tenants.
- Likely reduced proportions of tenants for whom housing elements of benefits are paid direct to landlords where tenants are classed as vulnerable.
- Less ability to contact benefits administrators to resolve problems when the administration is carried out remotely by DWP rather than locally by local authorities.

The change that took place early in 2012 to only pay LHA Single Room Rate to single people under 35 (instead of under 25) has reinforced demand for houses in multiple occupation that are concentrated in coastal resorts, and especially in Blackpool. The local authority is working hard to reduce the supply of HMOs and achieve a more balanced housing supply from conversions of former guest houses, but this change works against these key local priorities by bolstering demand for the unacceptable accommodation that we're seeking to remove.

Blackpool Council has argued for years that the calculation of LHA across very large Broad Rental Market Areas, and only in relation to the small minority of private rented properties that are not let to people on benefits, artificially increases benefit rates and therefore returns to landlords letting accommodation at the bottom of the market. This is a situation that is particular to deprived northern areas where most of the private rented sector is focussed on benefits claimants and poor urban areas have a markedly more affluent suburban and rural hinterland, but shows how benefit levels should be set to meet local housing costs and not based on broad assumptions across large areas. The move to Universal Credit makes local sensitivity even more difficult to achieve, and is therefore likely to further distort the market, leading to some areas where benefits claimants cannot afford to live (in the suburban/rural parts of housing markets) and further concentrate poor people in urban areas dominated by private renting to people on benefits.

If Universal Credit sets benefits to meet housing costs on an even wider basis—for example whole regions—then there will be displacement of people from more affluent areas to poor areas.

It is clear that people on benefits will not be able to afford to live in the most expensive parts of the country—for example many areas of London—and there is likely to be a much wider displacement of people on benefits from one part of the country to another. Blackpool has a long history of people who are not economically self-supporting migrating into the area because it is well known and attractive, and has a large supply of former guest houses that have converted into accommodation let to people on benefits. Again, this

will reinforce demand for the worst accommodation that just meets minimum standards but is unattractive to all but the most desperate. This is the accommodation that the Council and local residents want to see property owners converting to higher quality and more varied uses.

It is also anticipated that welfare reform will lead to increased child poverty in Blackpool. The benefit cap of £500/week for couples and £350/week for single parents will have the greatest impact on large families, while the LCTS will mean that families will have an additional bill to pay where they were previously entitled to Council Tax Benefit. The proposed move to monthly payments will cause problems for some families who may find that there is simply not enough money to effectively budget for a longer period of time, especially if there are existing debt issues.

Child poverty has already seen an increase as mentioned at the beginning of this report and the culmination of these and other changes to be implemented over the coming months are likely to make a bad situation worse for vulnerable families at a time when wider local authority support services are also being reduced.

January 2013

Written evidence from The Welfare Reform Club

ABOUT THE WELFARE REFORM CLUB

1. The Welfare Reform Club was founded by three experienced experts in welfare policy and its implementation.

- Paul Howarth retired in October 2011 after 38 years working for the DWP where he was responsible for Housing Benefit, Council Tax Benefit and Support for Mortgage Interest. Paul has a detailed insight into the relationship between central and local government; he helped to transform the relationship with local authorities through better engagement and communication.
- Malcolm Gardner has worked as a manager and a consultant for local authority revenues and benefits departments since 1996 and has successfully transformed several revenues and benefit teams into smarter services, offering real value for money.
- Deven Ghelani is one of the architects of Universal Credit. He has worked on it since its inception at the Centre for Social Justice, where he leads on welfare, employment and public spending policy. He has also published several books on these subjects. He has a background in consultancy and supports the implementation of policy through the Welfare Reform Club.

2. With over 40 local authority members, and commissioned work with local authorities on the Universal Credit pilots, and on council tax support schemes, the Welfare Reform Club is ideally placed to assess progress on welfare reform implementation. The Welfare Reform Club is dedicated to help local authorities plan for, and understand the impact of, proposed changes to the welfare system, primarily the introduction of Universal Credit and its interaction with local welfare support through changes in housing and council tax support, and the social fund.

3. The Welfare Reform Club has three core objectives:

- To promote local delivery of welfare reform where appropriate and support local authorities deliver the reforms.
- To help local authorities engage constructively with central government on welfare reform.
- To help central government to make better policy decisions, through better communication with local authorities and a clear, evidence-based understanding of the impact of policy changes at a local level.

4. We would be happy to provide further assistance to the Select Committee if required, or to give evidence in person to the Committee.

GENERAL IMPLEMENTATION CHALLENGES

5. Universal Credit is a radical re-casting of the benefit system, shaping it into a system that supports positive decisions in the lives of recipients. These decisions include in particular: to move into work, to progress in work and to take steps toward independence.

6. Our understanding is that the broad principles of Universal Credit retain cross-party support, and are backed by welfare rights groups and of the majority of the British public. Those with experience of the current welfare system want a simpler, more accessible system.

7. It is critical that the implementation of Universal Credit is properly scrutinised. A change on the scale of Universal Credit will undoubtedly raise concerns and create uncertainty. Citizens and welfare organisations will want to know how it will affect them. And there will undoubtedly be difficulties in the implementation of Universal Credit, and legitimate questions asked about the decisions that were made along the way.

8. However, we firmly believe that the implementation challenges can be overcome, through the full co-operation and commitment of central government departments, local authorities and other local stakeholders.

The implementation challenges should not derail a fundamental reform of the benefit system that is long overdue.

9. In our view, Universal Credit will succeed only if its structure remains reasonably simple. In bringing together four income-related benefits with tax credits, Universal Credit is a major simplification of the benefit system.

10. However, it cannot possibly cater for every individual circumstance without becoming just as complex as its predecessors. So there is a vitally important role for local authorities to help develop solutions to the challenges that this raises.

11. In order to keep Universal Credit relatively simple, local authorities will inevitably need to provide more discretionary help, with cash-limited budgets, for those with exceptional and unusual requirements.

12. This means having the systems and processes in place to be able to manage this discretionary support effectively. This presents another implementation challenge; but if it is not recognised, and does not succeed, it will put implementation of Universal Credit at risk as well.

13. Local authorities also have a very important role in the delivery of Universal Credit itself. Apart from handling the transition (particularly from Housing Benefit to Universal Credit), local authorities will be the key provider of face-to-face support for those people who need it.

14. This could well be a bigger task than the central departments currently planning for, particularly in the early days, so it will be vital that local authorities are appropriately resourced and that they have access to the Universal Credit data needed to provide helpful and accurate advice to the customer.

15. This is particularly true of the housing element of Universal Credit. Whilst we support in principle the integration of Housing Benefit into Universal Credit, its delivery by local authorities from 1982 until now has facilitated close links with local authority housing departments. It will be important to develop new effective links between those responsible for the delivery of Universal Credit and those responsible for housing strategy and the delivery of local services.

16. This means that central departments must work closely with a range of partners, particularly local authorities. They are doing some of this but could do more—delivery of Universal Credit is a partnership and all partners need to work effectively together. To be truly effective, this may mean giving local authorities a more active role in the administration of Universal Credit.

SPECIFIC IMPLEMENTATION CHALLENGES

17. This response focuses on specific challenges to the design and implementation of Universal Credit and local welfare schemes:

How effectively are the DWP and the Department for Communities and Local Government working together to implement welfare reform?

- There is a lot of liaison taking place, and a clear recognition of the need for close working between the DWP and DCLG.
- However, the two departments inevitably have different perspectives. The main difference focuses on central versus local service delivery. Also, the departments need to respect decisions that have been made, for example on localisation of council tax support, and concentrate on effective implementation of the agreed Government position. If policy disagreements re-surface, implementation of welfare reform will be severely hindered.

Is the guidance available to local authorities from central government on implementing welfare reform adequate and are there areas where more or better guidance is required?

- There is a limit to the amount of guidance that should be provided in a localised environment. Many local authorities have proposed significant policy changes in their council tax support schemes, partly to reflect local circumstances. Central departments need to trust local authorities to make the right decisions.
- In any case, central departments cannot provide guidance on every possible local policy, nor should they, even though local authorities are used to receiving direction from central departments and may struggle most where they have been asked to take on new responsibilities and need to come up with new designs.
- Rather than guidance it may be more helpful, particularly for smaller authorities, to co-ordinate best practice, something the Welfare Reform Club are facilitating through our work with leading local authorities.
- That said, central departments have provided a good deal of advice, guidance and statements of intent, some very helpful, some less so.

- For example, one point where more advice might have been provided is on how to make the 10% cut in council tax support schemes. The inference is that DCLG would prefer local authorities to adopt the default scheme, with no cuts, and find the resources to fund the gap from elsewhere. This is not very helpful, as those local authorities who have decided they have no option but to implement the 10% cut in their scheme are left with no pointers on the best way of protecting work incentives in these circumstances.

Is the government's timetable for implementing welfare reform achievable?

- The Government has allowed four years for the transition to Universal Credit, so in theory it should be achievable. However, this assumes no delay to the planned implementation timetable. There is a risk that the main part of the transition will be crammed into the latter part of the four year window. Central departments may have underestimated the complexities of Housing Benefit and this may yet prove problematic.
- Central departments will need to work effectively with local partners to achieve successful implementation.
- The timetable for council tax support schemes is very stretching and many local authorities have concluded that they can implement only an interim solution from April 2013.
- Delays, even within the constraints of the existing time frame, could have a financially detrimental effect on local authority budgets, as it will be difficult to plan for appropriate resources and enter into cost-effective contracts with software suppliers.

Are local authorities being allocated sufficient resources to deliver services such as localised council tax support and advice to claimants on Universal Credit?

- Overall, almost certainly not (although some local authority budgets will be decided later this year).
- It is very likely that the local authority contribution to the successful delivery of Universal Credit will be a bigger task than central departments currently envisage. Funding is by no means the only issue (for example there are gaps in information and expertise) but it warrants careful examination. This is a clear DCLG responsibility, in conjunction with Treasury.
- Local authorities will need to find ways to overcome gaps in resources as well, with respect to staff and expertise as well as funding. This comes at a time of challenging financial constraints and reductions in skills, as local authority staff are being made redundant or being redeployed.
- The Government envisaged a skills transfer to the private sector, and that the private sector would also be picking up public sector work. However, the reality in many areas is that public sector skills are being lost as former local authority staff move to different types of employment in the private sector.

Are there financial risks to local authorities from welfare reform changes and are such risks being adequately addressed?

- The main risk is that local authorities will find that they have to do more than currently planned in order to help deliver welfare reform. In particular, local authorities are devoting a lot of resources to designing council tax support schemes. This is a new responsibility, so they have either to develop new skills quickly or buy them in. With a tight timescales and uncertainty over information available from central government, this presents a significant financial risk. The 10% cut in council tax support budgets could easily backfire.
- There is some evidence that local authorities are shedding staff with skills in delivering revenues and benefits services. This is unlikely to be very prudent in the short-term.
- Central departments need to be alive to these risks and be prepared to act quickly if necessary.

What impact have welfare to work schemes had, or are likely to have, on the numbers of benefit claimants?

- Latest results clearly show that there is more work to be done. The sound principles behind the Work Programme are not yet working effectively in practice. The latest statistics tend to suggest that the existing schemes are not as effective as they could be.
- Local schemes, which see partnering between local authority and local business groups, underpinned by a national scheme, are likely to deliver better opportunities to get people back into work.

What evidence is there that local authorities are able to use effectively existing services or contracts for the delivery of new local social fund schemes?

- Local authorities have put a great deal of thought and effort in creating local schemes. Some authorities have chosen to reinvest the funding into existing support schemes, therefore targeting known vulnerable families, while other such as Wolverhampton, have developed schemes that make full use of local providers and third parties to create a cashless financial support for families in crisis.

How will the separation of the administration of council tax benefit and housing benefit affect claimants?

- The local administration of council tax support provides a very clear case for sharing information between DWP and local authorities in order to achieve the broader aims of simplifying the administration of benefits and enhancing work incentives.
- It may cause some difficulty for customers in the short-term as they will be used to having Housing Benefit and Council Tax Benefit processed together.
- It will take time for people to appreciate that their housing costs will in most cases be included in their Universal Credit. Effective communication will be vital.
- The biggest risk is that the drivers for council tax support and Universal Credit may be different if local authorities do not have shared ownership of Universal Credit delivery. Council tax schemes may work against Universal Credit and create a disincentive to work. If local authorities were more involved in the delivery of Universal Credit, it would allow for more creativity and greater likelihood of a consistent approach.

How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?

- Some fraud and error will be eradicated under the new arrangements (for example failure to declare tax credits when claiming Housing Benefit).
- But fraud and error will always be a significant feature of income-related benefits. Housing Benefit fraud is often linked to housing fraud, with the same family involved in both types of fraud at the same time.
- Therefore the links with housing and other local authority services need to be catered for under the new system. It is hard to see how the Single Fraud Investigation Service will address the nature of what is, in effect, a cross-boundary activity.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

- The DWP demonstration projects are addressing this issue. But it is vital that Universal Credit looks and feels like a salary and therefore it should, with some limited safeguards, be paid directly to the household and not the landlord.
- Financial advice and support will of course be important in making this work. But social landlords should not in effect rely on benefit dependency to provide their credit rating with lenders.
- Despite the willingness of some welfare recipients to manage their own affairs, it is likely the rent arrears will increase, at least in the short-term. This should not come as a great surprise. There has been some increase in rent arrears in the private-rented sector as a result of the Local Housing Allowance, particularly where authorities have kept strictly to the policy to pay landlords only in very limited circumstances. If more people are presented with an opportunity to default, whether or not they receive benefits, a proportion of them will do so.
- Landlords already have to manage rent arrears for those not receiving benefits, or not enough benefits to make direct payments possible, and they are likely to have to extend and enhance these processes at least to some degree.
- People who are likely to have difficulty managing their finances, for whatever reason, are often well known the local authority, for example through troubled families schemes and child protection. Local knowledge will be essential to inform decisions about the nature of help to be offered to such people, including direct payments. Local delivery of welfare will help this process, but it will be just as important to ensure that communications between central departments and local authorities are highly effective. It is central to welfare reform that as many people as possible are encouraged to be independent and resourceful, but at the same time there should be reasonable protection for social landlords, particularly during the transition.

CONCLUDING STATEMENT

18. Universal Credit is the most important welfare reform since the beginning of the welfare state. It has the potential to bring long-promised radical simplification of the benefit system, and greatly enhanced work incentives. It could really help to change people's lives. So it is vital that as much effort goes into implementation as it has into design. Local authorities have a vital role to play and there has been some recognition of this by central departments.

19. Local authorities are keen to play a significant role. Whilst not necessarily agreeing with every reform, they appreciate that the wider objectives around work will have a positive impact on the local economy. Welfare reform is a mixture of national and local programmes. To work well, it will require national and local agencies to work together in a dynamic and equal partnership.

Written evidence from the Residential Landlords Association

1. ABOUT THE RESIDENTIAL LANDLORDS ASSOCIATION

1.1 The Residential Landlords Association (RLA) represents over 16,000 small and medium-sized landlords in the private rented sector (PRS) who manage between them over 150,000 properties in England and Wales. It promotes and maintains high standards in the sector, provides training for its members, promotes and runs local landlord accreditation schemes and helps drive out those criminal landlords who bring the sector into disrepute.

2. SUMMARY

2.1 The RLA supports efforts to reform the benefits system to better support the transition from welfare to work. That said, as demonstrated by a joint survey of members of the RLA and the Scottish Association of Landlords (SAL), there are clear concerns about the way that Universal Credit is currently designed.

2.2 Whilst the RLA recognises the need for changes to the system of housing benefits, in common with a number of other organisations, it is worried about the impact some of the measures proposed will have on all tenants dependent on benefit, but especially younger ones. There are worries that an unintended consequence will be to reduce the number of landlords able or willing to rent to benefit recipients so forcing local authorities to look after them.

2.3 The RLA is calling on Ministers to enshrine a tenant's right to choose who the housing element of the new Universal Credit is paid to under regulations implementing the Welfare Reform Act.

2.4 The Government should reconsider its decision that the housing element of Universal Credit will be paid a month in arrears. Unless tenants have the financial resources to pay their rent upfront, which is unlikely, they will be starting off on the back foot, causing many landlords to become wary of letting to those on benefits and putting potential new landlords off investing in much needed new rented housing.

2.5 The Government needs to provide urgent assurance to the sector over the circumstances under which payments of the housing element will be made directly to the landlord. Whilst at present landlords can demand payments to be made to them when a tenant reaches eight weeks of arrears, Ministers have failed to provide a clear pledge to retain this right. A "backstop" right for the landlord to require direct payment is vital as it underpins landlord's security of income.

2.6 Greater clarification is needed over the status of pre-existing decisions made by local authorities on vulnerability and arrears cases when the implementation of universal credit transfers from local authorities to the Department for Work and Pensions.

2.7 Ministers should review the use by local authorities of Article 4 Directions to restrict houses in multiple occupation (HMOs) given the contradiction between them and the Government's welfare reforms which will see many more young people needing to access shared accommodation.

2.8 Regulations should be issued as to the information that landlords will be entitled to know and at what stage when a tenant makes an application for housing support under Universal Credit. This should cover ensuring the landlord is notified when a claim is being made; the final award made and details of the procedures and circumstances under which a landlord can make a claim for payments to be made directly to them.

3. IMPACT OF POLICIES—LANDLORDS SURVEY RESULTS

3.1 Between 22 October and 5 November 2012, 1,023 members of the RLA and SAL took part in a survey to measure landlord's attitudes to Universal Credit.

3.2 The results showed that 65% of respondents do not support the Government's plans compared to 20% who did support them and 16% who did not have a view.

3.3 Asked whether there are sufficient numbers of shared properties in their areas to cope with the extra demand as a result of the decision to increase from 25 to 35 the age at which housing benefit claimants can claim only for a room in a shared property, 55% said there was not, 6% said that there was and 39% did not know.

3.4 Following pronouncements made recently by Welfare Reform Minister, Lord Freud, that the Government's temporary policy of allowing landlords in the private rented sector to have housing benefits paid directly to them in return for reduced rents had been a success, 62% of respondents said they would not lower rents in return for direct payments, compared to 24% who would and 14% who did not know.

3.5 Asked how they would respond if the "right to demand" direct payment once a tenant gets into eight weeks of arrears as is allowed at present, became only a "right to request", 92% of landlords said it would make them less likely to rent to those on benefits only 2% said it would make them more likely to do so whilst 6% said it would make no difference.

4. TENANT CHOICE

4.1 The RLA, alongside a number of organisations including Shelter, Crisis, Citizens Advice Bureau and the Money Advice Trust, has consistently argued that, to help them budget, tenants should be given a choice as to who should receive the housing element of universal credit—themselves or their landlords. Whilst Ministers have argued that tenants should by default have the benefit paid directly to them to encourage financial responsibility, for many it would be a perfectly rational and financially responsible decision to have the assurance that their rent had been paid so that they could decide on how to spend the remainder of their income. Surely as part of its ambition to promote responsibility Ministers should trust tenants to make their own decisions based on their own circumstances, rather than seek to restrict this ability. This is especially important in helping budgeting now that Universal Credit is to be paid monthly.

4.2 Ministers in Westminster and Stormont agreed that the housing element of Universal Credit would be paid to landlords in Northern Ireland. If there, why not in the rest of the country?

4.3 Enabling tenant choice would also help tackle the high rates of Housing Benefit fraud. As outlined by the National Fraud Authority's *Annual Fraud Indicator* (March 2012), "*Housing Benefit remains the largest area of fraud loss within the benefit system, increasing from £250 million in 2009–10 to £300 million in 2010–11.*" Under Universal Credit, there remains a very real danger that families with multiple financial pressures will find it difficult to prioritise payments, and find the housing element of the credit being used for other purposes.

4.4 Evidence shows that particularly those tenants struggling to manage their finances would prefer to have the right to choose to have their Local Housing Allowance (LHA) paid directly to their landlord. In October 2009, data from a survey of LHA claimants by Shelter found that of the claimants who would choose payments to be made directly to their landlord, 95% are struggling to manage their finances. Almost half of the claimants who have had experience of both forms of payment believe that landlord payment better helps them in managing their rent and household budget.

4.5 Given the multiple pressures claimants will face under Universal Credit, especially for those who will be affected when the benefit cap is introduced, it is all the more important that claimants are able to seek the security of knowing their rent has been covered.

4.6 Support for tenant choice has also been given by the Money Advice Trust who run the national debt line. Their Chief Executive, Joanna Elson has said of the proposal "*We feel that this would enable many tenants to avoid housing benefit arrears and thus tackle their debts and manage their money wisely*".

4.7 In an article published last year outlining a rise in the number of tenants in the private rented sector who have been made homeless, "Inside Housing" reported: "*Homelessness charities and landlords suggested the rise may be linked to a legal change which saw local housing allowance paid directly to tenants from April 2008.*"

4.8 An inevitable consequence of the current arrangement is that many landlords are now reluctant to rent to tenants on benefits for fear that they will not receive the rent. This makes life more difficult for tenants seeking accommodation and may force them to accept lower standard housing. In a survey of RLA members, of those who would not rent to tenants receiving housing benefits, 45% reported that it was due to a lack of guarantee of receiving the rent.

5. ARREARS AND VULNERABILITY

5.1 The most recent Tenants Arrear Tracker for the Chartered Surveyors, Templeton LPA, has shown that the second quarter of 2012 saw an 8% increase in the number of tenants in severe financial difficulties, with over 7,000 more finding themselves in two months of arrears than the first quarter of 2012.

5.2 This brought to 100,400 the number of tenants in England and Wales in severe arrears, a 24% increase over the year and the highest on Templeton's records.

5.3 Sadly, for tenants, the consequences of incurring severe arrears are eviction. In the second quarter of 2012, 26,060 tenants faced eviction notices—6% more than in the previous quarter, and 5% more than in the same period of 2011.

5.4 For landlords, decisions about investing in vitally needed new properties hinge on the security of knowing that they will not be faced with a position whereby a tenant mounts crippling arrears followed by what can often be a lengthy and costly legal process for eviction with no prospects of recovering the arrears. Likewise, tenants ending up in arrears are having a serious impact on landlords' ability to pay back their buy-to-let mortgages with figures released recently by the Council of Mortgage Lenders showing that in the first three quarters of 2012, 0.13% of buy-to-let sector properties were repossessed, over double the 0.06% in the owner occupied sector.

5.5 At present, up to 30% of LHA claimants have their benefits paid direct to their landlord either because of vulnerability or arrears.

5.6 The RLA does not believe that the current DWP approach to identifying vulnerable claimants, is sufficiently robust. Further, if there are arrears there needs to be an immediate switch back facility so that payment is made direct to the landlord straight away, rather than waiting for two months arrears to build up as at present.

5.7 It has been suggested that existing LHA vulnerability policies should be carried over as the criteria for determining who is vulnerable. Whilst they provide a good starting point they do not go far enough since they need to place the interests of keeping a roof over the heads of claimants and the need for landlords to receive the rent at the heart of the guidelines.

5.8 Matters are made more uncertain because of the Government's proposals to introduce financial products (or jam jar accounts) to help tenants budget. Whilst we do not disagree with the concept of promoting tenant's financial responsibility, there is a risk that tenants are pushed into these arrangements. Funds in these accounts may not be used for the intended purpose of paying the rent. A lump sum is a big temptation for a tenant facing other financial pressures such as repaying loans. If constraints are put in place on how these accounts can be used then this will make a mockery of promoting financial inclusion. If the vulnerable tenants are steered into financial products of this kind, rather than direct payment of housing costs to the landlords, landlords will see this as a serious threat to the security of their incomes. In consequence, they will be less willing to rent their properties to vulnerable tenants, especially as it will be uncertain at the outset whether the housing costs will be paid direct to the landlord or not.

5.8 The Government should reconsider its decision that the housing element of Universal Credit will be paid a month in arrears. Unless tenants have the financial resources to pay their rent upfront, which is unlikely, they will be starting off on the back foot, causing many landlords to become wary of letting to those on benefits and putting potential new landlords off investing in much needed new housing. The reality is that unlike many who work claimants do not have any savings to fall back on. There are proposals to make advance payments but as these are clawed back there will be a short fall each month to meet the ongoing rent, risking arrears.

5.9 The Government needs to provide urgent assurance to the sector over the circumstances under which payments of the housing element will be made directly to the landlord. Whilst at present landlords can demand payments to be made to them once arrears reach a certain level, Ministers have failed to provide both a clear pledge to retain this right and clarity as to vulnerability and rent arrears will be dealt with under Universal Credit.

5.10 Swiftly publishing in draft form guidance outlining the circumstances under which automatic payments will be made to landlords covering arrears and vulnerability will provide greater assurance to landlords that they will be protected should tenants have problems with payment and therefore make them more inclined to rent to those on benefits and invest in new properties.

5.11 Linked to this is a need for much greater clarification over the status of pre-existing decisions made by local authorities on vulnerability and arrears cases when the implementation of universal credit sees responsibility transfer from local authorities to the Department for Work and Pensions.

5.12 Where sanctions are imposed then claimants should be treated as vulnerable straight away.

5.13 We are particularly concerned at the loss of appeal rights regarding decisions about recipients of payments.

6. SHARED HOUSING

6.1 The RLA remains concerned by the continued contradiction of welfare reforms which increase the number of people needing to access shared housing whilst a number of local authorities are using planning powers provided to them by central Government to restrict the growth of such accommodation, despite their obligations to see that such demand is met.

6.2 In January, the age limit at which a housing benefit claimant could claim only for a room in a shared property increased from 25 to 35, a policy which has the potential to affect many of the 1.3 million 25–34 year olds renting in the private rented sector.

6.3 At the same time as introducing a change which will see more rooms in shared properties needed, a number of local authorities are using powers to restrict their growth.

6.4 A new use class has been created for planning purposes, Class C4, for small shared houses and flats in multiple occupation lived in by between three and six unrelated individuals. Automatic planning permission to change a single dwelling to such a use, or vice versa, is granted, except where a local authority has imposed a power known as an Article 4 direction to override these permitted development rights so that an application for planning permission has to be made where there is a material change of use.

6.5 In reality, given this measure is designed to restrict the number of HMOs in areas where there already high numbers, planning permission to convert properties from single or one family occupancy to multi-occupancy is very likely to be denied.

6.6 Ministers should review the Article 4 direction powers in light of the changes to the shared accommodation allowance.

7. LANDLORD INFORMATION

7.1 It is essential that landlords receive ongoing information about the progress of any claim for housing costs; otherwise they will be reluctant to rent properties to claimants. At present, when an existing housing benefit claimant moves, notifying the local authority constitutes a new claim for a new property. This will no longer be the case under Universal Credit which will treat it as a change of circumstances. It is vital for the landlord to know that either a change of circumstance has been notified or a new claim made. At present landlords ensure that a claim is lodged for LHA and they want to see that proof of this has been done. There is no facility built into the Universal Credit processes for this to happen.

7.2 It is also essential that landlords are made aware once payments of housing costs are being made, even where they are paid to the tenant as they may be prepared to wait for payment. At present some local authorities pay the first month's rent by way of a payment order in favour of the landlord but sent to the tenant. As payments are now being made to bank accounts removal of this facility, which is a means of combating fraud, is most concerning. If Universal Credit is paid a month in arrears, the RLA is urging the Government to maintain this practice.

7.3 We are concerned that the DWP has not yet considered the impact of data protection laws regarding what information about progress including payments can be made to the landlord.

7.4 Data protection requirements can be met where there is statutory provision overriding them which allows appropriate information to be provided to landlords about the progress of a tenant's claim, information which is vital to a landlord being willing to let their property to a claimant.

7.5 For vulnerability and arrears policies to work effectively, it is also important that appropriate facilities are established to allow landlords to make contact if arrears occur; so as to enable direct payment to the landlord to be made immediately even while the situation is being investigated.

7.6 Regulations should be issued as to the information that landlords will be entitled to know and at what stage. This should cover ensuring the landlord is notified when a claim is being made; the final award made and details of the procedures and circumstances under which a landlord can make a claim for payments to be made directly to them.

7.7 Linked to this is the need to ensure a smooth process for the transition of information to the DWP. Further, existing decisions made by local authorities regarding direct payments should be carried into Universal Credit from the outset.

November 2011

Written evidence from the Hyde Group

1. SUMMARY

1.1 Welfare reform presents a significant challenge to local authorities, and housing associations like Hyde work closely with them to minimise impact on social tenants and housing associations' plans for further investment in services and new homes.

1.2 However, Hyde has a number of concerns mostly around information sharing and the changes to the Council Tax Benefit which will make it more difficult for Hyde to monitor impact on tenants and provide adequate support to those likely to be affected by welfare changes.

2. INTRODUCTION

2.1 The Hyde Group is one of leading housing association groups in England. It owns and manages over 47,000 homes across London, South East and the East of England. Just over half of Hyde tenants of working age are in receipt of full or partial housing benefit and are therefore potentially subject to reductions to housing benefit and other benefit changes, such as the total welfare benefit cap and changes to how the Council Tax Benefit system operates.

3. SUBMISSION TO THE INQUIRY

3.1 *How will the separation of the administration of Council Tax Benefit (CTB) and Housing Benefit (HB) affect claimants?*

3.1.1 Hyde feels that there is a danger that some residents will assume that if they have applied for one benefit the other will be covered and may fail to apply for CTB separately to local authorities.

3.1.2 This will need to be communicated clearly by local authorities, DWP and housing providers to residents. Alternatively, providers and boroughs may wish to build-in checks so that providers can flag this up with residents.

3.2 Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit (HB) direct to claimants?

3.2.1 Hyde welcomes the introductions of an arrears trigger which will revert payment of the housing allowance of Universal Credit back to landlords. However there are significant concerns about the lack of measures to prevent arrears happening in the first place for vulnerable tenants. The Payment Exception is looking into this and although the HA can act as a third party and request HB payment direct to it, this has to be with the consent of the customer.

3.2.2 Housing associations need to know who has a vulnerability risk. The DWP should strongly consider sharing this data with HAs so that they can make the request for Payment Exception or allow HAs to share vulnerability data with them, eg to request direct payment based on history of arrears and unmanageable debt. Such data sharing would reduce negative impact on landlords and on their tenants without additional costs to the DWP.

3.3 How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

3.3.1 There is a strong feeling in the sector that there is an inherent conflict between the two departments' work in this area, manifested by the introduction of affordable rent of up to 80% of market rent and capping benefits to £500 per week.; and the potential to increase arrears by a switch to direct payment of HB against an expectation of housing associations to take on additional borrowing to deliver more new homes.

3.3.2 Learning from the direct payment and the Universal Credit support demonstration projects should show if this conflict can be resolved by changing the way the reforms are implemented locally. Until such lessons have been shared it would be difficult to assess the effectiveness of joint working between the two departments.

3.4 Is the Government's timetable for implementing Welfare Reform achievable?

3.4.1 It has been widely suggested by the sector that the demonstration projects should report before the system is implemented, and that the timetable must move back to accommodate this.

December 2012

Written evidence from Wakefield District Housing

INTRODUCTION

WDH is a stock transfer housing association serving over 31,000 tenants in the Wakefield and district area.

WDH has since transfer in 2005 sought to increase the confidence of our communities with innovative programmes with the Council, Police, Job Centre Plus and Health Authority to increase the number of people living in our homes who are in employment.

We, therefore, welcomed the opportunity to participate in the Direct Payments Demonstration Project to enable us to learn what the impacts are likely to be for our tenants and for us as an organisation.

THE FINDINGS FROM THE DIRECT PAYMENT DEMONSTRATION PROJECT

The project has shown its impact in the following ways.

- Over 1,000 tenants have received direct payments through the project.
- Increase in arrears—arrears have increased to over £180,000 on the project. This equates to 11% of the debit compared to 2.7% for the whole stock.
- Increased enforcement action—over 170 tenants or 17% of tenants have been served with a Notice of Seeking Possession (NOSP), this compares to less than 1% for the whole stock.
- Payments reverted back to WDH—174 tenants payments have reverted back to WDH. Over 90% of these have been due to a 15% underpayment trigger. Very few instances have been due to eight weeks arrears accruing.
- Increased administration costs—WDH are increasing the administration costs for 2013–14 by £250,000 per annum. This is money from those tenants who pay their rent subsidising those that do not. The increased costs come from chasing more, smaller debts, increased transaction charges and higher levels of engagement.

CONCLUSIONS FROM THE PROJECT

- Most tenants pay most of the rent most of the time but are now susceptible to temptations when they have a crisis in their lives.
- Housing providers will have substantially higher costs in terms of arrears and administration costs.
- Housing providers will have less information on which to plan to help and assist tenants.

IMPACTS OF WIDER WELFARE REFORM

Like all housing providers, WDH has been assessing the impact of Welfare Reform on this long term business plans. This analysis has shown that:

- Changes to the Social Sector Size Criteria (Bedroom Tax) will affect around 5,200 tenancies with an average deduction of £14.60 per week, equivalent to 16.7% of the weekly rent. Using prudent estimates of collection rates this would reduce WDH's income by £0.8 million per year.
- Using the best estimate of Universal Credit phasing at the current time the impact in the increase in bad debts for working age tenants is estimated to be £0.4 million in 2013–14 rising to £3.1 million in 2016–17.
- Combined this will result in a potential loss in revenues to WDH of around £4 million by 2016–17.
- It has been independently assessed that every £1 spent by WDH in the district contributes £4 of additional social value. Therefore, a loss of £4 million investment by WDH by 2016–17 would result in a loss of £16 million of social investment by WDH in Wakefield's local economy.
- Running scenario plans on WDH's 30 year business plan has shown that the loss of income to WDH would result in a reduction of £220 million in development capacity or 2,200 less new homes built over the next 30 years.

CONCLUSIONS

The increased costs of collection and administration are falling on the rent payers who pay full or partial rent to their landlord.

If landlords redirect their resources to meet the financial challenges of welfare reform, other organisations will be left to pick up the financial costs of the reduction in the return on investment that landlords provide and the lost capacity in meeting new house building and stimulating economic growth.

Tenants should be offered the choice on whether they want to receive direct payments to improve their well being.

January 2013

Supplementary written submission from Wakefield District Housing

DIRECT PAYMENTS CASE STUDY 1—“MRS C”

Mrs C moved into her two bedroom WDH property in the Demonstration Project area with her young son in 2011, following a mutual exchange involving another WDH property.

There were no major issues with rent arrears and there was no suggestion that there would be any problems with arrears, so she entered the project during the first phase in July 2012 and began to receive Housing Benefit payments directly.

Payments were reverted back to WDH within eight weeks, after Mrs C had built up arrears of more than £1,000. Mrs C had established a Direct Debit to pay her rent but this was cancelled after failing on three consecutive weeks.

Contact with Mrs C included seven text messages, four letters, two appointment letters resulting in one meeting, one positive telephone contact, 12 voicemail messages left, and 12 negatives visits to the property with contact cards left.

Her arrears now total almost £3,000 and WDH has served a Notice of Seeking Possession on her.

Our work with Mrs C has identified that she suffers from low-level mental health issues, and has deliberately avoided our contact. She has reported increased stress and anxiety as a result of the current situation.

WDH's Health Inequality Case Workers are now working with Mrs C to resolve these issues; alongside the expense WDH is incurring to remove her from her home.

IMPACT

This case demonstrates that whether or not someone goes into the project or not, has to be based on an individual assessment. If it falls to housing providers to undertake this, it will mean increased costs and delays.

DIRECT PAYMENTS CASE STUDY 2—“MR M”

Mr M moved into his three bedroom home in 2008 with his teenage son and daughter and had only experienced infrequent arrears when his eligibility to join the Demonstration Project was assessed.

As a result, Mr M entered the first phase of the project. He set up a fortnightly Direct Debit to pay his rent and water charges, but this failed twice since the start of the project.

Mr M now owes more than £1,000 in arrears.

WDH contact Mr M 24 times since the start of the project. This includes one text message, two letters, seven positive telephone contacts, seven voicemail messages, four visits to his home, one failed email, and two positive contacts to reset his Direct Debit.

After initially looking to take court action to recover the property, it has been identified that Mr M suffers from mental health issues and WDH's Health Inequality Caseworkers are now in touch with him to address this.

IMPACT

This case illustrates the costs involved to housing providers of chasing payment from people, who have previously been good tenants with no apparent reason for a landlord's involvement. This shows the level of unknown low level mental health problems that are being uncovered as a result of the Direct Payments Demonstration Project.

BEDROOM TAX CASE STUDY 1—“MR S” AND HIS FATHER

Mr S is a working age Wakefield and District Housing (WDH) tenant, living alone in a three bedroom property. He has lived in the property for over 30 years and succeeded the tenancy of his wife who died in 1997. Their daughter, now in her twenties, lives elsewhere.

Mr S is the main carer for his elderly father, a dementia sufferer who lives in a WDH independent living scheme and does not claim Housing or Council Tax Benefit.

Mr S's total weekly income is £103.60; made up of a Carers Allowance including a Carer Premium and Income Support.

Under the Bedroom Tax, Mr S will have to pay an additional £20.46 each week towards his rent.

To lessen the impact of this, WDH has given him additional priority so he can express an interest in available smaller properties near his current home.

Due to Mr S's circumstances, WDH's Financial Inclusion Team has assisted Mr S and his father to complete a Housing Benefit application form to receive an additional £64.39 each week. Mr S's father has stated he will use this extra benefit in the short term to reduce the impact of his son's increased living costs, due to the Bedroom Tax.

IMPACT

This case demonstrates the work that WDH does in ensuring that people can live with an element of financial security. It also illustrates the interdependency of many of our tenants and that actions taken in one area, such as encouraging people into work, will have consequences in other areas such as the cost of providing care. In addition, it shows how the costs for one purpose are being diverted to be used for another.

BEDROOM TAX CASE STUDY 2—“MRS J”

Mrs J is 59 and lives alone in the three bedroom Wakefield and District (WDH) Housing property, she raised her three children in, having lived in the same house for over 25 years. She suffers Reynaud's Disease which means that she needs to be kept warm at all times so her condition is not aggravated.

Mrs J received Incapacity Benefit and Income Support of £101.35 each week plus Disability Living Allowance (DLA) and full Housing Benefit of £86.21 each week.

Mrs J's daughter has learning difficulties and resided in supported living. The support plan encourages variety in her daughter's life by staying with Mrs J regularly overnight, requiring a spare bedroom for this to occur.

From April 2013 under the Bedroom Tax rule, Mrs J will have to pay an additional £21.55 each week in rent as she is deemed to be under occupying two bedrooms; this will apply until January 2016, when Mrs J

reaches pension age. At present she feels that she will have to cut back on fuel and heating costs, with subsequent impact on her health.

WDH has awarded her additional rehousing priority to enable her to move to a smaller two bedroom property. WDH's Financial Inclusion Team has contacted her to establish whether she is entitled to other benefits which will help her heat her home.

IMPACT

This case illustrates the lack of flexibility within the new benefit rules. If Mrs J moves to a one bedroom property to minimise the financial effect, this will have a detrimental impact on the quality of life of her daughter. If she moves to a two bedroom property she will get caught by the Bedroom Tax for one under occupied bedroom.

March 2013

Written evidence from Citizens Advice

1. INTRODUCTION

1.1 Citizens Advice welcomes the opportunity to submit evidence to this inquiry, which concerns a complex combination of centralising and localising measures:

- Substantial cuts in Housing Benefit (HB) accompanied by increases in cash-limited Discretionary Housing Payment (DHP) pots.
- HB to be abolished and incorporated into a centralised Universal Credit (UC) payment—but with an (as yet unclear) local authority (LA) assisting role.
- Council Tax Benefit (CTB) to be abolished and replaced by localised cash-limited Council Tax Support (CTS) schemes.
- The Social Fund (SF) to be abolished and the resources previously spent on Community Care Grants (CCGs) and Crisis Loans to be distributed to LAs, with wide discretion as to how to spend the money.

1.2 In 2011–12, Citizens Advice Bureaux saw two million clients and helped with almost seven million enquiries, including:

- HB:¹⁷ 233,615.
- CTB: 188,215.
- SF CCGs: 24,843.
- SF Crisis Loans: 20,482.
- SF Budgeting Loans: 12,134.
- SF debt problems: 14,638.
- Rent arrears (private rented sector): 28,223.
- Rent arrears (social rented sector): 75,833.

1.3 We consider that the advent of UC, combined with increased recourse to local discretionary and cash-limited provision, will prove to be a major social policy issue in the coming years and a leading source of enquiries to bureaux.

2. THE CONSULTATION QUESTIONS¹⁸

2.1 *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

The striking example here is localised CTS. The exclusion of CTB from Universal Credit and its replacement with local schemes cuts right across the objectives of UC.

As regards the dissolved Social Fund, the DWP has made available much material on the current scheme, but we understand that neither Department intends to be substantially engaged with LAs' decisions as to how to deploy the transferred resources.

As regards Universal Credit, the DWP is clearly the lead Department, but as the role of local authorities in UC delivery is not yet clear, neither is that of the DCLG.

¹⁷ Including 5,054 concerning DHPs—an area we expect to increase rapidly, given current policies.

¹⁸ Please note that we have not responded to the final two questions (concerning HB fraud and social landlords' financial vulnerabilities) as we regard these as primarily matters for LAs and social landlords.

2.2 Is the guidance available to local authorities from central Government on implementing Welfare Reform adequate? Are there areas where more or better guidance is required?

This varies. Guidance on DHPs is well-established and although the recent update seemed to have been put together hastily, this is familiar territory for administrators and advisers. Of course, the task of trying to prioritise one case of hardship above another when each claimant is below basic benefit levels after paying the rent, is intrinsically problematic, however good the guidance.

We have yet to receive feedback on guidance provided to LAs involved in the UC pilots and pathfinders and this will in any case be a moving picture at present. Bureaux in these areas will be seeking to engage with their LAs to see how they can best work together.

Little or no specific guidance has been provided around CTS, beyond the criteria for the recently-announced transitional funding. (The default scheme is not intended as guidance). Our impression is that the DWP sees this as a matter for the DCLG; while the DCLG sees it as a matter for LAs.

As noted above, DWP material regarding the dissolved Social Fund seems mainly to relate to the old scheme, to help LAs with profiling. The DWP does not see its role as providing a lead on what might take its place.

A general point here is that there is not enough cross-cutting information, providing LAs with a picture of the cumulative impact of various changes.

2.3 Is the Government's timetable for implementing Welfare Reform achievable?

This remains to be seen. There are certainly concerns. Relevant variables include:

- The extent to which knowledge of and preparedness for digital inclusion has been taken forward locally;
- The extent to which money advice and budgeting support has been developed locally;
- The extent to which information and communications technology systems perform without mishap; and
- The extent to which LAs are able to put in place coherent local CTS schemes at relatively short notice for such a major change.

2.4 Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

As regards localised CTS, if delivery refers to the substance of the service itself, the answer is no, as a funding shortfall is built in. If delivery refers to administration, we do not have the evidence to say.

As regards DHPs and the dissolved Social Fund, there are no official adequacy criteria against which to assess the range and amounts of payments. Again, we do not have evidence on administrative costs. Both award decisions and administrative problems feature regularly in enquiries brought to bureaux regarding DHPs and the Social Fund.

Client has applied for a DHP, but been refused on grounds that his problem is not short term, [Bureau in London, referring to 54-year-old unemployed claimant].

Client has applied [for a DHP] but was turned down as there was too much of a shortfall. She has re-applied and is waiting to hear. [Bureau in London, referring to 27-year-old lone mother].

Client was told she should have sufficient income to meet the [HB] shortfall. Client thinks that they may have included the money she gets as a student to cover childcare costs. [Bureau in Cheshire, referring to 20-year-old lone mother].

See 2.7 below for examples relating to the Social Fund.

As regards advice on UC, the overall funding scenario is not encouraging, as local advice agencies—including our bureaux—are heavily dependent on LA funding, which is under severe pressure.

Our experience is that major benefit changes lead to a large increase in demand for advice in the short to medium term. Given the scale of the current changes, we are expecting an unprecedented increase in demand for advice.

To prepare for this, we are modelling innovative ways of maximising our productivity. Nevertheless, we will not be able adequately to supply this service without additional funds from local and/or national Government. Failing this, there will be significant additional pressures on LAs—for advice and for help with the consequences of not receiving advice.

2.5 Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

In a general sense, reduced spending power among local people will result in reduced ability to pay local taxes and charges and to get by in the community without social services help. Increased poverty is also associated with adverse outcomes (and associated costs) in areas including health, education and crime. The

Government would argue that its measures will ultimately reduce poverty by increasing employment and the rewards from work, but this claim lacks evidence.

More specifically, localised CTS, default payment of rent money to claimants rather than landlords and the extension of HB size criteria to the social rented sector (the “bedroom tax”) all entail financial risk to LAs.

As regards direct payment of rent money to claimants: the evidence we have seen from the local “Demonstration Projects” suggests that preparing claimants for this change needs significantly more resources than was anticipated. We also understand that some LAs have found that this work has impacted adversely on their day-to-day activity, including rent collection and arrears recovery.

One CAB in a Demonstration Project area has reported 19 clients who have experienced problems arising from their inclusion, some being threatened with eviction for arrears.

As noted above, increased but unmet demand for advice also carries its own risks.

2.6 What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

Claimant numbers can be reduced through welfare-to-work strategies in positive and negative ways. Some will move into work and earn enough to lift them clear of in-work means-tested benefits. Others will remain out of work but lose benefit entitlement, notably if moved from a contributory to a means-tested regime and then failing the means test, perhaps because of a partner’s earnings—an effect that will become more extensive with the time-limiting for many claimants of contributory Employment and Support Allowance (ESA).

We are not aware that there has been any comprehensive quantitative analysis of these interactions.

2.7 What evidence is there that local authorities are able to use effectively existing services or contracts for the delivery of new local Social Fund schemes?

This begs the question of how far there will be local schemes. LAs will often find it easier to channel these funds into some existing resource without ring-fencing them separately—for example, the DHP pot or the voluntary sector funding programme. The “Social Fund money” might be difficult to identify separately in such cases, especially if it is partially offsetting cuts to voluntary sector funding rather than creating a net increase in resources. We intend to monitor what happens in practice.

This can only exacerbate existing difficulties with Social Fund cash-limits, rationing and access problems.

A bureau in Lancashire reports a client refused a CCG. He is a 42- year-old single man living in privately rented accommodation, thanks to his family raising the deposit. He has lived a nomadic lifestyle for the last three years, sleeping at various family residences until his welcome ran out. Due to this lifestyle, he has no possessions and as the flat is unfurnished, he is living without the basic necessities to sleep, cook etc. His application for a COG having been refused, he is unable to establish a suitable home. He has had mental health issues (depression and alcoholism) which he hopes he has overcome, but this setback is taking its toll on his fairly fragile constitution. When his family gathered the deposit for his flat, he felt this was a new beginning for him but the problems he is facing are not helping.

A bureau in Yorkshire reports a lone parent with one child who sought help because she had no gas or electricity (being on prepayment meters and having already used her emergency credit) and no food. This was because the radiator in her bedroom had burst and she had spent her limited money on cleaning products and replacing damaged bedding. She would not have any money (she receives ESA) until Friday (this was Tuesday). She requires various tablets, which must be taken with food. It was quickly identified that the situation was an emergency and that she needed to apply for a Crisis Loan. The bureau telephoned and waited on the line for 50 minutes, without answer. The client then went to Jobcentre Plus, but was referred back to the bureau, an adviser again telephoned for 40 minutes without answer. [Eventually] the client was given some food that could be eaten cold from reserves at the bureau. She still had no heat, lighting or hot water.

In our view, whatever arrangements emerge in the wake of the Social Fund, there should be a clearly identifiable resource to help people in times of crisis and to support independent living.

2.8 How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

HB is to be incorporated into UC, whereas CTB is not. This will create overlapping tapers, whereby, over a range of income, UC withdrawal may occur alongside CTS withdrawal under a local scheme, defeating the intention to simplify the system and make clear the gain from increasing earnings. The DWP has tried to minimise this risk through revised earnings disregards, but has not eliminated it.

However, we take this question to be more about administration than structure. The key issue here will be the effectiveness or otherwise of information flows between systems. Separate reporting of changes of

circumstances to different agencies would be burdensome and inefficient. The volume of queries from members of the public, both to LAs and to advice agencies, will also be strongly influenced by this.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1 As noted above, we expect the introduction of UC, combined with an increased role for local discretionary and cash-limited pots, to create a major surge in demand for advice, at a time when our bureaux across the country are grappling with cuts.

3.2 We have encouraged bureaux to engage with LAs as these various changes are planned and implemented.

3.3 Bureaux can play a key role in providing information, advice and advocacy and helping to address financial education and money advice requirements.

LAs' ongoing support of bureaux needs to take into account these pressures and opportunities.

The DWP and DCLG should consider providing new funding to bureaux for this purpose. We are talking to Government about financing a new model where we can deliver more advice and support on benefits in a more cost effective manner.

3.4 It should be noted that there would be much less pressure on LAs, advice agencies and claimants if some of the recent and emerging problems with mainstream benefits were recognised and addressed. As regards rents eligible for HB—and in due course the rental element of UC—we fully accept that HB/UC cannot be expected to meet any rent, however high. But limits must take account of the consequences for poverty and hardship. The Government has commissioned a substantial research project into the cuts to HB in the private rented sector since April 2011. Meanwhile, bureaux are picking up growing numbers of cases where HB cuts are causing hardship and threatening homelessness.

If DWP-commissioned independent monitoring shows that there have been substantial adverse personal and social consequences, then the question of rents eligible for HB and UC should be revisited by Government, this time from the perspective of tackling poverty and promoting social inclusion.

3.5 Meanwhile, in the social rented sector, there are the impending “size criteria” from April 2013. Restriction of HB payable for accommodation of various sizes has been a feature of the scheme in the private rented sector from the outset. From April 2013, size restrictions will be extended to social housing. This has become known as the “bedroom tax”, as the DWP's own impact assessment expects less than a fifth of affected claimants to move—so the measure is widely perceived as a levy on benefits rather than a genuine attempt to reduce under-occupation. Furthermore, in the private rented sector also, it is arguable that a spare room for the occasional guest should be seen as part of normal social interaction. We therefore believe that:

- HB/UC should be payable for a spare room, as part of normal social interaction.
- In the social rented sector, under-occupation should be seen as a matter for housing management, not benefit cuts.

3.6 As regards the payment of HB/UC to claimants rather than landlords: already the default position for HB in the private rented sector, it is intended that this will be the case in all sectors when UC is introduced. The six Demonstration Projects are testing this approach. There will be exceptions, relating to vulnerability and/or rent arrears. We expect that arrears will be a significant problem. This approach also denies choice.

Unless there is a reason for mandatory direct payment to the landlord (rent arrears above a specified level or vulnerability issues such as drug or alcohol abuse) the choice should lie with the claimant as to who—claimant or landlord—should receive benefit payments for rent. This could be on an “opt in” basis (analogous to setting up a direct debit) to satisfy the Government's concern with active claimant engagement.

3.7 The benefit cap will also exacerbate local pressures. Ensuring that work pays should be a matter of bolstering in-work incomes, not cutting out-of-work benefits. In any case, it is illogical to include benefits that are available on similar terms both in and out of work—notably HB/the rental component of UC; Child Tax Credits/the children's elements of UC; and Child Benefit.

The benefit cap should not apply to benefits that are available on similar terms both in and out of work.

3.8 As regards the abolition of CTB and substitution of localised cash-limited CTS: this is expected to create a situation whereby very poor people will be required to pay small amounts of council tax that they cannot afford, creating major problems of collection, enforcement and debt. As noted above, local tapers will also interfere with the working of UC.

A bureau in South Wales reports a 51-year-old client who lives alone and receives income-based ESA because of depression and anxiety. Debts include arrears of rent, council tax, gas, water and around £500 owed to friends. The total amount owed is at least £2,500. The client has been visited multiple times by bailiffs in pursuit of £15 council tax, with additional fees and costs of more than £100. The bureau contacted the LA and questioned why bailiffs had been instructed to recover such a small amount. The LA admitted that this was inappropriate and undertook to investigate.

Benefit for council tax should be incorporated into UC and Pension Credit and claimants given the option to have it paid direct to the LA, to minimise arrears.

3.9 As regards the dissolved Social Fund:

- LAs should be required to provide to the public detailed information as to how these resources are being deployed. LAs should be able to identify clearly a resource to help people in times of crisis and to support independent living.

3.10 As noted above, cuts to a range of benefits will often impact on the same individuals and families, having a multiple effect and causing great hardship.

Proposals for benefit legislation should be accompanied by a poverty impact assessment sufficiently sophisticated to provide estimates of multiple effects.

December 2012

Supplementary written submission from Citizens Advice

Many thanks for inviting me to give evidence before the Communities and Local Government Select Committee. I always welcome the opportunity to share with Parliament the wide experience Citizens Advice has from helping over 2 million with 7 million problems a year.

During the hearing the Committee asked about how tenants in the private rented sector managed the move to paying housing benefit direct to tenants when the Local Housing Allowance was introduced in April 2008. (ref qu. No. 153) We have examined our statistics, and the records for the two years following the introduction of LHA shows that there was a significant increase in the number of problems that clients raised with Citizens Advice about rent arrears to private landlords and with Housing Benefit in general. This increase was significantly greater than the corresponding increase we saw in the social housing sector who had not been affected by the LHA reforms.

	<i>Increase from 07/08 to 08/09</i>	<i>Increase from 07/08 to 09/10</i>	<i>Increase from 07/08 to 10/11</i>
Rent arrears to Local Authorities or Arms Length Management Organisations	4%	9%	9%
Rent arrears to housing associations	1%	15%	15%
Rent arrears to private landlords	17%	48%	64%
Housing Benefit	10%	31%	34%

We believe a large part of this increase in demand was caused by the move to paying private tenants their rent directly.

There are however reasons to believe that moving to direct payments under Universal Credit is likely to create significantly more issues than when direct payments became the default arrangement in the PRS. One reason for this is that the change in payment method will be introduced alongside cuts in income resulting from other welfare cuts and tax rises. This will give people less room within their budget to deal with any shocks which might lead them to miss paying their rent.

Another reason we are expecting more people to come to us from the social housing sector is that more than half of tenants in the PRS Housing Benefit did not cover their entire rent, so were used to having to pay money to their landlord. This does not currently apply in the social rented sector unless the claimant has a non-dependant or sufficient extra income to trigger a reduction in HB.

Lord Freud, giving evidence to the Committee, said that one of the most interesting lessons from the Direct Payment Demonstration Projects was just how resource intensive it is to support tenants. Our evidence confirms these findings and shows that it is vital that the Government makes available adequate resources so that this support can be provided.

If you would like any further details about our findings or any other evidence which you believe would be helpful for your enquiry please contact my office and we shall endeavour to help.

February 2013

Written evidence from Shelter

SUMMARY

- The changes to welfare will have a profound and potentially devastating effect on many local authorities. Coping with the implementation of these reforms may be the biggest challenge they face over the next few years.
- Shelter welcomes the opportunity to submit evidence to the Communities and Local Government Select Committee on these significant reforms. More than one million people a year come to us for advice and support via our website, helpline and national network of face to face services. Our evidence is rooted in the experiences of the people we help every day, many of whom will be deeply affected by these changes. Given our area of expertise, this response focuses on the housing aspects of welfare reform.
- The greatest danger is that local authorities will no longer meet their duty to homeless people by finding them a home in the local area. With many fewer homes being affordable for vulnerable families under the benefit cap, local authorities will be forced to send them to unfamiliar towns, many miles away from families and support networks.
- The decision to include Temporary Accommodation in the overall benefit cap will burden local authorities with unmanageable costs, at a time when funds are already stretched, as well as increasing the disruption for families in an already precarious situation.
- We support the creation of a simplified Universal Credit which incentivises works, so are therefore deeply concerned that the localisation of Council Tax Benefit will undermine the Department for Work and Pension (DWP)'s aims for this policy. Localisation of this benefit stands to create a complex bureaucracy incomprehensible to families trying to find their way through the system.
- Local authorities have been rushed into these changes without adequate time to prepare. We need to make sure the timescales for Universal Credit are flexible enough to be adjusted if it becomes apparent that key functionalities are not in place. A more staggered approach rather than implementation of a range of reforms to large groups of claimants over a shorter period of time would give local authorities and households reasonable time to adjust.

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement welfare reform?

1. We would highlight the following areas of concern, where Department for Work and Pensions (DWP) policy is forcing local authorities to implement harmful policies which contradict signals sent by Department for Communities and Local Government (DCLG):

THE INCLUSION OF TEMPORARY ACCOMMODATION COSTS WITHIN THE BENEFIT CAP

2. In the Welfare Reform Act debates MPs and Peers repeatedly pointed out that local authorities would struggle to re-house homeless households if benefit payments used for Temporary Accommodation (TA) were included in the cap. In January 2012 the Welfare Reform Minister promised to avoid a “ludicrous go round”¹⁹ of homeless people moving into TA which then proves unaffordable because of the cap, making them homeless again. The Minister said that the review of the Housing Benefit subsidy for TA would address these concerns.

3. The proposals for how the Housing Benefit subsidy for TA should be reformed were repeatedly delayed as the DWP and DCLG were unable to reach a decision. The outline of the new subsidy scheme was only announced in October 2012, leaving too little time to formally consult stakeholders.

4. It has now been confirmed that the cost of TA will be included in the overall benefit cap. The DWP suggest that under Universal Credit, the management costs of TA will be paid directly to local authorities (and therefore not included in the cap). This will reduce the household's benefit income, making it less likely the cap will apply. However, the reduction in their income will only be £60 per week (£40 if inside of London), meaning the benefit cap will still affect many households in TA, particularly those in London. Based on the available detail, a family in TA will still, therefore, be as likely (if not more likely) to be affected by the cap as a family claiming Local Housing Allowance in the mainstream private rented sector. Also, the proposals set out by the DWP will do nothing to reduce the impact of the cap on homeless households prior to the introduction of Universal Credit, as the existing rules will remain in place until households move onto the new scheme between 2013 and 2017.

5. The decision to include TA within the benefit cap sits poorly with homelessness policy and guidelines from the DCLG, leaving local authorities with a serious dilemma. According to the government's Homelessness Code of Guidance, local authorities have a legal duty to ensure that any accommodation procured meets the affordability and suitability needs of the household. In order to meet the affordability needs, it must be considered “whether the applicant can afford the housing costs without being deprived of basic essentials such as food, clothing, heating, transport and other essentials.” Guidance sets out that income support levels (equivalised for household size) should be used as a proxy for this, meaning households cannot be expected to

¹⁹ HL Deb, 23 January 2012, c893

cross-subsidise housing benefit shortfalls with income replacement benefits. Once the cap is implemented, TA in most places will be unaffordable under this definition.

6. In order to meet the location needs, The Homelessness (Suitability of Accommodation) Regulations 2012 require the local authority to take into account the distance of the new accommodation from the applicant's previous home, and the disruption a move would create for the household's employment, education or health. While this does not prevent homeless households being placed a long way out of their local area—as long as this is done on a case-by-case basis and not as a matter of course—data from the DCLG shows that the percentage of households placed in out-of-area TA increased from 11% to 16% between 2008 and 2011. As local authorities look for cheaper TA out of borough removals are likely to increase further.

7. Without the exemption of TA from the cap, in order to meet their legal duty local authorities will either have to meet the cost of TA out of their own stretched budgets, rely on the very limited Discretionary Housing Fund, or face no choice but to send homeless families to live in cheaper boroughs far away from their local area. The movement of households out of pressurised areas into areas with cheaper accommodation will impact on other services and infrastructure, for example, schools and social care departments will face increasing pressure in importing boroughs. In light of this, and in absence of an outright exemption, we query why New Burdens funding has not been released for local authorities.

PRIVATE RENTED SECTOR OFFER

8. New powers offered by the DCLG to local authorities allow them to house people who present as homeless in the private rented sector, rather than find them more settled, stable accommodation. This allows local authorities to discharge their legal duties to homeless households without making them an offer of social housing. Local authorities could previously re-house homeless families in the private rented sector, but only if the household agreed this met their needs. Removing the need for consent increases local authorities' options for re-housing homeless households.

9. But these new powers will be constrained by the DWP-led changes to housing benefit, especially the introduction of the benefit cap, which will reduce the affordable housing options available for local authorities to offer to homeless households. This has been clearly evidenced by the Cambridge Centre for Housing and Planning Research, and the CAB's survey findings in Hackney.²⁰ There is a risk that the reforms to Local Housing Allowance will increase the number of families in the private rented sector that are made homeless. Recent Government data shows an increase in the number of homelessness acceptances that are arising as a result of the loss of an Assured Shorthold Tenancy.²¹ Therefore, while the DCLG has expanded the options available to local authorities in homelessness cases by allowing increased use of the private rented sector in principle, the DWP has reduced these options by creating a system which makes further stock in the private rented sector unaffordable.

10. As local authorities struggle to find affordable accommodation in the private rented sector, more are using bed and breakfasts to house homeless families for longer. Recent figures show a 184% increase from September 2011 to September 2012 of families living in bed and breakfast accommodation over the DCLG's six week limit. This is particularly true in areas of high housing pressure, such as London which saw a 216% increase over the same time period.

11. In addition, private rented sector access schemes, such those that Crisis fund across the country, have reported that they are increasingly struggling to find accommodation within the rates. In Sunderland, Shelter's access scheme is reporting that it is particularly difficult to find accommodation for under 35's as there is a severe shortage of affordable shared accommodation. With the loss of future value to Local Housing Allowance stemming from the Autumn Statement up-rating announcement, we are increasingly worried that landlords will refuse households on benefits, reducing the available accommodation even further.

THE REMOVAL OF THE COUNCIL TAX BENEFIT FROM UNIVERSAL CREDIT

12. The localisation of Council Tax Benefit (CTB), advocated for by the DCLG, contradicts the primary aim of Universal Credit of simplifying the benefits system. Shelter supports the rationalisation of the different benefits systems so that claimants only have to report personal information and changes in circumstances to one agency. Localising CTB will re-introduce complexity into the system, which is likely to make many households much more liable to become confused and increase the chance of mistakes being made.

13. If changes in circumstances are not reported this can lead to over or under-payments and demands for repayment that put the household at risk of debt or arrears. We would like assurances that publicity materials produced by the DWP to promote Universal Credit do not over-sell the extent to which the benefit system has been rationalised. The original intention that claimants will only need to report changes in circumstances once cannot now be met and it would not be appropriate to promote this as a major benefit of Universal Credit.

²⁰ How will changes to Local Housing Allowance affect low-income tenants in private rented housing? (Cambridge Centre for Housing and Planning Research, 2010)
No DSS: Locked out of the private rented sector in Hackney (CAB, August 2012)

²¹ DCLG Housing Live Table 774, www.gov.uk

14. In addition, the localisation of Council Tax benefit will mean that households will not benefit from a single taper, which was central to the original design of Universal Credit because it is what makes work pay—something which Shelter has warmly supported. A single benefit would avoid the overlapping tapers that can reduce the financial returns from work and make it easier for claimants to work out how much better off they will be by increasing their earnings. However, removing Council Tax Benefit undermines this aim. In addition, as Council Tax Benefit eligibility and withdrawal rates are now at the discretion of each local authority, it is possible that a local authority could come up with a detrimental scheme that risks undermining work incentives, for example causing claimants to rapidly lose all their Council Tax Benefit when they move into employment.

Is the Government's timetable for implementing Welfare Reform achievable?

15. It is important that the Government's timetable for implementing welfare reform is practical rather than strictly adhered to. Timescales may need to be adjusted if it becomes apparent that key functionalities are not in place. Our main concern is that families will be moved onto Universal Credit before the system has been fully tested, including for more complex cases. Universal Credit will represent some households' entire incomes and any delays or breakdown of the system will leave households destitute. Local authorities must be provided with regular updates on the progress of Universal Credit implementation to allow them to plan ongoing capacity in housing benefit offices.

16. We are also concerned about the scale of the welfare reforms being introduced in April, particularly as each of the proposed reforms will hit all the affected caseloads on the same day. These include the benefit cap, the under-occupancy charge, the localisation of Council Tax Benefit, the localisation of the Social Fund, and the Universal Credit pilots in selected geographical areas. We would welcome a more staggered approach—for example, the way in which the new Local Housing Allowance rates were introduced across a 12 month period as claimants' circumstances changed or were reviewed.

17. Finally, we are also concerned about lack of time local authorities have to prepare for the implementation of the Social Fund and the transfer of CTB responsibilities.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit? Are there financial risks to local authorities from welfare reform changes? Are such risks being adequately addressed?

18. The costs of welfare reform at a time of reduced resources for local authorities are undoubtedly challenging and present a range of risks. The benefit cap is likely to create many more homeless families: a leaked letter from the DCLG in July warned that as many as 20,000 people could be made homeless as a result of the benefit cap. There are numerous costs incurred by local and national government when a household presents as homeless including the costs of advice and support, the cost associated with the completion of the homelessness application, and the costs of the rent arrears, eviction, and re-letting. With a complex eviction the cost could be over £6,000 to the local authority.

19. Discretionary Housing Payments (DHP) cannot be used for these costs as the fund is only intended to cover direct housing costs. In addition, the leaked letter from the DCLG warned that instead of creating savings the benefit cap will “generate a net cost” because, as described above, local authorities will have to cover the costs of increasingly accommodating homeless households in TA. The DWP has said local authorities can use DHPs to fund TA shortfalls, but it is unclear whether the allocation to individual local authorities will be sufficient for this and it will also divert funds away from other households affected by welfare reform. DHPs can only be used to fund rent liabilities and will not compensate local authorities for their own additional costs.

20. Discretionary Housing Payments are unlikely to be able to cover these increasing costs because the additional funds released are significantly below the level of the cuts being made. In addition, DHP is a limited annual funding stream; local authorities can only provide payments to claimants until their budget runs out. As claims are awarded on a time-dependent rather than needs basis, the budget is unlikely to meet the huge extra demand that will be generated by the forthcoming welfare reform.

21. In addition, where social tenants will now be required to pay rent due to the under-occupancy cut or benefit cap it is likely that local authorities will increasingly need to chase small amounts of rent arrears which can be a costly process.

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

22. Universal Credit was intended to simplify the benefits system into a single agency. The separation of the administration of Council Tax Benefit undoes that positive intention as households will still have to report changes of circumstances to two agencies across different tiers of government. As described above, this can lead to over or under-payments and demands for repayment that put the household at risk of debt or arrears.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

23. Shelter understands the policy intentions behind the design of Universal Credit, which is intended to mimic a monthly salary and end the differential budgeting challenges for households in receipt of Housing

Benefit and those who are financially independent. However, given the legitimate challenges facing households on low incomes, we argue claimants should have a choice as to whether support for housing costs are paid directly to their landlord or not.

24. Direct payments for private tenants are now well-established, although their introduction in 2008 caused considerable teething problems. The DWP should ensure that the lessons from the introduction of the Local Housing Allowance are carried through into the design of Universal Credit. It is vital that triggers are in place to pay the housing component direct to landlords if the tenant is in arrears or genuinely unable to manage their finances, for example because of vulnerability or debt.

25. The extension of direct payments to social tenants should be carefully reviewed as the roll-out of Universal Credit progresses. The findings from the 2012 Demonstration Projects must be incorporated into the final policy detail to ensure adequate safeguards for tenants who will genuinely struggle to manage their budget or who are already in arrears. Shelter is very happy to work with the DWP on this.

26. Ultimately housing benefit is a tool which allows low income households to afford adequate housing and this core aim should not be lost in the pursuit of the wider welfare reform agenda. The DCLG should ensure that Housing Benefit's role in implementing housing policy, including delivering new affordable housing, is not undermined by this process.

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FURTHER READING

Universal Credit and housing (Shelter, 2012)

http://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/briefing_-_universal_credit_and_housing

Response: Discretionary Housing Payments good practice manual (Shelter, 2012)

http://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/response_discretionary_housing_payments_good_practice_manual

Research briefing: Immediate costs to government of loss of home (Shelter, 2012)

http://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/briefing_immediate_costs_to_government_of_losing_a_home

How will changes to Local Housing Allowance affect low-income tenants in private rented housing? (Cambridge Centre for Housing and Planning Research, 2010)

http://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/how_will_changes_to_local_housing_allowance_affect_low-income_tenants_in_private_rented_housing

No DSS: Locked out of the private rented sector in Hackney (CAB, August 2012) http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&cad=rja&ved=0CDMQFjAA&url=http%3A%2F%2Fwww.hackneycabcrowdmap.com%2Fwp-content%2Fuploads%2FLocked-out.pdf&ei=RSbHUPGOHozL0AXG7ICwAQ&usg=AFQjCNHTT921U__DB00120-DIW0x8pBJHQ&sig2=izYtdTvpLHxphQFvyr3EFg&bvm=bv.1354675689,d.d2k

Written evidence from the Department for Communities and Local Government

INTRODUCTION

Why reform the Welfare System?

Public spending was out of control and the deficit needed to be reduced. Welfare spend is the single biggest Government expenditure. In 2010, the Welfare Bill was £192 billion, of which Housing Benefit was approximately £23 billion having doubled over the period from 1997.²² This needed to be addressed. In addition people on benefits did not have to make the same lifestyle decisions as those in low paid work. The system needed to change to make it fair.

There are currently more than 30 benefits and tax credits available to people who are on low incomes: this complexity makes claiming support difficult, unpredictable and seriously undermines work incentives. In addition people on out of work benefits have no incentive to do work of more than 16 hours a week as their earnings are deducted pound for pound from their benefit after a small disregard.

The Government is reforming the benefits system so that it:

- is fairer and more affordable;
- more effectively tackles poverty and worklessness; and
- strengthens work incentives and promotes personal responsibility.

²² http://research.dwp.gov.uk/asd/asd4/budget_2012_300712.xls

CLG SELECT COMMITTEE QUESTIONS AND ANSWERS

1. *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

1. The Government and the devolved administrations are working closely and effectively together to implement Welfare Reform. DWP leads on Welfare Reform (with the exception of Council Tax Support localisation) and continues to work across Government and with local authorities—both directly and through the Local Government Association (LGA), the Convention of Scottish Local Authorities (COSLA) and the Welsh Local Government Association (WLGA)—as well as with other partners such as housing associations and Voluntary and Community Sector organisations on design and implementation.

2. Prior to Universal Credit coming in to force there are a range of reforms to the current system. These include:

- *Local Housing Allowance reform.* From April 2011, the rates of Local Housing Allowance were reduced and capped to restore fairness to the system. The changes to Local Housing Allowance make it simpler for claimants to understand and easier for people to plan for the future when they know the maximum amount of Housing Benefit that will be available for a whole year ahead. Local Housing Allowance Rates will be up-rated by the Consumer Price Index as announced in the Emergency Budget 2010. For the following two years (2014–15 and 2015–16) increases will be capped at 1%, in line with other benefits. 30% of the savings associated with this measure—£45 million in 2014–15 and £95 million in 2015–16—has been set aside to increase the local housing allowance rates in areas where rent increases are causing a shortage of affordable accommodation.
- *The Social Sector Size Criteria.* From April 2013 Housing Benefit will be reduced by 14% for working age households if they under occupy by one bedroom in the social sector and 25% if they under occupy by two or more bedrooms. By doing this, we will encourage claimants to take responsibility for their financial decisions and support landlords to make the most efficient use of their stock.
- *The Benefits Cap.* From April 2013, this will set an upper limit on the amount of benefits a working-age household can receive. This will promote fairness in the benefits system whilst reducing the burden on the state.
- *Social Fund reform.* From April 2013 funding is being provided by the Government to provide a new local welfare provision. This allows local authorities to take the lead on developing tailored support based on their communities' needs.
- *Council tax support localisation.* Council tax benefit expenditure in England increased from £2 billion to £4.3 billion from 1997–98 to 2010–11. Our reforms will localise Council Tax support and give councils stronger incentives to support local firms, cut fraud, promote local enterprise and get people into work. Council Tax Benefit will be replaced with a new localised scheme with a 10% reduction. This will be ready (including all regulations, guidance and amendments, together with all appropriate data sharing and grant agreements in place) for local authorities to have viable schemes in place by the end of January 13 for their implementation on 1 April 2013.

3. These reforms will be followed by the introduction of Universal Credit. Phased in from October 2013, Universal Credit will help claimants and their families to become more independent and will simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment. The new Universal Credit system aims to:

- improve work incentives;
- smooth the transitions into and out of work;
- support a dynamic labour market;
- simplify the system, making it easier for people to understand, and easier and cheaper for staff to administer; and
- reduce in-work poverty and cut back on fraud and error.

4. Implementation of all of these reforms is on track. There is close working within Government between DWP and DCLG (and other departments), and between the Government, the devolved administrations, local authorities and the Voluntary and Community Sector. Examples of this close and effective working include:

- Joint commissioning between DWP and DCLG of the independent evaluation of the Local Housing Allowance reforms. This reported first in Summer 2012 and will be followed up with a secondary report in Spring 2013 prior to the implementation of the reforms.
- DCLG and DWP working together and with a small group of social landlords and the Making Better Use of Stock team within the Chartered Institute of Housing to understand the issues landlords face, to assess the likely impacts, and explore how to mitigate potential areas of stress. This included producing a toolkit on the social sector size criteria “Making it Fit” which was published in June this year.

- Planning for the implementation of the benefit cap where the project team in DWP is meeting and working closely with colleagues across Government prior to the implementation of the cap from April 2013. There are representatives from DCLG, the Local Government Association, Welsh Local Government Association and local authorities on the Senior Stakeholders Board. In addition, DWP has organised meetings to raise awareness of the employment support available for benefit cap claimants and with DCLG homeless advisers to consider closer working with Jobcentre Plus homeless advisers.
- Careful work by DWP, DCLG and the Devolved Administrations on council tax support and localised welfare provision to ensure the timetable for legislating to end the current DWP-led schemes is aligned to the arrangements being made within DCLG and the Devolved Administrations.
- Establishing the Government's approach to subsidy allocations to English local authorities in respect of local council tax support administration costs, drawing on discussions with local authorities. Subsidy allocations in respect of local authorities in Scotland and Wales will be matters for the Scottish and Welsh Governments.
- DWP and DCLG's joint work to ensure the right data-sharing gateway to provide relevant information from Universal Credit claims and that the IT systems are in place to support this. Regulations to allow data sharing under the Welfare Reform Act are expected to be laid December and come into force in January, to help local authorities with the transition to the localised replacements of Council Tax Benefit and the Social Fund.

5. There is also strong partner involvement in the Universal Credit programme where DWP works closely with DCLG, the Local Government Association and its counterparts in Scotland and Wales, the Convention of Scottish Local Authorities and the Welsh Local Government Association. These organisations and individual local authorities are part of working groups convened by DWP to assist with planning and delivery of Universal Credit.

6. There is also live testing through DWP and DCLG working with six local authorities and housing partnerships who are testing the payment of Housing Benefit directly to working age claimants in the social sector. The Universal Credit Direct Payment Demonstration projects are testing out how best to support people to manage their finances so they don't miss rent payments and are able to manage their own budgets, and how to support landlords if people do miss rent payments. This is in advance of the introduction of direct payments to tenants as part of Universal Credit. Learning from the projects is feeding into the design of Universal Credit.

7. In October 2012 the Government launched 12 Local Authority²³ led pilots to test the kind of services needed to support those who need additional help to access the full breadth of Universal Credit services. The services being piloted include: digital inclusion, financial and budgeting support, face to face services, access to work, customer support, and rural aspects. The pilots are due to finish in September 2013 and the ongoing learning and evaluation will help inform the Universal Credit Pathfinder, scheduled for launch in April 2013, and the further roll out of Universal Credit from October 2013.

8. The Government recognises that some claimants will need additional help, advice and support provided by services at the local level. Therefore, DWP officials have set up a Task Force in collaboration with DCLG and local authorities to incorporate these services into a strategic framework. This Task Force has now begun its work and is expected to produce an integrated localised claimant support framework in January 2013. It will build on the work already carried out on aspects of the design of face-to-face services, financial inclusion, budgeting support, partnership working, funding and the role of the third sector.

2. Is the guidance available to local authorities from central Government on implementing welfare reform adequate? Are there areas where more or better guidance is required?

9. The Government where relevant has provided guidance to support the implementation of welfare reforms.

10. The DWP has provided guidance and communication materials on the Local Housing Allowance changes, and has also run a number of awareness sessions for local authorities.

11. Guidance has been issued by DWP to local authority staff on how to apply the Social Sector Size Criteria. The guidance includes model letters and leaflets to aid local authorities in publicising these changes and is available on the DWP website. DCLG is providing funding to support an action team within the

²³ — Bath and North East Somerset Council;
 — Birmingham City Council;
 — Caerphilly County Borough Council;
 — Dumfries and Galloway Council;
 — London Borough of Lewisham;
 — Melton and Rushcliffe Borough Councils (as a partnership);
 — Newport City Council;
 — North Dorset District Council;
 — North Lanarkshire Council;
 — Oxford City Council (also a demonstration project area);
 — West Dunbartonshire Council;
 — West Lindsey District Council.

Chartered Institute of Housing to provide practical support to help landlords tackle under-occupation. This included producing a toolkit on the social sector size criteria “Making it Fit” which was published in June this year.

12. Detailed Benefit Cap guidance and communications material have been issued to local authorities and additional guidance is planned for issue prior to Universal Credit implementation from April 2013. This includes:

- Housing Benefit/Council Tax Benefit General Information Bulletins currently being prepared for issue in January 2013;
- Presentations undertaken at various conferences and events;
- Welfare Reform events in Wales and Scotland; and
- Benefit cap project support provided at national and regional Institute of Revenue Ratings and Valuation conferences.

13. Specifically to support local authorities in the introduction of local council tax support schemes the Government has:

- Announced and paid out £30 million of initial funding to help meet the costs of planning and analysing draft schemes—for both billing and precepting authorities;
- Announced an additional £100 million to encourage best practice and support those councils who are looking across all of their options for finding savings, to ensure that the poorest in their area do not face a large reduction in support;
- Provided a free online calculator, to help local authorities analyse the potential impacts of their proposed schemes;
- Published a statement of intent, setting out the details of what will be covered in secondary legislation; and
- Published guidance, developed with DWP, to ensure that local authorities understand their existing responsibilities in relation to vulnerable groups and setting out the general principles of supporting work incentives to help local authorities to design support.

14. DCLG has also:

- Hosted two events in August and November for local authorities to come together to discuss a range of issues including where they are with consulting on their schemes;
- Provided local authorities with policy updates by email to Chief Finance Officers, and
- Published detailed FAQs on the eligibility criteria for the additional transitional grant.

15. There are no plans for new guidance for the Social Fund because it is not being replaced. Payments for maternity, heating and funeral expenses will continue. Some discretionary payments are being abolished and funding for a new better targeted local provision is being given to local authorities in England and the Scottish and Welsh Governments. Details of the funding for this new local provision have been accompanied by a settlement letter which provides clarity on the purpose of the funding.

16. Following the announcement of Universal Credit, the Government is taking forward a series of nationwide events that will help to prepare local authorities for the business changes required, following these events more in depth support will be provided to those local authorities who require it.

17. This will also be supported by further details around the October 2013 launch of Universal Credit and how this will impact upon local authorities. It is right that the Government carefully considers the impacts of the local authority pilots and the Direct Payment Demonstration projects before finalising our guidance to local authorities.

18. Some claimants will need additional help, advice and support to access Universal Credit. The Government is taking forward urgent work around the development of the service provision for these people and will produce an integrated localised claimant support framework in January 2013. It will build on the work already carried out on aspects of the design of face-to-face services, financial inclusion, budgeting support, partnership working, funding and the role of the third sector.

3. *Is the Government's timetable for implementing Welfare Reform achievable?*

19. The Welfare Reform Act 2012 made provision for the most broad-ranging and fundamental reforms of the welfare system since the 1940s. The timetable for implementation spans a number of years to allow sufficient time for preparation by local authorities and claimants.

20. Reforms to Housing Benefit paid to people in the private rented sector were staggered. Changes were introduced for new claimants in April 2011 but those who were existing Housing Benefit claimants in April 2011 received a nine months transitional period. In January 2012, the Shared Accommodation Rate of Housing Benefit for single childless people was extended to the age of 34 (from 25), limiting the amount of Housing Benefit they can claim.

21. Two further reforms will be introduced in April 2013: The Benefit Cap, which caps the total amount of benefit a household can receive at the national average earnings (approx £26k); and the Social Sector Size Criteria, which restricts Housing Benefit for working-age customers living in the social rented sector who are occupying a larger property than their household size requires. These reforms were first proposed as part of the Comprehensive Spending Review in 2010 giving those who are affected almost three years to prepare. DWP has written to all those at the risk of capping from the Overall Benefit Cap.

22. In devolving new responsibilities and funding to local Government—for council tax support and localised welfare provision—DWP has been working closely with DCLG and the Devolved Administrations to ensure our timetable to end the current DWP-led schemes is aligned to the arrangements being made within DCLG, the Devolved Administrations and Local Authorities. In relation to local council tax support schemes, local authorities are getting on with designing and implementing their local schemes and IT suppliers are taking forward work to design and test systems. This is encouraging progress. Currently, over 300 local authorities in England have consulted on draft local schemes, and at least 278 have completed this process.

23. Further ahead, October 2013 to 2017 will see the phased introduction of Universal Credit and the Personal Independence Payment. Both programmes have been carefully designed to avoid a big-bang approach and will be extended gradually to different claimant groups over several years. Universal Credit will launch a Pathfinder in April 2013 for new claims from a small subset of the unemployed caseload in the North West of England (Tameside, Oldham, Wigan and Warrington). From October 2013 Universal Credit will be introduced more widely beginning with new claims and natural migrations. DWP is working with local authorities on the precise migration timing schedule for the final geographic migration phase, prioritising safe closure of Housing Benefit teams.

4. Are local authorities being allocated sufficient resources to deliver services such as localised council tax support and advice to claimants on Universal Credit?

24. The Government is committed to ensuring that any reforms do not place an extra burden on local authorities and will meet our obligations under New Burdens Doctrine. New Burdens funding will be provided through an appropriate mechanism in time for the 2012–13 transfer and through Supplementary Estimates for 2013–14 transfers. DCLG and HMT are working with DWP to ensure that the new burdens implications of the Welfare Reform programme are accurately assessed and properly funded.

25. The Government is working with local authorities to assess the net impact of housing benefit centralisation and localisation of support for council tax, including the transitional costs of moving to the new arrangements. Funding for administration will be treated separately from funding to meet the new burdens costs on local authorities of delivering the requirements of localised council tax support. New burdens funding £30 million was allocated in April 2012, and this will be followed by further funding for billing authorities for 2013–14, the details of which will be announced in the Local Government Finance Settlement. This is in addition to the ongoing administrative subsidy paid by DWP.

26. Local authorities will be allocated funding to enable them to offer support for council tax. Funding will be provided via the retained business rates system for local authorities and fire and rescue authorities, and through a direct grant to local policing bodies. Provisional allocations were published in a consultation on funding which issued earlier this year. Final allocations will be published as part of the local Government finance settlement.

27. Local authorities will have choices about how they manage the reduction in funding. They will be able to choose whether to pass the reduction on to council tax payers, using the flexibilities over council tax or manage the reduction within their budgets, driving down fraud and error and finding efficiencies.

28. On 16 October 2012, Ministers announced an additional £100 million of transition funding for councils to help support them in developing well-designed council tax support schemes and maintain positive incentives to work. This grant is intended to provide some headroom for those authorities who are looking across all of their options for finding savings to ensure that those currently in receipt of support do not face a large reduction in support.

29. The Universal Credit programme has adopted a common approach and methodology to business change impact analysis for all the delivery partners (DWP, HMRC and local authorities) but a differing approach to engaging local authorities in this effort was required in recognition of their unique position—local authorities are three hundred and eighty diverse, disparate and effectively independent businesses across the UK.

30. Local authority business change impact analysis will provide an essential underpinning to local authorities business planning and ultimately assurance as to their readiness before Universal Credit begins to roll out nationally from October 2013. Having consulted with local authority representatives engaged in the programme we developed a strategy that provides for a series of regional local authority business change impact analysis events that will be co-sponsored and supported by the national and regional local authorities' associations and other recognised local authority representative bodies.

31. The aim of these events is to engage local authorities in respect of business change impact analysis for purposes of the national rollout phase, but they will also serve to engage local authorities in business change impact analysis as a continuing key activity throughout the period of transition. Sixteen regional events have

been scheduled from October 2012 to January 2013 so that we may capture an initial picture of Universal Credit business changes impacts for local authorities. A number of events have already taken place and the level of local authority engagement has been good. A number of business change impact analysis returns have already been received from local authorities in England and Scotland and these formed the basis of a new burdens assessment in respect of local authorities business change for 2013–14. Future iterations of business change impact analysis will inform funding assessments for future years in the transition period.

32. In addition, the Government recognises that some claimants will need additional help, advice and support provided by services at the local level. Therefore, officials have set up a Task Force in collaboration with local authorities to incorporate these services into a strategic framework.

33. This Task Force has now begun its work and is expected to produce an integrated localised claimant support framework in January 2013. It will build on the work already carried out on aspects of the design of face-to-face services, financial inclusion, budgeting support, partnership working, funding and the role of the third sector. These services will be funded but the full resource implications will be explored when the details have been further developed.

5. Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

34. In line with New Burdens Doctrine^[1] the Government has agreed the process and timetable for assessing new administrative burdens on local authorities arising from our welfare reforms. Similar engagement is taking place with the Devolved Administrations. The agreed “new burdens” for which we will compensate local authorities are related to: Housing Benefit reform (inc. Local Housing Allowance changes and Social Sector Size Criteria); Local Welfare Provision (following abolition of elements of the discretionary Social Fund); Universal Credit/Pension Reform; Benefit Cap; and Fraud and Error programme.

35. The Government recognises that local authorities may incur one-off costs associated with decommissioning housing benefit services and is working with local authorities to understand these impacts so that we may meet our obligations under New Burdens Doctrine.

36. New Burdens funding for 2012–13 will be provided through grant and 2013–14 through Main Estimates.

37. Separately, DCLG is taking forward work to assess the new burdens resulting from the localisation of council tax support. An initial £30 million has already been paid out. This will be followed by further funding for billing authorities for 2013–14, the details of which will be announced in the Local Government Finance Settlement. This is in addition to the ongoing administrative subsidy paid by DWP.

38. The Government recognises that some claimants will need additional help, advice and support provided by services such as face-to-face advice, financial inclusion and budgeting support, at the local level. Therefore, DWP officials have set up a Task Force in collaboration with DCLG and local authorities to incorporate these services into a strategic framework. This Task Force has now begun its work and is expected to produce an integrated localised claimant support framework in January 2013. It will build on the work already carried out on aspects of the design of face-to-face services, financial inclusion, budgeting support, partnership working, funding and the role of the third sector. These services will be funded but the full resource implications will be explored when the details have been further developed.

39. Over this spending period the Government has increased the Discretionary Housing Payment to £370 million specifically to help mitigate the impact of welfare reforms. This is a discretionary pot of money allocated to local authorities to support families facing particular housing hardship challenges. It is allocated through the Housing Benefit subsidy regime and is therefore ring fenced but local authorities have discretion to administer it in a way that suits the authority and local area.

6. What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

40. This Government has implemented a number of large scale and necessary reforms to reduce benefit dependency. Interventions are based on “activation” which means placing conditions upon receipt of benefit. This is supplemented by the provision of employment advice and support for those who need it, and by voluntary or mandatory participation in schemes aimed to give experience of work.

41. Extensive evaluation by the UK and OECD shows that active labour market policies, such as jobsearch, lead to a quicker exit from benefit. The UK has a more active labour market regime than many EU countries and a better performing labour market.

42. Setting active job-search activities as the condition for receipt of unemployment benefits, and ensuring that jobseekers attend a face to face interview at least once a fortnight underpins welfare to work policy in the UK. The evaluation of the introduction of Job Seekers Allowance showed that introducing mandatory work search (as well as a number of other changes to benefit rules), monitored through Fortnightly Job Reviews had

a short-term and a lasting effect on unemployment; it was estimated that there was a permanent reduction in the claimant count of 0.8 percentage points.²⁴

43. Early evaluations of schemes introduced by this Government such as Work Experience and Mandatory Work Activity already show positive and promising results. Conditionality works best when underpinned by a sanctions regime and this Government has introduced a tougher regime which is simpler and clearer about the consequences of non-compliance.

44. The Government is committed to evaluation of employment programmes, including quantitative assessments of their impact on the numbers of people on benefits. These impact assessments are conducted in-house following a peer-reviewed methodology or are conducted by independent research organisations.

45. A consortium led by the Institute for Employment Studies (IES) has been commissioned to undertake an independent evaluation of the Work Programme, including an impact assessment. The evaluation will explore commissioning and delivery of the programme, and participants' experiences and outcomes via a combination of qualitative research and surveys. The evaluation began reporting in November 2012, with regular reports through to a final synthesis report in 2014–15. All reports will be published on the DWP website at: <http://research.dwp.gov.uk/asd/asd5/rrsindex.asp>.

7. What evidence is there that local authorities are able to use effectively existing services or contracts for the delivery of new local Social Fund schemes?

46. We must be clear that local authorities are not delivering new local Social Fund schemes. Funding is being passed to them and the devolved administrations to provide new local welfare provision. This will allow them to give tailored, flexible support based on detailed knowledge of the issues they are facing in their communities. In order to support this transition, we have undertaken a wide range of engagement activities with approximately 150 local authorities who have outlined their plans to extend and develop existing services and contracts as part of their provision to help vulnerable people facing a crisis or short term unavoidable need. Engagement activities have included regional workshops, Local Government Association roundtable events, information exchange through the Social Fund reform webpage and inbox and the Local Government Association Knowledge Hub online forum.

47. Local authorities have indicated through these formats that they intend to use their existing services and providers in order to give the best help to vulnerable groups who might need support. Many are mapping their current service provision and intend to work with other local authorities to maximise these services and dovetail with other schemes.

8. How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

48. Currently claimants may be prompted to apply for council tax benefit when they are applying for other benefits. Government departments are working together to ensure that data relating to claimants of current benefits and Universal Credit can be shared with local authorities to minimise the administrative burdens on both authorities and individuals wishing to claim council tax support.

49. From April, new claimants will be asked if they are interested in applying for a reduction of their council tax liability, but they will not be able to submit an application via DWP outlets. They will have to apply formally to their local authority for a reduction, but, because they will have provided information to DWP while claiming benefits, the local authority application process should not be onerous. It could be little more than confirming that they wish to apply and that the information they provided to DWP was correct. The relevant information will then be provided by DWP to the local authority.

50. Local authorities may decide to design schemes which require data which is not collected in relation to other benefits. In this case they will need to require this information directly from the claimant. As at present, schemes will need to make provision for means-testing for those people not in receipt of a qualifying "passporting" benefit. Currently there are only four such "passporting" benefits, of which three (income-related Job Seekers Allowance, Employment and Support Allowance and Income Support) are being phased out/replaced with Universal Credit. Currently pensioners may be prompted to apply for council tax benefit either whilst they are making a housing benefit application, or when they are applying for Pension Credit. People can of course apply independently as well.

51. DCLG will continue to work with DWP to ensure that similar prompts are in place under new arrangements where possible, and that Pension Credit assessments can continue to be provided by DWP to local authorities, to prevent duplication and aid efficiency.

52. In addition, DCLG has taken powers in the Local Government Finance Act to make transitional provisions in particular in connection with treating a person who is or was in receipt of council tax benefit. The Department has stated its intention to make regulations so that a person who is in receipt of council tax benefit immediately before 1 April 2013, or who has, prior to 1 April 2013, made an application for council

²⁴ <http://research.dwp.gov.uk/asd/asd5/rrep116.pdf>

tax benefit which has not been determined by 1 April 2013 is to be treated as having made an application for a reduction.

53. This will help local authorities to move claimants from council tax benefit to their local scheme without needing to require a new application to be made, again reducing the burden on both claimants and local authorities.

54. How local authorities choose to administer Localised Council Tax Benefit is a DCLG and Devolved Administration matter. The administration of Housing Benefit will continue to be carried out by local authorities under existing regulations and guidance and DWP liaison with local authorities on Housing Benefit matters will continue as now. DWP have also provided data sharing powers for local authorities to improve delivery of welfare services by local authorities.

9. How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?

55. Housing benefit (and welfare fraud in general) is a serious problem and the Government is absolutely committed to addressing it. However, to put this in context, Housing Benefit is the second highest benefit in terms of benefit expenditure (£22.8 billion), and as a percentage of this the level of fraud loss is one of the lowest across all the main means tested benefits (1.5%).

56. That said, the level of fraud is unacceptable which is why the plans outlined in our fraud and error strategy that was refreshed in a joint report with HMRC and the Cabinet Office in February 2012, and measures in the Welfare Reform Act, are necessary.

57. These plans include the new Single Fraud Investigation Service, which will be responsible for the investigation and prosecution of the totality of welfare benefit fraud. Initially the Single Fraud Investigation Service will be a partnership between DWP, HMRC and local authorities. Piloting work has started with an initial four pilots to test the design and the new ways of working. This is expected to be increased at a later stage once emerging findings are known. From the piloting activities the lower level design of the service will be drawn out. We are also working with partners on the Mobile Regional Taskforce pilots focusing on intelligence led campaigns in high fraud risk areas. The Welfare Reform Act 2012 provides for tougher powers to punish and deter welfare cheats. A tougher minimum administrative penalty was introduced in May 2012 and from 1 October a new civil penalty came into force for claimant error.

58. With the introduction of Universal Credit in 2013, the benefits system will also be made simpler and, as far as possible, the opportunities for fraud to enter our systems will be greatly reduced.

10. Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

59. The Government is committed to developing Universal Credit in a way that protects landlords' financial position. There will be the facility to pay housing costs directly to landlords within Universal Credit in some circumstances, for example if a tenant builds up a certain level of arrears. In addition, there will be a minority of claimants where alternative payment arrangements, known as a payment exceptions, may be required. These might include paying the rent directly to the landlord, making more frequent than monthly payments or splitting the payment within a household.

60. We are also working with six local authorities and housing partnerships who are testing the payment of Housing Benefit directly to working age claimants in the social sector. The Direct Payment Demonstration projects are testing out how best to support people to manage their finances so they don't miss rent payments and are able to manage their own budgets, and how to support landlords if people do miss rent payments. This is in advance of the introduction of direct payments to tenants as part of Universal Credit. Learning from the projects is feeding into the design of Universal Credit.

61. The Direct Payment Demonstration Projects officially went live at the end of June 2012 and will run for a year (until June 2013). An online Learning Network, hosted by the Chartered Institute of Housing, has been established to enable housing association and local authority staff to keep track of the projects, to share their learning and to exchange information and views about implementing direct payments with other interested parties.

December 2012

REFERENCE

[1] ???

**Supplementary written submission from the Department for Communities and
Local Government and Department for Work and Pensions**

We are writing following our appearance in front of the DCLG Select Committee on Monday 28 January on the Implementation of Welfare Reform by Local Authorities. We hope the session was informative for the Committee and allayed some of the concerns raised by members and the organisations who submitted evidence.

In particular, we said that we would provide the Committee with information on these areas participating in the direct payment demonstration projects. We mentioned the experience of Oxford where initial increases in levels of arrears reducing as the new system beds in. The press package that DWP released in December which includes the payment rates for the first four months of the projects (three in Edinburgh) and further background on the areas can be access via the following link: www.dwp.gov.uk/docs/direct-payment-demo-figures.pfd (a copy of this document has also been laid in the library of the House of Commons.

As we set out on Monday, these projects are genuinely about learning from practice on the ground to make sure the right safeguards for both landlords and tenants are designed into Universal Credit. The independent evaluation report is due later this year but in the meantime, our officials would be pleased to help should the Committee wish to understand the detail further should you wish to pursue this.

We hope it was clear from the written evidence submitted in December and the session on Monday, that our departments are working very closely together on this key area, as well as with other key organisations. We hope the examples we provided reinforced this. We will also continue to work closely with Local Authorities on issues of implementation and their wider role in Welfare Reform, including the localisation of Council Tax Support.

Thank you for the opportunity to appear on this important subject and we look forward to seeing the Committee's Report in due course.

February 2013

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