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Communities and Local Government Committee

Implementation of welfare reform by local authorities

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Volume II

Additional 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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Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Glenn McKee (Clerk), Sarah Heath (Second Clerk), Stephen Habberley (Inquiry Manager), Kevin Maddison (Committee Specialist), Emily Gregory (Senior Committee Assistant), Mandy Sullivan (Committee Assistant), Stewart McIlvenna, (Committee Support Assistant) and David Foster (Assistant Media Officer).

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List of additional written evidence

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

Written evidence

Written evidence from the National Landlords Association

Background

1. The National Landlords Association (NLA) exists to protect and promote the interests of private residential landlords.

2. With more than 20,000 individual landlords from around the United Kingdom and over 100 local authority associates, it provides a comprehensive range of benefits and services to its members and strives to raise standards in the private-rented sector.

3. The NLA seeks a fair legislative and regulatory environment for the private-rented sector while aiming to ensure that landlords are aware of their statutory rights and responsibilities.

NLA Evidence Summary

4. The NLA has sought to limit its evidence to the following areas of inquiry outlined by the terms of reference:

(i) 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?

(ii) Is the Government's timetable for implementing Welfare Reform achievable?

(iii) Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

(iv) Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

5. The NLA contends that:

- The implementation of Universal Credit, as intended by the draft regulations currently before the House, has the potential to have a significant destabilising, and subsequently detrimental, impact on the private rented sector.
- The lack of financial safeguards, identified as a risk factor for social landlords, also represents a significant risk for private landlords operating in a parallel market.
- Private landlords do not appear to have been given the same consideration in respect of mitigating the risk and costs of transition to Universal Credit.
- Insufficient consultation of directly affected stakeholders has taken place concerning essential guidance.
- The severity of potential damage caused by non-payment of rent in the social and private sector is not reflected in the planned correction mechanisms.
- The assumption that landlords will be able, and willing, to absorb additional costs has not been sufficiently explored or evidenced. Consequently, little contingency planning appears to have taken place to source alternative accommodation for those in need or encourage greater investment.

(i) *Adequacy of Guidance*

6. The NLA is not well placed to comment extensively on the adequacy of guidance issued to local authorities before the fact, as its members will only be able to judge its efficacy once it is used in practice to implement Universal Credit. However, the NLA is extremely concerned about the lack of industry consultation in respect of necessary guidance.

7. While it is likely that the relevant guidance relating to housing support has been reviewed by social housing providers and their representatives, there appears to be a reluctance to acknowledge that the transition to Universal Credit will also have a significant impact on private-residential landlords currently housing recipients of Local Housing Allowance.

8. This state of affairs is of particular concern given the intent of DWP to replace much of the existing regulation relating to payment of housing support with guidance. It remains unclear to what extent this guidance has been generated and whether it is likely to have statutory status.

9. Specifically the replacement of regulations relating to the exceptions (to direct payment) mechanism with, as yet, unknown guidance has introduced a degree of uncertainty into the market which will have a negative impact on investment by private landlords providing housing for those in receipt of housing support.

10. The NLA would like to see the DWP reconsider the policy of replacing essential items of regulation with guidance, or at very least increase their consultation with housing suppliers in respect of the formulation of statutory guidance to take its place.

11. It is also essential that the Department publishes all available information related to the current direct-payment demonstration project with a view to enabling stakeholders to evaluate progress and interpret regulation and guidance already in place. Without such open access to evaluation data it is impossible for those involved to comprehensively identify areas which may require further support.

(ii) *Timetable*

12. The Government's timetable is undoubtedly ambition and poses many challenges for local authorities, central agencies and the providers of housing, including private landlords. At present it is difficult to foresee a scenario whereby all of the planned demonstration projects, evaluations and implementation stages will be concluded on schedule.

13. In respect of the housing element of Universal Credit, a direct-payment demonstration project is already underway. However, no significant data on its success has been made available to the public or to the relevant stakeholder group. It is therefore difficult to understand the development work necessary before the pilot areas begin further testing next year.

(iii) *Financial Risks*

14. Commenting exclusively on those areas specific to the role played by the private-rented sector in implementing the Government's welfare reform package, it appears likely that local authorities will face extensive additional exposure to financial risk.

15. The uncertainty generated by the lack of financial protection for private housing providers has already resulted in a reduction of goodwill within the market.

16. Private landlords are already ill-at-ease with the prospect of engaging further with local authorities over the provision of housing support**.** However, their personal risk exposure is currently limited in respect of the ability to negotiate direct payment of rent to landlords in return for efforts to sustain otherwise non-viable tenancies and the guarantee that rent arrears will not be permitted to exceed two months as a result of the established "eight-week rule". If these assurances are removed it is likely that further landlords will exit this particular market, transposing their risk to the local authority which will in turn have to meet the increased costs of finding new accommodation from a shrinking pool of providers.

17. In a recent survey of NLA members, more than 85% of those currently letting to LHA recipients indicated that without the reassurance of the "eight-week rule" the risks of accepting tenants reliant on housing support will be too great to justify. Furthermore, 44% already have plans in place to withdraw from the market as a result of the collective welfare reforms.[1]

18. If, as the evidence available to the NLA indicates, a high volume of private landlords discontinue letting to those on housing support, the costs to local authorities of finding alternative accommodation from other sources is likely to be considerable.

(iv) *Safeguards to protect landlords*

19. While the Committee's inquiry is focussed on the role of local authorities in implementing welfare reform, it is crucial to recognise the fact that private landlords house approximately 32% of the five million households currently receiving Local Housing Allowance.

20. Despite the difference in scale and objective, many of the functions of social landlords are replicated by private landlords, as are the majority of the risks.

21. It is essential that landlords, both social and private, are able to assess the risk of non-payment of rent where the housing cost is wholly or partly met by the state, through a clear understanding of the relevant regulations. It is also vitally important that landlords have access to a means of mitigating this risk through a direct payment trigger mechanism. Currently, this certainty is provided by Section 95 of the Housing Benefit Regulations 2006:

> *Circumstances in which payment is to be made to a landlord:*
>
> *95.—(1) Subject to paragraph (2) and paragraph 8(4) of Schedule A1(1) (treatment of claims for housing benefit by refugees), a payment of rent allowance shall be made to a landlord (and in this regulation the "landlord" includes a person to whom rent is payable by the person entitled to that allowance)—*
>
> > *(a) where under Regulations made under the Administration Act an amount of income support or a jobseeker's allowance payable to the claimant or his partner is being paid direct to the landlord; or*
> >
> > *(b) where sub-paragraph (a) does not apply and the person is in arrears of an amount equivalent to eight weeks or more of the amount he is liable to pay his landlord as rent, except where it is in the overriding interest of the claimant not to make direct payments to the landlord.*

[1] NLA Welfare Reform Survey, August 2012.

> *(2) Any payment of rent allowance made to a landlord pursuant to this regulation or to regulation 96 (circumstances in which payment may be made to a landlord) shall be to discharge, in whole or in part, the liability of the claimant to pay rent to that landlord in respect of the dwelling concerned, except in so far as—*
>
> > *(a) the claimant had no entitlement to the whole or part of that rent allowance so paid to his landlord; and*
> >
> > *(b) the overpayment of rent allowance resulting was recovered in whole or in part from that landlord.*
>
> *(3) Where the relevant authority is not satisfied that the landlord is a fit and proper person to be the recipient of a payment of rent allowance no such payment shall be made direct to him under paragraph (1).*

22. However, the explanatory memorandum provided in respect of the SSAC meeting of 13 June 2012 explains that:

> *"In order to provide greater flexibility, the detailed circumstances about when payment exception will be appropriate will be set out in guidance, rather than in regulations. This approach will enable cases to be assessed on their individual merits".*

23. While the NLA welcomes flexibility in the context of incorporating differing circumstances and personal criteria in relation to the assessment of discretionary direct payment, as largely achieved by the 2011 amendments to Local Housing Allowance Regulations, it remains imperative that certain triggers for the adoption of direct payment to landlords remain mandatory.

24. Should a recipient of Universal Credit fail to pass on the relevant housing component to their housing provider for a period exceeding two months, the majority of landlords will be compelled to initiate possession proceedings to bring the tenancy to an end. This can often be avoided by the switch to direct payment to landlord.

25. Failure to control rent arrears through a coherent mechanism will lead to increased tenancy failure and recourse to possession proceedings which benefit neither party. The presence of this reassuring mechanism is an influential factor in landlords' decisions to accept welfare recipients, as illustrated by the survey results outlined in paragraph 17.

26. Further to mitigating the risk of non-payment, direct payment of rent can currently be arranged in respect of tenants defined as vulnerable in some way. While it is understood that this system will be replicated during the transitional period and beyond, it is very difficult to plan future investment strategies without advanced knowledge of the likely criteria and mechanisms which are likely to exist. This guidance should be made publicly available as soon as practical.

27. Recently, since 1 April 2011 when the Housing Benefit (amendment) Regulations 2010 came into force, landlords have been encouraged to negotiate rent levels down in exchange for an agreement by the relevant local authority to make LHA payments direct to the housing provider. This was made possible by the reduction in risk and cost savings subsequent to the simplification of rent collection. The NLA estimates that around 17% of landlords operating in this market entered into negotiations with at least one local authority as a result of this amendment.[2]

28. The NLA believes 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.

29. Given the recently announced, below inflation, uprating plans for the housing component of Universal Credit it is entirely possible that this 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.

30. The NLA recommends that the Government reconsider this aspect of its welfare report package to take into account the risks and potential costs of housing people in receipt of housing support with a view to providing greater mitigation. This was also recommended by the Social Security Advisory Committee report into the draft regulations underpinning payment.[3]

31. Currently, Clause 52 (1) of The Universal Credit, Personal Independence Payment and Working-age Benefits (Claims and Payments) Regulations 2012 states that the Secretary of State may direct that Universal Credit may be paid wholly, or in part, to another legal person if such a direction is likely to protect the interests of the claimant.

32. Clause 52 (2) goes on to confirm that "(1) includes provision for the making of payments to a person to discharge, in whole or part, a liability of the claimant to a landlord in respect of housing costs are included in the claimant's award under Schedule (HoS4) (support for renters) of the Universal Credit Regulations 2012."

2 NLA Welfare Reform Survey, August 2012.
3 SSAC report into Universal Credit, para 7.16.

33. The NLA submits that to ensure future investment, it is essential to provide a mechanism for the payment of the housing cost component of any relevant future benefit directly to the housing provider, be they social landlord or private landlord. The provision of housing to rent is a high risk venture that relies on the stability of income streams to meet additional financial commitments relating to the provision of accommodation.

34. The importance of this factor appears to have been recognised in respect of social housing providers and their ability to access appropriate finance. Regrettably, the same consideration does not yet appear to be extended to private landlords. At present it can be very challenging to obtain sustainable financial products in respect of rental housing. This is particularly true when a landlord wishes to house people in receipt of benefits—a scenario often excluded by buy-to-let mortgage providers.

35. Without recourse to establishing direct payment to the landlord, providers of finance are likely to determine that the risk of lending is too high, resulting in high costs to the borrower or a reduction in availability. This reduced availability and increased potential cost of provision will have a detrimental impact on the availability of homes to rent, particularly at the in areas of the market where choice is already severely limited.

36. Finally, and further to the question of arranging payment of relevant benefits and credits to a third party in the event of an agreed exception, private landlords have expressed concern that measures in Section 96(2) of the Housing Benefit Regulations 2006 do not appear to have been replicated.

This Regulation states:

> *…a first payment of a rent allowance following the making of a decision on a claim or a supersession under paragraph 4 of Schedule 7 to the Child Support, Pensions and Social Security Act 2000(2) may be made, in whole or in part, by sending to the claimant an instrument of payment payable to that landlord.*

This provision is designed to ensure that a private landlord is made aware of the acceptance and commencement of a new claim by means of the first payment being issued to the tenant in the name of the landlord. It is not intended to remove the independence granted by direct payment to the tenant, but to ensure that the provider of housing in each instance is informed of the start of the claim and the level of payment, and receives the initial rental instalment.

37. The NLA has seen no evidence of similar provisions within the Universal Credit Regulations and believes that a failure to provide a mechanism to engage with the provider of accommodation from the outset and to ensure that they are aware of the status of a claim could have detrimental consequences for landlords and tenants trying to secure new tenancies. Without such a system the NLA believes it is likely that landlords will fear increased losses and become even more reticent to house those in receipt of Universal Credit.

December 2012

Written evidence from the Administrative Justice & Tribunals Council

Summary

- The Committee's inquiry would be enhanced by investigating the effect of welfare reform on associated appeal rights, since this raises particular questions as to the degree of consultation between the Department for Communities and Local Government (DCLG) and other relevant bodies.
- There is evidence to suggest that DCLG has adopted an England-centric approach to the entire issue, notwithstanding the significant impacts of the localisation of welfare upon Scotland and Wales.
- In particular, DCLG did not appear to acknowledge the difficulties which could arise from the removal of council tax support appeals from a tribunal operating across Great Britain to one whose operations are devolved in Scotland and Wales.
- In various ways the tribunal which will now hear council tax support cases is ill-suited to this role, a problem which Schedule 4 to the Local Government Finance Act 2012 (LGFA) implicitly recognises in relation to the English tribunals (but not the Scottish or Welsh equivalents).
- The Ministry of Justice has a role to play in assisting DCLG and other bodies as they work with the consequences of new appeals arrangements.
- The abolition of the office of the Social Fund Commissioner potentially poses risks for those currently eligible for Social Fund grants or loans. This is especially so given that there will not necessarily be any effective alternative means of challenging decisions under new local authority schemes.
- Local authorities implementing reform face financial and resource-based impediments to preparing for their new responsibilities. There is a risk of public ignorance both of the reforms themselves and of their potential consequences.

Introduction

1. This is the response of the Administrative Justice & Tribunals Council (AJTC) to the Communities and Local Government Committee's (the Committee's) call for evidence on the implementation of welfare reform by local authorities in England. The responsibility for implementing the same reforms outside of England belongs to the Scottish and Welsh Governments, as well as to the individual local authorities in those countries.

2. The AJTC was established under the Tribunals, Courts & Enforcement Act 2007 to keep the administrative justice system under review and consider ways in which it can be made fairer, more accessible and more efficient. For these purposes, the administrative justice system means:

> *"the overall system by which decisions of an administrative or executive nature are made in relation to particular persons, including the procedures for making such decisions, the law under which such decisions are made, and the systems for resolving disputes and airing grievances in relation to such decisions" (TCEA Schedule 7, Paragraph 13).*
>
> As such, the AJTC has an interest in changes to the administration of social security and welfare benefits, beginning with the entitlement decisions of executive agencies and concluding where necessary with the judgments of appeal tribunals.

3. The AJTC and its Scottish and Welsh Committees oversee the administrative justice system as it operates throughout Great Britain as a whole.

The Scope of the Committee's Enquiry

4. The Committee has invited evidence at a time when significant challenges face the Scottish and Welsh Governments, as well as local authorities across GB, as they seek to implement welfare reforms brought about in particular by the Welfare Reform and LGFA of 2012. These changes involve in a number of instances the creation of new responsibilities for these bodies, responsibilities which had previously been within the remit of the Department for Work and Pensions (DWP) operating on a GB-wide basis. The Committee has stated that it will be examining how well the DCLG and the DWP have worked together to implement these reforms.

5. The AJTC invites the Committee to further consider the implications of the reforms for the administration of associated appeal rights. This would involve the Committee's assessment of the effectiveness of collaboration between the two aforementioned Departments and the Ministry of Justice (MoJ), as well as the Scottish and Welsh Governments. In that sense, the Committee would be well placed to investigate whether these reforms incorporate appropriate recognition of the different circumstances pertaining in Scotland and Wales as a result of the devolution settlements.

The Background to the Reforms

6. As the Committee will appreciate, there are two key welfare changes which will place new responsibilities on devolved and local government. The first concerns the replacement of council tax benefit (CTB) with "reduction schemes" determined by locally endorsed criteria. The second relates to the abolition of the Social Fund and the transfer of responsibility for successor arrangements to local authorities and, outside England, to the Scottish and Welsh Governments.

7. The AJTC's evidence in relation to each of these is set out below.

Council Tax Support/Reduction

8. In August 2011 DCLG consulted on proposals to localise council tax support.[4] The idea of "integrating" council tax rating appeals (determined by the Valuation Tribunal) and CTB appeals (determined by the Social Entitlement Chamber of the First-tier Tribunal (FTT)) was thereby mooted.[5] The AJTC was not however among the consultees, notwithstanding its statutory oversight of both the FTT and Valuation Tribunal for England (VTE), and, through its Scottish and Welsh Committees, the equivalent valuation appeal jurisdictions in Scotland and Wales. Neither is it clear to us whether and how far others with a technical knowledge of the impact of this aspect of the reform were consulted.

9. The Government response to the consultation[6] acknowledged *"concerns that the number of appeals may increase"* and that this could prove *"challenging because of variations of local schemes and the need for additional expertise on means testing"* within the Valuation Tribunal.[7] Even so, the Government ultimately took the view that appeals on all matters to do with council tax should be dealt with by that tribunal. The AJTC had, and continues to have, serious misgivings about this, given the Valuation Tribunal judiciary's lack of expertise and experience in means-testing and related welfare matters.

10. The Government response also promised that DCLG would be:

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4 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8463/19510253.pdf
5 No 1, at p 33.
6 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8467/2053712.pdf
7 No 3, at p 18.

> *"working with the VTE and the Ministry of Justice, to consider the role of the VTE in dealing with unresolved appeals in relation to local support schemes"*.[8]

The AJTC questions whether this emphasis on the Valuation Tribunal for England is indicative of a limited awareness of the implications of the proposals for Scotland and Wales.

11. These implications derive from the fact that, whilst local government affairs—including the work of valuation tribunals and (as they are known in Scotland) appeal committees—are usually devolved matters, matters of welfare benefit—including the designated appeal routes from entitlement decisions—are not. In that regard the consultation response apparently lacked a clear explanation of the rationale for the transfer of responsibility for council tax support appeals to the VTE, and there was also a notable absence of any analysis of the effects of this change on the equivalent valuation jurisdictions in Scotland and Wales.

12. It has since become more apparent that the rationale for the new change lies in the reconceptualising of support for council tax liability. In bringing forward the Local Government Finance Bill, the Government no longer wished council tax support to be understood in terms of, or to be administered as part of, the GB-wide welfare benefits system. It instead wanted support to be understood and administered having regard to the discretion of local authorities to reduce liability according to criteria which they themselves should devise. When understood in this way, the rationale for the transfer of jurisdiction to the Valuation Tribunal also becomes more appreciable, in that the Valuation Tribunal is concerned with establishing the extent of, and any reductions in respect of, the liability to the tax (albeit usually in terms of the banding assigned to particular properties).

13. This reconceptualising was always going to have a cross-border application, however, given that CTB operates as a welfare benefit which is administered throughout Great Britain. Correspondingly, the removal of the existing CTB appeal route from the FTT was always going to take effect in Scotland and Wales as well as in England, since the FTT has a territorial jurisdiction across all three countries. By significant contrast, the tribunal to which appeals will now be transferred, namely the Valuation Tribunal, is controlled on a devolved basis and therefore has no centralised GB-structure. Instead, it operates entirely separately in all three nations. For example, in England there is a consolidated Valuation Tribunal under the judicial leadership of the President, whilst in Scotland Valuation Appeal Committees (VACs) are supported by Scottish Government and operate as individual entities.

14. It is these consequences of the policy change for the Welsh valuation tribunals and Scottish VACs which do not seem to have been in any way noted by the DCLG in its consultation response, and which invite consideration of how effective the consultation with Scottish and Welsh Government has been.

15. What the tribunals in Wales and the committees in Scotland do share with the VTE, however, is a lack of direct expertise in social welfare law, the area with which reduction scheme appeals will still be concerned. They also share an entirely lay membership. By contrast, complicated social welfare law principles which CTB cases often raise are presently dealt with by legally qualified FTT judges (as supported by expert wing members).

16. Baroness Hanham, DCLG Minister in the Lords, moved an amendment on the composition of the VTE. This was enacted in Schedule 4 to the LGFA and enables judges of the FTT to sit on the VTE, when so requested by the President of that tribunal and with the consent of the Senior President of Tribunals. As such, it will be possible for the expertise of social welfare judges to be deployed on the VTE in council tax reduction cases, although the practical effectiveness of this arrangement remains to be seen. Practical difficulties may for example arise when an appellant seeks resolution of both a reduction dispute and an ordinary valuation dispute simultaneously, for example because two separate hearings may need to be held in relation to that same individual.

17. This amendment will however take effect only in England, with no consequences for the Welsh valuation tribunals or the Scottish VACs. Although the AJTC welcomes Schedule 4 due to the experience and expertise which FTT judges will be able to bring to the VTE when hearing reduction scheme appeals, its limited application might be seen as reinforcing the view that policy has been guided by an England-centric perspective, and this despite the equal applicability of the situation concerned in both Scotland and Wales.

18. The AJTC understands that the Welsh Government has instituted a steering group to manage the new appeals process, given the recognised *"concerns surrounding the experience and capability"* of the valuation tribunals to hear reduction scheme appeals. In Scotland, discussions between the Scottish Government and other relevant parties are ongoing to determine whether the hearing of appeals of this nature by the VACs is an appropriate solution.

19. On a different point, it is worth noting that the overall impact of change could be profound. A number of citizens may now be levied for the first time, whilst appeal routes will take a completely different form from hitherto. In such a climate it is crucial that the public are kept well informed by their local authorities of impending developments, so far as this can reasonably be done. Stress must however be placed on what is reasonable in this context, since local authorities will face severe limitations of resources and manpower in the next few years. They will not only be implementing these reforms but will also be further stretched by having

[8] No 3, at p 43.

to accommodate the public need for information and advice, as well as for access to council resources, as Universal Credit is introduced.

20. The consequences for the Valuation Tribunal judiciary also need to be noted, in that they will have to understand and analyse the variations between schemes. Appellants will come before them from a number of different authorities, with some having been levied according to a scheme which is different in content from that adopted by neighbouring councils. Enabling the judiciary to grasp these differences, ie so to apply them correctly in individual cases, could become a more resource-intensive training endeavour than might at first be appreciated.

21. Although only a few months remain before the new arrangements will take effect, we have yet to see appeal regulations, even in draft, and therefore have concerns about the likelihood, prior to the commencement date, of achieving either a timely communications programme for citizens about the appeal arrangements, or an effective training programme for the judiciary. We see this as a potential problem for the whole of Great Britain.

The Social Fund and its Successor(s)

22. In November 2010 DWP consulted on proposals to abolish the Social Fund in its existing form.[9] Discretionary elements of the Fund, such as crisis loans, were to become the responsibility of local authorities to administer, where they should decide to do so. In Scotland and Wales, the devolved Governments were to take responsibility for the setting up and administration of any successor schemes.

23. In its consultation response, the AJTC noted that the original proposals appeared to lack a guarantee that there would be independent resolution of disputes arising between citizens and local authorities in relation to successor schemes. Independent review and resolution is crucial to ensuring the proper exercise of administrative discretion and that the spirit and letter of Article 6.1[10] of the European Convention is fulfilled.

24. It is worth reiterating in that regard that Social Fund claimants typically represent some of the poorest and most vulnerable members of the community. Since the Fund provides emergency relief, it is reasonable to suppose that the risks to the immediate safety and wellbeing of rejected applicants would be greater than if they had only been eligible for other forms of support. The same will be equally true of those rejected under local schemes to be adopted in place of the Fund. An effective means of obtaining independent review of entitlement decisions is therefore, in the AJTC's view, vital.

25. The Secretary of State for Work and Pensions responded in a letter to the AJTC dated 15 August 2011. He noted that there was to be *"no assumption that local authorities will provide assistance through an application-based system"* and as such that it would not be:

> *"appropriate or feasible to have a national review scheme or even a part national scheme to deal with the diversity of arrangements provided by local authorities and the Welsh and Scottish Governments".*

26. Against this background, the AJTC invites the Committee to consider what the broader consequences of the new arrangements will be, and in particular in terms of the availability of redress to vulnerable citizens.

27. Until such time as the Welfare Reform Act comes into force in April 2013 redress will continue to be ensured through the work of the Social Fund Commissioner as the Head of the Independent Review Service (IRS) for the Social Fund. The Commissioner's final Annual Report[11] explains how 36% of decisions reviewed by the IRS in the last year were changed; how nearly 94% of cases designated as "urgent" were resolved within 24 hours of the receipt of papers;[12] and how the AJTC has commented "in very positive terms" about the IRS' "quality and accessibility" of service[13] The Commissioner argued that:

> *"the experience and insights gained from our casework, which span more than two decades, represent a valuable legacy from which key principles can be drawn to underpin successor arrangements".*[14]

The AJTC can say little more than that it wholly endorses this view. It can also but reinforce that such a high incidence of successful applications to the IRS (36%) clearly emphasises the capacity for administrative error and the need for a review process. It is not difficult to envisage how there may be a large number of misunderstood claims and accompanying administrative mistakes under forthcoming arrangements, given the anticipated demands on limited resources.

28. As regards Wales, an announcement was recently made[15] indicating that a successor to the Social Fund would be administered by a consortium of Northgate Public Services and Wrexham County Borough Council,

[9] http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf
[10] Guaranteeing a fair and impartial hearing in the determination of civil rights.
[11] http://www.irs-review.org.uk/infocent/reports/ar1112/IRSAR2011_12.pdf
[12] No 8, at p 2.
[13] No 8, at p 1.
[14] *Ibid.*
[15] http://wales.gov.uk/newsroom/housingandcommunity/2012/6764429/?status=open&lang=en

as assisted by a charity, Family Fund Trading. The AJTC understands that this latter organisation will be responsible for providing an independent review process further to the decisions of the former two.

29. In Scotland, the successor arrangements will comprise of a national scheme delivered through local authorities. The £33 million Scottish Welfare Grant is an interim successor arrangement which is to be established for a period of two years from April 2013. A longer term plan, as set out in legislation, will be informed by a review of these interim arrangements. The AJTC's Scottish Committee is not aware of the development of proposals for the handling of disputes arising from the new fund, but believes that the Scottish Government intends to issue guidance outlining the process for reviewing unsuccessful applications and making known how second tier reviews might take place.

The Role of the Ministry of Justice

30. The Committee will recall the pledge by DCLG to work closely with MoJ in preparing for reduction scheme appeals arrangements. This was an important acknowledgement by DCLG of the responsibility which the MoJ exercises in this area. For whilst the MoJ may be losing its GB-wide executive sponsorship due to the removal of appeals from the FTT, it will retain a clear interest in the case of the VTE and, in the AJTC's view at least, will also have influence and expertise it might call upon to assist those bodies which will have new responsibilities (notably the Scottish and Welsh Governments).

31. In that regard, the AJTC notes that, in its evidence to the Public Administration Select Committee on the future of the AJTC,[16] the MoJ stated that its administrative justice programme would include work:

— *"with other government departments on policy development and the requirement of an appeal right or other form of appropriate redress";*

— *"with other government departments to keep the whole of the administrative justice landscape under review, whether within central or local government"; and*

— *"with the devolved administrations to develop an overview of the wider administrative justice system across the UK, sharing best practice and ensuring appropriate consistency in rules and processes".*[17]

It has to be noted, with a certain degree of unease, that these goals are of greatest importance against the background of the localisation of welfare as explained in this submission. The MoJ may not be a Department with which the Committee regularly concerns itself, but in our view the contribution of MoJ actions could legitimately be within the remit of the Committee's inquiry in so far as issues of appeal and redress procedures are concerned. It is unlikely that Parliament will consider these aspects in any other forum.

Conclusions

32. In the light of the above, the AJTC invites the Committee to consider, in particular:

(i) whether DCLG's proposals on council tax support appeals included sufficient assessment of its impacts;

(ii) whether DCLG's consultation exercise was sufficiently well focused with regard to redress issues;

(iii) how effectively DCLG has engaged with the MoJ, the Scottish and Welsh Governments and the Presidents of the relevant tribunals to take advice and to assist them in preparing for the changes;

(iv) the importance of enabling effective review of decisions denying support under local emergency relief schemes, as well as how this importance can be represented in practice when such schemes are established; and

(v) how effectively DCLG, and local authorities generally, are preparing those who are likely to face new or increased council tax liability for these changes, including through a public information campaign.

January 2013

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[16] http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubadm/1621/1621we07.htm
[17] No 13, at paragraphs 3–4.

Written evidence from Durham County Council

Executive Summary

1. Durham County Council supports the principles of fairness behind the changes to the welfare system and we endorse the aim to ensure that work always pays. We are pleased to have been invited to help develop the proposals through opportunities like this and through involvement on Government work streams.

2. A central premise of Government policy is that those who are out of work, and can work, should be moved from benefits into employment. Durham County Council and its partners have a strong focus on improving the economy of our area. County Durham's pre-recession employment rate had been rising and was very close to the national average. However, since 2008 this has fallen again and remains low due to the reduced levels of private and public investment. The economy in County Durham, like much of the north east is relatively weak, which makes the drive to encourage unemployed claimants into work very difficult.

3. Moving claimants into work is a significant challenge for areas such as County Durham which experience slow growth and high unemployment and worklessness rates. In Durham, the average workless household rate is 19.6%—significantly higher than the national average (16%). Further stimulus programmes would be a welcome addition to help support the implementation of the welfare reforms, since established employment support programmes such as the Future Jobs Fund and the Working Neighbourhoods Fund have been cut and the challenge we face has become more difficult.

4. Around a half of all households in County Durham (c 120,000) are likely to be affected by welfare reform—having to re-apply for the new benefits and potentially experiencing a change in entitlement.

5. Our latest welfare updates to Cabinet (30 May 2012 and 19 December 2012) estimate that in our area:

- Universal Credit will affect 32,000 existing benefit claimants and a further 24,000 Incapacity Benefit claimants;
- changes to Families Tax Credits will affect 58,000 families;
- 47,000 people will be affected by changes to Housing Benefit entitlements;
- 8,300 will be affected by the under-occupancy charge;
- the introduction of a local Council Tax Support scheme will impact on 63,000 Council Tax Benefit claimants;
- the policy proposal to remove Housing Benefit from people under 25 would affect around 4,400 people; and
- Personal Independence Payments (PIP) will affect 21,000 working age people claiming Disability Living Allowance (DLA).

6. We are concerned that there may be unintended and unanticipated consequences from some of the reforms which we believe will impact detrimentally on vulnerable people. For example, the under occupancy penalty will limit the ability of individuals with health conditions to accommodate *ad hoc* carers, or foster carers to take-in vulnerable children emergency placements.

7. There are also some specific issues with changes such as the Social Fund, where the Department Work and Pensions (DWP) is not proposing any transition period, and it is difficult to estimate likely demand when the replacement scheme is introduced, given the general economic conditions and funding available.

8. We are developing systems to support the welfare changes, and look forward to receiving the final guidance and regulations in a number of areas so we can ensure our plans are as robust as possible.

Introduction

9. County Durham has a population of around 513,000 and about 223,000 households. The county covers an area of 223,260 hectares (862 square miles) and has 12 major settlements. Analysis suggests that over half of Durham households will be affected by Universal Credit (UC) changes. To provide some context it is estimated that overall, UC benefits and Tax Credits account for around £659.6 million per year. This equates to an average of £5,500 per year per family.

10. In addition, changes to Disability Living Allowance (DLA) could reduce the total amount claimed by a fifth, around £31 million overall for Durham. Latest data indicates that around £156.7 million is claimed in total through DLA, £88 million of which is claimed by working age people.

11. In the current economic climate the policy focus to get people off benefits and into work is already a key priority for the county which experiences slow growth and higher unemployment and worklessness. The highest rates of unemployment are in the North East (12%) and Yorkshire and the Humber (10.1%) (September–November 2011). Over the last year the greatest rise in the unemployment rate was in the North East (up 2.3 percentage points).

12. County Durham has an average workless household rate of 19.6%, which is significantly higher than the national average (16%). This is compounded by the fact that almost half of the resident population in Durham

(45.4%) live in relatively deprived areas (IMD 2010). Former district areas of Sedgefield (51.9%) and Easington (72.4%) have more than half of the population living in the 30% most deprived parts of the country.

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform

13. It is difficult from a local government perspective to assess how well the two departments are working together. There clearly is some dialogue: guidance has been issued on taking UC (a DWP initiative) into account in the development of Local Council Tax Support schemes (a DCLG initiative). However this has been relatively late in the day given that Local Council Tax Support has to be in place by April 2013.

14. DWP has recently established a local government reference group for its UC implementation task group. This is a welcome development, in support of the task group and more of this type of engagement would be helpful.

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?

15. As a local authority, we face difficulties in two areas. Firstly, guidance is not being released in a timely manner, which puts pressure on us to respond and implement the changes needed at a local level. For example, in January the Government consulted on the proposed assessment criteria for Personal Independence Payments (PIP); its response to the consultation was released on 13 December.

16. Secondly, due to the complexity of the changes taking place, there is no single point of contact for communications or an overarching timetable for developments/announcements which makes it difficult for local authorities to plan and respond in a considered manner.

17. More information would be welcome on the national roll out of migrating existing claimants onto the Universal Credit. Understanding the timescales involved would assist us in planning effectively.

Is the Government's timetable for implementing Welfare Reform achievable?

18. The timescales are very challenging and the lack of timely secondary legislation and guidance is putting pressure on local authorities to implement these changes.

19. Developing a replacement scheme for the Social Fund by 1 April whilst achievable is a big ask when considered against many of the other priorities we face over the coming months.

20. 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.

21. Similarly, the proposed delivery timescales relating to the online financial products are extremely tight with a wide range of products and processes, plus training to be in place by October 2013.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

22. The additional £100 million to support local authorities to develop Local Council Tax Support schemes is welcomed; however further information and if possible resources from Government would be helpful in implementing these fundamental changes.

Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

23. Local authorities face a range of financial risks from the changes proposed.

Social Fund

24. Local authorities have now received their "settlement letter" setting out the level of funding for 2013–14 and 2014–15 and the purposes for which the money is intended to be spent.

25. This funding was based on the first six months expenditure for 2011–12 and equates to 1.104% of England's expenditure. However, if we take the average expenditure for the three years 2009–10, 2010–11 and the first six months of 2011–12, the expenditure average equals 1.3% of total expenditure. If this average was used, then we would have expected to receive an additional £564,587 Programme Funding and £114,327 Administrative Funding over the two years.

26. In addition, the DWP is not proposing any transition period, so the reduction in funding available could constitute a "cliff edge" of support for applicants from the old scheme, who will turn to the council for assistance from 1 April 2013.

Discretionary Housing Payments (DHP)

27. Although local authorities will still have a large degree of discretion in how DHPs are administered, revised guidance has been issued on who should be given priority when considering DHP claims, which limits local authorities' ability to direct DHP to support those affected by welfare reform. We are concerned that there is a need to manage expectations on how DHP will support those impacted by the welfare reform changes given the levels of funding available.

28. We are still awaiting the Government's response to the consultation on DHP. However, it is already clear that the increased funding for local authorities for DHP is relatively limited compared with the demand which will be created by welfare reform and will be insufficient to help all those affected.

Council Tax benefit

29. The overall budget for Council Tax Support transferred to local authorities has been reduced by approximately £5 billion a year, compared with the overall budget for Council Tax Benefit which it replaces. In Durham, this amounts to a reduction of £5.5 million a year. In addition, local authorities will need to wait until 31 January 2013 to apply for support from the £100 million scheme, which is just two months before local Council Tax Support Scheme need to be in place.

Support for people with disabilities

30. There are around 13,000 people receiving middle and lower rate care awards in County Durham, at £51.85 per week and £20.55 per week respectively. Under PIP, using assumptions from the Government modelling, the equivalent number receiving an award is around 6,000 people. Around 19,000 people in County Durham receive a mobility award. Around 12,000 people receive a higher mobility award (£54.05 a week) and around 7,000 receive the lower mobility award (£20.55 per week). According to the Government modelling, this may fall by 20% to around 15,000.

31. The changes to care award caseloads are likely to have knock-on-effects for social care budgets as some people currently receiving DLA also receive social care support. DLA is taken into account in terms of their individual financial assessments for social care support and any reduction in incomes, through DLA being reduced, will mean that additional funds will be required to meet this loss of income to pay for services.

Cumulative impacts

32. We estimate that half of all households in the county, amounting to around 120,000 households will be affected by the proposed welfare reforms in some form.

33. The cumulative impacts of the changes mean that some disabled people will be financially poorer, and may rely more heavily on emergency support and be at greater risk of social isolation. Where a family member has previously been able to provide care they may now be under pressure to seek employment to meet the income gap. This may increase the numbers of people in work but could have implications for their own health and wellbeing or the person they care for and some will not be able to earn enough to pay for additional care whilst they are at work.

34. Similarly, others may be affected with the resulting financial pressures from these reforms potentially resulting in increased cases of homelessness, increased number of looked after children and levels of poverty.

35. This is a challenging scenario for local authorities to respond to with increased demand for services, at a time of reduced budgets, alongside other major funding changes in particular in relation to social care.

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

36. Durham County Council and its partners have a strong focus on improving the economy of our area. County Durham's pre-recession employment rate had been rising and was very close to the national average. However, since 2008 this has fallen again and remains low due to the reduced levels of private and public investment.

37. The economy in County Durham, like much of the north east is relatively weak, which makes the drive to encourage unemployed claimants into work challenging.

38. One of our most significant challenges for County Durham is the number of long term unemployed we have, especially young people. Nationally the Work Programme has 20% of its users aged 18–24 years old, in County Durham the figure is 28.7%. We have few large employers and mostly our economy is based on small and medium businesses. SMEs generally find becoming involved in employability schemes more challenging due to lack of capacity, and this limits the number of placements that can be made.

39. More economic stimulus schemes would be helpful such as the Working Neighbourhoods Fund (we lost £15 million which used to support employability schemes) and the Future Jobs Fund, which was successful in moving 43% of participants back into employment. Replacement schemes such as the Work Programme are

still in their infancy and it is too early to see the changes in the levels of sustained employment, which are required to maintain a shift of unemployment claimants into the work place.

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?

40. To date, the council has not received detailed information on existing claims and client numbers, potentially because the existing Social Fund scheme is seen as not being comparable to any local financial assistance scheme the council develops, which would be based on local as opposed to national criteria. It has therefore proved difficult to anticipate the precise nature of claims people are making, the size of the potential client group and therefore the number of staff we may need to deploy to support such people.

41. We are looking at how we can bring streams together with responsibility for delivering support closely linked to the areas previously provided for by the Social Fund and are working closely with specialist and third sector providers to develop and agree proposed funding criteria which balances the funds available and the expected needs of our residents.

Other points

42. There are some unanticipated consequences for society on the proposed changes to the welfare system.

43. For example, the move from DLA to PIP will have a direct financial impact for some who will lose their current entitlement. The changes may also impact in other financial areas through loss of linked entitlements such as motability vehicles or the effect on carers' allowances where the carer also has a disability. Current allowances for some disabled children under DLA will also change, added to the frequently higher costs of raising disabled children or availability of appropriate affordable childcare, this means that those families will be worse off.

44. In addition to DLA, there are changes to Housing Benefit which limits under-occupancy of homes. Although the change allows for a spare room where a disabled person is assessed as requiring overnight care, it does not allow for those who may need a spare room for treatment or who have fluctuating needs which require *ad hoc* overnight care.

45. From April 2013, the Government is implementing changes to Housing Benefit, with size criteria to be applied to social sector housing, meaning that working-age households deemed to be under-occupying their homes would have part of their Housing Benefit removed from their overall benefit calculation. This is likely to affect around 8,300 households in the county, who at the very least will have their benefit entitlement reviewed and potentially reduced depending upon the outcome of the reassessment. Individuals may wish to consider extra employment to offset these costs, but as previously described the economy of the county is still weak. Alternatively, they may wish to consider moving to small properties; however the social housing stock within the county is such that there are only a small number of one or two bed-room homes, so there is limited opportunity for individuals to make this change.

46. Housing Benefit claimants are also the most likely to be affected by the introduction of the benefit cap from April 2013, as well as separate capping arrangements for Local Housing Allowance which apply in the private rented sector.

47. In addition, most working-age claimants will be expected to manage their own housing benefit and will no longer be allowed to have that element of benefit paid directly to their landlord.

48. The reforms may also have unintended impacts on looked after children as potential foster carers may be impacted by the introduction of the under-occupancy criteria and no longer be able to afford the extra room which would enable them to accommodate foster children.

49. Information from the Bevan Foundation highlights that under-occupancy changes mean that couples would not be able to have separate bedrooms if they choose to sleep apart for health or other reasons. Excluding homes with more than four bedrooms means that multiple generations of a family may not be entitled to Housing Benefit if they live together.

Recommendations for Action

50. The involvement of a wider group of local authorities in working with the DWP on UC implementation is very much welcomed; however it would be very helpful if the Government could provide additional support to local authorities to implement welfare reform locally. For example, it would assist local authorities if it were possible to improve the communications and guidance on the welfare reform changes.

51. We would also welcome an understanding of the resources available to help develop and embed the new local systems and support our communities to be prepared for the changes ahead.

52. We are grateful for this opportunity to contribute to the development of the welfare reform proposals and we look forward to developing closer links with central government.

January 2013

Written submission from the London Councils

KEY FACTS

- 49% of households affected by the benefit cap live in London.1
- 17 London boroughs have more than 1,000 households affected by the benefit cap. (*source:* DWP data scan.)
- At least 80,000 children live in households affected by the cap in London. (*source:* DWP data scan.)
- 80,000 households in London will be affected by the social sector size criteria and the average weekly benefit loss will be higher in London than in any other region.2
- The average two-bedroom private rented property in London costs £1,392 per month to rent. The England average is £665.3
- DWP commissioned research shows that landlords in London are more than three times more likely to evict tenants or not renew tenancy agreements (37%) than they were to lower rents (11%) as a result of changes to Local Housing Allowance (LHA).4

London Councils is committed to getting the best possible deal for London's 33 local authorities. We lobby key stakeholders, develop policy and help boroughs improve the services they deliver. We also run a range of services ourselves, all designed to make life better for Londoners.

London Councils supports the simplification of the benefits system and the principle of making work pay. We are working closely with the Departments for Work and Pensions and Communities and Local Government to push for welfare reform to be implemented in a way that works for Londoners. We appreciate Lord Freud's characterisation of local government as the "natural intermediary" between benefit recipients and the state and we acknowledge the government's growing acceptance of local government's key role in the delivery of London's welfare system.

We do however remain concerned that elements of the government's welfare reform agenda do not adequately take account of London's unique situation and that higher rent, childcare costs and general living costs in London will have implications for the efficacy of work incentives in London, will have negative impacts on vulnerable families and will put pressure on the budgets and services of Councils in London.

The most pressing of our concerns include:

- The potential for the migration of households affected by one or more welfare reform from higher rent areas to lower rent areas with consequent impacts on service delivery, informal care networks and children's education.
- The potential for households affected by one of more of the welfare reforms to fall into rent arrears leading to increases in evictions and in the number of homelessness presentations to Councils.
- The lack of clarity over the temporary accommodation subsidy regime is having a negative impact on the ability of councils in London to plan the procurement sufficient quantities of temporary accommodation within the limits of the welfare reform caps.
- There is on-going concern that mainstream job programmes are unlikely to be able to respond sufficiently to locally identified need for intensive support, including English language teaching, required by households impacted by the benefit cap.
- Potential that the fund available to boroughs for discretionary housing payments will not be sufficient for the purposes for which it has been designed, nor are there systems in place to review its efficacy or the future requirements for the payments.
- Council Tax localisation represents a transfer to councils of significant financial risk. Councils are concerned about the potential for arrears and the cost-effectiveness of chasing payment of small amounts of arrears.
- The lack of available data from the DWP and delays in providing details of available funding have made planning for schemes to follow on from the discretionary social fund more difficult for boroughs than was necessary.

1.0 *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

1.1 We have serious concerns that insufficient resources are being provided to local authorities to deliver localised Council Tax Support (CTS). We remain of the view that local authorities are being asked to deliver a 10% saving in the national cost of support whilst also taking on the financial risk of the future cost of CTS demand.

1.2 By its very nature, CTS is demand-led and subject to external economic shocks outside of local authority control. Whilst government can currently manage growth in CTB expenditure via its Annually Managed Expenditure (AME), local authorities will have to manage demand from a fixed and potentially declining funding pot (Local Government DEL).

1.3 Local authorities are also being asked to take on the financial risk of forecasting future demand without true flexibility to create local support schemes as many of the parameters relating to CTS have been fixed.

1.4 We also have serious concerns with the resources that are being provided to local authorities for benefit administration. The core national HB/CTB admin subsidy has been reducing each year of this spending review. This is adding to the pressures faced by London boroughs at a time when changes to both benefits are taking effect. One east London borough, which has one of the largest numbers of households affected by the benefit cap in the UK, has reported a £500k annual reduction in HB/CTB administration. An outer London borough has reported that specific DWP funding has allowed them to second a welfare reform outreach officer. However, they also report that their HB/CTB administration funding has fallen and that they are seeing an increase in housing benefit and council tax benefit cases, including a significant number of non-passported cases which require more work to administer.

1.5 Local authorities also require clarity of funding for 2013–14 at the earliest possible opportunity to enable them to finalise arrangements for local schemes. Changes to council tax support are occurring when many other important changes to local government finance are also coming into force—including the move to create a business rates retention scheme.

2.0 *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

2.1 There is serious concern that councils in London will experience unfunded financial pressures arising as a result of welfare reforms. Boroughs are anticipating that the benefit cap and social sector size criteria could lead to additional costs in maintaining or sourcing housing for families who find themselves unable to afford their rent.

2.2 One east London borough has estimated that this burden alone will cost the council an additional £2.5 million in 2013–14. Another has estimated that there are 450 households in their borough currently in temporary accommodation that will be affected by the benefit cap and if the Council were to maintain these households in that temporary accommodation following the benefit cap, it would cost £3.27 million per annum.

2.3 Councils in London are concerned that the reduction in housing benefit available to households currently in temporary accommodation as a result of the benefit cap will mean that some households will find their current accommodation unaffordable. Similarly, because of the cap and London's higher rents, there will be a smaller number of properties available for councils to place homeless households temporarily within the limits of the overall benefit cap within the capital.

2.4 Councils will find particular difficulty in sourcing temporary accommodation within local housing allowance limits when:

2.4(i) Temporary accommodation is needed for single people under the age of 35 and their housing costs are restricted to the shared accommodation rate.

2.4(ii) Temporary accommodation is needed for large families requiring five, six or seven bedrooms and their housing costs are restricted to the four-bedroom LHA rate, irrespective of whether or not the weekly rent is capped at £400.

2.5 This being the case, in order to discharge their homelessness duties, councils are faced with the choice of placing households in accommodation within the limits imposed by the benefit cap, regardless of location, or subsidising the cost of accommodation from alternative sources of funding.

2.6 The indications from government are that there will be no additional funding for Councils to cover the costs of either a) an increase in homelessness presentations, or b) additional costs of sourcing accommodation for homeless households. 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.

2.7 The government has announced funding for Discretionary Housing Payments to enable Councils to mitigate rental unaffordability arising from welfare reform. A National Audit Office (NAO) investigation into the impact of Housing Benefit reform said:

2.8 "*[i]t is not clear how the current level of funding for Discretionary Housing Payments has been determined or whether it is likely to be sufficient for local authorities in tackling the impacts of reforms. The £390 million of funding over the Spending Review period represents around six% of the total £6.4 billion savings expected from Housing Benefit reforms during the period. This works out at around £200 per*

household."
(pg 27, fig 2.15)

2.9 It should be recognised that Discretionary Housing Payments will only be a short term measure and are likely only to be of assistance in a small number of the worst affected cases. The underlying factors of high rents and high demand for property will remain.

2.10 The NAO report continues:

> *"There is no established process for reviewing the level of funding for Discretionary Housing Payments over time. For example there is no mechanism to assess whether the overall funding amount should change to reflect higher claimant numbers."*
> (pg 27, fig 2.16)

2.11 The lack of a mechanism to review whether the level of Discretionary Housing Payments is sufficient for its purpose is worrying given the timescales involved.

2.12 We would urge the government to put in place a system for reviewing the efficacy of Discretionary Housing Payments within six months of the imposition of the overall benefits cap.

3.0 *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

3.1 Statistics relating to the operation of the first year of the government's Work Programme have shown that 3.53% of participants have successfully found sustained employment.

3.2 Many households affected by the overall benefit cap in London have additional barriers to work including child care responsibilities. It is estimated that at least 80,000 children are members of households that are affected by the benefit cap in London. Those households affected by the cap are in many cases furthest from the jobs market and it should therefore be understood that mainstream welfare to work schemes are unlikely to have a significant impact on the number of households affected by the cap in April 2013. We would urge the DWP to look at how these cases can be prioritised between now and April.

3.3 A London Councils survey of boroughs looked at local authority relationships with work programme providers.5 The survey found that on a scale of 1 (no influence) to 5 (very influential), almost half of boroughs said that they had no influence on the local operation of the Work Programme. One borough rated their influence as 4 out of 5 and one borough rated their influence as 3 out of 5. No boroughs considered themselves very influential in the local operation of the work programme.

3.4 Many Councils have a good understanding of their local residents and employment market. Consideration should be given to how the DWP can work with Councils to better tailor back to work schemes around local conditions.

4.0 *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?*

4.1 The localisation to councils of funds previously used by the DWP for payments and loans under the discretionary social fund has been characterised by a lack of DWP clarity of purpose, delay in providing funding details and departmental obstinacy in sharing useful data.

4.2 Councils did not receive funding details until August 2012 which has itself been a driver of costs. It has also hampered planning as councils were unable to engage in any meaningful dialogue with potential delivery partners before this date.

4.3 The funding is to be devolved un-ringfenced and without additional legal duties. DWP failure to assist councils to obtain a better understanding of likely demand has made designing local schemes extremely challenging. Furthermore, the funding has only been guaranteed for two years making long term planning impossible.

4.4 The DWP have stated that they do not expect councils to recreate the social fund at a local level and that therefore that demand data councils have requested from the department relating to the social fund is not relevant. The DWP have declined to make any data available to councils other than headline spending figures.

4.5 Councils understand that they are not expected to recreate the social fund but without access to social fund demand data, they are unable to accurately predict where demand will arise, what the nature of that demand is, nor which of their residents have recently received a loan or grant under the social fund and are now approaching the council for similar support. DWP say data protection concerns prevents them from providing this information despite themselves stating that this is an instance in which data sharing regulations should allow this assistance to be given to local authorities.

4.6 The DWP has not been helpful in responding to requests to meet with London Councils officers to work through some of these issues. It has been reported that officers from one London borough asked to visit a regional social fund administration centre in order to better understand how the social fund had previously operated and that this request was refused.

4.7 Councils recognise that there will be a requirement for emergency support when the social fund is abolished and are working with third sector partners, credit unions and community groups to set up local schemes to extremely short time frames so that vulnerable residents will have somewhere to turn when the social fund is abolished.

4.8 Co-ordination with other emergency support schemes such as discretionary housing payments or Children's Act section 17 payments may be possible in the medium-term but the delay in informing councils of funding levels and the failure to assist councils in understanding local demand for the social fund has meant that in many cases, this linkage will not be possible when the social fund is abolished in April 2013.

5.0 *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?*

5.1 Some councils have raised concerns about the quality of data provided by DWP relating to the number of households affected by the overall benefit cap. In order for boroughs to better understand the data that arises from DWP data scans and to assist with identifying errors, councils could be made aware of DWP assessment formulae.

5.2 Councils await a detailed timetable for the implementation of Universal Credit and for findings of the DWP's demonstration projects. Early indications on progress and timetables would assist with planning.

6.0 *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

6.1 We await the outcome of the direct payment demonstration projects in order to determine the likely impact of this policy. Early indications of findings would assist local authorities and other social landlords in planning for this change.

6.2 We note that DWP survey results released on 30 October 2012 showed that 54% of households were confident in receiving payments direct to their bank account. We welcome Lord Freud's acknowledgement that not all recipients will be able to manage their finances in a way that prevents rent arrears. We note that the DWP have permitted Northern Ireland to opt out of this element of welfare reform and would encourage the DWP to be prepared to act flexibly in the rest of the UK should the demonstration projects indicate that the policy is likely to negatively impact Housing Revenue Accounts and social landlord incomes.

7.0 *Recommendations to government*

7.1 We welcome the opportunity to feed into this investigation and are hopeful that the committee recognises that there are specific London factors that will have implications for the efficacy of welfare reform as well as having negative impacts on affected households and council budgets and services. Below are some constructive suggestions of actions government could take to mitigate some of the more serious impacts of welfare reform in London;

7.2 Carry out further work into the potential additional burdens arising from increased homelessness applications and assure councils that additional financial burdens will be funded.

7.3 Carry out further work into the potential additional burdens arising from increased requirements for temporary accommodation and assure councils that additional financial burdens will be funded.

7.4 Commit to a review of the efficacy and available funding for Discretionary Housing Payments within six months of the imposition of the overall benefit cap and social sector size criteria.

7.5 Commit to examining the ways in which councils can be involved more closely in commissioning skills and work support that is tailored to their local areas and populations and to how Job Centre Plus can prioritise households affected by the benefit cap.

7.6 Consider ways to mitigate the impact on councils which experience a spike in demand for council tax support due to circumstances outside their control.

7.7 Commit to providing available demand data relating to the social fund as well as access to live benefit data for scheme administrators. Commit to providing clarity over future years' funding for the social fund follow on funding.

7.8 Commit to providing councils and social housing providers with an early indication of the success or otherwise of direct payment pilots and a commitment to take measures to safeguard social landlord incomes.

January 2013

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5 http://www.londoncouncils.gov.uk/news/current/pressdetail.htm?pk=1525

Written evidence from East 7

East 7 is grateful for the opportunity to submit written evidence to the Communities and Local Government Committee inquiry into the implementation of Welfare Reform by local authorities.

Although East 7 supports the principle of making work pay, we are clear that the Government should implement welfare reform one step at a time. A "big bang" approach to rolling out Universal Credit (UC) will benefit neither tenants nor social providers. From our experience it is clear that many tenants do not yet fully understand the impact which the welfare reforms will have on their lives.

In this response, we will seek to address our specific concerns around safeguards to protect social landlords and tenants from financial harm which may result from the payment of housing benefit directly to claimants, as well the need to establish a clear definition of the term "vulnerable tenants", and the need to provide tenants with advice and support as the welfare reforms gather pace.

We would of course be very happy to provide Committee members with oral evidence as part of this inquiry.

East 7 is an informal alliance featuring eight of the largest developing housing associations based in the six counties that comprise the East of England. Our members are Aldwyck Housing Group, bpha, Circle, Cross Keys Homes, Estuary, Grand Union, Hightown Praetorian & Churches Housing Association and North Hertfordshire Homes.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of Housing Benefit direct to clients?

1. As housing providers we understand the need to reform the benefits system and encourage people back into work. East 7 therefore supports the Government's aim of making work pay and the role which Universal Credit (UC) can play in achieving this aim.

2. We believe the welfare reforms represent the biggest shake up of the welfare state since Beveridge. East 7 wishes to work with DWP and the government to make this new system work, but we do not believe the proposed "big bang" approach will benefit tenants, housing providers, or the Government.

3. It is therefore imperative that changes are implemented incrementally and take account of all the evidence emerging from the demonstration projects and sector-wide best practice. The Government must allow enough time to learn the lessons of the pathfinder pilots before the universal roll out of UC goes ahead and ensure that the correct safety nets are in place for the most vulnerable tenants.

4. Below, we will set out in more detail four areas which our members are most concerned about.

Impact on housing associations

5. Rental payments are the largest source of income for a housing association. The roll out of UC therefore has the potential to seriously impact on the long term finances of housing associations.

6. The guarantee of one of our most consistent income streams will become less secure, potentially increasing rental arrears.

7. Whilst most providers will have built into their business plans various scenarios for the amount of income that will remain uncollected as a result of Housing Benefit no longer being paid directly to claimants and the impact of other changes, there is a serious risk that these welfare reforms will have a detrimental impact on lender's perspectives of the sector and thus on the Government's ambition to build more affordable homes and to invest in initiatives which benefit the wider community.

Arrears trigger

8. Once UC is introduced, our members will continue to monitor and chase arrears to assist tenants with budgeting. We will also provide financial inclusion advice and work with other partners such as credit unions and the CAB to provide banking and advice services. However, there will be inevitable teething problems as tenants adapt to the new system.

9. As a sector, we are particularly concerned about the ongoing lack of detail around the automatic trigger which would switch the housing payment from direct payments to the tenant back to the landlord when tenants get behind with their rent. East 7 firmly believes that such a trigger should be in place and that it should be reliable and automatic.

10. In the short term we believe that housing providers should have the power to trigger a reversion to direct payments once arrears have reached eight weeks. This is important both to protect the welfare and tenancies of tenants but also to protect rental income for providers and to retain the confidence of our lenders. Unless an effective and automatic trigger is in place, commercial lenders and investor confidence in the stability of rental income streams could be undermined, thus damaging the sector's overall strong credit rating.

11. We also believe it would be sensible to treat tenants already in arrears at or above the trigger point in the same way as we would those reaching the trigger point over time. Given that the purpose of a trigger is to limit risk, allowing those already in arrears to potentially increase those arrears potentially even further does not limit the risk either for the household or for the provider. There should also be the option for direct payments to be made to the landlord in the case of new tenants whose arrears history indicates they are likely to reach the trigger point in future.

12. In the longer term housing associations can work with tenants affected by the trigger to provide more intensive financial and budgeting advice and to seek to take them off direct payments.

Definition of Vulnerability

13. By its very nature the social housing sector contains many of the poorest and most vulnerable households. East 7 members are concerned that there appears to be no published guidance from DWP about what safeguards will be put in place to protect those tenants who are currently in arrears and are recipients of an element of housing benefit when they are switched over to UC.

14. Vulnerability will increase even further in instances where UC is paid on a monthly basis. It is highly likely to lead to an escalation in the use of payday loans and a proliferation of other doorstep lenders. We believe this will inevitably lead to a breakdown in tenancies further down the line and will increase costs across the public sector in housing, health and social care.

15. There are families who do not fall under a narrow definition of "vulnerable" and may contain partners who argue over money management or there may be issues of domestic violence. For those families the shift to a single monthly household payment and the requirement to manage funds and to budget effectively will present a massive and often unmanageable change. We therefore call on the Government to put in place as a matter of priority clear guidance on what the term "vulnerable" will mean under UC.

16. Customers who lack financial capacity or have outstanding loans (both formal and informal loans) are likely to experience cash flow issues and, by necessity, often do without essential items such as food and fuel. This definition of vulnerability should therefore be as wide as possible and should also include financial vulnerability, such as lack of financial capacity and existing debt problems.

17. East 7 also believes that the definition of vulnerability should capture those households with a history of chaotic life styles, as well as those with a disability or illness that prevents effective household budgeting.

Support and advice for tenants

18. Housing associations are in a good position to identify which tenants are likely to struggle the most as a result of the introduction of UC. We already provide a wide range of advice services and support for our tenants. However, we believe that the additional strain placed on our support services as a result of the changes to welfare will have a serious impact on our ability to support tenants.

19. Research by Circle, which is a member of East 7, found that less than half (38%) of its tenants save on either on a regular or an occasional basis and nearly half (45%) of its tenants don't have internet access at home. East 7 is therefore concerned about the Government's target that 80% of claims should be done online once UC is fully operational. We believe this is unrealistic. In addition, we are concerned that a significant proportion of tenants do not possess the literacy and numeracy skills necessary to deal with on-line applications.

20. It is also unclear at this stage as to what the role will be of Housing Benefit department and Job Centre Plus staff in supporting tenants on how to cope with these changes. East 7 believes there is a strong argument that a core of staff should be retained in housing benefit department and Jobcentre Plus funded by DWP. We call on the Government to provide face-to-face support to enable claimants to fully understand the impact of the welfare reform changes and to advise and support them through the submission of their claim the transition onto UC.

21. East 7 therefore believes that face-to-face and telephone services must continue to be provided for a significant number of tenants. Many claimants rely on the support of advice agencies. We therefore recommend that the UC online claim system allows a trusted individual (ie a third party) to submit the claim online, as is currently allowed for JSA claims.

January 2013

Written evidence from the Core Cities Group

1.0 The Core Cities Group

1.1 Core Cities represent the local authorities of England's eight largest city economies outside London: Birmingham; Bristol; Leeds; Liverpool; Manchester; Newcastle; Nottingham and, Sheffield. These cities drive local and underpin national economies. These cities' wider urban areas generate 27% of the country's economic output, and have the capacity to achieve much more. Working in partnership, we aim to enable each City to enhance their economic performance to ultimately make them better places to live, work, visit and do business.

1.2 Core Cities have a distinctive and critical role in welfare reform because they are home to 16 million people, but they have a higher than average proportion of their population claiming out of work benefits. At February 2012 37% of people claiming key out of work benefits in England resided in the Core Cities' urban areas.[18] All these people will be affected either by the welfare reform changes now being implemented or through the introduction of Universal Credit. For many people in these cities welfare reform may mean a reduction in their household income and a stimulus to find work. However for a significant number in the current economic climate it may mean worsening poverty and continued unemployment.

1.3 The Core Cities aim to increase productivity and reduce dependency within cities, because high levels of deprivation and low levels of skills hamper growth and reduce quality of life. The cities are already taking innovative approaches to public service reform and investment to reduce dependency and related costs to the public finances, moving cities towards becoming greater contributors to the fiscal balance.

1.4 Core Cities have consistently made evidence-based policy arguments for greater devolution of control over specific policy levers for promoting growth and reducing dependency in order to improve economic productivity and outcomes for people. Through the City Deal process and the establishment of LEPs for city region areas cities are now beginning to help deliver the country's full economic potential, creating more jobs and improving people's lives.

1.5 The Core Cities are concerned that the ambitious, centrally driven and delivered process of welfare reform may lead to adverse consequences for people and places and a failure to integrate interventions at the local level may also prevent people finding work. The recent poor performance statistics for the Work Programme highlight the challenges of reducing dependency in the current economic climate, and we believe these cannot be met with top down policy interventions.

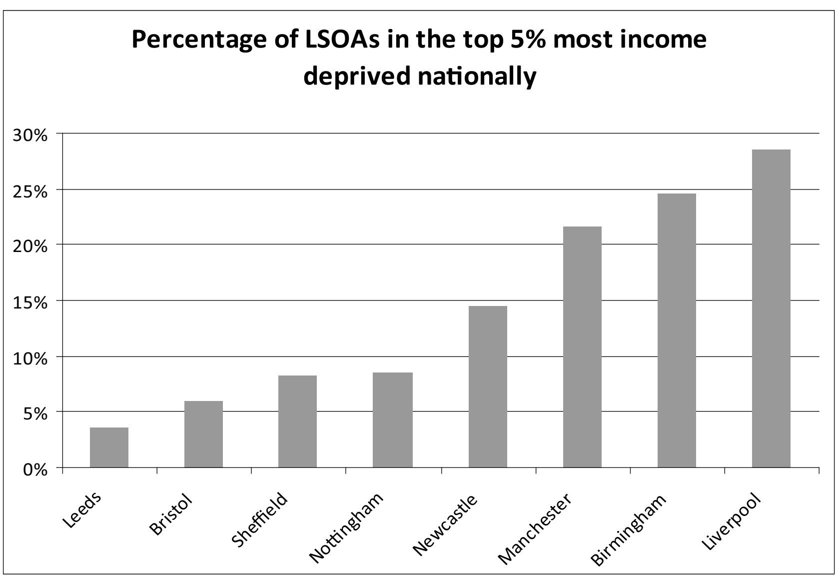
2.0 Welfare Dependency in Core Cities

2.1 Cities are the UK's centres for future growth but they also have significant levels of deprivation, unemployment and welfare dependency. Too many people and communities in our urban areas are disconnected from economic opportunities. If city economies are to deliver the growth that the UK economy needs, businesses need an educated, skilled and healthy workforce to drive productivity, efficiency and innovation.

2.2 The chart below shows that communities in the eight Core Cities are amongst the most income deprived in the country and this is mirrored by similar levels of health, education and employment deprivation.

Chart 1

% OF CORE CITIES' LSOAS IN THE TOP 5% MOST INCOME DEPRIVED NATIONALLY



[18] Key out-of-work benefits includes the groups: job seekers, ESA and incapacity benefits, lone parents and others on income related benefits

2.3 Before the recession Job Seekers Allowance (JSA) levels across Core Cities were improving due to a sustained period of growth, however unemployment has now increased the number of people claiming JSA by approximately 70,000 across the Core Cities (excluding their wider urban areas.) Although there has been a welcome recent monthly fall in the JSA claimant count, levels still stand at 5.5% of the working age population, higher than the UK average. Young people have been particularly affected during this recession and over a third of claimants are aged under 24.

2.4 The risks of implementing a radical welfare reform programme at a time of high unemployment are high, and the challenge for people in finding work is much greater. For those households that are benefit dependent without the requisite skills to participate in the local labour market, households incomes may be reduced as their benefits reduce with the risk that further problems may be caused.

2.5 All Core Cities have delivered employment support and client engagement and advice activities through partnership, and direct funding relationships with third sector voluntary and community organisations. Since the end of the Working Neighbourhoods Fund, no new significant central government fund in the employment support field flowed to local authorities. Moreover, year on year reductions in public expenditure have reduced or removed local authorities' ability to allocate specific budgets for the commissioning of locally delivered employment support services at a community level. In the absence of core funding local authorities are investing their own resources into local employment initiatives such as Employment Hubs, jobs funds and work clubs.

3.0 The Financial Drivers to Reduce Dependency

3.1 The financial challenges of faced by local government at the present time are considerable. The spending cuts already imposed upon local government are second only to those being made in the welfare budget. For Core Cities already faced with high unemployment, high welfare dependency, demographic growth, rising demand for services and reducing local authority expenditure the problems are compounded.

3.2 The dilemma cities face is that the austerity-driven programme to reduce welfare spending advanced by the Treasury and DWP is impacting upon local communities and local authorities whose spending managed by CLG.

3.3 Though cuts to the welfare bill are now being made the risks are that a top-down welfare reform programme poorly integrated with local employment and training interventions helping to get people into work may bring greater calls on health and local authority services over the next few years. Combining this with rising demands for local services as a consequence of demographic change may mean that the overall cost of public services in the future may not reduce.

3.4 The LGA has published research that indicates that on the current trajectory by around 2020, reducing flexible spend is cancelled out by rising statutory spend on needs-based services in many cities. Cities therefore need the tools to reduce need and dependency, alongside those to deliver growth if they are to continue to deliver services beyond their statutory obligations.

3.5 One potentially productive way to address the challenge of integrating public spending is through the Community Budgets work taking place in several cities and the Whole Area Community Budget pilots in Essex, Greater Manchester, Chester West and Chester and three London Boroughs. These pilots offer a critical insight into the improvements and efficiencies that can be gained by adopting a different, "place-based" focus to specific challenges, tasking national agencies to work differently at the local level.

3.6 Using the Community Budget approach, investment by one agency potentially reduces demand for other organisations services (you shake the tree and the fruit falls in someone else's garden). Seen through the prism of Community Budgets thinking, welfare reform could be seen quite differently. In a Community Budget welfare spend becomes part of a wider programme of public service spending and reform, where people can access appropriate service interventions, sequenced and co-ordinated through the Community Budget. These can include specific services such as mental health, drug and alcohol services, family intervention programmes, and interventions with offenders, together with employment and training support.

3.7 Evidence from early Community Budget piloting work with complex families in Manchester (in Wythenshawe and the Longsight/Gorton areas of the city) has shown faster progress in resolving some of the problems which stand in the way of people entering the labour market—such as children attending school and better access to help with drug and alcohol problems. Building on this, efforts are now going into considering how the approach can be used to support people into work and to help them stay in work. Critical to this also is the commissioning and provision of skills locally so that it dovetails with the way in which we intervene on worklessness within families and is bespoke to the current and future needs of the local economy.

3.8 Cities strategies for growth and reducing dependency therefore go hand-in-hand and it is in cities interests to reduce dependency, but without greater integration of public services through initiatives such as Whole Place Community Budgets we are not able to achieve the employment outcomes that DWP desires.

3.9 More recently, DWP policy (typified by the implementation of the Work Programme) has been to concentrate resources through a relatively small number of very large regional or sub-regional contracts commissioned through a national DWP contracting framework. Many of the selected Prime Contractors for the

Work Programme have chosen not to sub-contract the programmes they deliver, or to restrict sub-contractual relationships to a small number of larger agencies, who themselves often have a regional or national remit rather than an explicitly local focus or local track record. Engagement with locally focused services and third sector agencies is limited.

3.10 The Payments By Results (PBR) models employed by both DWP and the Skills Funding Agency programmes, have worked against smaller, particularly local third sector, delivery agencies winning and maintaining contracts due to risk and cashflow issues. PBR regimes place no specific value on local engagement or targeting of services and therefore do not play to the strengths of smaller community based agencies. Furthermore prime contractors have no incentive to invest time and resource "up front" to appropriately meet the needs of clients with complex needs and some evidence of this is in the poor performance figures reported for those on ESA and prison leavers.

3.11 All Core Cities have sought to influence local Work Programme delivery—in the negotiation of data sharing and confidentiality agreements to share performance information; to identify mutually supportive interventions; agree service gaps and targeting of specific communities or localities; and brokering effective joint working. The constraints of the DWP contracts and funding regime continue to make this a difficult process in practice, and has so far resulted in limited influence over how Work Programme is delivered locally.

4.0 The Impact of and Responses to Welfare Reform in Cities

4.1 All cities have been assessing the impact of welfare reform on local communities and services. Most cities have now established working groups and monitoring systems to monitor the impacts on local communities. There is both anecdotal and hard evidence of rising demand for advice services, particularly debt advice and for other support services. There are many examples of rises in food banks and other voluntary sector support agencies helping families in poverty. Below are some city examples:

Birmingham

8,861 households in BCC properties alone will be adversely affected by the bedroom tax by an average restriction of £13 per week; it is also estimated that 4,585 households will be affected in Registered Social Landlord Tenancies, not including people in all the other types of tenure in the city who will also be affected. 6,200 have been affected by removal of excess payments. Based on information provided by DWP, 2,000 claimants are likely to be affected by the overall benefits cap.

Bristol

The benefit cap will affect 450 households, and the under occupancy rule will affect 4,500. Coordinated visits are being made to those worst affected so that they are prepared for the changes. This is resource intensive, and not all claimants can be visited. Further resources are having to be added to Customer Services for April 2013 for the expected rise in customer contact. For 2013–14 Bristol is not passing on the Council Tax reduction shortfall to claimants due to the risks of low collection rates, collection costs and the as yet unknown cumulative costs of all reform on customers both socially and economically. However we will review this in 2013 ready for 2014–15. A corporate Welfare Reform Programme Board has been established to ensure a coordinated approach for customers, the city and the Council. An impact assessment is being done, and it is estimated that there will be a loss of £125 million in benefits into the city economy which will have a multiplier effect.

Leeds

6,700 households in LCC properties will be affected by under occupation and a further 1,350 households in Housing Association properties. All those affected have been contacted by the council and landlords have been meeting these tenants to discuss the impact of the change and how to address it. 4,865 tenants affected have a one bedroom need but in the last three years only 1,050 non sheltered one bedroom properties have been let. 510 households will be affected by the Housing Benefit Cap. There had been a problem with flawed data from the DWP. Families First Team and Housing Benefits are making joint visits to households affected to ensure a cohesive approach. 44,330 citizens will have to pay more under the Local Council Tax Scheme. 16,000 will see a reduction in their council tax benefit compared to 2012–13 and 28,000 will be making a payment for the first time. At a conservative estimate each of these cases will result in an additional customer contact and over a quarter of these will be face to face. All councils have concerns regarding collection rates due to difficulties for citizens affected by this and other benefit changes. Again this will create additional customer contact.

Liverpool

Of the 10,400 individuals in Liverpool, identified as being affected by under-occupation to date, 72% will see a reduction of 14% in Housing Benefit and 28% a reduction of 25% in Housing Benefit. It has been estimated that the size criteria restriction could result in an annual reduction of £6.5m in Housing Benefit to affected customers. Based on September's DWP Benefit Cap data there are 283 households affected in Liverpool. The average loss of Housing Benefit amounts to £58 per week. 76 households will lose all of their Housing Benefit. It has been estimated that the Benefit Cap could result in an annual reduction of £0.8m in Housing Benefit.

Although the Council Tax Support Scheme has yet to be decided, the Council will have to deliver the new scheme with £6.2 million less funding. If this reduction is passed on to customers claiming the new Council Tax Support it could result in 44,000 working age people paying up to £145 Council Tax per year when previously they didn't have to pay at all. This will also have an additional impact on council finances when these customers are asked to pay council tax for the very first time. Liverpool's new Social Fund Scheme service will have to be delivered with a significant reduction in funding with Liverpool receiving £3.5 million for the scheme for 2013–14, compared to the DWP spend of £5.2 million in 2010–11. The Service has already engaged with system suppliers and the providers of goods and services to ensure that the scheme is fully operational from April 2013.

Manchester

Manchester City Council has worked with the Centre for Local Economic Strategies (CLES) to assess the cumulative impacts of welfare reform in the city. CLES estimated that potentially nearly 7,000 residents may lose their Disability Living Allowance; about 9,400 claimants of Incapacity Benefit (IB) may move onto Job Seekers Allowance (JSA) with a loss of up to £43/week; about 12,000 tenants may be affected by the bedroom tax and about 700 families may be affected by the benefit cap with clusters of families in places such as Moss Side and losses of up to £200/week. CLES identified particular challenges for the 17,000 claimants of IB claiming for a mental health issue; concerns over the impact on nearly 40,000 children living in poverty; and concerns about fragile neighbourhoods with high levels of benefit dependency where people may be adversely impacted and regeneration efforts jeopardised. Overall CLES conservatively estimated a total loss to city economy of about £45 million/year.

Newcastle

The Welfare Reform programme will impact on around 27,000 households in Newcastle and remove around £83 million per year from the local economy. This is likely to increase by 55% if Government introduce the further £10 billion of cuts to welfare as suggested. The worst case scenario of this income not being replaced would lead to the loss of over a thousand jobs and an additional £20.7 million lost to the local economy. Initial calculations for the reduction in housing benefit for under occupation to social housing tenants in Newcastle is that there will be loss of about £3.4 million per year. In addition to this we estimate a loss of about £1 million per year for the reduction in housing benefit due to the benefit cap with about 103 tenants affected.

Newcastle City Council currently assesses and pays out approximately £27.7 million in council tax benefit to 35,869 households in the city; of these 14,707 are people of pension age and 21,162 are people of working age. As the Government has announced that there will be a nationally prescribed scheme for pensioners the cuts in funding will be required from our local working age scheme which is anticipated at £3.4 million per year; this means that most working age people will pay more or need to start paying council tax for the first time ever. It is anticipated that in a typical band A property with single person discount that this will be £2.90 per week or £150 per year.

Nottingham

Around 300 households in Nottingham will be affected by the benefit cap. All households that will be affected have been identified. Financial impact ranges from a few pence to £ 450 per week. Cross matching data with care systems are being carried out to check if they are already known to NCC Children's or Adult services to ensure support is routed through the best mechanism. Households affected will be contacted directly and offered information and support—this contact will be prioritised on the level of financial impact. In Nottingham approximately 7,000 households will be affected by the new under occupancy rules. Over the last three years NCC have seen rising demand for the housing support service. More citizens are contacting Housing Aid service (8,246 in April–Sept 2012 compared to 7,121 over the same period in 2010) and the Council are dealing with more cases (2,521 in April–Sept 2012 compared to 2,207 same period in 2010 in April-Sept 2010). The number of food banks operating in and around Nottingham has increased significantly this year—there was one in July, this increased to four in August and there are now 12 food banks operating as of December 2012.

Sheffield

Approximately 370 households are affected by the benefit cap. For under-occupancy approximately 7,000 households are affected. The Council is estimating approximately £180 million less annually into the city economy. Council Tax support is expected to affect 33,000 working age customers. 24,000 of these currently do not pay any council tax and will have to start paying some for the first time, and 9,000 customers will pay more than they currently pay. At least 11 food banks are known to be operating in Sheffield in October 2012, in comparison with three in early 2010. The demand for the food banks in the city is such that the food banks are turning away people empty-handed. There is also anecdotal evidence of food poverty particularly affecting children, with some attending school without breakfast, which has significant impact on their behaviour and ability to learn. The evidence suggests that the cause of acute food poverty in about half of cases presenting to food banks is cessation of benefits, often through sanctions or following changes in circumstances. This issue is expected to get worse as welfare reform changes are implemented.

4.2 Core Cities concerns are therefore about potential negative impacts on people and places of welfare reform which are illustrated in the examples from cities above. Cities recognise the need to increase private sector employment and are working with Local Enterprise Partnerships across wider city-region areas to make this happen. However, the loss of benefit incomes from households and the local economy in the short term and the knock-on effects that this is having both on people and on local shops and businesses are of concern. In addition there are impacts on housing markets and neighbourhoods with signs already that people are considering moving to lower cost accommodation. These movements within cities or even between London and some of the Core Cities caused by benefit changes are an undesirable consequence of the reforms.

5.0 The Council Tax Support Scheme and Universal Credit

5.1 Cities are working hard to establish and implement the new Council Tax Support scheme on a very short timetable and with 10% smaller budget than for Council Tax Benefit. The government announced a one off £100 million transitional grant scheme available for councils to apply for to help fund local Council Tax Reduction schemes. This announcement was made by CLG on 16 October 2012, when many cities' consultation processes on options for the new scheme had nearly drawn to a close. Some cities have decided to take up the government offer and some have not.

5.2 Many local authorities are still confused at the government's decision for help with Council Tax not to be integrated into Universal Credit. Local authorities have as a consequence faced an unprecedented task in designing their own local benefit schemes together with a reduction in central government support and preparing for launch in time for April 2013. The schemes will now sit alongside a number of benefit changes at this time and potentially add to further confusion and hardship for many claimants.

5.3 Core Cities have more concerns about the introduction of Universal Credit. Some cities submitted evidence to the DWP Select Committee Inquiry into the Implementation of Universal Credit earlier in the year. Councils are concerned about the ability of residents to manage Universal Credit online, the implications of it being paid monthly and being paid to one member of a household. Many people on low incomes in work have wages and/or benefits and tax credits paid more frequently than monthly, which matches common budgeting patterns for those on low incomes. Cities and partner organisations such as social landlords are finding low awareness amongst the public about Universal Credit, and many are concerned about the lack of time for the findings from the Universal Credit direct payment pilots to influence the implementation of the new regime.

5.4 There is a need for greater dialogue and greater transparency from DWP in order that local authorities can help make sure that Universal Credit is implemented well and with minimum disruption to local people and local communities. Birmingham is delivering a Universal Credit Pilot, assessing the level and type of support BCC tenants need (eg digital skills/access, financial management, employment support) to manage their tenancies under UC. There is a need for further data sharing between DWP and local authorities so that we can better identify and then support residents affected by a number of different changes to their benefits prior to and during the phasing in of Universal Credit.

6.0 Conclusions

6.1 Welfare reform is having a significant impact upon local communities in cities with high levels of dependency also experiencing demographic growth and rising service demands. There are many unintended consequences of the reforms that will overall potentially increase the costs to the public sector.

6.2 The Government is at risk of not achieving the savings or the outcomes it requires to welfare unless a more sophisticated and devolved approach to tackling dependency is adopted. The potential of a place-based Community Budget approach needs to be more fully embraced by DWP and other departments and CLG have a role in getting support for this initiative across Government.

6.3 Given the impacts of welfare reform on cities there is a need for a conversation between DWP and the Core Cities Group looking at the questions this Inquiry has posed. The Group would be keen to work with the DWP directly on transition planning and communication planning for the move to Universal Credit.

January 2013

Written evidence from the Chartered Institute of Public Finance and Accountancy

1. Executive Summary

1.1 CIPFA has some serious concerns about the likely impact—both directly on local authorities and indirectly through the impact on claimants—of the welfare reform measures.

1.2 In our view, these issues, taken together, pose a real potential threat to the implementation of Welfare Reform as a whole.

1.3 In particular, we identify several separate financial risks, especially around increased rent arrears and bad debt provision and around increased revenue costs of implementation.

1.4 These additional costs, taken together, will inevitably divert resources from key front line activities and the maintenance/building of homes.

1.5 There will also be adverse impacts on asset management and on business plans.

1.6 Overall, we feel our concerns, taken together and if not addressed, could imply a real risk of process failure in implementation.

1.7 CIPFA therefore makes a number of recommendations (these are also set out in more detail under (5) below:

- Exemptions from direct benefits payments to tenants should be allowed.
- Lessons from welfare reform pilot areas should be learnt—and need to be considered in the context that the same intense level of support made available to pilot area tenants will not necessarily be available.
- There are some problems with direct debits for rent payments.
- Government measures are sorely needed to stimulate the housing market—at present it is simply not providing enough affordable homes.
- The Housing Benefit element should remain visible within the Universal Credit.

2. Submitter: The Chartered Institute of Public Finance and Accountancy (CIPFA)

2.1 CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

2.2 As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

2.3 We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

2.4 Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

3. Factual Information/Submission

3.1 CIPFA welcomes the Inquiry into the implementation of welfare reform in local authorities. In their entirety, the changes being and to be implemented represent perhaps the greatest reform of the welfare system since the days of the Poor Law. Its impact on local authorities, their tenants and their local populations will be considerable. CIPFA has some serious concerns about the likely impact—both directly on local authorities and indirectly through the impact on claimants—of the welfare reform measures.

3.2 CIPFA's response focuses especially on the financial implications for local authorities of the implementation of welfare reform.

3.3 Our comments on the Committee's 10 specific questions are as follows:

(a) *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

We consider that the Departments could have worked more effectively and closely together on strategic policy direction and the implementation of the Reforms: while DCLG were implementing rent reforms and convergence (increasing rents each year—a policy bound to increase the overall national welfare expenditure)—the DWP was aiming to control expenditure. One area in which we think there may still be a problem is that of the definitions of over-occupation: DWP's does not appear to coincide completely with those of DCLG. However, in our view there has been more effective working together by the Departments on the operational implementation of the policy eg sharing of data and equality impact assessments. Finally, we think it is also important that both Departments work closely with the Department of Health. Welfare reform will have a major impact on vulnerable people who are often the prime focus of both social care and the NHS.

(b) *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?*

Individual local authorities are probably better placed to answer this.

(c) *Is the Government's timetable for implementing Welfare Reform achievable?*

An area of concern is the lack of detail about the timetable for the rollout of Universal Credit. While we understand and welcome any flexibility as Government assesses the outcome from the pilots, the lack of information available presents difficulties for housing providers trying to inform tenants and other claimants about the likely impacts. We consider it crucial that the lessons from welfare reform pilot areas such as Oxford should be shared nationally—and in sufficient time for the lessons to sink in and for appropriate action to be taken in authorities.

(d) *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

Please see also our answer to (e). Additionally, with regard to the General Fund, these changes are coming at a time of the particular pressures facing local authorities at present, such as social care funding demands and expected increases in homelessness (itself another expected consequence of the changes in housing benefits). We are concerned that channelling government funding though DELs may impose limits on the amounts. Therefore we do not think that local authorities are being allocated sufficient resources to deliver localised Council Tax Support and advice to claimants on Universal Credit.

(e) *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

(i) In CIPFA's view, there are significant financial risks for local authorities from the Welfare reform changes. Expert local authority practitioners on our panels have told us that many of them are forecasting increased arrears—by 6% or 7% of total rent income as a direct consequence of the changes. These levels are likely *despite* the authorities' plans and best efforts on recovery. Higher levels of arrears in turn put upwards pressure on bad debts provision—we understand for example that in one large metropolitan authority, tenant arrears will increase from 3.5% to 4% of rent income, representing an increase of £1.5 million requiring an increase in the annual provision for debts of £1 million, thereby diverting resources from key front line activities and the maintenance/building of homes. Such significant shortfalls in rent income will obviously impact adversely on authorities' 30 year business plans under Self-Financing.

(ii) There may also be unexpectedly large calls on staff resources to inform people about and to implement the changes. Additional rent arrears will necessitate additional revenue costs in the management of arrears (eg court costs and provision of debt advisory services). The changes around over-occupancy and non-dependant allowances are likely to cause an increase in the annual turnover of tenancies as tenants attempt to downsize to smaller homes. This will increase housing management costs and repairs to empty properties.

(iii) In addition to the likely impact on arrears from lower real terms benefits, there is a separate impact likely arising from the direct payment of benefits where currently the rent element is paid to landlords. In the private rented sector this is likely to make some landlords much less inclined to rent to those on benefits. It is important in our view that direct payments should not proceed further until there has been a thorough evaluation—from the pilots but also taking into consideration how far the pilots' experience can realistically be extrapolated in to a full implementation with less intensive resourcing.

(iv) Moreover, as under the overall cap, as the housing benefit element is the one that is reduced in order to bring the overall benefit within the cap, this could send an unintentional message to some claimants that perhaps paying rent is less important than other commitments, thus leading to more upwards pressure on rent arrears.

(v) There is a further risk from any over-dependence on IT coping with the workload—early experience suggests that around 30 minutes of staff time can be required when processing electronically a tenant's benefits.

(vi) With regard to disability benefits, if/where claims and payments are consequently reduced but real needs remain, there will necessarily be some financial impact on local authorities as their share of the gross costs of support packages will rise.

(f) *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

Individual local authorities are probably better placed to answer this.

(g) *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?*

Individual local authorities are probably better placed to answer this.

(h) *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

In our view, the separation of the administration of Council Tax Benefit and Housing Benefit is likely to add to claimants' confusion and lack of understanding of how the changes will impact on them cumulatively.

(i) *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

Again, individual local authorities are probably better placed to answer this. However, local authority practitioners have raised with us some concerns around fraud with universal credit under the new system where we understand that claimants who do not possess the usual security check items (utility bill, landline, passport, good credit history etc) will be able to give much less secure evidence—which would be far more susceptible to fraudulent activity by others (eg hacking into accounts).

(j) *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

(i) See also under (e) above.

(ii) Many social housing tenants are likely to find difficulties in making their own rent payments directly, monthly and in arrears. Some are unaware how direct debits operate (eg, money not necessarily being collected on the same date each month), some basic bank accounts do not permit direct debits and some authorities fear that some tenants in receipt of a monthly lump sum of Universal Credit payment may succumb to the temptations of other expenditure.

(iii) An especial worry is that of payments by claimants in temporary accommodation. To expect claimants to pay Bed and Breakfast costs directly and monthly in arrears for accommodation which they had for possibly only a couple of nights and often in stressful circumstances is unrealistic at best.

4. Additional Points

4.1 We also consider that the issue of how welfare reform changes could affect asset management is a point worth raising with the Committee. For example, the limit that may be imposed on good housing asset management if a provider does not have a sufficient number of smaller homes into which over-occupiers can be asked to move, or if a home has had adaptation work carried out on it to help a disabled tenant—how would this be valued against for example arguments for over-occupation by a disabled tenant?

4.2 It is clear that the housing market at present is not providing enough affordable homes.

4.3 The funding of the additional costs under (e) and (j) above is generally not being addressed at a national level and local authorities are expected to deal with these locally. It is worrying if this can only be achieved by adjusting medium and long term financial plans including the Business Plans introduced only in April 2012 under Self-Financing.

5. Recommendations

5.1 Exemptions from direct benefits payments to "non-standard" tenants should be allowed and local authorities should be given local discretion over how this group is defined and determined.

5.2 Lessons from welfare reform pilot areas should be shared nationally in a more accessible way than at present and in sufficient time for the lessons to sink in and for appropriate action to be taken by social housing providers. Moreover, the results from pilot areas need to be analysed and considered in the context that the same intense level of support made available to pilot area tenants will not necessarily be available to all social tenants. This is especially applicable to lessons around the direct payment of rents.

5.3 The Government needs to be aware that direct debits for rent payments will not be as easy a solution as they sound—many tenants are unaware how they operate (eg, money not necessarily being collected on the same date each month) and some basic bank accounts do not permit direct debits.

5.4 Government measures are sorely needed to stimulate the housing market—at present is simply not providing enough affordable homes.

5.5 CIPFA considers that there would be greater transparency and less confusion if the Housing Benefit element could remain visible within the Universal Credit.

5.6 Overall, the above concerns should be addressed if the risks that implementation may succumb to process failure are to be averted.

January 2013

Written evidence from Southwark Council

1. Executive Summary

1.1 Southwark Council welcomes the opportunity to respond to this inquiry and believes it can make a valuable contribution to the issues being considered. Of particular concern to Southwark is:

- Uncertainty of time scales and clear guidance in relation to Universal Credit is causing problems in planning.
- A lack of co-ordination with advice being unclear, insufficient and delayed.
- The timescales are extremely challenging and only by applying additional resources and incurring considerable additional costs can timescales be achieved.
- Exposure to significant risk of bad debt associated with non-payment of Council Tax and Housing rent.
- Lack of accurate data reflecting current demand.
- Late publication of key guidance and apparent late policy changes.
- Concern over the impact of potential Fraud and error in the proposed new universal credit system.
- Concern that customers will need to duplicate activity that currently only requires one transaction/application.

2. Introduction

2.1 Southwark has approximately 123,000 properties within its borough, of which 44,000 are council owned social housing. The 2011 census identifies that the population is approximately 288,000 of which 10% of households are one parent families, 7.5% of households are lone pensioners, 10.2% of households are families with children. 27% of all households (31,000) have no one in employment and 22% of households with and without children have a member with a long term disability or health problem. Southwark was the 26th most deprived borough in England in 2007 (Indices of Deprivation report published 2007) and the 9th most deprived borough in London. The range of welfare reforms announced will therefore have a significant impact upon the borough and its community.

2.2 A table is produced below in which is presented a high level outline of the issues, volumes' and impact of the welfare reforms changes upon the council and the community.

Welfare Reform	*Issues*
Local CTRS scheme	£2.8 million shortfall in government funding 24,000. working age claimants' affected The majority have never paid Council Tax previously
Social Size criteria (bedroom tax)	Estimated 3743 council households affected. *The number of Registered social landlord's households is still being determined.
Benefit Cap	*527 Households affected * July Data. DWP to refresh in January 2013
Social Fund replacement	*13,000 applications *2013–14 estimates based upon 2010–11 DWP figures.
Universal Credit	39,000 Southwark residents currently receive Housing Benefit but which is paid to landlords directly. With introduction of Universal Credit claimants' will receive the housing element directly into their bank accounts

3. Issues to be Covered by the Inquiry

3.1 *Is the guidance available to local authorities from central government on implementing welfare reform adequate*

Overview

It is considered that given the range and complexity of the changes there has been lack of co-ordination with advice being unclear, insufficient and delayed.

CTRS commentary

Communication with Local Authorities (LAs) on CTRS has predominantly been carried out via publications issued on a government website[19] and via LCTS email updates. The exception to this was the

[19] https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/localising-council-tax-support

announcement on transitional funding which was made via broadsheet newspapers over the weekend prior to the House of Lords debate on the Local Government Finance Bill in October.

This website communication has taken the form of publication of draft and final regulations along with advisory documents setting out the proposed approach to scheme development and issues for consideration in doing so. The releases from DCLG have been on made an ad hoc basis with no timetable of release dates or topics for inclusion. Whilst a lot of the content within the releases was of use, the nature of their publication has obviously made scheme development a challenge.

LAs are still awaiting confirmation of the exact funding arrangements around their schemes for 2013–14. Likewise, an announcement is yet to be made on the exact administrative subsidy that will be provided to LAs, although indications have been made that there will be no reduction going into 2013–14.

In developing Southwark's CTRS policy there have been difficulties in interpreting the draft regulations published by DCLG and a number of inaccuracies and omissions were fed back to DCLG via the Housing Benefit online forum HBinfo.[20] Without this conduit it is difficult to see how these issues would have been fed back in a coherent manner to government. From a practical perspective, the publication of documents in PDF format has made it difficult for LAs looking to adapt the default CTRS scheme.

Despite requiring adoption of a CTRS scheme by the close of January 2013, a number of issues are yet to be finalised in law including data-sharing arrangements and the new appeals process through the Valuation Tribunal Service (VTS). Until these matters are resolved we won't be in a position to inform customers what their new benefit scheme looks like.

Southwark Council opted not to apply for the transitional funding made available by DCLG in October 2012. By the time the scheme had been designed, consulted on and was due to be presented to Council cabinet. There are a number of technical concerns remaining around this grant and our estimates show that a funding gap of over £0.5 million would remain if we adapted our scheme to fulfil the eligibility criteria for the funding.

Social Fund

Since its announcement in November 2010, limited guidance has been provided by Government regarding the implementation of local replacement provision for the Social Fund. This in part is due to the nature of the reform. Government intended local authorities to design their own schemes which were relevant and appropriate to their localities.

However, in seeking not to direct the design of local schemes, the Government failed to understand the information requirements of local authorities. Effective integration of services at local level requires a clear understanding of the client group and their needs. All the information provided by Government for use by local authorities has been published on the DWP website. The only data provided by Government at local authority level on Social Fund awards is for a six month period between April and September 2011. The Social Fund Annual reports do not include local authority level data. This is insufficient to understand local trends in the use of the Social Fund and build effective linkages to other local support services

3.2 *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform*

The DWP have a greater understanding and experience of dealing with complex benefits' legislation than the DCLG and this has been resulted in the provision of unclear guidance on occasions making development of internal policies and solutions problematic. The uncertainty over whether a claim for UC to the DWP with a clear intention to claim Council Tax support, for the purposes of establishing the start date for CTS is a case in point.

3.3 *Is the government's timetable for implementing these welfare changes achievable?*

Overview

The timetable is achievable but is extremely challenging. Southwark has needed to engage additional programme resource on CTRS, the direct payment demonstrator and the social fund projects to ensure delivery. These programmes are not assisted by late government policy announcements. An example of which is the transitional CTRS funding announced in October at a point when Southwark had already spent several months developing a scheme that was in line with previously stated policy.

CTRS

LAs are faced with an extremely challenging timeline in developing and implementing a CTRS scheme. Southwark has done so through rigorous programme management consisting of multiple work streams that have placed a significant burden on the day to day operational activity of the Revenues & Benefits team at a time when other welfare reforms must also be introduced.

[20] http://www.hbinfo.org/

The lack of clarity around regulations has meant that software suppliers have faced a significant challenge in adapting existing assessment systems to fulfil national prescribed rules whilst building in the flexibility locally for LAs to implement a bespoke scheme.

Transitional funding was announced far too late in the year for many LAs to take advantage of it and develop qualifying scheme. Had this been announced earlier LAs would have been in a better position to include this in their financial modelling and consultation with stakeholders.

Direct payment demonstrator

Similarly the timescales are extremely challenging and a number of issues are unresolved or decisions are being made before the learning from the DPDPs can be incorporated, although we understand there are processes in place for DP to inform UC design.

Universal Credit

The timescales around Universal Credit remain uncertain and therefore effective planning is made more difficult. Nevertheless Local Authorities are being expected to determine the consequential impacts of UC implementation with a response expected in January 2013. This seems unreasonable.

The lack of certainty relating to the role of Local Authorities in the roll out of Universal Credit provides significant challenges. Clarity is needed over what “Local Claimant Support” means in practice. As Local Authority involvement in Universal Credit is not envisaged to be statutory, it makes medium term service planning challenging.

Social Fund

The reform of the Social Fund was announced in November 2010. While this should have provided sufficient time for the development of local provision, the absence of necessary local authority level information has impeded implementation. Moreover, 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.

3.4 *Are there financial risks to local authorities from the changes—and are any such risks being adequately addressed?*

CTRS

On CTRS, the largest financial risk faced by LAs is around propensity to pay Council Tax for claimants adversely affected by the introduction of our CTRS scheme. Southwark has reduced existing support for all working age claimants by 15%. 19,000 claimants who currently receive maximum support under Council Tax Benefit (CTB) will be required to pay some Council Tax under CTRS. This presents some significant challenges in terms of collection, particularly as over 5,000 of those customers will be facing a loss of income through other welfare reforms including the social sector size criteria and the benefit cap.

Direct payment demonstrator

Yes, initial learning from DP is that significantly more resource is needed by the landlord (LA or HA) to manage tenants on DP and that in spite of this rent arrears increase. We are not currently aware of any plans that UC incorporates to cover this increase in costs. There is planned to be an arrears trigger in UC that will enable landlords to switch back to landlord payment once arrears hit a certain point but there is at present no mechanism in UC to deliver this. We know that Pathfinder which is supposed to trial the full process does NOT incorporate this trigger. This could lead to uncapped losses to landlords.

Social Fund

While Government has correctly identified the opportunities of integration of the Social Fund with local services, it does not appear to have considered the risks.

The Government has provided administrative funding for local replacement provision. However, it is extremely unlikely that this will cover the full cost of local administration thereby exposing local authorities to additional costs.

The lack of local authority level data on the Social Fund has restricted effective modelling of local demand, and leaves local authorities exposed to the risk that their schemes will not be able to cope. Although this is a discretionary activity, the inability of the authority to fulfil local demand leaves it open to reputational risks, and the possibility of displacement into other mainstream care services. These services are already under significant financial pressure and the cost of providing support through this route is far greater that the remedy that would have been provided under the Social Fund.

3.5 *Are local authorities being given sufficient resources to deliver localised council tax support and advice to claimants on Universal Credit?*

CTRS

£84,000 was provided to all LAs as an interim new burdens funding, but we look forward to a further announcement on the additional funding to be provided.

In Southwark, CTRS had had a significant impact on the day to day operations of the business, through systems testing, data cleansing, training, consultation, financial modelling, promotion and community engagement. The resource put towards these activities has been great.

We are aware of no LAs offering "advice to claimants on Universal Credit". There are significant gaps in the information provided around the UC programme and until the involvement of LAs is clarified, this role remains the responsibility of the DWP.

Direct Payment Demonstrator

We understand that support will be delivered by the Integrated Claimant Support Framework, a Taskforce has just commenced on this. There is no LA representation on the Taskforce but there is a "Reference Group" to be set up which we will attend the first meeting of this week. We do not know anything about the amount of support or mechanisms for commissioning which will be forthcoming, and there are conflicting messages at present as to whether this extends only through transition or thereafter.

3.6 *How will the separation of the administration of council tax benefit and housing benefit affect claimants?*

This has the potential to duplicate the amount of effort required in applying for what will now be separate benefits. There will no longer be single CMS process through Jobcentreplus so the application process, verification and notification around this will differ. This is something that will remain with the introduction of Universal Credit for Housing Benefit in October 2014.

The loss of a single point of contact has an impact on all customers using this channel. However for vulnerable claimants it potentially increases the likelihood that they will not access the welfare benefits that they are entitled to at the right time, increasing financial exclusion.

From an administrative perspective, the administration of most Council Tax Benefit claims has been included along with the administration of Housing Benefit. Most claimants receive both benefits and there are very few owner occupier claims who receive CTB only.

The long term implication of this is an increase in the cost of administering CTB/CTRS. This won't be obvious as long as LAs administer HB but once this is rolled up into the Universal Credit there will be two very distinct assessments taking place at national and local level where in most cases there was previously only one.

There are also additional costs involved in the design, modelling and consultation in developing a local CTRS scheme which are being replicated at all LAs across England.

3.7 *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

We aware that the Universal Credit Regulations have yet to be laid and that the role of Local Authorities has yet to be fully determined. However, given the information that is available there continues to be concern over the impact of potential Fraud and Error in the proposed new Universal Credit administration system.

Given the uncertainties that currently exist with the proposed IT infrastructure and interfacing, this could potentially realise and significant amount of error that may enter the system, as well as potential increased burden of overpayments and subsequent hardship to landlords and claimants.

Additionally, until the full regulations and the involvement and interaction with Local Authorities is finalised, there also remain concerns over potential and increased Fraud activity; with particular concern around the verification and tenure details of some tenants.

Consequently, given these concerns we believe the timetable for the introduction of Universal Credit, and the associated Welfare Reforms, remains at best too ambitious and will continue to place unrealistic burdens on the local authority, stakeholders, the third sector and the residents of Southwark affected by these changes.

Direct payment demonstrator

The demonstrator program has identified that at present there is no mechanism in UC to have an automated check of rent liability as there is no policy on data sharing between LA, landlord and DWP. We think this presents a significant risk of fraud. We have submitted information as to which data we believe needs to be shared as a minimum under UC.

3.8 *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?*

The government expect LA's to introduce a whole new scheme, however this is not suited to existing systems and therefore the expectation is that procurement of a new system will be required, or alternatively delivery will be through an external partner. Either solution will incur additional costs for the authority.

The lack of local data from the DWP has presented problems in determining solutions.

3.9 *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants*

Direct payment demonstrator

No, initial learning from DP is that significantly more resource is needed by the landlord (LA or HA) to manage tenants on DP and that in spite of this rent arrears increase. We are not currently aware of any plans that UC incorporates to cover this increase in costs. There is planned to be an arrears trigger in UC that will enable landlords to switch back to landlord payment once arrears hit a certain point but there is at present no mechanism in UC to deliver this. We know that Pathfinder which is supposed to trial the full process does NOT incorporate this trigger. This could lead to uncapped losses to landlords.

January 2013

Written evidence from the Local Government Ombudsman

Introduction

The Local Government Ombudsman (LGO) receives over 11,000 complaints a year from users of local authority services in England. These include complaints made about the administration of benefits and discretionary funds as well as the collection of Council Tax. We welcome this opportunity to submit evidence to the CLG Select Committee.

Summary of Main Points

- *There is considerable uncertainty about the number of complaints which may be made to the LGO as a result of welfare reform, and how we might deal with a sharp increase in the absence of additional funding*—The new arrangements for the local delivery of the social fund removes the right to have decisions reviewed by the Social Fund Commissioner (SFC). Instead, users can complain to their local authority and thereafter the LGO. In 2011–12 the SFC made decisions on 52,107 complaints and appeals. Although the LGO will not act as an appeal mechanism in respect of properly made decisions, complaints about the new arrangements in addition to reforms of other local benefits may represent a significant increase in workload. The LGO has some concerns about whether our current budget or resources will be sufficient to meet the likely increase in demand for the Ombudsman service. Although we have met with Department of Communities and Local Government officials to discuss the possible implications of welfare reform on the LGO service, we have yet to receive any assurances about the provision of extra funding should we see a steep rise in complaints about these services.
- *Service users should be able to clearly identify a route for making complaints and achieving redress when things go wrong*—Under the new arrangements for local delivery of the social fund it is anticipated that many local authorities will outsource part or all of this function. They may devolve responsibility to tier two authorities who may in turn engage third sector organisations. The LGO would like to ensure that service users are informed that local authorities have ultimate responsibility for delivering these services, and of their right to complain locally and thereafter to the LGO, should service provision not meet their reasonable expectations.
- *Localism—though responsive to local needs—may disenfranchise some service users*—Local government is currently going through a dramatic change. The new approach to housing benefit, together with the introduction of localised council tax support and welfare assistance schemes will create significant challenges for local authorities. The lack of prescription in terms of design and the lack of ring-fenced funding for the local delivery of the social fund, may result in patchwork provision which could leave service users confused over their local entitlement or eligibility to access services. Many housing authorities currently insist on a "local connection" before people are entitled to seek support. On occasion, over-insistence on such a local connection has seen vulnerable people with urgent need of support refused access. The LGO would hope that local authorities engage actively with one another to ensure seamless support for those who—for a number of different possible reasons—may not have a long established local connection to any given area.

Response to Questions

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

Neither DWP nor DCLG have yet fully assessed the full implications for the LGO regarding the direct impact of localisation of the social fund or localised council tax support arrangements. The role of the LGO was not mentioned in either the abolition of the Social Fund Impact Assessment or Equality Impact Assessment accompanying the enabling legislation. The LGO is concerned that the direct implications on the LGO's budget with regard to the local administration of benefits has not been fully considered by central government. The LGO has met with DWP Officials to discuss the full implications of the social fund reforms on the Ombudsman service and we stand committed to working with others to ensure that the public fully understand how they can pursue un-remedied complaints in this area.

The LGO is further concerned that central government has not effectively or accurately communicated the role of the LGO to stakeholders and the general public. Unlike the SFC the LGO will not provide an appeal mechanism against refusals of assistance such as happened under the previous scheme. The LGO is prohibited from considering the merits of decisions taken without administrative fault. It is important that users are fully informed of the LGO's role in considering complaints and that we will not be performing a de facto appeal mechanism similar to the role previously fulfilled by the SFC.

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?

Given the discretionary elements underpinning proposals in the new local welfare assistance schemes, it is likely that some services may be outsourced in part or indeed in their entirety to external organisations. While the LGO is familiar with handling complaints about organisations delivering services on behalf of local authorities, we have some concerns that service users may be unaware that local authorities will retain ultimate responsibility for delivering these services, and of their right to complain to both their local authority and thereafter the LGO, when things go wrong.

Service users may further be confused over their local entitlement. Some local authorities may provide more generous provision than others, and there is scope for potential service users to be unclear about the level of local support they might be able to access in times of crisis.

The LGO is keen to ensure that the public fully understand our new role with regard to reforms of the social fund. However, existing government constraints on the way we can use resources to promote our service will limit our ability to do this effectively. The consequences of this have already been seen following difficulties the LGO faced promoting the changes in its remit over adult social care complaints. We are concerned that we will not be able to effectively communicate these new responsibilities to the general public, leaving service users confused or unaware of their avenue for complaints.

Is the Government's timetable for implementing welfare reform achievable?

Given the vulnerability of service users of local welfare support schemes, we very much hope local authorities have been given adequate time to plan and deliver these services. Limited research into what different local authorities are planning to implement in the coming months indicates that some local authorities are more advanced in their planning than others. From our research we also envisage there will be huge variance in the design of local social fund schemes in place from 1 April 2013.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

While the LGO is unable to comment on the allocation of funding to local authorities, we are concerned that the cluster of new welfare and benefit responsibilities devolved to local authorities may further stretch already constricted budgets and resources, and so impact on the delivery of local services.

We are further concerned about our own levels of funding in light of the likely increases of complaints arising from welfare reform. If the LGO were to deal with just 5% of the volume of complaints previously handled by the SFC this would represent a very significant increase in our casework. The Government's response to the call for evidence on the Local Support to replace Community Care Grants and Crisis Loans for living expenses in England, states that *"this* (localisation of the social fund) *is not a cost cutting measure and any new burdens on local authorities will be funded"*. We would hope that the same approach is true for the provision of an independent complaints handling mechanism. Responsibilities that the LGO will acquire for complaints, which were previously within the remit of the SFC, should be properly resourced.

January 2013

Written evidence from the Child Poverty Action Group

Introduction

1. CPAG promotes action for the prevention and relief of poverty among children and families with children. We run a specific campaign focusing on poverty in London, where 37% of children are poor.[21] In November 2012 we published a report examining the impact of welfare reform on local authorities in the capital, based on interviews with 11 local authorities, who spoke to us on condition of anonymity.[22]

2. The report focuses on three changes in particular in London:

(a) Caps to local housing allowance (LHA).

(b) The overall benefit cap. 49% of all families affected by the benefit cap will be in London.[23]

(c) Under occupation penalties which will affect 80,000 households in London.

3. It highlights the particular challenges faced by London local authorities in dealing with the reforms:

(a) *The housing shortage is acute in London*: In 2011 there were 366,610 households on local authority housing waiting lists in London, 11.3% of all households (compared to an average of 8.3% of all households in England).[24]

(b) *Housing costs in the Private Rented Sector are high and rising*: Median social rents are 17% higher than the national average, and private rents are 36% higher in the capital.[25] Private rents in London rose at an average annual equivalent rate of 7% across all boroughs and bedroom sizes in 2011.[26]

(c) *Work incentives are lower in London due to high housing, travel and childcare costs:* the average cost of a nursery place in London is £5.07 per hour, 24% higher than the average cost for Britain.[27,28]

4. These challenges made it particularly difficult for London local authorities to respond to the welfare reforms. Below we discuss Local Authority responses to each of these changes before looking at their combined impact.

Responding to Caps to Local Housing Allowance

5. Authorities where the LHA caps applied had written to residents about the changes and to encourage them to contact the council for advice. Most authorities had been surprised by the low level of response they got from these letters, and the fact that the change was taking longer to impact families than they had predicted.

6. Authorities offered several reasons for the slower than expected impacts. Most commonly, families were receiving transitional protection, and would not be affected by the caps until October or November 2012, when several local authorities were anticipating seeing increased numbers of claimants affected. Several councils suggested also that residents in their area were particularly "unwilling to engage" with local services, with some citing English Language as a barrier.

Responding to the Benefit Cap

7. Authorities are expecting the benefit cap to have a more dramatic and more instant impact than LHA changes, as families will receive no transitional protection. Families whose total benefit entitlement is greater than £500 before LHA may see their benefits capped twice; once in April when HB is reduced, and then again after October when universal credit is introduced, and their income will be reduced again to below £500

8. Most authorities expected larger families to be hit first—a natural consequence of the cap, which takes no account of family size. But several authorities were also seeing a disproportionate impact of the cut on lone parents—in one borough 80% of those affected were one parent families. Many authorities predicted that a substantial number of families would be losing over £100 a week.

Responding to Under Occupation Penalties

9. The extent to which local authorities see the imposition of under-occupation penalties in the social rented sector as a problem depends, naturally, on the size of the social housing sector within their area. However,

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21 Figures for 2010–11. Defined as living below 60% of equivalised median income After Housing Costs.

22 The full report, Between a rock and a hard place: the early impacts of welfare reform in London is available on the CPAG website.

23 DWP (2012). *Benefit Cap (Housing Benefit) Regulations 2012: Impact assessment for the benefit cap* DWP http://www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf

24 Table 2 in DCLG, Local Authority Housing Statistics, England, 2010–11 Housing Strategy Statistical Appendix and Business Plan Statistical Appendix, 2011, www.communities.gov.uk/publications/corporate/statistics/lahousing201011

25 J Gleeson, *Housing: A Growing City,* Greater London Authority, 2011

26 Shelter (2012). *London Rent Watch: Rent inflation and Affordability in London's private rental market* Shelter

27 Rutter, J with Evans, B (2012). *2012 London childcare report* Daycare Trust. http://www.daycaretrust.org.uk/data/files/publications/49/London-childcare-report-2012.pdf

28 Centre for Economic and Social Inclusion, *Making Work Pay in London under Universal Credit: a report for London Councils*, 2011

even authorities with a large proportion of residents living within social housing had not yet been able to work out how many families would be affected by the penalties. Although local authorities that manage their own housing stock may know about the property size of the houses they rent to tenants, most authorities rely significantly on registered social landlords to manage their social rented sector, many of whom do not have this information.

Impacts of all Three Changes

10. The impact of each of these changes is to reduce families' incomes, to an extent where some may be unable to pay their rent. Families in this situation are faced with essentially three options. Firstly, they can look themselves for cheaper accommodation, either within or outside of their local area. Secondly, they can attempt to find work in order to increase their income and become exempt from the cap. Thirdly, they may present as homeless to the local authority. If they are seen as vulnerable, and not intentionally homeless, the homelessness duty places a responsibility on local authorities to find them suitable accommodation, and to provide them with temporary accommodation where permanent housing cannot immediately be secured. Local authorities also have the potential to use discretionary housing payments to help residents meet rent shortfalls. We discuss the potential for families to take up each of these options, and what local authorities are doing to facilitate these.

Moves to Cheaper Accommodation

11. Most authorities believed that moves within the private rented sector would not be possible for the majority of claimants, and that levels of demand for housing in London were high enough to mean that most landlords would not be willing to accept lower rents, with those who had spoken to landlords finding that on average, the most that landlords would be willing to accept is a reduction of £20 a week. One inner London authority that had conducted a survey of landlords had found that 80–90% of them would no longer be willing to rent to people claiming HB.

12. Some authorities were using discretionary housing payments to pay deposits on new private sector tenancies for residents, often in outer London boroughs. Authorities also mentioned using other incentives to encourage landlords to rent to claimants, including grants for improving the quality of accommodation. However, authorities emphasised that tenancies secured in this way would offer a short term solution only, as once the initial tenancy (often for six months) had been exhausted, there would be no further incentive for the landlord to maintain it.

13. One predicted impact of these changes has been a movement of claimants from inner to outer London. In general, outer London authorities emphasised that rents were also rising within their areas, and that they saw no significant capacity to absorb large numbers of people seeking cheaper accommodation. Most authorities emphasised that they felt that many residents had strong local ties and would be unwilling to move, backing up DWP research which found that residents in London were twice as likely as those elsewhere to say that they had always lived in their current locality as a reason they were reluctant to move.[29] Many authorities felt that a more probable response from claimants would be to move into accommodation that was too small for their needs, increasing overcrowding, or into housing of very poor quality. Several authorities mentioned that they themselves were now housing people in what they considered to be unacceptably poor quality accommodation.

Moves into Employment

14. The benefit cap only applies to those families who are "out of work"; until universal credit is introduced, this will mean families who are not eligible for working tax credit.[30]

15. Several authorities were working actively with residents to help them move into work, or to increase their hours if they had been hit by the working tax credit changes. Some had set up intensive casework teams involving staff from both housing needs and employment services to work with families affected by the cap. Attempts to encourage employment included looking for opportunities for jobs within the local authority that residents could take up, joint work with Jobcentre Plus around engagement with employment services, and in one case, authority workers engaging with employers to ask them to increase the number of hours offered to residents who will be hit by the cap.

16. Authorities engaged in these initiatives emphasised that they had seen new and positive forms of joint working across the authority and with other partners. However, few saw this as an approach that would be able to solve the problems of more than a small proportion of families hit by the cap. One authority estimated that there were at least 500 families who would not be able to be supported into employment due to disability, caring or parental issues. The authority engaging with employers to ask for greater hours had yet to see any successes from this approach.

[29] Beatty, C, Cole, I, Kemp, P, Marshall, B, Powell, R and Wilson, I (2012). *Monitoring the impact of changes to the Local Housing Allowance system of housing benefit: Summary of early findings* DWP http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_798.asp

[30] The eligibility rules for working tax credit changed in April 2012 to require couples with children to work 24 hours a week, rather than as previously, 16 (lone parents must still only work 16 hours a week).

Discretionary Housing Payments (DHPs)

17. Additional resources were put into DHPs during the course of the Welfare Reform Bill. However, local authorities emphasised that the scale of additional support with DHPs was unlikely to match the level of need, and that DHPs would at best provide a short term solution to residents' housing problems. Overall, the additional money put into DHPs totals £165 million in 2013–14, compared to reductions in expenditure due to the benefit cap, LHA changes and under-occupation penalties of £1,760 million. At best therefore, DHPs will be sufficient to make up 9.4% of the shortfall in housing income caused by the changes. The announcement in the Autumn Statement that housing benefits paid to households in supported accommodation will be exempt from the benefit cap, while welcome, will further reduce the amount of DHPs available for Local Authorities to spend.[31]

18. Some authorities had begun to think through how they might prioritise the use of DHPs to protect certain groups from the risk of eviction; these included children at key stages of school, children at risk of entering care, families with a disabled member, and families who were engaged with the local authority as part of the "troubled families" agenda. However, authorities must make sure that their use of these payments is genuinely "discretionary"; the current guidance states that although they may develop a policy, they must be clear that each case is decided on its individual merits, rather than a set of pre-defined criteria, in order to avoid the risk of judicial review if discretion has not been properly exercised.[32] Moreover, some authorities were concerned about the possible impact of being seen to prioritise "troubled" families to have their housing secured, fearing that securing housing stability for these families only could send out a signal that "problematic" behaviour was being rewarded.

Families Accepted as Homeless

19. Authorities were expecting to see a significant increase in the proportion of families whom they had a duty to house under the homelessness legislation. Following the 2011 Localism Act, this duty can be met by securing families accommodation within the private rented sector. Temporary accommodation will often be required while families wait for a permanent solution.

Moves into Social Housing

20. Few local authorities saw the social rented sector as providing a solution to the problems of families affected by the cuts. Moves from the social rented sector into the private rented sector would, however, directly go against the intention of these policies to reduce expenditure, as accommodation is significantly more expensive in the private than the social rented sector.

Discharging the Homelessness Duty within the Private Rented Sector

21. The Localism Act 2011 gave local authorities the option of discharging the homelessness duty by offering them a tenancy within the private rented sector, which families can only refuse if it is "unsuitable". Most authorities felt that it would not be possible for them to do this to any large scale within London, particularly for families whose benefits are capped at £500 a week. This had led to discussions among several local authorities about procurement of private sector properties elsewhere—locations cited included Nottingham, Derby, "the Midlands" and Wales.

22. The Government have been clear that private sector accommodation must be "suitable" and that considerations of suitability must include location. The Government position was outlined in *The Guardian* on 4 November 2012: "*It is neither acceptable, fair nor necessary for local authorities to place families far away from their area. The law is already clear that local authorities must secure accommodation within their own borough so far as reasonably practicable, and new rules will reinforce this.*"[33]

23. Many local authorities believed that this left them in an impossible position, whereby they could not afford to house tenants within their local area, but faced a legal challenge (not to mention the disruption to families' lives) if they sought to house them elsewhere.

Temporary Accommodation

24. If a local authority cannot house a family within the social or private rented sector immediately, its final option is to use temporary accommodation while the families waits for a permanent solution. This may be in the form of bed and breakfast, or in self-contained units. Guidance to local authorities states that bed and breakfast accommodation is not considered suitable for families, and should be used for a maximum of six weeks.[34]

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[31] The Autumn Statement announced that: Housing payments for those in supported exempt accommodation will be disregarded for the purpose of the benefit cap. Funds available for Discretionary Housing Payments will be reduced by £10 million in 2013–14 and 2014–15, and by £5 million in 2015–16 and 2016–17, to fund this measure.

[32] DWP (2011). *Discretionary Housing Payments Good Practice Guide* http://www.dwp.gov.uk/docs/dhpguide.pdf

[33] Patrick Butler and Ben Ferguson (2012) "Homeless families to be expelled from London by councils" *The Guardian* 4 November 2012, see http://www.guardian.co.uk/society/2012/nov/04/london-boroughs-housing-families-outside-capital

[34] DCLG (2006). *Homelessness Code of Guidance for Local Authorities* http://www.communities.gov.uk/documents/housing/pdf/152056.pdf

25. Local authorities explained that the existence of the benefit cap for families placed in temporary accommodation made it difficult for them to envisage how they could meet the costs of this accommodation for either families currently housed temporarily, or those who might require this type of accommodation as a result of the benefit changes. Because households are placed in temporary accommodation by local authorities, they will have little scope to move to reduce their housing costs and under the *Homelessness Code of Guidance* local authorities cannot ask households to make up the shortfall through other benefits if this would deprive the household of "*basic essentials such as food, clothing, heating, transport and other essentials*." One local authority was, however, considering drawing up on guidance on how much of their remaining benefits it would be "reasonable" to ask families to contribute towards their rent in this situation.

26. The fact that the benefit cap will apply to families in temporary accommodation means effectively, that families who accepted as homeless, could be made homeless once more due to their inability to pay the costs of temporary accommodation.[35] Authorities emphasised that this would create significant problems for their budgets, with potential knock on effects for other areas of Local Authority services. One authority was estimating a £3 million loss due to the cost of subsiding temporary accommodation. Some were worried they would be unable to meet the long term leasing arrangements they are tied into with landlords. Again, an option being considered by authorities is to procure temporary accommodation in cheaper areas of the country, but the revisions to the "suitability" criteria proposed suggest that this may not be possible.

27. Authorities were also concerned about the impact of the cuts on their ability to meet other government priorities, in particular around the "troubled families" agenda. The government has established a "payment by results" scheme, providing additional funding to local authorities who are able to "turn these families around", and has also set up Community Budget pilots to provide funding to work with these families. However, many local authorities have identified cross-overs between those families meeting the "troubled" criteria, and those who would be hit by the benefit cap, and thus be at risk of losing their home or falling into rent arrears. As discussed above, one potential response from authorities to this is to prioritise these families for DHPs, but there were fears that this would create the impression that housing stability was only available to "troubled" families, including to those involved in crime or anti-social behavior.

Conclusion and Recommendations

28. The changes at present are likely to create significant difficulties for local authorities, who anticipate a rise in the number of homeless families. In choosing how to deal with these families, authorities face a choice between trying to move them out of London—a choice which many authorities, in line with both the government and the view of CPAG believe to be unacceptable, and finding the money out of already stretched budgets to subsidise the high cost of private or temporary accommodation.

29. CPAG believes that the impact of these changes is likely to increase poverty amongst families with children, and to cause disruption and damage to children's lives in families affected by the cap. While many Local Authorities are trying hard to mitigate the impact of the changes on children, their scope for action is limited.

30. There has not been space in this submission to consider the impact of the localisation of the Social Fund, an issue on which CPAG has also been working with Local Authorities.[36] However, we would draw the committee's attention to the need to ensure that authorities take a co-ordinated approach to issues of local connection, to ensure that families who move (including as a consequence of the benefit cap) remain able to access emergency support.

31. CPAG fundamentally opposes the principle of the benefit cap, and believe that the policy should be dropped. However, one significant change that would mitigate the worst of the impacts would be to exempt families in temporary accommodation from the cap. In response to a Parliamentary Question, Chris Grayling estimated the cost of this at £30 million[37]—a small proportion of the estimated £275 million savings expected to be gained from the imposition of the benefit cap itself.

32. When we asked local authority officials what they believed the solution to the problems discussed in the report was, the most common answer was that government needed to build more houses to address the chronic shortage in London. We cannot here assess plans at national and regional level to address the level of housing supply, but it is clear that this is where the medium and long term solutions must be focused.

About CPAG

CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in

[35] This situation was recognised by Lord Freud during the passage of the Welfare Reform Bill. In January 2012, he stated that: "*We need to get a solution to this so that we do not have a ludicrous go-round of people moving into expensive temporary accommodation which they can no longer pay for because of the cap. We are absolutely aware of this and have measures in train to get a solution in the round to that issue.*" House of Lords Debate, 23 January 2012, c893

[36] See CPAG (2012). *The Social Fund at a local level: Notes for and from practitioners* at http://www.cpag.org.uk/content/social-fund-england

[37] Hansard HC Deb, 22 February 2012, c864W, www.theyworkforyou.com/wrans/?id=2012–02–22b.95144.h

poverty; and enable those eligible for income maintenance to have access to their full entitlement. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

January 2013

Written evidence from the District Councils' Network

The District Councils Network welcomes the opportunity to submit information to the Communities and Local Government Select Committee on the implementation of welfare reform.

The District Councils' Network is a Special Interest Group of the Local Government Asscoaition. We represent 196 district councils to central government and other national organisations.

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

It is important to acknowledge that both the Department of Works and Pensions and the Department for Communities and Local Government, have engaged with local government, and specifically the DCN, in respect of the major welfare reform changes being implemented. We welcomed, that representation made by the local government, both these departments have worked together on the important issue of data sharing. This will be critical to our future chances of success in migrating the ongoing welfare reforms and the Localisation of Council Tax Benefit.

It has been incredibly frustrating that this joint working has not extended to implementation and administration of both the Council Tax Support Scheme and the Benefit restrictions/changes taking effect from 1 April 2013. At a time when local government is being encouraged and requested to work across organisational boundaries it has been evident that government departments still fail to act corporately or with a focus on the claimants needs. They still appear to have an ingrained culture of putting the individual departments view to ministers before the overall objective of saving public money during this time of austerity. In particular it has been clear that the challenging timetable in respect of Localising Council Tax Benefit has been pursued without listening to local governments view that linking to the wider welfare reform agenda would be a lower risk solution for both the local tax payer and central government.

We are experiencing an increasing difficulty regarding a coherant dialougue of the impact on key strategic areas that fall within the responsibility of district councils eg housing, debt collection and digital inclusion. All to 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.

Is the guidance available to local authorities from central government on implementing welfare reform adequate?

The difficulty at this time is that we dont know what the final scheme looks like and this is creating an element of uncertainty for districts.

We acknowledged that there has been an increasing use of technology to disseminate information to local authorities and we would like to place on record that the civil servants of both departments are making significant efforts to understand the information requirements of local authorities. There remains a fundamental knowledge gap in establishing the best mechanisms to engage with the sector at the most effective level. This is an area where both sectors need to continue to work as we move towards a more integrated and collaborative approach to deliver localised support to assist with the implementation of Universal Credit.

It is regrettable that there still remains a tendency within the current environment to make surprise announcements which can lead to confusion, ambiguity and additional work. In particular the recent announcement to make available a grant to limit the impact of the Localised Council Tax Support scheme, although well intended has caused a significant impact upon the consultation and decision making timetable of Local Authorities.

Is the Government's timetable for implementing Welfare Reform achievable?

Once again local government has risen to the challenge of receiving, contributing and implementing reforms. We remain concerned regarding the speed and intensity of the changes being pursued and as stated earlier the apparent lack of co-ordination between the various elements of the reforms. The timings between the pilot schemes ending and the scheme begining is challengingly short and does not lend itself to learning fully from the pilots.

The timescales are causing increasing anxiety in relation to the impact at a local level and whether relevant mitigation or support measure will be in place. In particular the change of crisis loan funding is likely to severely impact upon the claimants vunrability due to differing allocation and delivery policies within different county areas. The level of engagement with district councils has varied significantly and therefore confusion and differing policies remain a major concern.

The timetable poses a threat and could create a postcode lottery due to differing implementaiton policies. In respect of the Localised Council Tax Support Scheme, the need to make decision at an individual authority level has resulted in a missed opportunities for pooling or collaborative approaches to move to a localised discount scheme. The recent grant announcement has added uncertainty for authorities as they plan ahead unsure of the future parameters which may be assigned by the Secretary of State.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

The allocation of resources has been an ongoing concern for district councils, the level of information on what is expected of councils in terms of delivery makes it difficult to quantify costs. We recognised and acknowledged that their have been attempts to provide clarity and certainty for implementation costs. The ongoing work to calculate the New Burdens funding and future cost models in respect of Universal Credit has to be welcomed.

However it remains a major concern that the funding parameters of Localising Council Tax Benefit has resulted in a significant increased burden on local authorities beyond the 10% cut originally announced by government. It also remains a concern that despite the declaration by Lord Freud to utilise local authorities to deliver the Universal Credit that there is still a lack of clarity regarding the future funding streams that will ensure the infrastructure requirements remain in place. Finally we would also place on record the apparent lack of co-ordination and commitment to ensure local authorities are adequately funded to deliver the digital inclusion agenda which will now be significantly driven by the governments agenda to ensure claimants claim online. This is a significant issue within rural communities where digital inclusion remains a significant strategic issue in respect of community engagement and employment growth.

Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

We believe that there remains significant financial risks to districts from the welfare reform agenda in particular the impact upon collection levels of Council Tax and Rents. This risk could also be compounded by an increased demand upon advice and intervention services and in particular the homeless accommodation needs.

At the same time we are concerned there is still little information on the TUPE staff issues and how this will be dealt with.

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

It is too early to comment conclusively on this issue but consultation in respect of the Localised Council Tax Support Schemes tends to suggest that these incentives will have a marginal impact. Also due to the lack of a co-ordinated approach the unintended consequences of the from rent restricts and benefit cap is likely to have a disproportionate impact upon the incentive to 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?

There is evidence that some county councils have effectively engaged with district councils to utilise existing expertise, knowledge and data to deliver a localised Social Fund Scheme. It is also clear that a variety of approaches has been adopted by different counties, some making use of existing contracts utilised by the DWP. This could initially result in differing practices and confusion between neighbouring areas. There is also evidence that due to initial delay in clarity of levels of funding, caseload and procedures that some counties have struggled to accommodate the change within the timetable available, therefore there may be a risk that in some areas there will be gaps in contractural, procedure or policy arrangements which could directly impact upon vulnerable claimants.

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

Despite the governments intentions the separation of the administration will add to the complexity experienced by working age claimants. The continued uncertainty of local government involvement in the future Universal Credit Scheme will also continue to affect levels of capacity within housing benefit teams, ultimately we remain seriously concerned that this will begin to effect the high performance levels which districts have worked very hard to build. A reduction in performance will directly impact upon the private rented sector and the future security of tenants if payments of Housing Benefit are delayed.

How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?

The slow transfer to the National Fraud Service is likely to lead to an increased incidence of local fraud opportunities for claimants. It remains a concern that the fragmentation of fraud service will result in a higher incidence of fraud. There is evidence that some districts are taking additional measures to combine fraud and inspection capabilities at a local level to safeguard against both single person discount fraud and Localised Council Tax Support scheme fraud.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

There remains significant concern that the removal and limitation of the ability to pay landlords directly will result in a decreased supply of private sector rented accommodation. This is also likely to be exasperated by the financial limitations that will be experienced by claimants once the restricted room rent and benefit cap are implemented, as this will in some cases cause a cash flow issue for claimants, which could result in landlords becoming less tolerant and patient.

The above changes also raise concerns that there will be increased pressure on districts to house displaced families in alternative accommodation. In particular initial analysis of district areas indicate that the housing tenure mix will result in accommodation shortages for certain types of housing. Eg one bedroom accommodation. It is clear that in some traditional industry areas that there is a lack of choice between certain types of housing and that this will restrict the affordability of housing in these areas.

January 2013

Written evidence from the East Riding of Yorkshire Council

Thank you for the opportunity to submit feedback from local authorities on the implementation of welfare reform.

1. *How effectively are the DWP and the DCLG and local government working together to implement welfare reform?*

There does not seem to be a cohesive approach to welfare reform implementation. Both DWP and DCLG have significant change programmes on going both now and in the future, and whilst they endeavour to engage with local authorities, much of the communication has been too little and too late, and this, it seems will continue in the future. Local authorities have very important policy decisions to make, which impact greatly on budgets. Also a great deal of time is spent responding to consultation papers on future proposals, only to find that the responses are largely ignored.

Local authorities find that they have 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.

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 is not always clear, and there seems to be limited communication between the DCLG and the DWP particularly in terms of the council tax support implementation. Local authorities work with each other, and communicate through their local networks, but even the most experienced of practitioners have found the sheer volume of information coming out hard to keep a track of. The main issue is the timing of many of the guidance/legislative documents. 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 put forward. This could potentially impact on the cost of schemes to the local authority.

In terms of future schemes, such as Universal Credit, there is currently no clarity as to the role of local authorities and timescales for roll out beyond the pilot phase. This places local authorities in a different position with regard to funding arrangements and future staffing arrangements. This is not a desirable position to be in and causes real uncertainties.

3. *Is the government's timetable for implementing welfare reform achievable?*

From the outset of the Welfare Reform bill being published, followed by several consultation papers, local authorities have stated that the timetables for implementation are very challenging. To fundamentally implement a new council tax support scheme and to implement a local social fund scheme have caused significant resource issues to local authorities, and in doing so have prevented any fundamental changes when designing local schemes. This means that the opportunity to make the schemes really local and to change many existing practices is not an option due to the preventative time frames given. Further the volume of changes and new legislation all taking effect from 1 April 2013 has caused real difficulties to local authorities, and has added additional pressure, to services already stretched as a result of funding reductions now and going forward.

Due to the challenges in delivering the welfare reform changes within the timescales LAs are being forced to consider implementing a year one scheme in many instances. This will result in continuing additional work following the introduction of these new schemes to consider adaptations for future years.

4. *Are local authorities being allocated sufficient resources to deliver services such as localised council tax support and advice to claimants on Universal Credit?*

No. Whilst some new burdens funding was received for up front CTS implementation, the majority was taken up with the cost from our IT supplier of providing a new module for the CTS scheme. That left very little additional funding for the extensive consultation process, or to fund any additional resources needed to ensure the implementation timetable was achieved. In terms of the replacement Social Fund, the funding provided is wholly inadequate. This is a completely new scheme to local authorities, and very little data has been supplied by DWP to substantiate potential caseloads, therefore it has been very difficult to anticipate the level of staffing that will be required. New IT systems need to be procured, a whole policy and procedure needs to be written, and some key decisions have had to be made about the service delivery and payment model. All of these factors have been extremely labour intensive, and the funding will not cover the costs of this.

In terms of UC clarity is still awaited on how the system will be delivered, by whom, in what capacity and what role if any local authorities will have, coupled with a lack of clarity on the time-frame for implementation. At this stage the resources required to implement this cannot be predicted.

The level and pace of change mean that staffing resources are stretched.

Additionally the fact that DWP have stated that LAs are unlikely to have access to DWP data regarding currently social fund awards, through CIS will cause significant difficulties. The lack of access to CIS for the local scheme will mean additional checks are needed to decide eligibility which could create delays in decision making. The fact that we are unable to view historical data will prevent safeguarding of funding.

5. *Are there financial risks to local authorities from welfare reform changes? Are such risks being adequately addressed?*

The financial risks associated with the welfare reform agenda are significant. Authorities will have to manage demand risk, collection risk and overall affordability. In terms of CTS the actual funding levels are not yet known, therefore a scheme has had to be designed on indicative funding, which may well change. The reduction in funding in itself is a major issue, however the real danger is that the funding will not take account of any increase in future caseloads, which would put unnecessary strain on councils budgets as the DCLG will not top this up. There has been greater pressure on the East Riding up front due to having a large pensioner caseload where the total council tax benefit expenditure is high. Compared to other English Unitary authorities, we have the highest proportion of pensioner claimants and the fifth highest amount of council tax benefit paid to pensioners. Further, we have the twelfth highest amount of council tax benefit paid to pensioners of all English local authorities. The overall council tax benefit spend in 2010–11 was £22.8 million, compared to an average spend of £12.9 million for English local authorities.

As pensioners are protected under the existing scheme, the result of this policy decision means that within the East Riding area the reductions for working age claimants will be disproportionately higher when compared with many other local authorities.

There is also the additional risk of reduction in council tax collection, as it is unlikely that very low income households will have the means to pay their increased council tax charges, which will mean reduced income into the council. It is likely also that many of these households will be affected by other welfare changes.

In terms of the Social Fund the risks are also significant. The local authority is unlikely to be able to recover money paid out in the form of crisis loans, as the Council is not able to attach to benefits to recover loans. The funding granted will therefore not be replaced. There is no provision for funding to be increased as a result of high demand; therefore the funds will have to be carefully managed, which will mean that some people will miss out on potentially critical funding. The set up funding is inadequate, at 1% of the funding and will not cover the cost of the required IT system. The administration funding is unlikely to cover the costs of delivering the service, which means that the money provided to pay claimants may have to cover some of these costs, thus reducing help available, the result of which is likely to result in increased pressure for services from the council and its partner organisations.

6. *What impacts have welfare to work schemes had, or are likely to have, the numbers of benefit claimants?*

There has been minimal success from the welfare to work scheme in the East Riding with only 14% gaining full time employment compared to the target of 26%. There have been reports that we have struggled with throughputs from the DWP.

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?*

Overall, the data available on the Social Fund is inadequate, and much of it is anecdotal which means the Council does not have a sound basis to let a contract for delivery of the service. The Council is working with external and internal delivery partners to deliver the scheme. Existing teams that are already under pressure due to other welfare changes will be used, but it is too early to say what the impact might be. It is very likely that the scheme will be administered very differently in the second year as lessons are learned, and data is gathered.

The rural nature of the East Riding offers challenges in terms of locality of existing services and organisations.

8. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

Benefit fraud has always been a high priority on the council's agenda, but there is much uncertainty about the future of benefit fraud investigation overall, as a result of the potential of a single fraud investigation service (SFIS). As it stands at the moment there will be no funding provided for councils to investigate council tax support fraud, and likewise with the replacement Social Fund. At a time when fraud is likely to increase as households struggle to manage their finances many fraud teams are being reduced due to uncertainties in the future delivery.

9. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

There are very few areas of protection for social landlords. Under the existing regime social landlords are all paid directly from housing benefit. There will be very different rules under Universal Credit, and the DWP expect that direct payment will be a very exceptional circumstance, when in fact direct payment is being increased to private tenants under the current rules as more households fall into arrears and face eviction. The council is very concerned about the revenue stream from housing rents and increased cost of collection when direct payments to tenants start, and there are also grave concerns about the number of potential evictions that may take place as a result.

Learning from the direct payment demonstration projects will provide some indication of the level of potential issues around payment to claimants; however this data will not provide sufficient information to predict collection rates.

Consideration should be given for the continuation of the current rules to enable direct payment to landlords.

January 2013

Written evidence from the British Property Federation

Introduction

1. The British Property Federation (BPF) is pleased to respond to the Communities and Local Government Select Committee inquiry into the implementation of welfare reform by local authorities.

2. The BPF is the trade association for property investors in the UK and we therefore represent amongst our members leading UK landlords who rent out private rented sector (PRS) homes. We have most of the largest landlords in the PRS in membership, but also represent local smaller landlord associations, who affiliate to us. Nationally, we have 15,000+ members in direct or indirect membership, and they own or manage over 200,000 homes.

3. We should be delighted to provide any further information or clarification on any aspect of our response, on request.

Structure of Response

4. In this response we have focused on the implications of welfare reform for landlords and tenants in the private rented sector. We begin with some general comments on Universal Credit before answering relevant questions listed in the Committee's terms of reference for the inquiry.

General Comments

Principles of welfare reform

5. We support the government in its efforts to simplify the benefits system and support people into work. We also recognise the need to reduce government expenditure and that this is likely to involve some reductions to welfare spending. We remain however concerned about the pace of reductions in housing benefit, the lack of plans to monitor and mitigate the impact of caps planned for the Local Housing Allowance (LHA) and the

potential for Universal Credit to further increase the risks associated with letting to housing benefit tenants due to an undermining of landlord security of income.

Protections against rent arrears

6. We, alongside other landlord and tenant groups, consider that it would be preferable for tenants to be afforded the choice as to whether the housing benefit element of Universal Credit is paid to the landlord directly or not. This would help tenants budget, a key objective of Universal Credit, and reduce the risk associated with letting to those in receipt of housing benefit, thus ensuring properties remain available to such tenants. In the event that government continues with its policy of disqualifying tenant choice, robust and effective mechanisms must be put in place to ensure that money provided by the state to tenants to pay the rent, reaches the landlord.

7. In order to develop the mechanisms to mitigate the risk of rent arrears associated with payment of housing benefit to tenants, the government is currently undertaking demonstration projects to test the support and protections to be offered to landlords and tenants against rent arrears, including the triggers for payment of the housing benefit element of Universal Credit to be made to the landlord direct. The projects involve social housing providers only and exclude private landlords, yet we understand that the lessons learnt in these demonstration projects could potentially be applied to the private rented sector. Whilst we welcome involvement via an advisory panel set up to consider the results of the demonstration projects, we remain concerned that there is insufficient attention being paid to the circumstances particular to the private rented sector, and that an opportunity to use the experience of the Local Housing Allowance (LHA) system to make improvements for private rented sector landlords and tenants may be missed.

8. Currently under the LHA rules the rent arrears threshold at which direct payment to the landlord is made is eight weeks. The DWP's Two Year LHA Review highlighted evidence from landlords, tenants, local authorities and independent advisors that eight weeks was considered too long to wait.[38] Despite this, there is little indication that the timescale triggering direct payment under Universal Credit will be reduced in the private rented sector. Government must provide firmer assurances that the objective of helping claimants manage their financial affairs will take into account the experiences of LHA and issues specific to the private rented sector.

9. Once the rules around rent arrears protections are devised, the government intends to set them out in guidance rather than in regulation so that cases can be "assessed on their individual merits".[39] We are concerned that this represents a watering down of rent arrears safeguards, allowing for more opaque and less robust trigger points for paying the landlord direct in the event of arrears building. It is important that the government's guidance provides clear and unqualified guarantees on the trigger points for direct payment to the landlord. By providing clarity and certainty landlords can have confidence that, should the worse happen and rent arrears build, there is a defined point at which they will again receive rental income, reducing the size of tenant debts and the need to begin eviction proceedings which are costly to both landlord and tenant. Without a sense of a responsive fail-safe, landlords are likely to be even more wary of letting to unemployed or low income tenants supported by housing benefit than is already the case.

10. The government intends that where direct payment to the landlord is triggered the arrangement will be time limited and payments could revert to the tenant following a periodic review. We assume that the rules around the review, including the timescales, are to be set out in guidance following the conclusion of the demonstration projects. Whilst we are unable to comment on the proposals around the review as they are not yet set out, we consider that it will be essential that sufficient priority is given to the maintenance of a tenancy and that adequate advance warning is provided to a landlord if direct payments are due to end following a review. An explanation as to why the tenant has been assessed as able to manage their rental payments should be provided to give assurances to the landlord that a full and proper assessment of the risk of rent arrears has been taken into account.

Claimant commitment

11. Given that Universal Credit will be awarded in one lump sum, it is important that claimants are aware that the housing element is intended to be spent on their housing costs. The new Claimant Commitment offers an opportunity to highlight the importance of a claimant's duty to use the housing element for paying rent and the implications of not doing so, and therefore we suggest that the payment of rent, on time and in full, is included as a condition within the Claimant Commitment. By drawing attention to the purpose of the housing element and importance of paying the rent on time and in full at the point of starting a new claim, the risk of rent arrears may be reduced.

The Consumer Price Index (CPI) cap

12. The government has applied a cap on increases in the LHA, and once implemented, the housing element of Universal Credit, using the CPI. The government stated in its Equality Impact Assessment for the measure that: "the Secretary of State will through secondary legislation be able to review rates and, if he considers it

[38] Two Year Review of the Local Housing Allowance, February 2011, DWP
[39] Explanatory Memorandum for the Social Security Advisory Committee, DWP, pg 13

necessary, will be able to set rates at a different level than the increases in the Consumer Price Index."[40] Furthermore, Welfare Reform Minister Lord Freud gave assurances during the Welfare Reform Bill debates that "we may need to increase LHA rates if growth in rents and the CPI are so out of sync that there is a critical lack of affordable housing."[41] Such statements indicated that government would be alert to market conditions and prepared to remove or amend the CPI cap if necessary. This is sensible given that market rents have historically risen with earnings, rather than the basket of goods tracked by CPI, which rise at a much lower rate. However no information on the criteria that will be used to assess the need to amend or disregard the CPI cap has been provided. The National Audit Office has highlighted in its recent housing benefit report[42] that greater attention is needed on the potential impact of caps to LHA, and the need for measures to ensure that support through Discretionary Housing Payments is sufficient and targeted at the right areas.

13. The need for processes to closely monitor the impact of capping LHA is underscorred by the announcement in the 2012 Autumn Statement that a further 1% cap on LHA uplifts is to be put in place for when LHA rates are assessed in April 2014 and April 2015. Some areas are to be excluded from this measure although no details have yet been issued. Given the introduction of a further cap to LHA, there is an even stronger case for effective monitoring of the impact of a divergence between market rents and support for housing through housing benefit, and for putting in place mechanisms and processes to intervene if necessary.

Assurance of claim in process

14. Currently a landlord can enquire with their local authority whether a tenant's claim has been received and is being processed, but under Universal Credit, it appears that there will be no way of a landlord being able to do this as the system will be centralised and there will not be a contact point for the landlord. It is important that a landlord is able to find out from an independent source (ie not the tenant) if a claim is in process because it provides assurances that they will soon receive the rent. We agree that tenants should manage their own claims where possible, but retaining the ability for the landlord to check that a tenant's claim is being processed would not contravene this principle. One way to provide for this function would be to issue a claim reference number to check the status of a claim via telephone or the internet which could be used by tenants and landlords. Without an ability to check the status of a claim, a landlord may consider that the risks associated with letting to housing benefit tenants are further increased.

Digital first

15. We support the approach of digital first to making and managing Universal Credit claims. However it will be important that sufficient funding is made available for facilitating claimants without access to a computer and the internet. A telephone line will be essential but calls should be free of charge for both landlines and mobile phones so as not to result in costs which claimants may not be in a position to incur.

16. Currently, private rented sector landlords may be asked by tenants claiming LHA to help them with their claim and so it will be important that information on the eligibility criteria, claim process, claim requirements and the support available for the vulnerable under Universal Credit is directed to landlords as well as to tenants, local authorities and advisors.

Housing benefit shortfalls

17. For claimants facing shortfalls in their rent due to the various cuts to housing benefit there must be sufficient support in assessing the viability of maintaining their tenancy. Tenants, or local authorities working on behalf of tenants, should be encouraged to contact their landlord as soon as possible if they think they will be unlikely to meet their rent with their reduced income. Some landlords may be willing to negotiate a reduction in rent if they consider that the tenants are good and to avoid vacancy periods. Powers for local authorities to negotiate direct payment on behalf of local authorities should also be maintained to help sustain tenancies where possible. It is essential that tenants are not encouraged to build up rent arrears and if they are unable to sustain their tenancy, they should be assisted to find alternative accommodation as soon as possible.

Payment in arrears

18. As Universal Credit will be paid in arrears, tenants in receipt of housing benefit will always be at a disadvantage when compared with tenants who are in work and not reliant on benefit support. This is because rent is paid in advance and unless benefit claimants have access to savings to pay for their rent upfront they will immediately be in arrears. A facility to help pay rent upfront to secure a property or retain a tenancy should be considered.

[40] Paragraph 24, Uprating LHA with CPI, Equality Impact Assessment
[41] HL Deb, 14 December 2011, c1324
[42] http://www.nao.org.uk/publications/1213/housing_benefit_reform.aspx

Specific Inquiry Questions

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

19. We are not close enough to the policy discussions internally within government to fully appraise whether the departments are working as closely as they could in managing the government's welfare reform policies. We do, however, have concerns regarding the disparity between the DWP and DCLG over its policies regarding shared housing. DWP, through its application of the Shared Accommodation Rate to those 35 years old or younger, rather than those 25 years old or younger, is expecting more claimants of housing benefit to move into shared accommodation, rather than self contained accommodation. DCLG however, has a policy of permitting local authorities to put in place policies to restrict the supply of Houses in Multiple Occupation (ie shared accommodation). Limited oversight, guidance or restraint is provided by DCLG over local authority HMO restrictions, perhaps in part due to the localism agenda. However, this means that national policy objectives pursued by DWP—to move people into cheaper shared accommodation, is unlikely to align with local policy objectives—which is often to reduce the amount of shared accommodation. Greater attention needs to be paid to this disparity to avoid a lack of available housing emerging for those affected by the SAR changes.

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?

20. Some BPF landlord members have reported misunderstanding and confusion amongst local authority staff about their future role under Universal Credit. Whilst to a certain extent, given that there are a number of changes being implemented and the fact that some decisions are yet to be made, a lack of certainty is to be expected, DWP and DCLG ought to try and minimise confusion and uncertainty where at all possible, which may involve more regular and targeted updates for relevant local authority staff.

21. We consider that it is important that Universal Credit does not result in knowledge of an area's private rented sector being lost, or the removal of face to face support for landlords and tenants where problems relating to housing benefit arise. The longer local authorities' role are left open, the higher the chances of such local knowledge being lost as staff seek other employment or staff numbers are cut in anticipation of Universal Credit.

Is the Government's timetable for implementing Welfare Reform achievable?

22. We are concerned that important findings from the government's demonstration projects on direct payment of housing benefit will not be known until towards the end of 2013, but the guidance around payment and exceptions will be written for use from April 2013 when the pilot area roll out begins. We suggest that in terms of the arrears trigger employed under Universal Credit used from the beginning of its roll out should be six week arrears, instead of the LHA's eight weeks of arrears, which as set out above is acknowledged as being too long. This would not only represent an improvement on the current LHA 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.

23. The government should also use the LHA's vulnerability criteria for direct payment as the basis for the Universal Credit rules and those already classified as vulnerable should retain this status once transitioned to the new system. At the very least the government should not experiment with safeguards before the demonstration projects have concluded at the end of the year, and evidence of the LHA experience has been fully reviewed and included in the government's assessments. It makes sense to build confidence in the new system over time and the evidence base for any changes before they are brought in is built.

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

24. There is a clear tension between Universal Credit and the localisation of council tax support; Universal Credit is about centralising the benefits system and localisation of council tax support it about de-centralisation. There is a risk that policies developed by local authorities in their provision of council tax support do not compliment, or worse, undermine Universal Credit. Particular care will need to be taken to ensure that policies developed by local authorities do not undermine work incentives within Universal Credit. This risk could be mitigated by close working between DWP, DCLG, and the Local Government Association in the development of detailed guidance on how local authorities can avoid unintended consequences in implementing their own council tax support policies. However as policies are already being consulted upon by local authorities it may be too late for this. Instead DWP will need to work with DCLG to monitor the range of policies being implemented in April 2013 by local authorities and assess how they are likely to impact on Universal Credit.

25. As many local authorities are planning on reducing full tax benefit eligibility any shortfalls will have to be made up from other sources. In effect these represent cuts to benefits and it is important these are not overlooked in DWP assessments of the impact of nationally implemented reforms.

January 2013

Written evidence from the London Borough of Croydon

1. Executive Summary

1.1 Croydon Council welcome the opportunity to respond to this inquiry, the welfare changes currently being implemented represent the largest review of benefits for an era, and present a range of challenges. Of particular concern in Croydon is:

- — A lack of understanding of the overall impact to residents and the local community of the multiple changes and reductions in support.
- — Insufficient regard to the financial impact of the reforms on local authorities in relation to additional customer demand, and the generation of bad debt.
- — A lack of clarity, particularly given the scale of change being implemented in April 2013, increasing the risk of delays in payment/support, fraud, error and process failure for local authorities.
- — Late publication of key guidance, such as the Council Tax Support default scheme making it incredibly hard to agree local schemes to aggressive timescales;
- — A lack of precise timescales and clarity in relation to Universal Credit, making medium term planning particularly problematic.
- — Insufficient data around current demand making accurate profiling of demand difficult.
- — The prospect that the reforms will mean customers will need to duplicate activity they currently undertake in one transaction with the splitting of CTS from the Universal Credit application.

2. Introduction

2.1 Croydon has 147,314 dwellings for council tax and 8,696 hereditaments for business rates. With over 345,000 residents in Croydon, we are the second largest London borough and as at 31 March 2011, have the eleventh largest net collectable debit for council tax in the UK. Although Croydon is classed as an outer London borough, we have a challenging demographic with a benefits caseload of over 42,000 (29% of the total chargeable dwellings) and therefore believe socially we are more akin to an inner London borough.

3. Issues to be Covered by the Inquiry

3.1 *Is the guidance available to local authorities from central government on implementing welfare reform adequate?*

3.1.1 The scale of change facing local authorities is significant comprising proposed or implemented changes to the whole of benefits, Council Tax Support (CTS), Social Fund payments, Personal Independence Payments, changes to how Bailiffs charge, the localisation of NNDR, and changes to Discretionary Housing Payment. Given the scale of these changes, there has been insufficient co-ordination with advice at times being sporadic, imprecise, and delayed. The key issues have been:

- — The timing of receiving detail of the schemes to properly plan and manage implementation.
- — The sporadic nature of detail, being provided bit by bit rather than in a consolidated and planned approach which then often results in re-work.
- — The lack of understanding and detail of the final position and full effect of the planned reform (future changes yet to be identified) which makes fully advising residents and ensuring changes now are managed most effectively to leave residents and the authority best placed for the future, impossible.

3.2 *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

3.2.1 The division of responsibilities between Government departments makes implementation more complex. The Department for Work and Pensions (DWP) experience in dealing with complex benefits legislation has been useful, however other departments involved, particularly The Department for Communities and Local Government's lack of experience in these areas has shown. Briefings have been characterised by imprecise guidance, making the development of definitive guidance to tight timescales difficult.

3.2.2 An example of this would be departmental uncertainty over whether a claim for Universal Credit (UC) to the DWP, with an expressed desire to claim CTS, could be accepted as a claim for Council Tax support, for the purposes of establishing the start date for CTS, as is currently the practice under CTB.

3.3 *Is the government's timetable for implementing these welfare changes achievable?*

3.3.1 Delivery is possible, but is far from optimal and is absolutely reliant on the detail and legislation being provided in a timely manner to allow the appropriate consideration, planning and implementation.

3.3.2 What is far less clear is whether individuals/residents can make the appropriate adjustments to their personal circumstances in those timescales so as to not face potential homelessness and/or poverty—which otherwise will have a detrimental effect on themselves, the local community and on demand for other council services.

3.3.3 We have a dedicated Welfare Reform project team established featuring five benefits experts. In addition we have procured an external project manager, commissioned support from external experts such as CIPFA and involved large amounts of time from our management team. Despite this effort and resource the timescales remain challenging, often compounded by the late issuance of advice and guidance

3.3.4 Legislation relating to the reform of Council Tax Benefit is still being published in late November. This presents a very high risk of inadequately designed schemes—which will either fail completely or not be ready on time. Poorly designed schemes also run the risk of increased fraud and error. In Croydon this late legislation has meant we are unable to reflect this late legislation in the scheme we are asking Members to agree, in order to have a scheme approved in time for April 2013. We have had no choice but to add a delegation to the report to allow changes to be made retrospectively to address any major changes in the default scheme. Feedback from other authorities makes us believe that we are in a better position than many on this. These late timescales also bring with them a risk of changes to schemes after they have been consulted on which undermines the credibility of such schemes and risks the credibility of local authorities consultation processes.

3.3.5 A lack of clarity in timescales around Universal Credit leaves us unable to plan our approach and advice in any detail. This is despite DWP expecting Local Authorities to analyse the direct and consequential impacts of Universal Credit implementation and provide the first elements of business change impact analysis by 31 January 2013. A precise timetable is still awaited, and timescales to date have been subject to significant change and speculation which has made detailed planning and decisions on longer term infrastructure such as local IT contracts difficult.

3.3.6 The lack of certainty relating to the role of Local Authorities in the roll out of Universal Credit provides significant challenges. Clarity is needed over what "Local Claimant Support" means in practice. As Local Authority involvement in Universal Credit is not envisaged to be statutory, it makes medium term service planning challenging. In Croydon we have established a high performing team, which has provided outsource support for a number of other local authorities. One of the challenges facing us is how we seek to retain the high quality staff that we have developed whilst uncertainty remains of the impact Universal Credit will have on local benefits jobs. The risk exists that the current uncertainty results in higher staff turnover, making it even harder to deliver a service, regardless of the additional responsibilities and wider reforms.

3.3.7 The aspiration to move to a digital by default process is something that we have sympathy with. We have successfully sought to move customer demand to lower cost channels, but whilst details around how this will work in practice aren't clear, there remains a significant risk that demand will not migrate successfully from established local authority channels. Local authority budget pressures ensure we continue to make difficult decisions over which services we continue to deliver; uncertainty makes this process even harder when it is unclear which services will be required in the future.

3.3.8 The pace of the Social Fund reforms has provided incredible challenges. Tight timescales have made a full and thorough consultation impossible. Whilst the need to establish a distribution mechanism and IT infrastructure to such tight timescales has meant that opportunities to consider wider solutions have been limited, and challenged procurement processes. Overlap exists, and will continue with other discretionary provision eg Section 17 of the Children Act 1989. Timescales imposed have not allowed sufficient time to co-ordinate all of this activity, unfortunately meaning that opportunities for further savings and a more joined up service for the customer have been missed in the short term. A further 12 months to prepare for implementation would have resulted in a much more robust option being available to residents. A number of authorities simply will not have enough time to conduct all of the relevant activities, including member sign off prior to 1 April 2013.

3.3.9 Little thought seems to have been given to the number of changes occurring on the 1 April 2013, benefit cap, under occupancy, council tax support and the replacement for social fund loans and community care grant. A separation of these changes would have greatly assisted implementation allowing time for authorities to thoroughly plan and advise customers of the forthcoming changes, multiple changes to certain groups and the options, all be it limited, that are available.

3.4 *Are there financial risks to local authorities from the changes—and are any such risks being adequately addressed?*

3.4.1 The Policy imperatives of the Benefits changes have been clearly stated. The concern in relation to cost is the operational impact of these changes. The welfare reforms create large numbers of small level debtors. These small debts can be hard to collect, and given the financial situation of the debtors may lead to high volumes of defaulting debtors. The administrative burden of pursuing these low value debts could be substantial.

3.4.2 The exit of large numbers of people from full benefit, creating the need to make Council Tax or Rent payments, perhaps for the first time, is likely to lead to large volumes of contact. We are expecting a knock-on impact in terms of time consuming appeals, which will need to be resourced. In addition we could see ombudsman investigations and potentially Judicial Review, particularly around fairness and equalities issues.

Uncertainty about how Council Tax Support appeals will be heard also raises the risk of enquiries relating to the process, and potential delays in these hearings being head by the valuation office. These issues could prove to be expensive to administer.

3.4.3 The duty placed on local authorities to produce localised Council Tax and Social Fund schemes which could be the subject to legal challenge has placed a significant burden on councils, for which many have little previous experience. Whilst Croydon has sought external professional support in the production of these schemes, this responsibility and the associated timescales has put authorities at financial risk without clarity over the corresponding national legislation.

3.4.4 Our housing department and RSL partners are also anticipating increased costs relating to recovering rent arrears from under occupied properties, the impact of the benefit cap and relating to the shift to direct payments to claimants. We would be keen to receive reassurance that there are sufficient safeguards in place to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants. In response to Universal Credit pilot authorities reporting large increases in housing debt, we needing to incorporate a significant increase in the provision for bad debts from £250k to £1 million in 2013–14 and £1.5 million thereafter (at current prices).

3.4.5 The lack of clarity and paucity of data in relation to some of the reforms make the forecasting of demand difficult. This will result in a need to recruit additional staff to deal with unforeseen surges in demand, before a more predictable cycle of demand can be identified. There is a resulting risk around the unknown knock on impacts for services relating to benefits cuts, including discretionary funding, and high cost local services such as residential care and homelessness services.

3.4.6 Whilst the welfare reforms include a corresponding reduction in duties in some areas, it is important to recognise that this reduction in statutory responsibility often conceals additional demand on the Council as a whole. We are already seeing alarming increases in demand for local housing and in the number of individuals and families classed as homeless, for which the authority has a duty to support. In Croydon those pressures are not only coming from within the Borough but also as people move from other boroughs and from central London. These further considerable changes and reductions in support will no doubt push these areas of demand further where we are already faced with huge supply issues.

3.4.7 The changes such as localisation of council tax support pass very significant financial risk to councils and ones which in many instances is way beyond anything they can fully influence. Historic trends for the increase in benefit payments indicate the financial pressure that is likely to be felt in Croydon in the coming years will be very significant and will require either additional incomes or reductions in other services in order to maintain a balanced budget position.

3.5 *Are local authorities being given sufficient resources to deliver localised council tax support and advice to claimants on Universal Credit?*

3.5.1 Overall funding is yet to be fully confirmed. Confirmation would be greatly appreciated. Croydon has carried out an internal assessment of costs which it has shared with DWP. This in fact reflected an increase in the cost of administration for year one and two.

3.5.2 The Council Tax Support scheme provides challenging savings targets, which Croydon has devised a scheme to deliver. We expect resource challenge to come in terms of supporting customers to address their response to the benefits shortfall, and dealing with resulting complaints, challenges and collection activity. Whilst detailed activity has been undertaken to attempt to model this demand, it is difficult to precisely predict the impact of these changes on customer behaviour in advance.

3.5.3 A considerable burden will be felt with the need for general financial and hardship advice. Where customers present with a need for guidance on what options are available to them following a reduction in benefit. The assessment team who will administer the localised social fund are unlikely to provide sufficient capacity to deal with the breadth of this demand, which if our current experience is replicated, will fall on both the local authority and its third sector partners.

3.5.4 Croydon have had to pass the reduction in funding on to residents through a revised scheme and as above this will provide additional demand and financial pressures through administration, debt collection and effects on services such as debt advice, welfare support, housing advice and provision as well as less specifically in adult social care etc. Whilst the provision of direct administrative funding is an issue as above, the wider reduction in funding for the scheme and the likely future issue of further issues faced as demand continues to increase and effects on homelessness etc are huge and will mean the council will have to consider additional income options or reducing other council services to cover.

3.6 *How will the separation of the administration of council tax benefit and housing benefit affect claimants?*

3.6.1 The move to a split approach between Council Tax Support and Universal credit appears to add additional complexity for the claimant. The current arrangements allow customer who are applying for a primary benefit to simultaneously apply for Housing and Council Tax Benefit. The localisation of Council Tax support breaks this relationship and is likely to add delay and complexity to this application process.

3.6.2 Universal Credit is likely to add complexity in a number of areas, the general taper is likely to make accurate identification of rent liabilities more difficult; potentially requiring the production of tenancy agreements in council tax support applications, in isolation from Universal Credit applications. Under current arrangements staff are able to review rent details by reviewing housing benefit claims, an option which will be unavailable in the future.

3.6.3 It remains Croydon's belief that the best model is for local authorities to deliver the housing element of universal credit. This considerably de-risks administration of personal budgets in that housing payments are protected. Even with this approach an overall reduction in housing costs would be seen owing to the changes to local housing allowance and under occupancy.

3.7 *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

3.7.1 Fraud will continue to be a significant problem with Universal Credit. The decision has already been announced by the Department for Work and Pensions that responsibility for the investigation of benefit fraud will no longer be the responsibility of local authorities but will be managed by the DWP single fraud investigation service (SFIS). Pilots will be starting soon to confirm whether a SFIS is the best way forward, and to agree the future model. Steps will need to be taken, when SFIS is implemented, to ensure that local authorities retain some fraud capacity to deal with council tax ,housing fraud and the elements of housing benefit that are left within local authority control. Looking at fraud trends the two main issues are the economic downturn, which will continue to be a key driver for fraud levels and the significant changes to welfare reform across the piece which will create opportunity and therefore risk.

3.8 *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?*

3.8.1 The Social Fund represents an entirely new scheme, and new area of work. Whilst existing contracts with IT suppliers have been reviewed, the requirements ensure that a new solution will be required at additional cost, even if this is via an existing supplier. The timescales for the implementation of the scheme make the procurement of these solutions particularly problematic.

3.8.2 Whilst we understand the need to not replicate the current system further information from DWP on the current levels of award, their length and type would greatly assist local authorities in preparing for these changes.

3.9 *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

3.9.1 No there aren't. The changes will make the collection of revenues more difficult and recovery more time consuming and expensive. Reports from partners and internal staff indicate the risk of increasing the number of "can't pay", as a pose to "won't pay" cases going to court, with a corresponding risk of filling court time with little likely benefit.

3.9.2 Customer demand is also expected to rise for social landlords with greater resource required to explain the changes, advise customers on the options open to them, and deal with additional enquiries around rehousing and payment options.

3.9.3 This is a huge risk. When considering the massive challenge in respect of housing, social landlords are a key component in trying to increase service provision. Should they be unable to manage the additional demand and even need to contract it will place even further demand pressures on a situation already at breaking point.

January 2013

Written evidence from Centrepoint

Introduction

1. Centrepoint is the leading national charity working with homeless young people aged 16 to 25. Established 40 years ago, we provide accommodation and support to help homeless young people get their lives back on track.

2. 80,000 young people a year experience homelessness in the UK.[43] While this may not always take easily visible forms such as rough sleeping, there will be young people in all areas who have to leave home at an early stage and need support to effectively make the transition into independent living. Community care grants, crisis loans and council tax benefit have played a vital role in supporting young people through this process,

[43] Quilgars, Fitzpatrick and Pleace, *Ending youth homelessness: Possibilities, challenges and practical solutions* (Centrepoint, 2011)

so we fear that proposed cut backs in support in some areas will make it harder for young people to effectively escape homelessness in the long-term.

3. Centrepoint recognises the challenges faced by local authorities who have been hit by significant budget cuts at a time of rising demand for their services. However, we believe that the local welfare schemes currently being proposed by some local authorities will have an extremely damaging impact on formerly homeless young people. Other local authorities are proposing to protect vulnerable groups from the cuts, so it is vital that these examples of good practice are highlighted and extended to other areas. Given these disparities between different areas, we believe that there is an important role for central government in ensuring minimum standards of support are available across the country.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support?

4. Unfortunately, the significantly reduced support being proposed by many local authorities would suggest that the resources they have been allocated are not sufficient to provided the support required.

Council Tax

5. Centrepoint is particularly concerned about proposals to limit council tax support, for example to 80 or 85% of council tax bills, even for the lowest-income households. Whilst we recognise the reduced resources that councils have to work with, our experience suggests that those on the lowest incomes will simply not be able to meet these additional payments, which will in turn lead to them building up council tax arrears and potentially facing criminal prosecution.

6. Centrepoint is particularly concerned about the plans of some local authorities to introduce flat rate cuts to council tax benefit, for example, by £2 or £3 a week. This does not take into account the wide variations in incomes of different claimants, and places a disproportionate burden on the poorest. We are particularly concerned about the impact on young people as they are eligible for a lower rate of benefits than older groups. For example, a young person under 25 on Jobseeker's Allowance is entitled to £56.25 per week, whereas someone over 25 in the same position is eligible to £71.00. While £3 may not sound much in the abstract, it equates to 5% of many young people's weekly incomes—incomes from which they already struggle to meet basic costs such as utilities and food.

7. We believe that these cuts in council tax support will have a serious impact on formerly homeless young people who have recently moved on from hostels into independent living. They are disproportionately likely to face additional challenges, such as mental health problems and substance misuse issues, that make it much harder for them to secure work. We therefore believe it is unfair to impose the same cut on their benefits as on someone who is either in or nearer the labour market. For this reason, Centrepoint believes that the most vulnerable groups should be exempted from reductions in council tax support.

Replacement of the Social Fund

8. Many local authorities are suggesting that they are not going to be able to provide the same level of support as that available under the current social fund scheme. This is of significant concern as many formerly homeless young people currently rely heavily on crisis loans and community care grants to help them make the transition into independent living.

9. The young people that Centrepoint supports are disproportionately likely to face crises due to the chaotic nature of homelessness. They therefore often rely on crisis loans to help them meet emergency expenses. Many local authorities are proposing even stricter limits than the current system on the number of crisis loans that an individual can take out in a given period. This could cause serious problems for those who suffer a series of crises. While notional limits may be helpful in discouraging non-essential claims, it is vital that no absolute limits are set and that decision makers have discretion to disregard the limits in exceptional circumstances.

10. Some local authorities such as Lambeth have also been proposing to charge interest on crisis loans by delivering them in partnership with the local credit union. While we acknowledge the intention behind this plan—to help the limited pot go further—we are very concerned about the impact on the most vulnerable, particularly as these loans are intended for those in the most acute need. We believe that this highlights a lack of coordination between different elements of policy—crisis loans and budgeting loans/advances. It seems counterintuitive that loans allocated for emergencies charge interest, whereas budgeting loans for more planned purchases do not. We fear that in reality that the line between the two systems will become blurred, which could make it much harder for low-income households to navigate the system. Local authorities and DWP therefore need to work effectively together to ensure that individuals are directed towards the right support for their circumstances.

11. Centrepoint is pleased to note that many local authorities are seeking to recreate the support provided by community care grants, albeit in a different way. Centrepoint recognises that second hand furniture schemes could play an important role in helping vulnerable people to furnish their homes during their initial move into independent living. However, there still needs to be scope for some cash payments, for example to cover cooker connection charges and to pay for items such as carpets that cannot easily be secured second hand.

Homeless young people are even less likely than other groups to have existing possessions. It is therefore vital that they are prioritised for support, and helped to secure basic items to make their accommodation habitable and increase their chances of successfully maintaining their tenancies.

12. We also believe it is essential for all local authorities to work with local support agencies to ensure that in-kind offers are appropriate to the needs of vulnerable people in their area. For example, Centrepoint believes that homeless young people leaving hostels and going into unfurnished properties should be offered a "starter pack" to help them make a decent start in their new home. Centrepoint has had very positive meetings and correspondence with some local authorities to help shape their replacement support for community care grants, but it is important that this kind of interaction with the youth homelessness sector happens across the board to ensure that formerly homeless young people in all areas receive the support they need.

Conclusion

13. While we recognise the opportunities that a localised system could provide to provide more tailored support, it must not be allowed to lead to vast inequalities in the support available for vulnerable young people in different areas. Unfortunately, while it comes in different forms, youth homelessness is a big problem across the UK. It is therefore vital that all areas offer appropriate support to young people who have to leave home at an early age. We therefore urge the members of the Committee, as well as MPs at large, to scrutinise their local schemes and ensure that they are providing a minimum standard of appropriate support to prevent vulnerable young people from falling back into homelessness.

January 2013

Written evidence from the Circle Housing Group

About Circle Housing Group

This submission has been put forward by Circle Housing Group (hereafter Circle), which is one of the UK's leading providers of affordable housing. With a dedicated team of more than 2,200 staff, Circle manages more than 65,000 homes, including supported and sheltered housing, for around 200,000 people across the UK. Its mission is to enhance the life chances of its residents by providing great homes and reliable services, and building sustainable communities.

The relevance of the proposed welfare benefit changes to Circle and our customers is clear. Currently, 69% of our tenants (general needs) receive Housing Benefit, with 54.2% of our tenants wholly dependent on benefits for their household income, and a further 16.6% partially (70.8%).

Summary

— The Government needs to learn the lessons from pathfinders before implementing welfare reform on such a scale. Circle would warn against a "big bang" approach to implementation.

— As soon as possible the Government should clarify what the term "vulnerable" means when applied to Universal Credit and who is likely to fall under this term regarding housing benefit payments.

— The Government should ensure that it provides a guarantee of face-to-face support for claimants switching to Universal Credit for the first time.

— The switch to direct payment of housing benefit to tenants risks creating significantly more arrears for housing associations, thus affecting investor confidence in the sector which in turn can have a knock on effect on other areas of the sector such as building more affordable housing.

Is the Government's timetable for implementing Welfare Reform achievable?

1.1 Circle supports the principles of Universal Credit and the overall aim of making work pay but is concerned that over the coming months and years tenants are facing a "perfect storm" of external changes to their environment. These changes include an increasing lack of affordable housing, higher energy and food prices, direct payment of benefits into their bank account rather than to their landlord, housing benefit cuts and an overall benefits cap. This will all come against a backdrop of economic stagnation and low employment prospects.

1.2 With our tenants facing such challenges, it is important that the Government implement welfare reform one step at a time. Significant concern has been raised that the Government is taking a "big bang" approach for the implementation of Universal Credit, Circle do not believe this will benefit either our tenants nor ourselves as a provider of social housing. We believe the Government must ensure that it has enough time to learn the lessons of its pathfinder pilots before launching Universal Credit. By allowing satisfactory time to learn from the pathfinders, this should help ensure that the correct safety nets are in place for the most vulnerable individuals. Also, it would allow the Government the opportunity to explore, in partnership with social housing landlords, how our existing service structures, staff and customer engagement expertise could be best employed in order to help, assist and advise tenant customers through the process of implementing these changes. This would be a more sustainable and ultimately successful strategy than a "big bang" approach—which risks most of the resources within the sector instead being devoted to rent arrears recovery and crisis management.

1.3 An aspect of establishing a safety net must include a clear definition of the term "vulnerable". Circle believes that the term should be as wide as possible to include households with a history of chaotic lifestyles, money management and debt problems as well as those with a disability or illness. Furthermore, at present, there appears to be no published guidance from DWP about what safeguards are to be put in place to protect those tenants who are currently in arrears and are recipients of an element of housing benefit when they are switched over to Universal Credit.

Therefore we call on the Government 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.

1.4 An important aspect of the Government's implementation will include a drive to move the claims system online. Circle recently carried out a piece of research looking at the financial inclusion of their tenants from which we have been able to segment tenants based on their behaviour across five areas of money and finance including banking, saving, credit unions, debt advice and home contents insurance. The research found that less than half (38%) of Circle's tenants save on either a regular or an occasional basis and nearly half (45%) of Circle's tenants don't have access to the internet at home. Given that the Government's stated target is to have 80% of claims being online once Universal Credit is fully implemented and 50% using the online system by the end of 2013, we do not believe that this is either realistic or achievable. Furthermore due to illiteracy and innumeracy, many claimants are reliant on the help of advice agencies to support them with the submission of their claim. Circle would therefore call upon the Government to provide face-face support to enable claimants to fully understand the impact of the welfare reform changes and to advise and support them through the submission of their claim and the transition onto Universal Credit.

1.5 The Government has previously claimed that the Universal Credit system is being designed as a system that is capable of expanding through the age of technology and will utilise smart mobile phone devices and apps. Circle's financial segmentation research demonstrated that approximately only a quarter (26%) of tenant's use internet banking and less than half (46%) of Circle's tenants feel confident using today's technology. To get our tenants up to the level whereby they feel they have the confidence to bank online would require significant education and support. We believe that DWP would be better served to maintain a guarantee of the provision for face-to-face support for claimants throughout the transitional phase of Universal Credit and beyond.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

2.1 Rental payments are the largest source of income for a housing association. The proposed change to the present system of paying housing benefit to a tenant's landlord, to a system of paying housing benefit directly to the tenant is something that Circle is concerned about particularly the impact this may have on our long term finances.

2.2 We are concerned that the change in payment method is yet to be fully understood by our tenants in terms of the impact the reforms will have on their lives. Research has shown that given the opportunity, 90% of tenants would prefer for their housing benefit to be paid directly to landlords rather than having to worry about managing this money themselves. Circle welcomes the provision, as set out by the Government, of switching people in arrears back on to direct payments to landlords as an important aspect of reassuring housing associations lenders that income streams remain secure but calls on the Government to be clear about how this switch will work in practice and ensure that the system is robust. As part of this, Circle is calling on the Government provide a guarantee of face-to-face support for claimants.

2.3 If tenants are not fully aware of the impact and the responsibilities that the reforms will bring, particularly if the provision of face-to-face support is diminished through a drive by the Government to move the claims system online, the guarantee of one of our most consistent income streams will become less secure, potentially increasing rental arrears. This could make it more difficult for housing associations invest in achieving the Government's ambition of building more affordable housing and funding the community activities that housing associations currently support.

2.4 As stated earlier, if DWP was able, as soon as possible, to define what the term "vulnerable" means in the context of Universal Credit this would help to provide not only ourselves but the sector as a whole with certainty regarding who will be exempt from direct payment to tenants. A clear definition of the term would allow Circle to provide more informed advice to its tenants regarding the changes.

2.5 As touched upon, Circle research has shown that 45% of tenants do not have access to the internet at home, precluding them from internet banking. With the Government seeking to make Universal Credit an online claims system, Circle is concerned about the lack of support almost half of their tenants will receive and is calling on the Government to ensure that, for those that need it most, there is a guarantee of face-to-face support when applying for Universal Credit. In the first instance, such support is likely to greatly improve our tenants understanding of what the changes mean for them and potentially ensures that tenants will place a greater emphasis on managing their money effectively if they receive an element of support and tutorage through the process in the first instance.

January 2013

Written evidence from Oldham Council

OLDHAM COUNCIL SUBMISSION TO COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE ON THE IMPLEMENTATION OF WELFARE REFORM BY LOCAL AUTHORITIES

Oldham Council welcomes the opportunity to respond to this inquiry from the Communities and Local Government Committee on the implementation of welfare reform by local authorities.

Oldham is situated in the north west of England and is part of the Greater Manchester sub region. It has a population of 224,000 and our main challenges relate to the economic prosperity of the Borough and increasing the productivity of local people. As a Co-operative Council our ambition is to deliver a future where everyone does their bit to create a confident and ambitious Borough.

Executive Summary

1. Oldham Council recognises that the implementation of welfare reform is challenging for all involved and we are keen to ensure that the impact of the changes on our residents is minimised. We will achieve this by working with central government departments and local partners to support those affected. Our commitment to this is demonstrated through our participation in pilots and Pathfinder for Universal Credit where we will ensure that there is an opportunity for all local authorities (LA's) to learn from our experiences. Key to assisting local authorities with implementation is the timely issue of guidance and provision of direct financial support.

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement welfare reform?

2. Oldham Council feels that there are some areas where Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG) are working effectively together to implement welfare reform. These include providing freedom and flexibility to develop local welfare provision without any rigid guidance to govern the design of the scheme. However, there are areas where there are opportunities for a more co-ordinated approach particularly in terms of the timing and level of detail provided in guidance.

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?

3. Oldham Council welcomes the guidance provided by central government to date concerning the implementation of welfare reform. However, there are areas where guidance provided could have been improved. For example, Housing Benefit and Council Tax Benefit Circular A4/2012 provided a toolkit for local authorities to support the implementation of the size criteria which included draft communications products, which was helpful to local authorities. However, this circular also made reference to the Social Security (Information-sharing in relation to Welfare Services etc.) Regulations 2012, which allows data sharing to support implementation of the size criteria. There was an opportunity as part of the toolkit for DWP to include a draft data sharing protocol for use by local authorities but this was not provided. This has resulted in LA's having to develop their own data sharing protocols with registered landlords. Many registered landlords operate across more than one LA and are thus having to sign multiple protocol's and develop separate arrangements with each LA.

4. There are areas where timely receipt of guidance would be advantageous. This is particularly in relation to the implementation of Universal Credit and the circumstances in which rent payments can be made direct to landlords and the process for this. Though we are aware that the early findings from the direct payment demonstration projects are being published the proposed changes have the potential for considerable impact on the revenue of landlords in the Borough. LA's have long established working relationships with landlords and this uncertainty is of major concern to all. Despite this they are working proactively with us to support the implementation of welfare reform with many investing in additional resources to support their tenants.

5. There are also areas where earlier release of regulations and administrative guidance would have been beneficial to LA's. This is particularly evident in relation to localising Council Tax Support. LA's face challenging timescales in which to develop, consult and gain approval for their local schemes before 31 March 2012. Having full guidance available from the outset would have been beneficial and would have reduced the need to regularly review proposals in light of newly published information which could have serious implications on the scheme design. There are also areas where LA's feel there is still as lack of information available, an example of this relates to appeals under the new scheme. Despite numerous attempts we have had no success in gaining further information from DLCG or the Valuation Tribunal Service.

6. It is also felt that more detailed guidance on specific issues relating to localising Council Tax Support would have been helpful to LA's. For example DCLG could have provided a definition of a "vulnerable person" which would have assisted in designing a scheme and also provided guidance on consultation, which would have ensured that a consistent approach. Without this there has been significant variation in the levels of consultation undertaken by local authorities.

Is the Government's timetable for implementing welfare reform achievable?

7. The Government's timetable for implementing welfare reform is extremely ambitious. The sheer number of changes being implemented simultaneously from 1 April 2013 will place significant burdens on already stretched LA resources.

8. The changes can only be successfully implemented within these challenging timescales through effective working by all delivery partners, at both a local and national level. LA's have considerable experience of implementing changes in challenging timescales and utilising local partnerships to support residents and this approach will continue to be crucial.

9. As outlined above, the early release of information to LA's will support the successful achievement of this challenging implementation timetable.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

10. Oldham Council has received funding of £84k for implementation of localised Council Tax Support. Though the additional funding is welcomed, the actual cost incurred to date far exceeds this figure.

11. LA's have received no funding to date for implementing other welfare reform changes such as the benefit cap and size criteria, both of which have already had a considerable impact on resources across a range of areas including Housing Benefit Services, Customer Contact Services, Housing Strategy, Marketing and Communications and Information Governance.

12. Housing Benefit and Council Tax Benefit Circular A4/2012 paragraph 24 indicates that it is "*likely that once local authorities start to contact landlords and claimants there will be an increase in enquiries. You will need to consider in advance how you might handle increased enquires and whether you need extra resources or can handle them by reprioritising existing work*." However, with LA's facing budgetary challenges there is little opportunity to access "extra resources" and the ability to "*reprioritise existing work"* within the Benefits Services is limited.

13. In the past LA's have received specific funding to implement changes to Housing Benefit and this extra resource ensures that Housing Benefit Services are able to allocate additional resources to ensure successful implementation of changes.

14. Funding for implementing the benefit cap and size criteria would thus help to ease pressures on the already stretched resources of Benefits Services.

15. As one of four Pathfinders for Universal Credit and one of the local authority led face to face pilots, Oldham Council has received a commitment from DWP that additional funding will be made available to support delivery of these projects. This will allow us to prepare residents for the introduction of Universal Credit by providing access to online services and delivering financial and budgeting support.

16. DWP must ensure that adequate funding is made available to other LA's at an early stage to allow them sufficient time and resources to prepare for the introduction of Universal Credit.

Are there financial risks to local authorities from welfare reform changes? Are such risks being adequately addressed?

17. There are considerable financial risks to LA's from welfare reform changes and the wider financial reforms including Business Rate Retention, Redistribution of LACSEG funding between LA's and Academies and the transfer of health responsibilities budget.

18. Oldham Council estimates that the welfare reform changes (excluding Universal Credit) will see £17 million per year reduction in benefits to our most vulnerable residents, which will have a significant impact on Oldham's local economy.

19. As outlined above in some areas there has been no funding provided for implementation of changes (benefit cap and size criteria) and in other areas the funding provided falls below the actual resources required (localising Council Tax Support).

20. Oldham Council welcomes government's commitment to increase funding available for Discretionary Housing Payments (DHP's) to reflect the expected increase in demand as a result of welfare reform changes. Funding will increase from £60 million in 2012–13 to £155 million in 2013–14. However, the increase in DHP funding is not accompanied by any additional resources for LA's to deal with the expected increase in volumes. Oldham has seen a year on year increase in the number of application received, with the volumes for 2012–13

excepted to be 90% higher than the number of applications received in 2009–10. Processing this increasing number of applications for DHP's is placing an extreme burden on the service and is leading to delays in the time taken to make decisions.

21. The replacement of elements of the Social Fund with Local Welfare Provision creates additional risk for local authorities. The reduced funding transferred to local authorities, along with a potential increase in demand for awards as a result of welfare reform changes, creates challenges for LA's in terms of designing and administering a scheme within these constraints. Oldham like many LA's proposes to set a "ceiling" on awards which will be at the level of the programme funding awarded by government. This may require adjustments to the scheme to be made in year to ensure awards do not exceed this amount.

22. Localisation of Council Tax Support creates the biggest financial risk to Oldham. The combined effect of a reduction in funding, our ageing population, the need to protect pensioners, and the risk of increasing caseloads due to unemployment levels in the Borough, creates potential pressure in terms of managing resources and demands.

23. Such pressures require extremely careful management and are a major driver in the Council's work to develop new delivery models and investment agreements in line with the work in Greater Manchester on public service reform. Our cooperative council approach focuses on increasing productivity and reducing dependency driven demand. Oldham has been leading the community budget pilot on behalf of GM, with particular focus on Early Years and the Troubled Families programme. The lessons from the pilot are being incorporated into a wider approach to public service reform in Greater Manchester and are being used to inform Oldham's approach.

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

24. The main Welfare to Work scheme operating in Oldham is the Work Programme. In the first 14 months of operation, the scheme received 4,630 referrals, of which only 440 were Employment Support Allowance (ESA) claimants. A total of 160 claimants entered sustained employment, almost all were from the Job Seekers Allowance (JSA) client group (3.5% of referrals). This is significantly lower than the DWP minimum performance level and as such has had virtually no impact in Oldham.

25. Whilst the UK experienced a decrease in unemployment of −1.0% between October 2011 and 2012, unemployment in Oldham increased by 5.1% during the same period. This is the second highest increase in Greater Manchester (unemployment in Greater Manchester increased by 2.7%) which means unemployment in Oldham now stands 7,952, a rate of 5.8% and is now the highest rate in Greater Manchester in October 2012 (GM average 4.9%).

26. DWP data shows that Oldham's ESA/Incapacity Benefit (IB) rate had been decreasing since February 2005, however this reduction has stopped, with the rate staying the same between February 2011 and February 2012. Oldham currently has an ESA/IB rate of 8.8% at February 2012. This is slightly higher than the average for Greater Manchester (8.7%) and significantly higher than the Great Britain figure (6.5%).

27. Welfare reforms have removed funding from a number of key employability schemes, for example the Future Jobs Fund, which had a success rate of 43%, and the closure of the local Remploy factory which saw 115 staff being made redundant, of which 108 were disabled and are not currently expected to re-enter employment within the short-medium term. The removal of this activity without robust alternatives or replacements has had a negative impact on the local economy and the economic well being of residents. There is little confidence that the current schemes will improve, and it is highly unlikely that the prime contractors will meet their next minimum performance level of between 15–30% for year 2. Therefore, we do not expect a major reduction in the number of benefit claimants. Furthermore, the impact of economic restructuring and recession leave Oldham in a parlous state. The Greater Manchester Forecasting model is currently predicting that Oldham will not return to pre-2007 employment levels until 2032.

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?

28. Oldham Council welcomes the freedom and flexibilities provided by the government in relation to the design of its Local Welfare Provision as a replacement for Social Fund. We believe that we are well placed to develop a scheme which maximises the use of existing support services delivered by the Council and its partners to support our vulnerable residents. As a co-operative council we aim to design a solution that manages demand, drives behaviour change and reduces residents' dependency on the Council. By supporting schemes and activity which currently operate in this space to do more, the Council is encouraging residents to look elsewhere for help in the first instance, and in many instances these groups and organisations have the expertise and are better placed than the Council to provide the help that is required. Our scheme will also link directly to other Council campaigns and schemes which are looking at alternative ways of putting money in people's pockets. For example, Oldham has recently completed the largest local authority led energy switching campaign with 8,726 households registering to take part in an energy auction. The auction took place on 26 November and resulted in an average saving of £171 per household on their annual energy bills. The Council, in conjunction with the other GM authorities is already planning further auctions which will take place in 2013.

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

29. The separation of Housing and Council Tax Benefit administration (HB and CTB) will have a considerable impact on claimants. Existing claimants are familiar with the claiming process for these benefits which requires them to complete a single application form. LA's over many years have worked hard to deliver streamlined processes, which mean that residents are able to access these benefits in a straightforward way. The introduction of Universal Credit, which will lead to the separation of HB and CTB, has the potential to cause a great deal of confusion and uncertainty for claimants. For example a claimant may have to provide evidence of income and capital twice, both to the DWP and the local authority, where previously this was only provided once. In addition there may be instances where the design of a local council tax support scheme leads to different treatment of income for the two benefits. Minimising the impact on claimants will require effective communications being jointly delivered by DWP and local authorities. This requires clear, consistent messages being delivered in a timely manner.

How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?

30. Oldham Council is concerned about the potential for housing benefit fraud under the proposed system and as such has volunteered to take part as a pilot authority for the Single Fraud Investigation Service (SFIS). We are waiting to hear whether we have been accepted and, if so, the nature of the proposed pilot.

31. In the meantime, our Counter Fraud team have responded proactively by establishing an internal pilot scheme based on specific resources being dedicated to the prevention, detection and investigation of housing benefit fraud cases. The pilot results will be monitored closely, including capturing the impact on other counter fraud activities, eg potential Social Housing and Council Tax Benefit fraud (Council Tax Support from 1 April 2013) and the review of the key financial systems by Internal Audit colleagues. The pilot will ensure compliance with joint working protocols with the DWP in line with the SFIS proposals. In addition, close liaison with Counter Fraud Teams in other local authorities, both inside and outside GM, will take place in order to benchmark Oldham's response to welfare reform and, more specifically, the plans for the SFIS.

32. Oldham Council would welcome further information around the timelines of the establishment of the SFIS, so that plans can be finalised and the appropriate communication can commence with all parties, including Oldham residents.

33. Minimising the opportunities for fraud is being considered as a key element in the Council's preparations for the localisation of Council Tax Support. Activities such as reviewing application forms to ensure that changes in circumstances are reported promptly, that appropriate fair processing notices are included as required, and ensuring that the design of the scheme includes processes for penalties and prosecutions processes, are in line with the government proposals, outlined in the Statement of Intent.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

34. Oldham Council is concerned about the level of safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants. We are aware, however, that the early findings from the direct payment demonstration projects are being published and that this will provide government with greater insight into the impact the changes will have and will provide an opportunity for appropriate safeguards to be put in place to protect all parties affected by the changes. The successful implementation of the new payment arrangements will rely on DWP and landlords building effective working relationships. This is something LA's have achieved over many years and the DWP should not underestimate the amount of time and effort required to build and maintain these relationships. Landlords are particularly interested in receiving further information from DWP regarding payment of rent direct to landlords and early release of information would also be welcomed by Oldham Council.

January 2013

Written evidence from The Riverside Group

1. Introduction

1.1 Riverside is one of the largest housing association groups in the country, owning and managing over 53,000 properties across England and Scotland. The Riverside Group Limited is the main asset-owning association in the group. In addition to providing general needs accommodation, Riverside delivers supported housing through a sheltered and supported arm of the business, Riverside ECHG (RECHG), which provides services to more than 11,500 clients with a diverse range of housing needs.

1.2 Riverside welcomes the opportunity to provide evidence to this DCLG Select Committee Inquiry into the implementation of welfare reform by local authorities. In framing our response, we have attempted to answer those questions posed by the committee which apply to our experience as a provider of social housing and can be evidenced from our interaction with partner local authorities.

2. *How effectively are the DWP and the CLG working together to implement Welfare Reform?*

2.1 Riverside is concerned that the Government's package of welfare reforms will have much wider housing policy implications than has been fully recognised. It is not at all clear that the impact of a number of the measures contained in the Welfare Reform Act on neighbourhoods, communities and registered providers has been properly considered—the DWP's formal impact assessments being confined to the narrower impact on claimants.

2.2 For example appendix 1 presents the summary of a piece of work undertaken by four of the largest housing associations in the Liverpool City Region and demonstrates the nature and scale of the potential impact of the under-occupation penalty on providers (and their tenants).

2.3 Whilst both Government Departments have engaged with assisting landlords with practical strategies to deal with the penalty (for example by sponsoring the CIH guide "Making it Fit"), this does not extend to longer-term strategic issues. To our knowledge DCLG has not spearheaded any major housing investment initiatives to improve the supply of smaller homes, or commissioned research to examine the consequences of the bedroom tax on wider housing and neighbourhood policy.

2.4 To further illustrate this disconnect it is worth noting that DCLG still retains a different (and more reasonable) definition of under-occupation to that adopted by DWP for the purposes of defining the bedroom standard, and yet it is the DWP definition which will have the more profound impact on housing policy for years to come. The welfare "tail" wagging the housing "dog"?

2.5 Looking ahead, it is imperative that DCLG redresses this imbalance in two ways:

(i) Lord Freud has committed to formally evaluating the under-occupation penalty and it is understood that DWP has already drawn up a brief for this work. DCLG should ensure that the promised evaluation is jointly "owned" by the two departments, and that the brief is drawn sufficiently widely to ensure the evaluation considers the full range of housing policy and community impacts.

(ii) As the Universal Credit Direct Payment Demonstration Projects develop, DCLG should work closely with DWP to influence the final recommendations and shape the nature of exceptions permitted under the scheme. As the housing "ministry", DCLG has a far more developed understanding of the pressures on both landlords and tenants, and should play a key role in ensuring the genuine concerns of the sector about income collection are addressed.

3. *Is the guidance available to LAs from central government on implementing welfare reform adequate? Are there areas where more or better guidance is required?*

3.1 Whilst local authorities are better placed to comment on matters of detailed guidance, there are two specific issues we want to raise from the perspective of a registered provider:

(i) The guidance on the use of additional funding made available to local authorities through Discretionary Housing Payments in the context of the introduction of the under-occupation penalty is, in our view, inadequate, and exposes how the whole DHP system is unlikely to be "fit for purpose" going forward. Whilst an additional sum of £30 million pa has been made available, ostensibly to support under-occupying claimants who live in adapted properties or who are foster parents (in other words claimants whose circumstances are long-term in nature), it is not clear for how long. At an individual local authority level, the average amount of additional DHP available (to deal with under-occupation) will be < £100,000 pa, perhaps sufficient to deal with 100–150 cases. However because the support needs of the type of claimants Government is targeting is likely to be long-term, the system will soon clog up and the ability of local authorities to help will very quickly diminish as a small number of indefinite awards use up all available funding—either that or short term awards will be made which will not meet the desired policy intention. It is not at all clear how this £30 million budget has been determined, and increasingly it has the appearance of an arbitrary political gesture, with local authorities being left to "pick up the pieces". There is a danger that the whole DHP system is being set up to fail as local authorities struggle to prioritise meagre resources in the face of burgeoning demand. A major rethink about the use of DHP is required, with new guidance issued reflecting the new reality. In particular, LAs should be required to work proactively with landlords to identify those claimants who are most at risk and protect their long-term positions, whilst DCLG should assist in the collation of robust data to demonstrate the real long-term need for DHP.

(ii) The guidance on the administration of the under-occupation penalty is inadequate in dealing with the full range of property types managed by social landlords, particularly because there is no distinction between a bedroom suitable for single and double occupancy.

We are concerned that the draft regulations will penalise a significant number of households who are not, by any reasonable standard, under-occupying their homes, and thus will not deliver what Parliament intended in approving the Welfare Reform Act. In essence the draft regulations assume all bedrooms are physically large enough to be occupied by a couple, two teenagers of the same gender, or two children. This is clearly not the case.

By way of example, many housing providers have a number of what are termed "three-bedroom, four person homes"—a dwelling with a double and two single bedrooms. Riverside owns over 1,200 such properties which, in reality, are physically no larger than two-bedroom, four-person houses. Under the draft regulations, a couple with two same sex children between the ages of 10 and 16 years old, would be deemed to be under-occupying such a dwelling and face a reduction in the housing costs element of their Universal Credit based upon 14% of the eligible rent, when the two single bedrooms are physically incapable of being shared. There are already appropriate definitions of the threshold between single and double occupancy in housing legislation relating to over-crowding.

To prevent this type of inadvertent injustice would require one of two things:

- The regulations to be redrafted to make an appropriate distinction between single and double bedrooms. Whilst logical, this would present a problem, in that most landlords do not hold reliable data on bedroom sizes, and such an approach would require an expensive mass bedroom measurement exercise. There would also be significant issues of data verification.
- The DWP to be given the discretion to waive the under-occupation penalty (or award a household an additional bedroom), where there is clear evidence that there is no "real" under-occupation occurring. The extent of this discretion, and the appropriate distinction between "technical" and "real" under-occupation, should be set out in the guidance accompanying the regulations, with the onus being on the claimant/landlord to demonstrate the occupancy position with reference to the guidance. The current draft guidance ignores this issue and should be redrafted.

4. *Is the Government's timetable for implementing Welfare Reform achievable?*

4.1 At the moment, we cannot answer this question from a housing perspective, because we are unaware of the outcomes of the direct payment demonstration projects and universal credit pilots starting in April. There seems to be a general lack of openness surrounding the early results of the demonstration projects, with sparse evidence coming through intermittently. We fear we will not understand the true outcomes until it is too late.

4.2 In addition we are concerned that the demonstration projects will not be genuinely reflective of wider sector experience, as they have been designed with far higher levels of support and communication for tenants than could ever be replicated in a national roll-out. Moreover, even the limited official information coming from the demonstration projects stresses that they have been hampered by short lead-in times, which have delayed effective communication and support. Once UC is introduced from October 2013, this problem will be greatly magnified, and it is impossible not to be concerned that the final evaluation of the demonstration projects will not be available until the end of 2013, AFTER the introduction of Universal Credit.

4.3 If the current UC timetable remains, it is clear that there will not be sufficient time for reflection after the demonstration projects have ended, leaving little opportunity to set up new systems (around exceptions), train staff and tenants, and communicate effectively. Furthermore, the timescale for the introduction of new financial products to support tenants in managing monthly UC payments, remains unclear.

4.4 If Government is genuine in its commitment to ensuring that direct payments do not have a significant negative impact of the income streams of landlords, then the timetable for the introduction of Universal Credit needs to shift until at least six months after the final evaluation of the demonstration projects is published and rules on exceptions are clear, and only once new financial products are available to claimants at a reasonable cost.

5. *How will the separation of the administration of Council Tax Benefit (CTB) and Housing Benefit affect claimants?*

5.1 We are concerned that this separation is likely to be very confusing for claimants. Currently claimants make a joint claim for housing benefit and CTB, and in future they will need clear and effective information about this change, or there is a danger they will apply for UC (housing element) and the assume a CTB claim has been submitted, leading to a rapid accumulation of council tax arrears. With reduction in CTB focussing on working age households, we are concerned that this is the same group of tenants who will bear the brunt of the under-occupation penalty.

5.2 In addition for landlords operating in a number of local authority areas (Riverside operates in more than 160), it will be challenging for staff advising tenants to keep track of a plethora of different schemes and support claimants in an effective way.

5.3 It strikes us that the new arrangements for the localisation of council tax support undermine one of the fundamental principles of welfare reform—simplifying the benefit system by bringing together separate streams into a common payment with uniform rules around tapers, conditionality etc. DCLG should commit to an early evaluation of the impact of CTB localisation against the Government's wider welfare reform objectives, and if localisation is found not to be successful, then consideration should be given to merging CTB with Universal Credit.

6. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants*

6.1 It is very difficult to answer this question in the absence of definitive evidence from the demonstration projects, and in particular any sense of what detailed safeguards might entail (see 4.3 for comments on timetable). Urgent confirmation is required about rules on payment exceptions and the "switch" back to payments to landlords in the event of rent arrears.

6.2 The limited early findings from direct payment demonstration projects do not inspire particular confidence. The baseline report points to the level of concern amongst claimants about their money management skills (nearly one third of tenants surveyed indicating they would "cope poorly" with the transition to direct payments), illustrating the extent of support that will be required to assist many claimants make the transition. Yet early evidence also suggests that the intensive work that landlords have had to put in to ensure tenants sign up and pay, is not likely replicable at any scale within realistic costs (Direct Payments Demonstration Projects Second Learning Report). Recent media reports from one of the demonstration projects (where the tenants selected for the pilot do not include the most vulnerable) suggests that the organisation in question is bracing itself for a very sharp rise in bad debts.

6.3 For now the only real conclusion that we can draw is that there are likely to be significant difficulties arising from the introduction of direct payments, which will be extremely resource intensive to mitigate against. We can expect a sharp increase in arrears, especially as the introduction of direct payments/UC coincides with a significant reduction in benefit for many claimants (under-occupation penalty, CTB etc) and as a result Riverside has doubled bad debts to £6.3 million per annum from 2013–14. This is money that will not be invested in building new homes and improving services.

6.4 Thinking ahead to the creation of a workable system for dealing with exceptions for vulnerable tenants under direct payments, it strikes us that local authorities should retain a role in identifying and verifying vulnerable tenants given their accessibility and experience of dealing with claimants through network of service centres in localities etc. Government is proposing that individual interviews with vulnerable tenants be held so that this arrangement is done "*with* them not *to* them", and local authorities (if properly funded) are well placed to deliver this. We also recommend that housing associations, which have a vested interested in the process being completed efficiently, should be designated as capable of carrying out these interviews, mimicking the "trusted partner status" some associations have with banks.

6.5 Ultimately we remain concerned about the principle of direct payments, forcing tenants to manage their money in ways which do not suit their circumstances and interests, based on an unrealistic assessment of how many low income households live. We are drawn to the proposals of the Social Market Foundation in their recent publication "" which introduces the idea of a "Budgeting Portal" to assist tenants in making real choices about how their benefits are directed. Under this proposal the default position would remain the payment of UC to the tenant, but claimants would then be able to use an online budgeting portal to choose where to direct their benefit prior to it hitting their bank account.

7. *Other comments*

7.1 Whilst this is a matter for the future, it is worth flagging the need to look very carefully at help with housing costs for tenants living in supported housing. Whilst we understand that new localised arrangements will be devised for tenants living in "exempt" accommodation, many are assuming that this covers most supported housing tenancies. This is not the case, and in reality the definition of "exempt" accommodation is very narrowly drawn, excluding many schemes where claimants could be very vulnerable to seeing the housing cost element of their universal credit award being reduced.

7.2 This is a complicated issue, however one that we suggest DCLG Select Committee examines through a future inquiry.

January 2013

Written evidence from Rochdale Council

Rochdale Council Submission to Communities and Local Government Committee on the implementation of welfare reform by local authorities.

Rochdale Council welcomes the opportunity to respond to this inquiry from the Communities and Local Government Committee on the implementation of welfare reform by local authorities.

Introduction to the Submitter

Rochdale Borough is located in the North West of England and has a population of around 211,699. Rochdale has relatively high levels of deprivation and in the last few years the level of deprivation in the Borough has increased. Many of our local areas are now ranked in the most deprived in the country. This worsening of deprivation has been particularly marked in the health, income and employment domains.

Rochdale Council estimates that the Welfare Reform changes will see over £20 million per year reduction in benefits to our most vulnerable residents. We are keen to ensure that the impact of the changes on our residents is minimised and that we work with central government departments and local partners to support those affected

1. *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

From the joint guidance that has been provided to LAs then our view would be that they are not working well together.

Provision of clear advice has been delayed. With "bedroom tax", the timetable for implementation has caused issues for benefit software providers, giving them, and LAs insufficient time to write, test and implement the necessary changes to software.

Provision of guidance on funding to LAs for HB and for Local Council Tax Support has also been delayed.

There is an overall lack of clarity about what local authorities will be expected to do—especially in relation to Universal Credit—and within what timescales. Where guidance is received it has often left little time for informed discussion or debate within authorities.

2. *Is the guidance available to local authorities from central government on implementing welfare reform adequate?*

There needs to be clear and timely guidance provided about the implementation of Universal Credit (UC).

Clear guidance is needed on which aspects of housing costs will not be going into Universal Credit and what the role of authorities will be in supporting customers claiming Universal Credit.

A clear timetable for new Universal Credit claims needs to be published; as does the timetable for the transition of claims remaining with LAs. Will there be a "big bang" approach for each authority or will certain claim types move onto Universal Credit over a period of time between 2013 and 2017?

There is concern about the impact of welfare reforms on other aspects of the administration of HB/LCTS eg the impact on the Decisions and Appeals regulations and the timescales there will be for customers to provide supporting information and in what circumstances a decision can be appealed. As far as we are aware draft regulations have not yet been issued.

Detail on the recent change to introduce the "new" £100 million grant to reduce the burden of LCTS—the published criteria needs clarity.

The recent proposed change to exclude properties from the empty charge premium if they are "actively" marketed for sale.

Budget figures for 2013–14 council tax support grants. Indicative figures including the 10% reduction (actually around 11.5% for Rochdale) were published many months ago, which we understand has now been adversely impacted by the "new" £100 million grant due to the council tax freeze issue.

Confusion over the documentation that needs to be issued to customers with 2013–14 council tax bills—is it on-line or is it paper or a combination of the two.

3. *Is the Government's timetable for implementing Welfare Reform achievable?*

The replacement of Council Tax Benefit with the Local Council Tax Support Scheme is on track to be implemented by 1 April 2013 although the ongoing lack of clarity on funding means there is a likelihood of having to set a budget based on assumptions which would have serious implications if those assumptions turn out to be incorrect.

Regarding Universal Credit, there is concern that this can be implemented on time given that we have almost no knowledge about fundamental areas such as how the transition through to 2017 will work. Staffing changes of this magnitude need planning for now given that initial implementation is due to take place in only 16 months time.

4. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

Rochdale received £84,000, which has been mostly spent on changes to software and on our consultation exercise. The small balance that remains is likely to be spent on publicising the changes once we have completed our consultation and formally adopted the new scheme. However, the main cost of Council Tax Support will arrive once we attempt to collect the outstanding balances of Council Tax caused by the reduction in funding. Rochdale will not be accepting the grant (£430k) as it comes nowhere near the £2.4 million funding gap.

The costs of collection will be significant, both for additional staffing and related software.

Rochdale has withdrawn the majority of funding for Advice Services as part of measures to save £135 million. Therefore any advice on Universal Credit will either have to be provided by the DWP or voluntary services such as the CAB etc.

5. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

Most significant:

(a) The reform of the council tax benefit system.

(b) The migration to universal credit including the abolition of housing benefits.

There will also be an impact on local authorities, namely the benefit cap and bedroom tax.

The significant cut in local council tax support grant next year of over 10% at a time when the council tax benefit system is to be abolished and replaced with a local scheme has presented local authorities with a significant number of financial risks.

The known financial risks affecting Rochdale Council in relation to the reform of the council tax benefit system are outlined below:

THE REFORM OF THE COUNCIL TAX BENEFIT SYSTEM

Financial risks affecting local authorities	*Are the risks being adequately addressed*
1. The actual council tax support allocation will not be available until mid December 2012 which will impact on the budget setting process. There also remains a risk that assumptions which are included in the national budget remain "fluid" causing increased uncertainty as to the final allocation which may result in a financial shortfall to local authorities	Estimates of the likely grant have been included in the affordability option for the proposed Local Council Tax Support Scheme. However, the continued uncertainty from Government as to both the national and local allocations of this grant may cause a shortfall.
2. The grant to be provided for council tax support/ discounts is to be fixed and will not increase in year should demand increase and/or should DWP allowances increase for pensioners—who remain awarded support under the national default scheme. There is therefore a financial risk to local authorities and precept authorities of underwriting the local council tax discounts should demand increase	A small estimate has been included within the affordability model for increased take-up for both working age and pension credit age claimants, which therefore reduces the level of discounts which can be awarded to claimants. Should take up significantly increase above this estimate the impact would be felt on all working age claimants in subsequent years as the level of support awarded would be required to be cut if not underwritten by the local authority and precept authorities.
3. Government targets to reduce take up and make cash savings of over 10% will significantly impact on claimants who previously received 100% support. The scheme in Rochdale will require all claimants to make a contribution to their council tax charges. It is recognised locally that there could be a potential impact on council tax collection rates, causing an increased need to increase bad debts provision to mitigate for the increased financial risk.	An increase in bad debt provisions has been estimated within the financial model for the proposed local council tax support scheme. Rochdale is currently developing a project working with its partners to proactively target and support those claimants who are at risk of falling into arrears due to the potential changes of the proposed scheme. To highlight the issue, 13,139 working age claimants currently have no council tax to pay. It's currently estimated they'll all have to pay a minimum of £185 (£3.50 pw) in 2013–14.
4. Additional staffing resourcing by the local authority is expected to be required to undertake the additional recovery and enforcement necessary to maintain collection levels for council tax. There is a financial risk that if priority is not targeted to recovery and enforcement this will impact on the wider collection levels for council tax.	A review of the staffing requirements due to the new burdens is currently underway.

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. One of the major risks for local authorities at this time is the uncertainty and lack of clarity as to the impact all of the changes will have on the financial situation of claimants in their communities.

Addressing the financial risks has been hampered by the lack of time to implement changes, uncertainty as to the level of financial support to be provided by Government, and a lack of clarity as to the process in relation to the delivery models for universal credit.

Benefit recipients in Rochdale will be significantly affected by the changes within the welfare reforms. There are numerous indirect financial risks that the local authority is likely to have to address as universal credit is rolled out. More families and individuals may need support from the local authority thus placing additional service pressures on a range of provision. Household finances will be tighter which is likely to impact on collection levels for a wide range of services of the Council. At this point it is difficult to address such issues until the welfare reforms become effective in Rochdale.

6. *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

Experience tells us that we could expect the numbers claiming benefits to increase.

Recent evidence in Rochdale is that where customers have stopped claiming state benefits and obtained employment we are seeing an increasing number of households on a combination of part time jobs and low wages. As a result we have not seen a reduction in the numbers claiming HB/CTB as they are still receiving low incomes.

What we do know is that whether or not the overall number of customers claiming benefit increases, benefit recipients in Rochdale will be significantly affected by the changes within the welfare reforms. There will be a reduction in income and many households will need support from the local authority so placing additional pressures on a range of service provision.

A specific impact of the changes will be on customers and how they claim benefits after the introduction of UC. Recent advice from Jobcentre plus offices is that they would no longer take claims for Local Council Tax Support (LCTS) from April on behalf of LAs, nor will they gather evidence; ask questions of the claimant apart from "do you wish to apply for LCTS. At this point JCP are likely to only record the interest on CIS (the Customer Information System). If this is the case the customer will have to complete two claim forms and present evidence to JCP and the LA. This will add duplication to the system and provide poor customer care and could lead to some customers not claiming when entitled.

The impact of digital by default on the numbers of customers being able to claim has to be considered carefully. Support systems need to be in place to help customers otherwise those eligible to claim may not receive the benefit they are entitled to.

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?*

It is the Council's view that services should be shaped by customer need and delivered in line with locally agreed priorities.

Data about individual customers, whether there is repeat demand and the overall outcomes of the existing scheme have not been supplied (and it is not clear if they are measured). This has a consequent impact on the ability of all local authorities to properly assess the impact of any replacement and in particular to determine the need (and not just the volumetric demand) from which a new service should be built.

The behaviour of those affected can only be assumed and not accurately predicted in totality. It is therefore difficult, within a changing operating context, to know whether what is being created locally will actually address current and emerging needs. Our intention is therefore to create something sufficiently flexible to allow adaptation to local need as it becomes better understood.

We are aiming to create a scheme that delivers basic support and does not create or exacerbate dependency. This means that the provision of shelter, food, heat and basic living equipment are prioritised over and above monetary hand outs and that at every opportunity we will seek to reduce dependency as far as we are able. In addition, we intend to use the scheme to ensure that existing services that are key to people maintaining independence are properly supported.

In terms of existing infrastructure, some existing contracts will be able to be utilised to provide support for people in need (for example, contracts with advice providers will be revised to include a greater emphasis on budgeting and managing debt). The Council has a positive relationship with local food banks and that we intend to build on to encourage signposting and advice giving capacity across the voluntary sector. Equally some furniture recycling schemes do already exist locally to provide low cost equipment to people in need which will enable the council to signpost people to them in order to meet existing demand in relation to

Community Care grants. We are also considering developing a furniture recycling scheme with Social Landlords.

What is clear is that the demand for services is likely to rise as a result of the economic context generally and welfare reform in particular and that the money that is available for use through the social fund is unlikely to be adequate to cover all needs.

8. How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

The existing claim process is clear and well understood.

Unless there is adequate publicity as to the separation and potential impact; then undoubtedly this will lead to confusion amongst claimant groups.

Such confusion will lead to claim failure; with individuals thinking they have claimed for LCTS when applying for UC and vice versa. Clarity is needed on what data-sharing is going to exist moving forward between the DWP and LA's.

Finally separation will lead to duplication within the claim-handling process; as most LA's will still be carrying out an assessment against LCTS scheme rules; whilst the DWP continue to assess housing-need within UC.

9. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

As Housing Benefit is phased out there will be a risk that tenancy and rent liability related fraud will be overlooked as the Single Fraud Investigation Service will direct the fraud activity of Local Authority fraud investigators. Maintaining our current liaison arrangements and continuing joint work with DWP investigators on appropriate cases to ensure the full extent of any fraud offence is covered will help to minimise this risk.

Local Authority fraud investigators could find themselves investigating both Local Council Tax Support (LCTS) and Universal Credit (UC) allegations against the same person, but there is no clarity on what legal gateways are in place for the exchange of information between the Single Fraud Investigation Service and Local Authorities.

10. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

The impact of these proposals on landlord's finances was not recognised by the Government in its initial plans for Universal Credit (UC). The issue was only highlighted when discussions took place with Local Authorities and Landlord organizations.

The DWP have asked a number of authorities to look at how landlords' finances will be impacted. However, anecdotal evidence would suggest that a significant level of support and resources are required in those pilot/pathfinder authorities to ensure that customers who fail to pay their rent are contacted quickly to support them and to minimise the chances of rent arrears accruing. The Government needs to ensure that this level of support is available nationwide when UC is rolled out otherwise we could see a significant increase in rent arrears.

There are major concerns being raised over the implications of the removal of direct payments to landlords. The concern is not just about whether or not people will fall into arrears but about the administrative costs of collection from individuals rather than an automatic updating of rent accounts as currently happens.

Clearly landlords need to know in good time under what circumstances payment will be made to tenants and when they can expect to receive payment.

January 2013

Written evidence from Leeds City Council

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

Leeds Response:

(a) There is evidence of effective working in relation to localisation of Council Tax Support schemes. DCLG and DWP are working together to ensure that issues relating to data sharing between DWP and local councils continue from April 2013. There have also been effective discussions between the departments on the issue of administration subsidy payments to local councils.

(b) There is still more to do in respect of fraud prevention and detection. Current arrangements around data matching and fraud investigation for Council Tax Benefit are unlikely to be replicated with local Council Tax Support schemes. Some of this is driven by DWP's intention to establish a Single Fraud Investigation Service which will have no powers to investigate Council Tax Support fraud—this is because Council Tax Support is a discount and not a benefit.

(c) There is little evidence of joint working in relation to Housing Benefit changes and their impact on housing services. New Housing Revenue Account self-financing arrangements, which come into effect from April 2013, are at risk from HB changes coming into effect at the same time (see para 5 below). The Benefit Cap has implications for Temporary Accommodation arrangements; Universal Credit and the intention to pay benefit direct to claimants creates further risk of significant rent arrears. Throughout the development of these reforms, there have been few, if any, comments from DCLG on the impact of the reforms on homelessness and councils' ability to manage housing demand.

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?*

Leeds Response:

(a) DWP guidance to date has focused on Social Security Size Criteria and the Benefit Cap and has been naïve and inadequate. The guidance has failed to address the issues faced by local councils or recognised that most tenants will be unable to change their situation in the time to avoid being unable to afford to live in social housing.

(b) There is no guidance at all in relation to preparing for Universal Credit which is due to be launched nationally in 10 months. No information or guidance is available about:

— Exceptions to direct payment.

— Alternative payment options.

— Role of local councils.

— Availability of budgeting support.

— Face to face provision for those needing support to get online to claim (including what is involved in providing that support).

— Definitions of financial and vulnerability factors.

(c) Local councils will need time to put in place adequate support arrangements for such a significant change and we would argue that this must be factored into discussions about whether DWP is ready to launch Universal Credit.

(d) Guidance on Social Fund replacement is better but preparations are hampered by inadequate data and intelligence on current awards.

3. *Is the Government's timetable for implementing Welfare Reform achievable?*

Leeds Response:

(a) No. Around 8,500 tenants are affected by Social Sector Size Criteria changes, over 500 families are affected by the Benefit Cap, 45,000 working age customers are affected by the localisation of Council Tax Support and around 20,000 applicants for the elements of Social Fund that are moving to local councils will be affected from April 2013.

(b) Preparations will inevitably be more rushed and there are likely to be issues with systems design, data capture requirements and administrative processes that will cause problems. We are also very worried about our ability, with no additional funding at all, to deal with the increase in customer contacts which is expected to be very significant. This will all happen at a time which is traditionally our busiest time of the year.

(c) Preparations for local schemes to replace Social Fund are compromised by lack of DWP data and intelligence about Social Fund awards. Procurement and administrative decisions now rely more on informed guesswork than any planned and organised handover to local councils.

4. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

Leeds Response:

(a) New burdens funding for Council Tax Support is available but we await final details before we can say whether it is adequate.

(b) No resources have been made available for Universal Credit.

5. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

Leeds Response:

(a) Local Authorities have welcomed the introduction of the Housing Revenue Account self-financing regime which gives local authorities control of their rental income as well as expenditure. This has allowed Councils, for the first time, to plan sensible long term capital investment and prepare long term asset management plans. Any reduction in rental income will affect the sustainability of these Business Plans. The Council anticipates a significant increase in rent arrears as a result of the proposed welfare reforms. This will have a major impact on the Council's ability to invest in and maintain its stock. It is estimated that there will be at least £3 million per annum reduction in investment programmes. This will have a detrimental impact on the condition of properties and therefore the lives of those living in council housing.

(b) Specifically, the financial risks to local authorities are significant and can be divided into two main categories:

(i) *Increased contribution to the bad debt provision each year as a result of increases in arrears*

Based on recent analysis, Leeds City Council estimates that Welfare Reform changes will impact upon rent collection rates with arrears increasing from the current position of 2.35% (2011–12) to 3.92%. The projected figure of 3.92% is an educated guess informed by current performance and is likely to be higher due to the impact of Universal Credit being received by tenants a month in arrears.

If rent arrears were to increase from £4.2 million (2.35% of rent due in 2011–12) to £7 million (3.92% of rent due) then it is estimated that the Housing Revenue Account would be required to contribute an additional £1 million to the bad debt provision. Furthermore, failing to collect 1% of the level of rent due will mean £2 million less to spend on Council properties.

(ii) *Additional resources required to manage the level of arrears*

We anticipate over 10,000 new rent arrears. This estimate is based on the current percentage of tenants in arrears with a rental liability and analysis we have undertaken on tenancies affected by under-occupation.

Based on these projections, Leeds City Council anticipates that the full implementation of Universal Credit and under-occupancy could require an additional 43 staff to deal with arrears, collect income, pay home visits and offer debt advice not to mention providing support making online applications. This would equate to £1.3 million per annum.

It is therefore inevitable that the welfare reforms will affect the Council's revenue stream. Reduced rental income will have a major impact on resources and will result in:

— less staff resource or reduced capital investment; and/or

— an inability to maintain homes to the decent homes standard.

(c) The Council also expects increased expenditure relating to evictions and legal costs as well as additional costs on voids and rent loss during void periods. Furthermore, we anticipate an increase in homelessness in both public and private sector housing as well as higher numbers of placements in temporary accommodation. Our analysis also indicates that some property types (two-bedroom multi storey flats) will be difficult to let at full occupancy and could remain void. Local authorities need accurate and insightful feedback from councils involved in the direct payment demonstration projects to fully understand the risks and impacts and to shape and inform these projections.

(d) The funding arrangements for local Council Tax Support schemes place local councils at risk. The risks arise from:

— the scheme design itself with councils faced with financial pressures arising from decisions to fund the shortfall or, if extra funding not made available, impacts on Collection Fund due to increased Council Tax arrears as a result of more people being unable to pay; and

— increasing caseloads. As schemes cannot be changed inyear, increased caseloads will create additional costs irrespective of the scheme in place.

6. *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

Leeds Response:

(a) There has been no significant change in the overall levels of claimants since the start of the recession in 2008 which saw JSA levels increase from around 12,000 to 24,000 in Leeds. IB/ESA, LP and Other Benefit claimants have all decreased since February 2011. However JSA claimants rose 10.4% in the same period.

- In February 2012 there were:
  - 66,220 Out of Work claimants in Leeds,
  - 46% (30,340) are claiming IB/ESA;
  - 38% (25,340) are claiming JSA;
  - 12% (8,060) are Lone Parent claimants and
  - 3.8% (2,480) are claiming other income related benefits.

7. *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

Leeds Response:

(a) There is uncertainty around this. The intention is to continue to link HB and Council Tax Support claims and use information across both schemes. The main change relates to the current arrangements where Jobcentre Plus and the Pension Service are empowered to take claims for Council Tax Benefit. From April 2013, neither Jobcentre Plus nor the Pension Service will be empowered to take claims for Council Tax Support because it is no longer a benefit and is a discount. It is our understanding that both agencies will offer to take claims for Council Tax Support but this seems dependent on the goodwill of the agencies and their capacity to do this.

(b) Once HB starts to migrate to Universal Credit, the situation will become even more unclear and more confusing. Councils will no longer have a HB claim to use as the basis for awarding Council Tax Support and will become even more reliant on the willingness and capacity of DWP agencies to take claims for Council Tax Support.

(c) Once Universal Credit starts customers will be required to know which organisation is responsible for which service:

- Help with rent will be provided by DWP through Universal Credit but extra help with rent will be provided by local councils through the discretionary housing payment scheme—but only to those people who are getting help through Universal Credit.
- Help with living costs will be provided through Universal Credit but help with Council Tax will be provided by Councils.
- Help with by Crisis Loans alignments and budgeting loans will be provided by DWP but help with crisis loans living expenses and community care grants will be provided by local councils.
- It is not clear yet where people will need to go to get help with free school meals.

8. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

Leeds Response:

(a) HB and Council Tax Support fraud and error is likely to increase under the new arrangements. The main reasons for this are:

- The expectation that data matching arrangements will not continue in their current format after April 2013.
- The fact that there is currently little or no HB fraud in relation to liability and rent levels in the local authority social rented sector. This is achieved through the system whereby rent levels and tenancy details, including property size data, are automatically shared between local authority housing systems and benefit systems and the benefit is rebated directly to the rent account. Universal Credit will be more reliant on claimants accurately and honestly declaring their status, rent liability and property details with the added incentive that claimants will receive the resulting benefit directly.
- 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

10. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

Leeds Response:

(a) No, the Council believes that these provisions do not go far enough to protect social landlords from financial harm. The changes will mean that this Council and its Registered Provider partners will need to collect up to an additional 40% of rent rolls. This will add significant costs to the cost of collection. We acknowledge that payment exceptions will provide a level of protection to help secure landlord income streams should tenants fall behind on their rent We are concerned that these provisions about time-limited payment exceptions in relation to cases of extreme vulnerability ie claimants suffering from long term limiting illnesses such as mental health conditions. We consider it absolutely necessary for long-term direct payments to landlords in all such circumstances.

January 2013

Written evidence from the Institute of Revenues Rating and Valuations

About the IRRV

1. The Institute of Revenues, Rating and Valuation (IRRV) is the professional body concerned with all aspects of local authority benefits administration and local taxation in the United Kingdom. It is the only UK professional body that specialises in both the law and practice of local authority revenues and local taxation collection and the income-related benefits that support these processes.

Summary

— It is still unclear what advice local authorities will be providing around universal credit, when from, in what format and what the level of demand will be.

— There are increased risks to LAs in the welfare reform changes, in increased council tax arrears, increased homelessness, greater demands on social services and increased pressures on front-line services.

— DWP plans for UC implementation reveal: uncertainty about how pensioners will be treated in the overall reform process; no clear decision path on the role of LAs in the delivery of UC; and lack of detail about how HB is going to be phased out and who will be responsible for the aspects of HB that are not going to be included in the housing element of UC.

— The amount of fraudulent overpayments may increase and the new system has not shown how addresses within council tax records will be verified.

— DWP lacks understanding of the severe difficulties facing both social sector and private landlords in paying housing benefit direct to claimants.

How effectively are the DWP and the DCLG working together to implement Welfare Reform?

2. Two important strands of DWP/DCLG working together should be recognised; one concerning the Council Tax Reduction (CTR) schemes and another relating to housing generally. They are both equally important to local authorities (LAs). How well the two departments work together has critical impact on LA front-line services. At the moment LAs are "feeling the pain" caused by the combined implementation of single/shared room rate changes, the benefits cap, Universal Credit (UC) and CTR.

3. Various confidential working groups held between DWP, DCLG and LAs have met regularly. These have revealed the naivety of the DWP regarding the size of the task before them. Their approach is fragmented. This is justified by the "agile" approach they are taking but there are significant risks in not linking their activity earlier; particularly in differentiating the client groups and choosing the "easiest claims" to migrate to ensure early wins. DWP officials have admitted that they will migrate tax credit cases first because they pose fewer operational problems. There is a significant concern about DWP exaggerating the quality of the migration and not accepting the deeper problems of the complex cases. They have grossly underestimated the complexity of the relationship between the landlord and tenant in the private sector and little effort has been made to understand that relationship. The issues arising are those that LAs have faced over the last 30 years. The changes will bring the system back to the situation pre-1982. The DWP need to explain to both landlords and claimants how they are going to approach this challenge without driving up homelessness by their failure to deliver claims on time and not being ready for the inevitable problems of rent arrears. There is also a real possibility of smaller landlords exiting the market place because of the potential financial risks they will be taking. Insufficient notice is being taken of landlords in the social rented sector, particularly housing associations (HAs). More research is required regarding the "risk threshold" for these organisations eg at what level do their rent arrears become critical to their survival.

4. As the IRRV analyses the proposed UC regulations it is becoming increasingly concerned that current elements of the housing benefit (HB) scheme are not being included in the housing element of UC. There is no evidence to suggest that the DWP have explained this gap to DCLG in their capacity as the government department with responsibility for housing. The issues here include:

— Extended payments.

— 52 week/13 week exemption from the Social Rented Sector size criteria.

— 52 week temporary absence rule unless due to domestic violence: standard 13 weeks now six months.

— No entitlement on two homes for unavoidable liability or eligible students.

5. DCLG civil servants have generally delivered well on CTR, given the significant legislative delays; it is the lack of legislative progress that has hampered CTR. It has also created delays for the software houses; which by necessity have kept local scheme parameters close to the prescribed schemes in order to deliver on time.

Is the guidance available to LAs from central government on implementing welfare reform adequate? Are there areas where more or better guidance is required?

6. The working group meetings have created helpful dialogue, but they have been strictly confidential; and LAs generally have had little clear guidance over the early implementation stages. Early details of both a timetable for laying secondary legislation and funding decisions would have been helpful. Draft regulations for many of the welfare reforms were produced in July eg the Benefit Cap and Social Rent Sector size restriction but LAs have been left somewhat in the dark since. Only recently DWP has increased activity and provided more information eg the scans provided for the Benefit Cap (which were useful but did not contain the correct information to allow LAs to communicate the important messages that came out of the data).

Is the Government's timetable for implementing Welfare Reform achievable?

7. Whilst the communications have improved of late, there is still a woeful lack of detail about how various strands of activity in DWP are going to be co-ordinated and implemented. DWP have provided little information to date about when UC changes would take place for various geographical areas. This would call into question whether the plans are achievable as there isn't much information being shared.

8. LAs are working hard with Registered Social Landlords (RSLs) to obtain the information required to implement the social rented size criteria changes; and are looking at ways that they can work with customers around the benefit cap. This is at the same time as working on local schemes for CTR and undertaking lengthy public consultation exercises with tight deadlines. We believe that LAs will manage to bring in all of these changes on time, but we do not believe that the combined impact of all of the changes will have been understood, or explained to customers as clearly as it would have been, if more time had been available. This achievement by LAs should be contrasted with the overall plans for UC implementation, particularly:

— the uncertainty about how pensioners will be treated in the overall reform process;
— no clear decision path on the role of LAs in the delivery of UC; and
— lack of detail about how HB is going to be phased out and who will be responsible for the aspects of HB that are not going to be included in the housing element of UC.

Are LAs being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

9. It is simply not possible to answer this question with any degree of certainty. It is still unclear what advice LAs will be providing around universal credit, when from, in what format and what the level of demand will be.

10. Resources currently allocated to processing CTB will generally be utilised to process CTR, but funding allocations are still to be confirmed. Furthermore, LAs are likely to see an increase in the cost of collection and bad debt due to reductions in support provided to the most financially vulnerable members of society. It is impossible to accurately predict collection rates following this magnitude of change, or the increase in resources required to collect the liabilities that would have previously have been covered by benefits.

11. At a time of further cuts to the Administration Subsidy, LAs are faced with, for example, the demands of:

— increased workloads through ATLAS;
— claimant increases due to recession;
— additional face-to-face contact with claimants, landlords and advice bodies to explain current and future changes and;
— increased costs for targeted communications.

12. The benefit of the initial CTR implementation payment of £84,000 to each LA was largely realised in new software delivery; little money was left to address the wider issues of CTR. A small number of LAs were surveyed regarding the impact of CTR as a New Burden, but the Institute believes that the sample size was inadequate and did not provide a clear picture of the wider issues being faced. As a result, it fears that the further funding under New Burdens will not meet full implementation and on-going administration costs.

13. The gradual demise of the HB scheme is another practical problem facing LAs. The DWP should not reduce LA subsidies on a pro rata basis because a core service needs to be maintained right through the process of UC integration. There is significant concern that this will not be fully understood by those managing the real cost of UC introduction.

Are there financial risks to LAs from Welfare Reform changes? Are such risks being adequately addressed?

14. There is no doubt that there are increased risks. These changes could result in significant financial loss to LAs, particularly in areas such as:

— increased council tax arrears;
— increased homelessness levels;
— major demands on social services; and
— increased pressure on frontline LA facilities, if "digital by default" fails in full or in part.

15. The potential loss can be evidenced from information from South Kesteven District Council (SKDC), which holds its own housing stock. Due to the size criteria changes it expects to have to collect an additional £12,000 per week from tenants who probably did not contribute towards their rent before. Collection rates probably will go down. Combined with reductions in support through CTR, benefit capping and increased non-dependant deductions, the amount of money that customers will have available to pay bills will be significantly reduced.

16. Such risks are being addressed by LAs, but they cannot be removed completely. SKDC is working hard to inform residents about the changes and the requirements or commitments they face in the new financial year. It is also working with support organisations and advice agencies to help educate customers and to pick people up as early as possible if they default or show signs of financial exclusion/lack of financial capability.

17. Discretionary Housing Payment policies are being reviewed by many LAs as clearly there will be increased pressures on this fund. The risks to the LA of homelessness costs underlie all of these pressures.

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

18. We have no firm evidence to support the answer to this question, but anecdotal evidence suggests that those going back into work (supported or otherwise by state-led initiatives) remain on welfare benefits, as the level of income available to them is not what it was before. LA caseloads have continued to grow, albeit at a slower rate, but customers are not moving into well paid and secure employment.

What evidence is there that LAs are able to use effectively existing services or contracts for the delivery of new local Social Fund schemes?

19. With regard to two-tier environments, it is yet to be decided how the County Council will allocate this funding. Discussions with district councils and third sector providers would lead one to believe that existing services and contracts are being considered. The effectiveness of any proposed route for service delivery is less clear though. With the exception of Wales, we would suggest that very few authorities are utilising existing services or contracts to administer the scheme in terms of software and processing but there is a link between fulfilment and existing arrangements eg where social services already make use of local charities or vouchers schemes.

20. LAs may be able to use existing arrangements but these are likely to be limited to the area of fulfilment ie once an award has been decided how they actually get the voucher/food parcel/white good to the claimant. This could involve piggy-backing on arrangements social services, in particular, may already have in place.

21. The Institute is impressed by the arrangements made in Wales, whereby the contract for the work was subjected to a competitive procurement and an LA/software supplier/welfare charity consortium was appointed to deliver the work for the whole of Wales, thereby ensuring consistent decision making for all aspects of the process.

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

22. Apart from appeals, LAs will ensure that the delivery to their customers is seamless. Whilst the local authority is processing both elements the customer will not see any change as we would expect most local authorities to continue to process both elements of entitlement at the same time; and a number of claimants do not realise they are claiming CTB as they just think they are claiming their rent. Claims dealt with in an LA benefits office are administered together as the same information is needed for both CTB and HB claims. Claimants will however have to supply the same information separately to DWP for UC and to the LA for the CTR Scheme. When UC is introduced customers will clearly see decisions coming through separately. Depending on the scheme introduced by local authorities, the impact of UC could vary.

23. Regarding appeals, there will be of necessity two separate appeal processes, which will undoubtedly confuse claimants.

24. The real confusion will arise as cases migrate to UC. It will be difficult for claimants to understand why they are still receiving payments from the LA, when neighbours who have "migrated" receive theirs under UC. The potential confusion in this respect should not be underestimated.

How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?

25. The suite of welfare reform changes will put additional pressures on what are already financially vulnerable people. We expect that there will be an increase in customers failing to notify changes to their circumstances or notifying them late. Overpayment levels and, where it can be proven, the amount of fraudulent

overpayments may well increase eg non-disclosure of a lodger when caught by the "bedroom tax", which would mean a further decrease in the level of HB and, possibly, the loss of a single person discount.

26. Currently the verification of an address is within council tax property records; the new system has not revealed how addresses would be verified.

27. Lessons need to be learned by DWP from historic precedent. When the modern HB scheme was introduced in 1982 one of the main drivers was the failure of the then DHSS to properly manage Housing Allowance that was awarded as part of Supplementary Benefit. It did not verify the housing status of claimants and merely awarded a cash sum in addition to Supplementary Benefit entitlement. This problem was graphically revealed with the prosecutions arising from "Operation Major" in Oxford, in which over 200 people were found to be "staying" in the same four-bedded house on the same night. This arose because DHSS did not verify tenancy arrangements for individual claimants. The Institute is not convinced that the arrangements for the housing element of UC will be sufficient to ensure that that type of fraud does not reappear.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

28. No, there is no clear understanding by DWP of the severe difficulties facing both social sector and private landlords. This can be evidenced by the co-ordinated approach of landlords in Northern Ireland, where it is understood the Welfare Reform Minister has conceded on rent direct. If this is so why is this not being accepted in England, Scotland and Wales?

29. The safeguards being proposed are similar to those under the existing HB Scheme where there is a mature relationship between landlords from both sectors and local authorities. The DWP have no intention of developing such relationships; there is no reference to it in their strategic plans for UC. They don't understand the critical nature of the relationship because they have no background in this field whereas LAs and HAs do—and are conversant with the consequences of a breakdown in relationships.

30. Direct Rent Pilots are under way. What has been gleaned to date is that whilst customers appear to be paying their rent, they are not always paying all of it. It is unclear as to how direct payments will work under UC and how responsive the system will be. When the pilot scheme is rolled out elsewhere and includes (non-selected) tenants with multiple and complex needs, it may be more difficult to achieve the results that the pilots report.

31. Local Housing Allowance currently has safeguarding schemes to protect private landlords when tenants are identified as vulnerable, have a history of arrears or in cases where rent is not paid for eight weeks. This system is dependant on a strong working relationship and clear communications between HB Departments and Landlords. It remains to be seen how DWP call centres deal with these incidents and process payment to many thousands of RSL's.

32. LAs have built up strong liaison with landlords and HAs. The protective net developed by that relationship is at risk of being lost. This could have serious consequences for both LAs and landlords. For LAs the failure to pay rent could lead to increases in homelessness, with increased costs falling on the General Fund. For landlords in both sectors, they face serious cash flow difficulties that may result in their withdrawal from the marketplace, thereby putting further pressures on LAs in meeting homelessness duties.

January 2013

Written evidence from Stockton-on-tees Borough Council

1. Introduction

1.1 Stockton-on-Tees Borough Council welcomes the opportunity to submit evidence to the House of Commons Select Committee on the issue of welfare reform. Whilst our reply will address one of the bullet points referenced in your call for evidence, we would like to take this opportunity to draw Select Committees attention to a broader range of housing issues. In particular our concerns relating to:

(i) The under-occupation of social housing which will result in reduced Housing Benefit entitlement for working age adults (as outlined in the DWP published guidance on the size criteria in Housing Benefit/Council Tax Benefit Circular A4/2012);

(ii) The limited ability our partner Registered Housing Providers (RP's) have to help support tenants address this issue (due to the historic make-up of the stock); and

(iii) A local economic climate which limits the ability of tenants to address this loss of income by improving their employment prospects.

2. ???

2.1 The Councils submission has been informed by the views of our "Welfare Reform Project Board" whose membership includes partners from across various local authority service areas as well as representatives from the social Registered Providers (RPs) operating in our Borough and key voluntary/community sector agencies.

In summary, the remit of the Board is to look strategically across services, co-ordinate a strategic response to the welfare reform agenda and identify actions that collectively we can take to mitigate the impact and/or support households at risk.

2.2 To inform its decision making the Board actively gathers views from a range of partners, agencies and stakeholders as well as commissioning research. In this instance our submission to this Select Committee has been informed by research undertaken on our behalf by the Institute for Local Governance (via the Local Authority Research and Knowledge programme). A copy of this report can be provided to the House of Commons Select Committee if required and/or of interest.

2.3 Select Committee are asked to note that Stockton-on-Tees is no longer a stock holding local authority (having undertaken a large scale voluntary stock transfer undertaken in 2010) and as such we are working with a number of RPs to support Housing Benefit claimants.

3. Detailed Submission

3.1 *Under occupation of social/affordable rented housing (and implications for working age adults)*

3.1.1 Collectively we have identified that in the Borough of Stockton on Tees 2,700 households will face a reduction in Housing Benefit due to new rules on "under-occupation" (commonly labelled as the "bedroom tax"), with the greatest impact being felt by families with children.

3.1.2 Research undertaken by the Institute of Local Government has also identified that there will be clear concentrations of under occupied properties across our Borough, making some communities particularly vulnerable.

3.1.3 Tristar Homes Limited (the largest stock holding RP within the borough) has established that:

(i) In the region of 2,010 of their properties are under-occupied at any one time (which equates to around 20% of stock);

(ii) Of these 1,582 are under-occupied by one-bedroom and 428 by two-bedrooms;

(iii) This affects 780 single people (585 by one-bedroom and 195 by two- bedrooms) and 331 joint tenants; and

(iv) Due to the historical nature of the stock (the majority of which was build pre-1980 and is 2 + bedroom) there will be some "hotspots" where the percentage of under occupation will be as high 68%.

3.1.4 Social landlords operating in Stockton have long had an interest in tackling under-occupation and as a result have actively tried to address this issue by encouraging, supporting and/or providing incentives to enable households to downsize. Historically this course of action has been taken in order to address wider housing need issues and specifically the demand for family accommodation. Despite this activity under-occupation remains a significant issue in our Borough. The key reason for this is, not that tenants will not move rather there is a lack of suitable accommodation.

3.1.5 In anticipation of the reduction in Housing Benefit entitlement for social households (of working age) a significant amount of work has been undertaken to identify, contact and support those tenants who are currently under occupying properties. From the contact visits undertaken anecdotal evidence would suggest that a *significant* proportion of tenants will seek to transfer to smaller property. Examples of positive steps that have been undertaken to support tenants include:

(i) RPs have implemented local lettings policies with the intention of ensuring that a percentage of vacant stock is allocated to tenants seeking smaller accommodation;

(ii) Our Tees Valley Common Allocations Policy (which operates across five local authorities) has been reviewed with the intention of awarding additional priority to applicants of working age, with extra bedroom(s) who are seeking to downsize who are of working age and will be subject to reduced housing benefit entitlement levels; and

(iii) RPs are providing a broad range of budget advice and "back to employment" initiatives including work experience and/or training opportunities.

3.1.6 Whilst these steps are positive, our key concern as indicated above is the ability of social housing tenants to move to smaller properties (as explained in further detail below).

3.2 *Mismatch of housing supply vs. demand for smaller properties*

3.2.1 Stockton like many northern local authorities has a "mismatch" between social/affordable housing supply and demand ie 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.

3.2.2 Whilst we have been successful in securing a healthy new build RP over recent years (supported by the Homes and Communities Agency), the majority of the social/affordable stock in the Borough was built pre-1980 and as such reflects demand for larger units required at that time. To put this into prospective, the largest stock holding RP in our Borough has calculated that:

(i) Based on its average turnover of one-bedroom properties, only 37 are likely to become vacant each year. It would therefore take over 10 years to re-house those tenants (of working age) who are currently under-occupying, if all sought to transfer to a property that matched their bedroom requirements.

(ii) The above calculation does not take into account additional pressures placed on this accommodation by new/prospective tenants who also need one bedroom accommodation.

3.2.3 Due to this limited choice, some social tenants may decide to leave social housing and move to smaller private rented accommodation. Our concern in this instance is that rents are generally higher in this sector; this does nothing to reduce housing benefit budgets and may inadvertently impact on the long-term ability of tenants to maintain affordable rented accommodation.

3.2.4 As an enabling Local Authority we are actively working in partnership with RPs to ensure the continued delivery of appropriate, new build housing. We achieve this through the release of land/assets at less than best consideration, by providing financial assistance to RPs and/or securing additional affordable housing via S106 agreements. But clearly there is a time lag in terms of build programmes and whilst these new properties will prove vital, many will not be available to assist those that are seeking alternatives when the under-occupation welfare reforms come into play.

3.2.5 The reality is, that without a massive new build programme, our RP partners will not have sufficient homes to accommodate those seeking to downsize or those on the housing register seeking this form of accommodation. On this basis the assumption made by DWP that the issues of under occupation can be addressed by RPs if they *"make better use of their available housing stock, better matching the size of accommodation to the needs of tenants in the social sector"* is simply inaccurate. To evidence our statement, currently only 8.2% of affected housing stock in the Borough (across all tenures) is 1 bedroom, this severely limits opportunities for tenants to move into alternative properties to resolve under occupation.

3.3 *Future housing need and demand*

3.3.1 In accordance with CLG Guidance, the Council carried out a Strategic Housing Needs Assessment during 2012. In summary, this study highlighted that there is a net annual affordable housing requirement in the Borough of 561 units per year and of these 466 (83%) are for smaller one to two bedroom units. Faced with the current stock make up this current "mis-match" of supply and demand in our Borough will inevitably continue well into the future.

3.4 *Risks to our RP partners*

3.4.1 RPs within our Borough have advised that their Boards consider that welfare reform changes will potentially place a major risk on their current business objectives (via the potential for increasing rent arrears and bad debts and higher costs of collection), resulting in a negative impact on cash flows and on future funding arrangements.

3.4.2 One of the key issues they have raised is the automatic withdrawal of *direct payments* of rents to landlords. On this basis we do not consider that there are sufficient safeguards to protect social landlords from financial harm, we would urge Select Committee to do what it can to influence the time period down from the suggested eight week limit (of rent arrears).

3.4.3 As noted previously we rely on our RPs to support the Council in delivering new affordable housing in our Borough and are concerned that any negative impact on RP Business Plans will inevitably limit their ability to fund the delivery of new build housing programmes. Thereby directly impacting on their ability to address both under-occupation and future housing need.

3.5 *The potential impact of these reforms on social cohesion and "de-stabilising" local communities*

3.5.1 Looking to the future, partners on our Welfare Reform Board have highlighted a range of potential implications relating to restrictions in Housing Benefit (for working age adults) that potentially will have a negative impact on our local communities. For example:

(i) Faced with the potential of "no" demand for larger properties, then RPs are likely to be faced with the decision of leaving properties vacant rather than let to tenants who are under-occupying. Clearly this option is in nobody's interest, it has a negative financial impact on the rental stream for RPs and local communities will be left with empty properties which by their very nature have a destabilising impact and can attract anti-social behaviour. Just as significantly this option does little to support the Governments broader empty homes agenda.

(ii) Alternatively, should all properties be let to maximise occupancy this is likely to result in a significant presence of children on an estate. This may indirectly result in additional housing management pressures for RPs.

(iii) As highlighted previously there are "pockets" (estates) across our Borough that will be severely affected by the under occupation. To provide one example of this there is an estate in our Borough where 41% of social housing units are under-occupied. However as there are no one-bedroom properties on this estate, to downsize tenants will have no option but to move off the estate (regardless of their family ties etc).

3.6 *Awareness raising*

3.6.1 Information provided to the Council by a number of community/voluntary sector and advice agencies strongly indicates that amongst those groups affected by impending under-occupation changes there is not a full understanding of the implications of these reforms (despite the series of home visits, contact letters and publicity campaigns undertaken). We are very concerned that those who will be affected are un-prepared for the reduction in benefit, we anticipate rising debt levels amongst claimants and as a consequence fear for both individual and community resilience.

3.6.2 In order to address this at a local level much has and will continue to be done (by a range of partners) to ensure appropriate advice services are made available both now and at the point that the welfare reforms impact. However we are concerned that despite our collective efforts it will still be difficult to met anticipated demand for advice services after the introduction of these major reforms. We are concerned that demand for advice services will come at a time when our partners in the voluntary and community agencies are experiencing diminishing resources. As such we would encourage Select Committee support the funding of additional publicity campaigns and funding for what will no doubt be "stretched" advice services.

3.7 *Implications for separated families*

3.7.1 We are extremely concerned about the impact of "spare" bedrooms on those parents who have children visiting/sleeping over at weekends as part of shared parenting arrangements. If parents are unable to provide suitable sleeping facilities for their visiting children this may ultimately result in loss of contact or further family breakdown.

3.8 *Indirect impact on "homelessness"*

3.8.1 One of the specific concerns of the Council is the impact that changing allocations policies may have on our ability to assist homeless households which the Council has a duty to secure suitable accommodation. Whilst we appreciate why RPs will in future, be unwilling to let properties to households in housing need if these properties are deemed "too large" for their needs, these applicants will inevitably face a longer wait for suitable accommodation and potential longer stays in temporary accommodation.

3.8.2 In addition to the above, we are also concerned (as highlighted previously) that the "bedroom tax" may result in increased rent arrears and the potential for increased numbers of evictions. Research carried out by Cambridge Centre for Housing and Planning Research "Under-occupation and the new policy framework" (December 2011) established that tenants themselves are also concerned about the potential of falling into rent arrears with 52% of those surveyed indicated they would find it "very difficult" to make up the shortfall, while a further 31% said it would be "fairly difficult".

3.8.3 Should the number of evictions increase this will inevitably result in a rising demand for homeless/housing advice services (services which are already stretched), placing increased demand on costly temporary accommodation provision.

3.9 *Anomaly between Government affordable housing policy*

3.9.1 As stated on a number of occasions in our submission, our collective ability to address under-occupation in the social housing sector is severely hampered by a lack of smaller properties. If we are to adequately address this issue then it is vital that smaller, alternative accommodation (specifically one bedroom units) are built. However at this present time, despite our clear priority for such units the Homes and Communities Agency does not consider this form of accommodation to be sustainable in the long-term and as such has a clear preference for funding the development of two- bedroom properties. In light of the mismatch of accommodation in our Borough we would ask that Select Committee consider this conflict of policy.

3.10 *Supporting tenants back into employment/or improving employment prospects*

3.10.1 Much is being done at a local level (through a range of national and local initiatives) to support local residents back into employment, for example:

— DWP European Social Fund Support for Families with Multiple Problems—a programme targeted at families with multiple problems overcome barriers to employment. In Stockton, Five Lamps (a local charitable organisation) is delivering the FamilyWise provision on behalf of the Wise Group who secured the regional contract. On a payment-by-results basis, the project aims to move members of families they are working with closer to a point where they are ready to apply for work and to secure sustainable employment.

- — The Get On in Life (GOIL) Project—a partnership managed by the Council's Integrated Youth Support Service (IYSS) which delivers support to targeted and vulnerable groups of young people aged 16–19 helping them into Employment, Education and Training (EET). The project is ESF/Co Financed funded and is into its fourth year. Delivery partners include IYSS, Five Lamps, Nacro, Tees Achieve, A4e, Stockton Riverside College and Know How North East.
- — Targeted Youth Support—A team of youth workers, targets vulnerable groups via street based work within local communities and hot spot areas.
- — A range of training and supporting initiatives run by our local RPs—providing support directly to their tenants, enabling tenants to access or re-enter the employment market.

3.10.2 However, despite the activity detailed above the economic situation in Stockton remains challenging, recent announcements include for example; 525 jobs losses via the closure of Direct Line Group/Churchill Insurance office by June 2013. This news was closely followed by another announcement by Firstsource which will result in the further loss of 500/600 jobs across our sub-region, with the closure of two of their local offices.

3.10.3 Locally the job market remains "tough". Subsequently many tenants ability to address reductions in housing benefit by securing and/or improving their employment prospects is very limited. As at October 2012 information provided by Job Centre Plus indicated that there are 5.2 jobseekers chasing every vacancy in our Borough.

4. Conclusion

4.1 The Government has made it clear that the two key reasons for the introduction for the size criteria/limitations in housing benefit entitlement in the social rented sector are to reduce expenditure on Housing Benefit and the desire to secure behaviour changes amongst social housing tenants (DWP Impact Assessment, 16 February 2012). Our key concern, is with only limited housing options (and in many cases "no" options) then tenants will not be able to choose to move to smaller accommodation and will inevitably face financial hardship which they are unable to address. On this basis we would ask that Select Committee consider what options that Government may have available in order to assist us mitigate this issue.

January 2013

Written evidence from New Policy Institute

Introduction

1. This submission from the New Policy Institute (NPI) is in response to the Committee's inquiry into the implications of welfare reform as it affects matters in the remit of DCLG. Our remarks are restricted to the implementation of council tax support (CTS).

2. NPI has studied council tax and council tax benefit and how they might be reformed on a number of occasions since 1998. As English local authorities began to consult on their proposed CTS schemes for working-age households in the summer of 2012, we began to record and analyse those proposals. Over the last four weeks, we have switched our attention to the councils' final decisions. As these decisions are taken, we are reporting and analysing them online, at counciltaxsupport.org. The knowledge we have gained both from the consultation round and subsequent decisions form the basis of our submission.

3. Our submission relates to three of your questions: (a) the timetable for implementing CTS; (b) the adequacy of resources allocated to local authorities to deliver CTS; and (c) the financial risks to local authorities as a result of CTS.

Evidence

4. Between August and October 2012, we examined the CTS consultation proposals of some 150 English local authorities. By far the most common change proposed compared with CTB was to stop assessing people on 100% of their council tax liability. Around two thirds of councils considering this option proposed to assess people on 80% of their council tax liability. The lowest proportion a council consulted on was 65% of council tax liability. The highest proportion was 95% proposed by a handful of councils. One council also proposed to cut CTB amounts not by reducing council tax liability by a proportion, but by reducing the amount of CTB people were entitled to by £5.

5. Councils also looked at a range of other changes usually in addition to reducing the assessed amount of council tax liability. The most common proposals included:

- — a band cap[44] (most commonly at band D) suggested by around a quarter of councils;
- — lowering the savings cap (typically to £6,000) suggested by around a quarter of councils; and

[44] Council Tax varies by the value of the property. The lowest value properties (band A) have lower council tax than the highest properties (band H). A band cap involves councils limiting the amount of benefit received in higher value properties to the amount provided to those in lower value properties.

— reducing or removing the second adult rebate[45] suggested by around two fifths of councils.

6. At the consultation stage it appeared that around a quarter of councils were considering making no change to the Council Tax Benefit system, at least for the year 2013–14.

7. On 16 October, Government announced that a transitional grant would be made available for the year 2013–14 to councils whose proposals met certain criteria. Chief among these was the condition that nobody who currently receives full CTB should pay more than 8.5% of their full council tax liability. This means that people benefit entitlement would have to be assessed on at least 91.5% of their council tax liability.

8. Our review of the consultation proposals showed that very few schemes were close to this. We were not aware of any suggesting a change of 91.5% and fewer than 10 councils were proposing anything at or above 90%. So in order to qualify for this grant most councils would have to move away from the schemes on which they had consulted. A band cap, a savings limits lower than £6,000 or a taper above 25% would also make a scheme non-compliant. By contrast, the removal of the second adult rebate would not render a scheme non-compliant.

9. Turning to what councils have actually decided to do, table 1 outlines the CTS schemes for 55 councils that have announced to date and for which we have the requisite details. As well as those where a final decision has been taken by full council, this group includes those where cabinet has made a clear recommendation to council. The key point from this table is that no fewer than 21 of the councils shown have adopted a scheme in which maximum benefit entitlement is reduced by 8.5% (ie people will be assessed on assessed at least 91.5% of their council tax liability).

10. Table 1 shows that of the councils that have decided on their scheme so far many are rejecting the funding and introducing a minimum payment of 20% of Council Tax liability or higher.

11. We have also found in our research that many of the councils that were expecting to have made a decision by late November or early December have had to postpone their decision in order to take into account the new situation following the announcement transitional grant.

Conclusions

12. On the basis of our research, we draw three conclusions which we believe are relevant to the Committee's inquiry.

13. First, the conditions that had to be met in order to qualify for transitional grant constituted a CTS "scheme" that was far removed from what almost any council itself had envisaged when it went out to consultation. To introduce such conditions so late in the process, towards or even beyond the end of councils' consultation period, can only have had an adverse impact both on the timetable and resources for implementing CTS. Council minutes contain plenty of complaints at this belated introduction of Government-approved "conditions". Despite all this however, a sizeable minority of councils have decided to amend their schemes so as to conform to those conditions: their significance cannot be overstated.

14. Second, few councils have been able to extend their consultation to collect residents' opinions on whether their scheme should be compliant with these Government conditions. The consultation process, which (we understand) has in general had seen a very limited response, has therefore been even less adequate as an exercise in democracy. If the way in which consultation has been conducted leaves councils open to challenge, councils may face financial risks too.

15. Third, councils that have changed their scheme so as to qualify for the transitional grant face uncertainly over how to arrange their scheme in the year 2014–15. This uncertainty applies to residents and also to the advice organisations who, instead of having to master one national scheme, now need to be expert in 326 different ones, many of which may change again in 12 months' time.

[45] Under CTB homeowners not on a low income are entitled to some benefit if they share their home with someone on a low income. This entitlement could be removed or reduced.

Table1

COMPONENTS OF CHOSEN SCHEME KEY

A-make no change from CTB system; B-minimum CT payment, B1-how much?; C-lower savings cap, C1-to what; D-counting other benefits as income; E-remove/reduce second adult rebate; F-increase non-dependent deductions, G-band cap, H-minimum CTS payment, H1—how much?, I-change income taper, I1-to what?; J-reduce/remove back dating; K-change conditions related to starting work; L-hardship fund; M-specifying vulnerable group to be protected.

Local Authority							*Components of chosen scheme*												*Eligible for grant*
	A	*B*	B^1	*C*	C^1	*D*	*E*	*F*	*G*	G^1	*H*	H^1	*I*	I^1	*J*	*K*	*L*	*M*	
Northumberland	X																		Yes
North Tyneside		X	20%				X	X											No
Copeland	X																		Yes
Eden	X																		Yes
Bolton		X	8.5%	X	£6k	X	X		X	D	X	1			X				No
Wyre		X	8.5%																Yes
North Lincolnshire		X	8.5%														X		Yes
Harrogate	X																		Yes
Calderdale	X																		Yes
Erewash		X	8.5%																Yes
Blaby		X	8.5%				X						X	0.25			X		Yes
Charnwood		X	8.5%				X										X		Yes
Harborough		X	15%				X	X	X	D							X		No
North West Leicestershire		X	8.5%				X										X		Yes
Broxtowe	X																		Yes
Herefordshire, County of		X	8.5%				X												Yes
Telford and Wrekin		X	21%-25%	X	£6k		X				X	£2.50 pw			X		X	X	No
East Staffordshire		X	25%	X	£10k			X	X	D									No
Rugby		X	15%				X				X				X				No
Stratford-on-Avon	X																		Yes
Coventry	X																		Yes
Solihull	X																		Yes
Worcester	X																		Yes

Local Authority	*Components of chosen scheme*																		*Eligible for grant*
	A	*B*	B^1	*C*	C^1	*D*	*E*	*F*	*G*	G^1	*H*	H^1	*I*	I^1	*J*	*K*	*L*	*M*	
Wyre Forest		X	8.5%								X	5							Yes
Castle Point		X	30%	X	£6k	X	X	X	X	D					X		X		No
Chelmsford		X	20%	X	£6k		X	X	X	D									No
Harlow		X	24%	X	£6k		X		X	H									No
Tendring		X	10%			X	X	X											No
Watford	X																		Yes
Broadland		X	25%																No
Mid Suffolk		X	8.5%				X												Yes
City of London	X																		Yes
Southwark		X	15%				X												No
Tower Hamlets	X																		Yes
Wandsworth							X								X				Yes
Bexley		X	15%												X		X	X	No
Merton	X																		Yes
Reading		X	15%	X	£6k		X										X		No
Aylesbury Vale		X	10%	X	£6k			X									X	X	No
Dover		X	5–6%				X												Yes
Gravesham		X	8.5%																Yes
Maidstone		X	8.5%																Yes
Sevenoaks		X	8.5%																Yes
Thanet		X	5.5%				X												Yes
Tonbridge and Malling		X	8.5%																Yes
Tunbridge Wells		X	8.5%																Yes
Elmbridge							X		X	D					X				Yes
North Somerset		X	22%																No
Wiltshire		X	20%	X	£10k		X	X					X	0.15	X			X	No
North Devon		X	25%	X	£6k		X		X	D						X	X		No
Teignbridge							X												Yes
East Dorset		X	8.5%																Yes
Cotswold	X																		Yes
Gloucester	X																		Yes
Tewkesbury	X																		Yes

January 2013

Written evidence from West Midlands Metropolitan Council (Collective)

A COLLECTIVE RESPONSE FROM WEST MIDLANDS METROPOLITAN COUNCILS

BIRMINGHAM CITY COUNCIL, COVENTRY CITY COUNCIL, DUDLEY MBC, SANDWELL MBC, SOLIHULL MBC, WALSALL MBC, WOLVERHAMPTON CITY COUNCIL

Q.1 *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

It is difficult to quantify how well the two departments are working together. There has been little evidence to date to demonstrate that the two departments have effectively cooperated and worked in partnership on Welfare Reform in general. Maintaining the separation of Council Tax Support from Universal Credit has probably not helped. Whilst DCLG concentrate on localisation of council tax and the Local Government Finance Bill, DWP concentrate on Universal Credit and other welfare reforms. Much of the success of implementing welfare reform is attributable to the determination of effort of local authorities. , Continued assistance, joint working and wealth of all round benefits and welfare experience will support progress. The two Central Government Departments have acknowledged the invaluable input from local authorities to help formulate policy and transform this into practice.

Q.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 to LAs in how they should implement Government cuts has been limited. Some of the material provided by DWP for the first round of cuts in April 2011 did little to support LAs. Some of the material made available to LAs for implementing significant cuts to people's benefit was not fit for purpose. It indicated a lack of understanding of the magnitude of the changes or a disregard for what LAs had been tasked to do.

The guidance on how to implement welfare reform is only as good as the core information being communicated in respect of the various reforms being introduced. In this respect LAs have found it very difficult to obtain information regarding many of the reforms:

- there has been very little information feeding through in respect of Universal Credit (UC) and the practical implications for LAs. Whilst April and October 2013 loom even closer, there are still many details one would hope and expect to be in place and communicated by now.
- Changes to the social fund appears little more than an afterthought for DWP. The process of engaging with LAs to prepare for the transfer of this function commenced far too late. DWP have been reluctant to provide detailed information about the delivery of the current social fund. This has placed LAs 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.
- Guidance on the localisation of support for council tax (CTS) has been rushed—the secondary legislation is not in place and LAs are having to submit schemes for Council approval when there still remains a lack of clarity regarding the prescribed requirements—not least the appeals process for CTS. Equally it is unclear as to how local schemes should/could treat UC given that no one, and this includes DWP regional staff, appear to fully understand how UC will be delivered in practice.
- Compounding the CTS issue further is the announcement, at the eleventh hour, of transitional funding for schemes that meet DCLG requirements. Why was this funding not announced at the beginning of the process so that LAs could have factored this into their decision-making processes?
- The level of information on very practical issues for LAs remains very light in other important areas. How will claims for specialist accommodation and pensioners be administered? Regardless of what guidance is available LAs are in an impossible situation without the provision of the appropriate core information. There is a real danger that the effective management of LA benefit services over the coming years becomes entirely unrealistic with such conflicting priorities, additional pressures and little clear understanding of what level of resource will be required and sustainable.

Q.3 *Is the Government's timetable for implementing Welfare Reform achievable?*

The timetable for the various aspects of welfare reform is extremely challenging. As always, Las will endeavour to meet their responsibilities and achieve workable solutions by the deadline dates. However customers will be adversely affected by the unrealistic deadlines—a fact opening acknowledged by DWP staff at high profile national conferences. There remains concern in Las concerning online applications for UC. Even if the projected 80% of claimants will manage the transition well—there remains little information about how the other 20% of customers will cope. LA experience suggests that this group of customers result in a much higher proportion of the problems encountered.

No slippage appears to have been built into the process to allow for the customer aspect of this change. From a LA perspective, there are significant concerns about implementation of local welfare assistance (ex Social Fund) and CTS implementation (including recent, unexpected changes to LA funding). In addition, it is reported at a recent work and pensions select committee meeting that there were "late changes and lingering loose ends" in relation to UC implementation and that the real time interface between HMRC & DWP (upon which so much depends) has still not been tested with real cases.

There remain very real and practical concerns about meeting the specific aspects in UC relating to Housing costs (the HB element). Information relating to residence, rental liability and payment is a complex area. Typically, it takes around six months to train a Benefit Officer in a Local Authority. When the further complications of direct payment in arrears to individuals (rather than landlords) are taken into account, it seems highly unlikely that these aspects will be deliverable on time. Given the huge efforts which DWP and LAs have taken to reduce fraud and error over the years, this appears to be a particular area of high risk.

Q.4 *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

The new burdens grant to assist in the implementation of a Local Council Tax Reduction Scheme was received from Communities and Local Government in April 2012. However the amount received has been mainly accounted for with the cost of new software from the major software suppliers.

In addition to core system software costs, authorities have also needed to invest in financial modeling tools to estimate the affordability of local schemes. The process of implementation includes consultation, design, policy development, staff training, stakeholder awareness, local authority governance, customer documentation and publicity. The significant resource required to achieve implementation has not been compensated for by the issue of the new burden grant, most local authorities have attempted to carry out these tasks using existing resource in an environment of increasing demand. Late notification of legislation and support surrounding this issue do not help.

Enquiries prompted by wider welfare reform issues have increased the workload of customer facing staff. No allowance has been made for the impact that the impending introduction of Universal Credit is having on the volume of enquires being received by local authorities. Significant local authority resource is now involved in preparation for Universal Credit and the wider welfare reform programme.

The set-up costs for the Social Fund implementation is a further example of LAs having to fund new responsibilities with insufficient funds. LAs received 1% of programme expenditure for this—in most cases this would be needed for IT set-up costs alone. No allowance has been made for the considerable investment councils are providing in terms of staff time to prepare, and further costs attributed to staff recruitment, training and equipment.

In summary there is not sufficient resource in place to maintain normal daily activities as well as preparation for the significant changes.

Q.5 *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

There are a number of financials risks to local authorities from Welfare Reform changes.

— Administrating changes to benefit. Although Universal Credit will reduce the cost of administrating the benefits system, councils are still dealing with really complex changes in the meantime with reduced administrative funding.

— Housing Benefit reform is being managed alongside "business as usual". This involves moving resources from the benefits processing into project work or dealing with additional customer enquiries. There is very limited funding available to use agency staff. Councils face huge challenges to clear work outstanding against such pressures. The existing DWP subsidy scheme penalises councils for delays in processing work.

— CTS passes all of the financial risk to LAs for rising caseloads. If a large employer closes in any area the additional cost of supporting these customers will have to be met locally. The rising pensioner population who have to be protected on the same benefit levels provide a further financial pressure.

— Staffing Risks—councils are still not clear about the long term implications for local authority staff. They are not in a position to cope with workloads if staff start to leave and go elsewhere due to the uncertainty of the future. There is no clarity on whether TUPE will apply or who will meet redundancy costs.

— It makes sense that LAs play an on-going role in the delivery of UC. Information about UC is useful for other areas of welfare support that the LA will continue to administer—fairer charging, Local Welfare Provision, LCTS and residual HB. However it is unclear if LAs will be funded to deliver this service.

— Impact on collection of income for both Council Tax and Rent. Both of these payments will be harder to collect, due to reducing household income and paying benefit direct to customers.

Q.6 *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

Q.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? Informal feedback from, and discussion with neighbouring councils suggests that LAs will be able to use some existing services or contracts to deliver the new Social Fund or build on existing services and contracts. At present LAs are gathering information about existing services and suppliers and meeting with them to discuss provision. Hard evidence has yet to be established?*

In relation to items/issues under the Crisis Loans element of the Social Fund which will devolve to LAs:

— Section 17 and Children at risk arrangements will continue as now.

— Councils are identifying Food Banks and other emergency food provision in their areas, and making contact with providers to establish exactly what they provide and when. However, there remain question marks around the capacity of some voluntary organisations to fully meet on-going needs.

— There are several large suppliers of furniture who work across large parts of the West Midlands with whom councils already have funding and/or supply arrangements in the event of a household disaster.

In relation to Community Care awards:

— There are several large suppliers of furniture with whom councils already have funding and/or supply arrangements. These arrangements can be extended to include provisions for the basic needs in a new home for people leaving care or other statutory accommodation provision. These suppliers may also supply individual items of furniture.

— Existing purchase schemes could be utilised to obtain other household items if required as well as travel expenses.

— Essential emergency home repairs may be carried out by existing Handy Person schemes and/or LA housing service providers.

Q.8 *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

It is difficult to address this question in isolation and in advance of the separation. There are a number of other welfare reforms which are coming into play which will affect customers both financially and in terms of their overall understanding of the changes occurring such as:

— Council Tax Support—many citizens will be faced with a bill for council tax which they may not have ever had before.

— Social sector size criteria—a potential 14 or 25% reduction in HB for reasons often beyond the control of the tenants. There are few viable options to alter their tenancies in the time available or due to the fact that there are no suitable housing alternatives in terms of downsizing.

— The benefit cap—significant reductions in the amount of money available to pay rent.

— The onset of Universal Credit—major concerns exist around direct payments and payment in arrears. And equally vital, what is in and what is not, when it starts and who is affected and what people have to do.

Overall there is a significant level of concern and confusion amongst our customers about the future of the welfare reforms. The number and nature of those changes is adding to this. It is difficult enough for the professionals in this field to keep a handle on all of the changes, claimants have little or no chance of doing so. The result will inevitable be a huge backlash of concern from those individuals affected from April 2013 onwards if not before. The ever shrinking third sector and local authority advice agencies and facilities will add to this as people look to these for assistance and it not there.

Q.9 *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

One of the clear benefits of LAs administering housing benefit is the application of local knowledge in preventing and detecting fraud. Increasingly there are signs that the benefit of local knowledge has been overlooked in the development of UC and the decision to centralise the administration of fraud under SFIS. There are signs that DWP have underestimated the complexity of housing costs administration. Housing benefit fraud is more complicated than whether someone is not declaring income or a partner—the rental liability element of housing benefit means that local knowledge is not only useful in detecting fraud but also in discouraging and actively preventing fraud from entering the system—much of the potential fraud unearthed by local authorities through the application of local knowledge is not quantified and often this is work carried out by assessment staff rather than fraud staff. With the centralised administration of UC how will DWP ascertain whether someone has a commercial liability to pay rent for example?

Equally the role of social landlords should not be overlooked. Benefit services work closely with partners in the social housing sector and neighbourhood offices provide a valuable stream of information in respect of claim-processing and fraud prevention. These local synergies will be diminished when housing benefit is absorbed by UC. Direct payments to tenants will also limit the provision of information coming from the neighbourhood offices of social landlords as they are less likely to be aware of which tenants are receiving benefit, how much they are receiving and what their declared circumstances are.

In terms of what measures are being taken to address it, fraud teams, like benefit services generally, are existing day-to-day trying to reconcile depleted resources with increasing demand. With the pending implementation of SFIS there is a distinct feeling of uncertainty about the operational impact on fraud services from April 1 and how they will balance the demands of LA employers with the objectives of the national SFIS policies.

Q.10 *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

We echo the concerns of CAB & many other organisations regarding this and await the outcomes of Demonstration Projects with interest. It is very clear from close liaison work with Social Landlords, that the planning and implementing the changes is very resource intensive. Collecting small amounts of rent from some working age people (for the size restrictions) is already making significant demands on RSLs. Resources which may have been used in other ways to support tenants are now being used to collect rent. It is interesting to note that in Northern Ireland, implementation of UC has been delayed until April 2014 and direct payment of rent to landlords will continue.

January 2013

Written evidence from the London Borough of Hackney

Executive Summary

1. Hackney is a densely populated inner London borough and is one of the capital's most vibrant cultural and creative places. It is a young borough home to people from many different backgrounds. It has the second highest number of people living in poverty in the country although no areas are particularly poor or wealthy.

2. The Council recognises the need for reform of welfare provision, and recognises that the key route out of poverty is employment. Therefore we support the principles of simplification and of making work pay. However, for the reforms to be most effective they must work in balance with reform of affordable housing provision and to the growth of the local economy.

3. The Council is concerned that the implementation strategy and timetable are not flexible enough to allow for vulnerable households to be protected and supported in anything but the very short term. A more considered approach should be taken. Specifically:

(a) Government should rethink its communication strategy. Emphasising extremes out of context only leads to stigmatisation.

(b) Government should be prepared to reconsider the reform timetable to reflect the locally identified concerns and to protect the most vulnerable families from acute poverty.

(c) Government should consider potentially delaying the implementation of those aspects of the welfare reform agenda that are subject to a lack of clarity to allow time for local authorities to properly put in place provisions to assist vulnerable households.

(d) Government should build pauses into the roll-out timetable to allow for a considered assessment of the impact of the reforms and their wider consequences to the community and on overall spending.

(e) Government should consider the costs of implementation to local authorities across the board, to allow for a holistic approach. This would also reduce costs, as a potential duplication of local provision is avoided.

(f) Government should offer additional incentives to Welfare to Work scheme providers to take on and support applicants who are particularly adversely impacted by the reform programme. Where access to a scheme is not available or it is unreasonable to expect the applicant to accept a placement, the household should be transitionally protected from the cuts in welfare support.

(g) We believe that the option to have the housing support payments paid direct to the landlord should remain for Registered Providers and Council tenants.

Introduction

4. The London borough of Hackney is one of the most diverse communities in the UK, with a population in excess of 246,000, nearly half of whom are from BME communities speaking 118 community languages. It is also among the most deprived, with 19.3% of the population receiving key out of work benefits. Additionally, Hackney has high levels of residents with mental health issues (eight times the national average) who need extra support, and has problems with digital exclusion; research indicates that 26% of the Hackney population have never used a computer/smart phone.

5. The Government's welfare reforms will impact on over 44,000 households in Hackney, with reduced payments for the majority. The benefits cap alone affects 1,067 households in Hackney.

6. The Council has a key role in communicating the extent and impact of the welfare reforms to residents and, where possible, assisting those households most adversely affected. However, this role is hampered by a lack of clarity over the numbers affected, particularly those who are impacted by more than one reform.

7. Additionally, placing the reforms in a "strivers vs. skivers" context is counterproductive, with some affected households reticent to fully engage for fear they will be labelled as "scroungers".

8. Government should rethink its communication strategy. Emphasising extreme instances out of context only leads to stigmatisation.

Implementation of Welfare Reform

9. Whilst we support the aims of a simplified welfare support scheme and of making work pay, the Council remains apprehensive that the way the welfare reform is being implemented will lead to greater confusion, increase hardship and will effectively reinforce some of the barriers to work.

10. Using the questions identified within the call for evidence as a template, we have outlined our concerns below:

11. *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

12. The Council has taken every opportunity presented to it to engage with the Department for Work and Pensions (DWP) and the Department for Communities and Local Government (CLG) on the implementation agenda. Officers are actively participating in DWP/CLG working groups at both a strategic and operational level. However, despite this engagement the valid warnings expressed by local Government are not being reflected in the implementation policy.

13. This is particularly true where local Government representatives raise issues related to the backdrop to the reform programme; the acute shortage of affordable accommodation in Hackney (and across London), the level of financial exclusion faced by welfare benefit recipients, the extent of digital exclusion, the contraction of advice services etc.

14. The Council is concerned that by not engaging in a genuine dialogue on implementation, opportunities to mitigate the impact on vulnerable households are being lost.

15. Central Government should be prepared to reconsider the reform timetable to reflect locally identified concerns and to protect the most vulnerable families from acute poverty.

16. *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?*

17. Much of the guidance received from Central Government was delayed or incomplete. The delays have been a driver in increasing costs by preventing meaningful discussion with local stakeholders on design and delivery.

18. There are a number of technical aspects of welfare reform implementation that have yet to be revealed to Local Government, for example, funding for temporary accommodation, support for those unable to access support online, clarification on the direct payment exceptions, confirmation of exempted supported accommodation, confirmation of the impact on passported benefits, uprating arrangements etc.

19. Even where guidance has been issued, there are continuing concerns over the sharing of data to aid local authority planning, for example, sharing data on social fund applications at the time of transfer, extending access to the Customer Information Service etc.

20. These issues directly affect the Council's ability to prepare the community and to ensure that the transition is carried out in a timely manner with minimal disruption. Government should consider delaying the implementation of those aspects of the reform agenda that are subject to a lack of clarity to allow time for local authorities to properly put in place provisions to assist vulnerable households.

21. *Is the Government's timetable for implementing Welfare Reform achievable?*

22. Local Government is charged with implementing the reforms against a background of significantly reduced funding. Central Government continues to pursue an extremely testing timetable, despite delays in issuing guidance and the growing concerns of welfare organisations and social housing providers. The Council believes that pressing ahead without due regard to these legitimate concerns will disproportionately impact on the most vulnerable within the community. Time is needed to properly research and put in place workable proposals to support households in reducing their welfare support footprint.

23. In implementing a number of reforms within the same timeframe, the Government has not allowed for the opportunity to identify unintended consequences. There may be hotspots linked to individual aspects of the reforms that are centred on particular communities or socio-demographic tranches, each requiring specific local responses. By undertaking a raft of reform at the same time, the causational link is not as clear, potentially leading to an ineffective response.

24. Central Government should build pauses into the roll-out timetable to allow for a considered assessment of the impact of the reforms and their wider consequences to the community and overall spend.

25. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

26. Government has been inconsistent in its approach to transitional funding arrangements:

(a) For localised Council Tax, set up and administration costs are based on current spend, underpinned by a distribution based on caseload.

(b) Set up and administrative funding for local crisis support has been based on previous expenditure adjusted to account for speculative savings to be accrued from a localised delivery.

(c) Funding of local activity arising out of the benefit cap has yet to be discussed in any meaningful way.

27. These methodologies take no account of the profile of the local population, geographical costs and assume that local authority administration costs are analogous to those of central Government. However, local authorities cannot generate the same economies of scale. They also have responsibilities to local suppliers.

28. The Government has significantly increased the Discretionary Hardship Payment funding and this is to be welcomed. However, even this larger pot is insufficient to prevent an increase in families presenting as homeless as a consequence of the reforms.

29. Government should consider the costs to local authorities of all welfare reform implementation, and not piecemeal separated into individual silos. This would reflect the strategic approach being taken by local authorities and allow for a holistic methodology. This would also prevent potential duplication of local provision, reducing costs.

30. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

31. Central Government has assured local authorities that costs will be met from new burdens funding, but only for those costs arising *directly* from provision of services. The reform package has considerable impact on Hackney's ability to maintain service delivery in areas linked to the implementation; such as dealing with increased telephone queries and footfall through council offices and the greater demand placed on services that deal with vulnerable households, which will place additional pressure on stretched budgets.

(a) *Direct cost outwith new burdens funding*—The costs associated with the new burdens are substantial. Universal Credit has clear implications for Hackney services, not withstanding the need for clarification of the frontline role that local authorities will play. Ending Housing Benefit (and the linked introduction of Housing Credit for Pensioners) will lead to redeployment or redundancies. There is an ongoing requirement to administer the local Council Tax Support new local crisis support scheme. However this transition is not straightforward as the projected timetables are out of synchronisation. Consequently, Hackney could need to **increase** its benefits capacity in the short term.

(b) The digital by default requirement will also have a direct impact on Hackney's Customer Services. Whilst the Government have indicated they will provide support for those without immediate internet access through Jobcentre Plus, there will be an influx into council public areas by residents looking for assistance. People will go to places that they are familiar with, and not all UC applicants are necessarily familiar with the Jobcentre.

(c) There are direct costs related to other areas of welfare reform. Whilst provision is being made for implementation and design costs of the local council tax support schemes, there are additional operational and administrative costs arising from designing the new scheme and reduced collection rates resulting in additional recovery costs.

(d) In a similar vein, replacing the discretionary Social Fund is an entirely new burden on the Council. Even if we accept Government assumptions that cost could be offset by aligning with current local authority provision, there are additional transactional costs associated with one-off and emergency payments.

(e) *Indirect impact of the welfare reform programme*—The welfare reform programme will see a significant level of direct financial support leaving the borough. The cuts in welfare benefit will increase mobility around the borough and beyond, which affects social cohesion. This will impact on all areas of the Council that provide support to vulnerable households, for example;

(f) An increased demand on Adult Social Care services as benefits are reduced, particularly amongst those with mental health issues

(g) As families become increasingly mobile, there is a long term impact on planning for school admissions. Linked to this, schools in more affordable catchment areas will be significantly oversubscribed, and potentially have an increasing proportion of SEN pupils.

(h) Issues related to gang activity could be exacerbated as young people relocate to new areas populated by rival gangs.

(i) There will be a significant call on Homelessness services as a consequence of the benefit cap. Procuring temporary accommodation and placing families within the private sector will be much more difficult due to reduced support for housing costs.

32. These more indirect costs are currently outwith the new burdens funding scheme. We would urge Central Government to take a more holistic viewpoint and consider the costs of implementing the reform programme in the wider context.

33. *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

34. The main solution for households adversely affected by the welfare reforms is to move into work, and the Council is making special efforts to help these households to access work through our "Ways into work" programme or through working with the local Jobcentre Plus. However, recent reports on the programmes have suggested that they are falling short of targets. With increased demand arising from welfare reform, there are concerns that more vulnerable households, who are generally furthest from the workplace, will be less attractive to scheme providers.

35. These families, who are largely the hardest hit by the reforms, require not only support to access sustained employment, but additional assistance by way of childcare provision, travel support etc. If these families are not able to remedy their situation within a reasonable timeframe, they will end up in even greater hardship through the ongoing reduction in welfare support.

36. Government should offer additional incentives to Welfare to Work scheme providers to take on and support applicants who are particularly adversely impacted by the reform programme, including the provision of courses that allow access to flexible affordable childcare, and that are culturally acceptable to orthodox communities. Where access to a scheme is not available or where it is unreasonable to expect the applicant to accept a placement, the household should be transitionally protected from the cuts in welfare support.

37. *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?*

38. The assumption made by Government that costs can be offset by aligning with current local authority provision is significantly flawed. The calls on a local crisis support scheme will come from a much more extensive and diverse section of the community than that addressed by other more focussed locally administered financial assistance schemes such as Discretionary Housing Payments, Section 13A Council Tax Discounts, Section 17 Children's Act 1989 payments, etc.

39. Consequently, replacing Social Fund provision with local arrangements requires establishing a robust set of protocols and procedures outside the other local financial assistance programmes. Given the severe financial constraints placed on local authorities by cuts in Government support, the Council does not have the resources to supplement the start up funding provided, which will mean diverting programme funding to meet these costs reducing the pot available to support Hackney residents.

40. *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

41. Separating out Council Tax support from Housing Benefit will cause confusion to claimants. Although initially the schemes will be similar and be administered by the same teams, the technical requirements will mean that some processes will be duplicated (including two separate and distinct applications), particularly given the apparent confusion over the sharing of data. This will increase as the design and principles of the schemes diverge over time. This divergence has been exacerbated by the cut in funding for local council tax schemes, which has necessitated that less generous council tax support is provided to working age applicants for than that provided when applying for Housing Benefit.

42. The Government has stressed the importance of simplification and of how Universal Credit will be a single portal for working age support. However, maintaining a separate structure for Council Tax Support cuts across this principle. The Government should reconsider including Council Tax Support within the Universal Credit scheme.

43. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

44. Welfare reform will have a significant impact on incomes for those in receipt of benefits, but social housing providers will also be affected. Uncertainty over the financial impact of welfare reform and the potential interruption in cashflow could seriously undermine the viability of some social landlords.

45. Early reports from the direct payment pilots indicate that even after a major investment of additional support, payments to landlords are significantly reduced. This calls into question whether the expenditure required to address this issue when rolled out nationally is cost effective.

46. We believe that the option to have the housing support payments paid direct to the landlord should remain for Registered Providers and Council tenants.

Conclusion

47. For welfare reform implementation to be effectual in delivering on the key principles of simplifying the scheme and of making work pay, it must ensure that the more vulnerable households are not so adversely impacted as to be effectively excluded from participating in programmes to move out of poverty. The Council has a proven record in engaging with its local community and by working in partnership with the DWP/CLG we are seeking to assist central Government in achieving this aim.

48. However, this partnership can only be effective if the actual costs of implementation are met and there is some flexibility that will allow for local adjustments in the timetable to meet specific, local, short term needs.

January 2013

Written evidence from North West Landlords Association

The North West Landlords Association Ltd (NWLA) represents about 450 landlords and managing agents of residential property, operating mainly in the north west of England. Our members range from landlords of a single property to owners and managing agents of extensive portfolios. Some of our members can take the long view, having been in business since well before the 1988 Housing Act. The NWLA is a member of the British Property Federation (BPF) and of Authorities and Landlords Improving Standards (A&List) which promotes the accreditation of landlords. Accreditation is voluntary process to identify quality in residential accommodation by assessing a landlord's properties and management arrangements.

Many members of the NWLA have for many years provided good accommodation for tenants on benefits, despite shortcomings in the delivery of benefit payments. We have no confidence that extending the system of paying tenants direct will work better for other classes of landlords than it will do for us.

The NWLA has contributed to the BPF's response to this consultation, and fully support the points made in the BPF response.

We particularly wish to stress that the removal of the administration of housing benefit from the sphere of local authorities takes away much of the ability to resolve, at a local level, problems with the delivery of HB and runs counter to the Localism Agenda.

An example of such local resolution service is that of the Landlord Advisor, employed by Manchester City Council. His role is rather like that of Marriage Guidance/Relate; he mediates and sometimes prevents a breakdown, ie an eviction. His role depends on him being able to access Benefit Unit data on the detail of a claim. With the agreement of the tenant, who signs a Client Authority, the Advisor can liaise directly with the Benefits Unit and find out what has gone on. This is actually invaluable; it is often the case that neither landlord or tenant can get a handle on what the problem is—the landlord who might understand is blocked by the DPA and confidentiality issues and the tenant comes into the can't/won't understand category. It seems to me that some of the data accessed by the Advisor are not available otherwise. How would he do that if the data are with the DWP?

January 2013

Written Evidence from Liverpool City Region Child Poverty and Life Chances Commission

The Liverpool City Region Child Poverty and Life Chances Commission is a non executive body set up to act as a conscience for child poverty and life chances within the City Region. It is accountable to Liverpool City Region Cabinet. The Commission is chaired by Frank Field and has representatives from the six City Region Councils (Halton, Knowsley, Liverpool, Sefton, St Helens, Wirral), Health, Housing, Community, Faith and Voluntary Sectors, Transport, Police and Childcare. The Commission published a 3 year City Region Strategy to tackle child poverty and improve life chances of children and young people in 2011.

1. *How effectively are the DWP and the CLG working together to implement Welfare Reform?*

1.1 The communication could be improved between the DWP and CLG. For example, DWP could support and offer guidance on previous Council Tax Benefit processes to the CLG. There is no one contact. It is suggested that the DWP should replicate the HCA model of contact. The HCA model is arranged with both a national and regional team. Each City Region area has a number of dedicated officers who will engage at a local authority level for more detailed discussion. It is also suggested that DWP and CLG work with the HCA on the Housing Policy implications of the reforms. The impact of welfare reform on the Affordable Housing Programme and Registered Providers housing stock will potentially limit the ability to secure future development in the City Region.

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 DWP and CLG need to provide better, concise and correct guidance and tailor it to a wide range of services, such as housing associations, social workers, community groups, schools etc to enable these services to signpost people to appropriate forms of assistance and advice. Guidance and assistance is needed to easily spread information locally, training support agencies about the changes, and producing consistent information. It is a challenging time for local authorities as we are being asked to prepare for significant welfare reform changes with no legislation and constant changes. The timescales and uncertainty are causing major difficulties for both Local Authorities and our IT suppliers.

2.2 Central Government have undertaken significant consultations on the localisation of Council Tax support and Council Tax regulations up to November 2012. These consultations have occurred after Local Councils have been required to consult on their local proposals to replace Council Tax Benefit. Indeed, this undermines the proposals of some local authorities and could even result in Judicial Reviews as it would appear Councils have consulted too early, even though they had no alternative to ensure they meet the tight timescales set by the Government.

2.3 Government state they are flexible by allowing some reforms to Council Tax, however there are some proposed amendments that limit the opportunities for local authorities to explore. To ensure true localism, the reform should include discretion for local authorities on all Council Tax exemptions and discounts, including the single person discount.

2.4 The Government have made one-off announcements regarding potential funding of schemes to limit the impact on those currently receiving benefits. Unfortunately, this only happened late in 2012, the funding is not adequate to allow Councils to bridge the gap, and it is for one year only so adds to financial pressures in future years. Ultimately, this could result in local authorities needing to change their proposed schemes or now face a potential Judicial Review.

2.5 On 12 December 2012, the Government has provided prescribed regulations and the default scheme. Clearly the late publication of prescribed regulations could result in local authorities needing to change their proposed schemes or now face a potential Judicial Review.

2.6 There is an opportunity for a national campaign to be supported by Government in order to inform those who will have the greatest impact. Without a national support each local area will need to spend more on informing customers.

3. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

3.1 The introduction of welfare reforms, have and will continue to have a significant impact on Local authorities welfare and advice services and other advice agencies. These services are currently facing budget cuts to already inundated services alongside the removal of legal aid. Therefore facing challenging times in addition to delivering significant changes with minimal information. Clear communication/advice and funding is necessary for these supported services to ensure that Universal Credit implementation is successful. DWP need to make funding available to minimise the impact of the withdrawal of legal aid and for training across advice sectors in order to deal with new IT systems and the changes under the welfare reform. The welfare reforms will raise costs for Local Authorities, for example prevention homeless services, and this is placing an added pressure to budgets at a time of contraction. It is unclear how Discretionary housing payments will meet the funding shortfall created by the welfare reforms. Some funding is indicative, demand is uncertain and impact of welfare changes are unknown, therefore it is difficult to estimate exactly what services should expect, for example the local council tax benefit scheme and the localisation of the Social Fund. With regard to Universal Credit, Councils are expected to support customers on to Universal Credit but funding for this support is not expected to be forthcoming. Retaining experienced staff will become a major issue unless there is clarity in the short term.

3.2 It is important that CLG recognises how complex Council Tax and localised Council Tax Support will be for Councils to administer. The Government has provided a small amount of funding to allow Councils to make the transition from Council Tax benefit, but has failed to provide full funding to Councils to reflect this new burden.

3.3 It is unhelpful to Councils that the Government has failed to confirm the funding for the Localised Council Tax scheme and has stuck to the figures in the Comprehensive Spending Review of 2010, which do not reflect the current costs of the scheme. Furthermore, Councils are extremely concerned that the funding will not be identified as a separate specific grant in the new Business Rates Retention system and will form part of the overall grant funding that will then be subject to cuts in future years. For example, in the 2012 Autumn Statement the Chancellor announced a 2% cut in the local Government control total in 2014–15, which will now include £3.7 billion of previous Council Tax Benefit funding—ie £74 million of the previous benefit would be cut from Council funding.

3.4 Councils are facing ever decreasing resource allocations from DCLG at the same time as being required to support the DWP implement Universal Credit. It is imperative that these requirements are fully funded under the new burdens doctrine.

4. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

4.1 The scale of the Welfare Reforms to be implemented in 2013 will put an additional significant financial risk on the Local Authority particularly in relation to homelessness and bad debt provision. We are advised that there will be provision to use the Discretionary Hardship Fund to support those impacted by the Bedroom Tax, the Benefit Cap and other Welfare Reform changes. However, the level of funding has not been confirmed, it has been indicated that it will be based on previous years, this is very unlikely to be sufficient to support all customers. It has been impossible to identify the scope of the risk because of the lack of sufficient reliable data to measure the extent of the problem. The timescales mean that IT providers have only just been able to provide us with the ability to feed bedroom size into our benefit system and we are only now starting to get an indication of how many people will be affected. We have details of those likely to be affected by the Benefit Cap but the DWP accept that the data is not robust and there will be cases on that list where the Benefit Cap will not apply—likewise we have to assume there will be cases where it will apply and they are not on the list.

4.2 Localising Council Tax support puts an additional risk on the authority in relation to both collection and also the potential that the caseload will continue to increase. There is likely to be a big impact on Homelessness and presentations at a local level. Local authorities have a statutory duty to advise and accommodate people experiencing or threatened with homelessness. Increases in these services will cost the local authorities money at a time when these type of support services are being cut. The risks are not sufficiently addressed through central allocation of funding in these areas.

4.3 From the outset of this localising Council Tax support, local Government have consistently raised concerns over the financial risk transfer that has taken place between central Government and local Government. Council Tax Benefit was funded through Annually Managed Expenditure by the HM Treasury to the DWP, but from 2013 will become part of the local Government expenditure limit within DCLG. Councils are left to make the schemes affordable and balance this with other competing expenditure requirements at a time when resources are being cut and demand is increasing.

4.4 The Government has failed to adequately address the risks and continued with its proposals. Alternative solutions have been put forward by the Liverpool City Region:

— If a 10% reduction in the benefit payable is the key aim then the Government should have simply changed the current national scheme;

— If the Government wanted true localism, the reform should have included discretion for Councils on all Council Tax exemptions and discounts; or

— It should at the very least have been deferred until Universal Credit was introduced to allow Councils to align their scheme with work incentives. This delay would also allow full consultation, adequate time for implementation, and fully working regulations and guidelines produced by the Government.

4.5 There is already evidence of increased family hardship and crisis, resulting in additional demands on Council family support services and safeguarding issues. There is potential for an increase in families experiencing hardship and requiring additional intervention and support from Local Authorities.

4.6 In addition, there may be disproportionate impact on children of disabled lone parents—loss of benefits may encourage children of disabled lone parents to take on more caring responsibilities because of formal care becoming unaffordable. Changes to Disability Living Allowance and the introduction of Personal Independence

Payments will impact on disabled people but also local health and social care services. For example, as both the value and type of client income will change, clients will have to undergo a re-assessment of their assessed charge for social care services. Personal Independence Payments may further impact on Adult Social Services charging income and will create demands for Council support through the assessment process for the new benefit.

4.7 It would be helpful for DWP and CLG to publish both their risk assessment on the implementation of welfare reforms and the equality impact assessment in order to assuage concerns that these issues have been ignored as part of implementation.

5. *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?*

5.1 All LCR authorities are exploring existing services to identify potential opportunities for linking or growing local services to reflect local strategic priorities and potentially providing a boost to the local economy. LCR authorities have deliberated how the new scheme will fit with their existing responsibilities/services and considered the potential for aligning the support where possible. A challenge is that the new schemes are likely to cover cross-cutting issues that would link with a range of services. Identifying existing services/contracts for the Community Care Grants were clearer than identifying existing services/contracts for the Crisis Loan element. Identifying services/providers which will cater for bespoke needs (food parcels with special medical requirements) and in addition offer emergency provision will be more difficult. In addition, there is clear evidence that existing support schemes—both Council and external ones (eg Foodbanks, voluntary support)—are already experiencing significant and increasing demands that is exceeding available budgets, even before many of the welfare reforms are implemented.

5.2 Set up costs provided by DWP have not covered the resources needed to map and align services and create the new schemes, therefore stretching already occupied services due to other welfare reforms. The Local Authorities already have an additional pressure on their scheme as they have to methods on proving claimants' income. The DWP are aware of the problem and are trying to expand services of existing information exchange systems. However these will not be in place by April 2013, causing a major problem for LAs. LAs have also been left to tackle misuse and overcome the stigma (risk of violence, resulting to the DWP transferring the application to telephone applications) of the current system. This is in addition to dealing with other welfare reform impacts.

6. *Is the Government's timetable for implementing Welfare Reform achievable?*

6.1 There are major concerns about whether the IT and data sharing systems will be in place in time. We are also concerned about the issue of digital exclusion, given the shift to on-line service delivery/this is not only an issue from 2013 with Universal Credit but with immediate effect with the Jobseekers Allowance on-line trailblazer and universal job match which are already live in the City Region.

6.2 The timetable will be achievable because local authorities have been given no other option. However the timescale is expected to cause major problems and the communication would have been clearer and more accurate if the timescale had been more reasonable. There remains a challenge on Universal Credit implementation as messages seem to be whispered in corridors rather than being clearly and openly communicated. There will be a longer term issues with achieving the welfare reform successfully if we are expected to accommodate people in affordable accommodation. The majority of rented stock within established communities is too large for the affordability criteria. This will have huge pressures on local services and delivery across all partner agencies.

6.3 It would appear that Government have not learned the lessons from the changes to other benefits eg the introduction of the Work Capability Assessment. This would identify that additional communication and support for affected individuals would need to be in place, and would appear not to be at the present time.

6.4 The timescales leave very little time for agencies (which are already under financial pressure themselves) to put structures in place to adequately inform and/or support people through the changes. People will particularly struggle with the on-line application processes and the infrastructure for supporting this aspect of the reforms doesn't feel robust at the moment.

7. *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

7.1 Off flows from Work Programme delivery within the City Region are lower than what was expected but discussions with local contractors indicate that performance levels are increasing. The challenge remains as to the number of jobs being created locally for people to be able to access, alongside the expected increase in public sector redundancies in the medium term.

7.2 There has been a multitude of evidence of people on sickness benefits who been found fit for work when in fact they are not, with the consequent decision having major psycho-socio-economic implications for the claimant and their household. Many are then needing to go through the appeals procedure, at a cost of time and money to themselves and cost to Government, to find the original decision overturned.

7.3 Since the introduction of the Work Programme in June 2011 there has been an alarming increase in long term youth unemployment. It is acknowledged that the previous New Deal programme distorted and under-reported the number of long term unemployed owing to the transfer of young people participating in many New Deal options from the JSA claimant count to training allowance systems. However, it is important to note that New Deal provided a degree of assurance that the young person was participating in meaningful activity to move closer to the labour market. Additionally, those choosing not to engage at the required level were "in the system" and subject to the mandatory sanction for failing to co-operate. DWP commercial sensitivity regarding Work Programme performance restricts the flow of information, leaving local authority areas with high rates of long term youth unemployment without the understanding the contributory factors; recently developed information sharing agreements between Work Programme providers and local authorities may go some way to easing this. As well as this, planning for Work Programme returners in June 2013 will be vital, although there is little information regarding the expected scale of this issue and the level and type of support that will be available from DWP.

8. *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

8.1 The aim to simplify benefits has been strongly undermined by decision to leave Council Tax Benefit out of Universal Credit. It will confuse claimants and customers are likely to miss the support they are entitled to or be over/underpaid if they do not tell the local authority about changes in circumstances. We have been advised that from April the DWP will no longer be taking claims for Council Tax Reduction when a customer makes a claim for JSA/IS/ESA. This means that the customer will have to make a claim at Jobcentre Plus and then another claim at the Local Authority, which does not feel like an improvement in customer service. Data sharing arrangements for Council Tax Reduction Schemes are unknown and it is not known when these will be confirmed. If we are no longer able to share DWP data then the customer will also be required to submit proof of their Welfare Benefits to obtain help.

8.2 The intention is that alongside Welfare Reform the Council Tax Support Scheme will see more people move into work and therefore earnings would offset any loss in income from benefits. However if this does not occur there is a loss in household income and consequently a loss of income in the local economy.

9. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

9.1 The new system should reduce fraud due to number of departments involved in processing applications. With the introduction of Universal Credit, local knowledge will be lost once the LA are no longer involved in administering housing costs. Historically there is a large number of incomplete or inaccurate tenancy agreements completed within the private sector which causes delays to Housing Benefit being issued. It is hoped that the real time interface with HMRC will allow checks to be made against employers listed addresses and benefit claimants to reduce Housing Benefit fraud.

9.2 It is not clear what verification arrangements will be in place with Universal Credit and if the DWP will be able to identify multiple claims from the same address (or even identify that an address exists). There is also a significant risk of duplicate claims (either intentionally or unintentionally) during the migration from Housing Benefit to Universal Credit.

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 understood that DWP are not planning to inform the social landlord when a claim for Universal Credit is made which includes a housing element. Social landlords will have to wait until there are at least 8 weeks of arrears on a rent account before applying for payment direct but it remains unclear how a social landlord is supposed to know if it is a case of a customer not paying just because they don't want to or because a customer has made a claim for Universal Credit and are misusing their benefit. If the customer doesn't engage, it will be impossible for a social landlord to determine which customers are in receipt of Universal Credit and which are just defaulters. Universal credit will be paid monthly as opposed to some benefits such as housing costs being paid weekly, this will impact on the collection of social rents where tenants pay weekly.

10.2 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.

10.3 Private landlords could potentially start to refuse housing benefit claimants as tenants because payments would not go straight to them. Landlords are concerned that the reduction in their income stream will have a negative impact on their ability to deliver new homes and improve existing stock. The mix of stock size will also need to be addressed over a number of years in order to ensure that the housing provided is both suitable and affordable for claimants.

10.4 Informal anecdotal feedback from customers consistently suggests that they want their Housing Benefit entitlement to be paid direct to the landlord as they know they will not be able to budget this cost. It is disappointing that Government appears unwilling to listen to the opinions of the individuals affected by these changes.

January 2013

Written evidence from the London Borough of Sutton

Introduction

We welcome the opportunity to submit evidence to this Parliamentary enquiry and hope the Committee will find our responses useful.

The timetable for the implementation of Universal Credit (UC) and, in particular, the localisation of Council Tax Support (CTS) and the Social Fund, is extremely challenging. The cessation of Council Tax Benefit and introduction of localised CTS ought to be fully aligned with the migration of the housing benefit caseload to UC. This would be less disruptive for customers and the changes could be communicated at one time.

We have real concerns that these reforms will cause severe problems for some of our residents; some of the impacts being:

- An increase in the difficulty those who are already among the poorest in society will have in coping.
- An increase in debt levels.
- Inability to meet Council Tax and rent commitments.
- Family breakdown.
- Lack of affordable local private rented accommodation.
- Threat of increased anti social behaviour.
- Increased opportunities for fraud.

The planned ongoing reduction in available welfare support will exacerbate issues for low-income working families reliant on Housing Benefit and Council Tax Benefit. The authority has seen a sharp increase in this type of claim in the past year.

The Council is making every effort within the available resources to ensure we focus on delivering these changes and supporting our residents through a very difficult time. Therefore, it is imperative that the Department for Work and Pensions and Department for Communities and Local Government ensure that authorities receive adequate funding to meet the challenge.

We deal below with the specific questions raised by the Committee.

Financial

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

The short answer to this question would be "no". The funding distributed thus far for localised council tax support and social fund is inadequate. Furthermore, there remains a lack of clarification around the new burdens funding for localised council tax support.

The Council currently also has concerns about funding for both Housing Benefit and Council Tax Support (CTS) in 2013–14. Despite assurances that funding for 2013–14 would remain comparable to 2012–12 we have been notified that the Department for Work and Pensions administration grant for 2013–14 payable to Sutton has been reduced by £81k. The Council Housing Benefit and Council Tax Benefit caseload continues to rise. It is difficult to reconcile this reduction in grant funding with the increased customer need as a direct result of the recession with continued high-levels of unemployment, housing benefit cuts (total benefit caps, social rent room restrictions, Social Fund and the reduction in funding for local Council Tax Support).

As stated above the caseload increases are from people that are in work but low paid through only being able to secure part-time work or from the hourly rate of pay. These claims are more complex and therefore require more resources to assess and maintain performance at our current levels.

The specific grant for advice on Universal Credit (UC) was sufficient and here at Sutton, is being used to fund a role of Welfare Reform Outreach Officer. This role has created vital communication links between us, Schools, Housing Associations, our Housing ALMO and Children Centres. However, we feel the majority of the impact will be felt from April 2013, *therefore we feel the Department for Work and Pensions should consider granting more specific funding for this purpose* to enable staff to continue this important work and to notify us of these allocations at the earliest opportunity.

Sutton has around 1,200 residents affected by either the Benefit Cap or Social Rent Restrictions and all have been contacted to ensure their information is up to date; this has incurred extra work for the Benefits Section in checking their claims.

It is clear that customer awareness regarding the Welfare Reform changes is low and this is evidence by increased enquiries from residents not affected by Welfare Reform. In particular, customers query any change to their current benefit entitlement thinking they have been affected by the Welfare Reform changes. We are currently reviewing how to address this and minimise customer contact.

Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

The Southwark Demonstrator project has highlighted there is serious financial risks facing Local Authorities (LA's) in terms of rent arrears and lost revenue. Southwark announced 20% less in rent collection for the first two months of their pilot. There has been very little information released on how this risk will be addressed.

The reduction in available funding for CTS has meant that this shortfall is being passed on to customers, some of which have not previously had to pay anything towards their Council Tax. This will no doubt affect collection and place additional pressure on the local authority's scarce resources.

In terms of possible loss of rental income, a 20% decrease in rent collection will equate to loss in revenue of *£77,000 per week*. There is no doubt that this will lead to an increase in homelessness as Council's will be obligated to seek possession where rent arrears are significant.

The aged debt of the Council will no doubt increase through the changes and once UC comes in, Local Authorities will lose the opportunity to collect any outstanding Housing Benefit direct from source. So far this year the Council has recovered £430,000 by deducting the overpayment directly from ongoing Housing Benefit entitlement.

The uncertainty regarding the Single Fraud Investigation Service (SFIS) and whether Investigation officers can investigate CTS alleged fraud cases, also increases our concerns about public money being lost through CTS via fraudulent activity.

Housing

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

Customers currently claim from the Department for Work and Pensions (DWP) who will collect the information required for the assessment of Housing Benefit and Council Tax Benefit. A claim made in this way is valid and legitimate for the local authority to process. However, from April of next year the DWP will merely seek consent from the customer to share their information with the local authority. Furthermore, customers will be told to contact their LA direct at a time when LA's have invested heavily in customer migration and have become reliant on the Department for Work and Pensions information flows to minimise duplicate information requests. This feels like a retrograde step and inevitably some customers will miss out on support if they fail to claim CTS on time.

A single claim process (as now) gives the customer a better experience but the DWP have stated this will not be possible.

A communication strategy and good working processes are imperative to ensure the information exchange between DWP and Local Authorities is seamless. This may be difficult to achieve as the DWP processing centres are not aligned to LA boundaries.

Furthermore, when residents move between Boroughs some could be better off while others worse off but they will not know this until they get notified at their new address. This is because each LA will have its own CTS scheme.

These new local schemes will add a layer of complexity to Council Tax Benefit that has never been there before for migrating residents. With the housing benefit cuts it is expected that there will be a migration of many claimants away from Central and North London to surrounding and outer London Boroughs.

How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?

With the introduction of new benefits there will always be the opportunity for fraudsters to find different methods to defraud the new system.

The decision to pay money direct to claimants is likely to increase fraud, as an extra level of possible notification is being removed in terms of Landlords. Any Landlord that receives Housing Benefit direct has a duty to inform us of any changes to their tenant's circumstances such as someone moving in or the tenant moving out. In addition, the LA has access to multiple databases that allow us to check that a person is resident at the local address; any discrepancies are investigated. The DWP will be reliant on the information provided by the customer and HMRC data, which is not always holding the customers correct address.

The decision that the new system is linked to HMRC seems a sensible and a money saving approach. However, this is reliant on the employee making the employer aware of any changes and the employer updating the system in real time. Reliance on computer data does not address the high risk areas of cash in hand earners, undeclared partners and self employed workers; this is an area likely to see an increase in fraudulent activity over the next few years.

We are also concerned about the possible duplicated effort of the Fraud Officers. Currently Fraud Officers are empowered to investigate all types of Benefit. Joint working has improved considerably in the last few years with more fraud being identified and more customers receiving a sanction (prosecution, caution or penalty). With the uncertainty of how SFIS will be run and possible set up delays the real concerns of Local Authorities is CTS fraud. Our concern is cases where the customer claims only CTS and whether an officer resource will be available to LAs to investigate.

Another problem could be errors in terms of benefit cap cases. We would want to avoid creating overpayments for all these cases as this produces further financial hardship in terms of debt for low income families and the issue of how this overpayment is treated and collected.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

All we know at the moment is that vulnerable tenants will be able to have payment direct to their landlord, but we do not know as yet exactly what the definition of vulnerable will be. The final decision will be made by the DWP in discussion with the tenant (not the landlord). We also know there will be a direct payment trigger when arrears accrue, but we don't know if it will be eight, 12 or more weeks of arrears. Also any decision on direct payments will be time limited but we don't know for how long.

More importantly we have no information as to how the DWP intend to suspend payment of housing costs to the tenant without this affecting payment of UC.

There are also further areas that we have no information on:

- Current tenants who already get their rent paid direct by DWP, will these transfer automatically?
- Where tenants are already in high arrears can these be moved onto direct payments straightaway?
- If a landlord already has a possession order can they apply for direct payments straight away?

Employment

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

Housing Benefit claims in Sutton continue to rise and we are also seeing an increase in claims from people in work. This is positive in terms of local employment, but these type of claims are more complex and time consuming to assess and often will result in multiple changes in circumstances throughout the life of these claims.

This leads to resource issue on a service that has already seen cuts due to the austerity measures and is facing more resource pressure due to a reduction in recession funding and administration grant it receives.

As more residents are forced to take part time jobs to avoid being affected by Welfare Reform changes, this will inevitably increase the claims we receive from working people.

The table below illustrates the continual rise in claims from people in employment.

2012–13	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*Jan*	*Feb*	*Mar*
No of Non IS claims	11,155	11,382	11,462	11,480	11,564	11,558	11,665					

2011–12	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*Jan*	*Feb*	*Mar*
No of Non IS claims	10,301	10,472	10,455	10,495	10,681	10,680	10,763	10,760	10,770	10,860	10,971	10,990

Other

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 information provided is adequate and the staff at Sutton have created a comprehensive work plan in preparation of the April 2013 changes. The timescales and funding remain the primary concern for Sutton. The information from DWP and Central Government on changes continues to be provided and although this is helpful, the changes to schemes create extra work to ensure all literature is fully up to date.

There is clearly much uncertainty about the UC "go live" dates and this needs to be addressed promptly by the DWP. Information from the DWP about this has been confusing with DWP stating recently at a London Councils meeting they were still on course to go live across the country, which was followed by other local DWP presentations stating they would only go live in some of the pilot areas. The uncertainty makes it impossible to communicate a consistent message to residents and makes it difficult for the Council to plan resources.

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

Local Authorities are receiving multiple communications regarding Welfare Reform and how it might impact on them. This communication is welcomed and it is vital that it continues as there is an enormous amount of work required to be undertaken by Local Authorities.

Communication and the information flows between the DWP and DCLG should be separately assessed and if necessary improvements made to their procedures.

Is the Government's timetable for implementing Welfare Reform achievable?

Sutton would prefer a longer timescale to implement or for there to be a progressive go live date that was aligned with UC roll-out to allow sufficient time to plan, work with and communicate with residents to help them adjust to changes.

Sutton has a work plan in place and resources in the right place to deliver on time. This will be challenging on all fronts in terms of Council Tax Support, CAP cases, Social Rent Restrictions and Social Funds reforms, but we anticipate being ready by April 2013. However, we also anticipate resource pressure to increase particularly at year end (2012–13) and into the new financial year as customers struggle to understand the changes to the housing benefit payments (Social Rents (room restrictions) and the changes in help towards their Council Tax.

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 a pan-London working group and a south west London group of LA's that meet regularly to discuss and implement the Social Fund Reforms. Most of the authorities are aligning the service to either their Benefits service or an in house welfare team. Sutton has agreed to place the administration of the schemes with Benefits team initially. There has been a lack of detailed local DWP data therefore, we intend to monitor closely the reasons customers need support and also look for any unintended consequences of the changes.

We have worked closely with our south west London neighbouring authorities to formulate a local scheme which is broadly the same.

The Benefits Team will be able to offer a supported application process aligned with a benefit maximisation check, budgeting advice and support to join the local credit union. We also plan to refer suitable applicants to the Credit Union for a loan and will continue to work closely with many voluntary organisations such as the Vine Project and our local food bank.

January 2013

Written evidence from the Association of North East Councils

Introduction

The Association of North East Councils (ANEC) welcomes the opportunity to respond to the Department for Communities and Local Government Select Committee's inquiry into the implementation of welfare reform by local authorities. ANEC is the representative body for local Government in the North East. It encompasses the 12 local authorities in the North East, including Northumberland, Tyne and Wear, Durham and the Tees Valley and represents these local authorities on issues of concern to them and the communities they serve. It is a cross-party organisation, with all of its members being democratically elected and accountable politicians.

While individual member authorities may be submitting their own responses this submission represents their shared views and concerns regarding the issues being addressed through the inquiry. The comments provided are guided by the questions set out in the invitation from the Committee for submissions but are not restricted by them. The content of this submission has been developed in discussion with senior officers from across the North East authorities and approved by the 12 Leaders and Elected Mayors.

Localisation of Council Tax Benefit

Significant work has been carried out through ANEC's Director of Resources Group in assessing and analysing the implications of the policy and funding decisions being made by Government on the localisation of council tax support. The results of this work formed the basis for a response to the Government consultation exercise on this issue as well as a briefing session held for MP's in Westminster.

The key issues highlighted and the areas where the Association is asking for change are set out below:

- At this stage it appears that the way in which proposals for the localisation of Council Tax Benefit are being implemented could result in a much higher cut for North East authorities—*estimated to be nearer 12.5% and possibly as high as 15%.* The basic 10% cut of current benefit costs amounts to £26.3 million and a range of £0.9 million to £5.4 million for larger councils. In this area of the country, clawback of exemptions is not an option for every council. The assumption being made by Government of falling number and cost of claimants is not borne out by evidence of figures in the current year in the North East. The decision by Ministers to allocate the grant between councils based on last year's figures for the pattern of costs will not pick up the potential growing gap in the current year. A request to take into account the pattern of benefit costs in the current year and to use the final figures for benefit costs in 2012–13 for 2014–15 appears to have not been accepted.
- The majority of councils in the North East will have to meet the significant shortfall in grant funding for Council Tax Benefit through implementing cuts in the level of Council Tax Support alongside reductions in current exemptions.
- The recent announcement of £100 million to help with the cost came too late and does not provide sufficient funding to address the gaps.

The Association of North East Councils is therefore pressing for:

- A reassessment by Government of the impact of the localisation of Council Tax scheme and its impact on authorities in different areas, to fully reflect the *increase* rather than a *decrease* in claimant numbers being experienced in the area so far this year.
- A reassessment by Government of the impact of increased pressure on working age claimants arising from the localisation of Council Tax Benefit. There is a strong risk that this could result in increased demand for council services including Social Care Services. The protection of pensioners means that a 10% plus cut will increase pressure on working age claimants to between 16–20% and 18.6% on average. If the funding gap increases to between 12.5% to 15%—as we estimate it may do in some authorities—the impact on working age claimants could be increased to 24% to 30% with the average increasing to 28%.
- Consideration by Government of the implications of equalities legislation and the threat of legal challenge in the context of options being considered for the protection of vulnerable groups as part of localisation of Council Tax benefit schemes.
- Clarity on dealing with economic shocks and the impact this will have on authorities' ability to implement Council Tax Benefit schemes.
- "Future proofing" of the new localisation of Council Tax Benefit system to ensure that actions can be taken to redress negative consequences in scenarios such as unrealistic assumptions and economic volatility. There could also be unknown future demand from pensioners who previously have been reluctant to claim a "benefit", which may now change when defined as a "discount" in the new scheme.
- Ensuring that Council Tax Support Grant Total is based on the most up to date data on claimant costs in 2012–13 and that individual authorities' percentage share of the Control Total also be updated to the latest information and not simply based on 2011–12 actual figures.
- Clarity on whether the 2014–15 figure adjusted to reflect the latest data about the percentage share for individual councils has been used, which at that stage would be the outturn for 2012–13.
- It is essential that the fairest way of implementing this challenging cut is found *at an individual local authority level, not just for the system as a whole*.

Inquiry Issues

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

There is some good local working from DWP but more generally there is concern about the work at a national level and between them and the CLG. There is an example of DWP refusing to share data and the

Departments failing to respond to queries which affects local authorities ability to plan and make preparations for the reforms. Delays in making key decisions, passing secondary legislation and issuing guidance in a timely way are also causes for concern which are affecting implementation and delivery. Housing providers are particularly concerned regarding the impact of direct payment which is being widely reported in the housing press.

Is the Government's timetable for implementing Welfare Reform achievable?

While local authorities are used to implementing large scale change there are a number of factors which are affecting the timetable which are mostly outside their control. The Council Tax changes being proposed have required significant consultation on proposed new schemes which then had to be re-consulted on after further late guidance was issued by Government. April 2014 is a more reasonable timescale but given the level of effort and investment made so far by authorities even if this was agreed it would still cause difficulties. The focus for these comments is around the reforms to Council Tax reform but there are similar concerns across all the other changes happening in parallel across housing and Universal Credit.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

While there is some resource for example administrative subsidy resource for the new council tax support scheme this is short term which make planning difficult. The release of resource is triggered by impact assessment work which is difficult to do while at the same time having to develop and implement new schemes. There are no additional resources for providing the growing level of advice and guidance to people affected by the accumulation of changes happening across welfare reform. The DWP letter to local authorities in March 2012 has made planning and provision of the extra resources even more difficult as it was advising to downsize benefits teams before the realities of the extra demands were known or understood.

Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

The financial risks to local authorities are significant and relate to things which to a large extent are outside their immediate control. The risks are accumulating through new scheme development and implementation activity, taking on new burdens and the need to collect rent and council tax from people on low income, including those in work, benefits that have previously paid relatively small amounts or in some cases nothing. There is also concern that the full extent of some of the risks may not become apparent until the reforms are fully in place. Some obvious areas where risks are increasing include increased demand for council tax and rent arrears support, increases in homelessness, staff redundancy costs due to Universal Credit introduction and increased collection costs and rent arrears.

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

There is limited information available on the impact due to data sharing issues with the DWP prime providers of the Work Programme. As a result it has been difficult to assess the likely changes to or impacts on the numbers of benefit claimants. Where information is available there is evidence that the number of people moving off benefits is not significantly reducing and locally DWP are bidding for more resources to increase contact with more claimants. At the same time there is no tangible data on the impact of welfare to work schemes on claimant numbers while North East local authorities' caseloads for housing and council tax cases continue to increase.

Where information is available it shows that the broader welfare to work programme, "Get Britain Working", managed by Jobcentre Plus is having some impact on overall unemployment levels although not on youth unemployment. Recent statistics show a rise in youth unemployment in the North East (87,422 October 2011—93,695 October 2012, Nomis) but on the whole, across all unemployment benefits the numbers of people moving off benefits is reducing (146,488 September 2011–127,017 September 2012, LFS).

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

Separation of the administration will initially cause confusion for claimants who will have to use two separate systems and provide information to two separate bodies. From a local authority administration perspective there is unlikely to be any major impact caused by the separation and some authorities will continue to use existing staff and IT systems. However, there is concern that local authorities will be penalised by the move of the function to DWP not reflecting the residual cost to councils ie through the loss of Housing Benefit Administration Grant.

January 2013

Written evidence from Hull City Council

How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?

It is apparent from our experience of Welfare Reform that the two Government departments are not working effectively together. They are not working in a joined up and cohesive way.

Policies around welfare reform administration by the two departments often conflict. An example of this would be how Council Tax Reduction proposals conflict against Universal Credit proposals. Council Tax reduction will be localised and complex to administer which is at odds with the stated intention of simplifying and streamlining the administration of benefits under Universal Credit. It would seem to make more sense for Council Tax rebates to have been included in Universal Credit.

It is also felt that the Department for Communities and Local Government lack experience in communicating effectively with Local Authorities.

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?

No. The guidance is inadequate. We are still waiting for final regulations and laws for many aspects of welfare reform which is causing issues in terms of preparing for the changes. Without the detail it is very challenging to effectively plan the deployment of resources and attempt to quantify the likely impact and there are key risks for our HRA business plan.

A lot of the guidance is ill thought out and narrow in its scope with the practical consequences of some of the guidance not being fully considered.

An example would be the advice to take in a lodger as a possible solution to the under occupancy proposals. This could potentially affect other Benefits and discounts in a negative manner. The impact of WR has far reaching implications for a multitude of LA strategies, policies, and procedures for which there is no guidance and LAs have to redesign approaches from first principles.

Is the Government's timetable for implementing Welfare Reform achievable?

Communication around this has not been forthcoming. We have finite dates for some aspects of welfare reform such as benefits capping and the bedroom tax but other dates remain unclear. For example a definite timetable surround the implementation of and migration to Universal Credit or any clear information about the DWP's communication strategy have not yet been forthcoming.

In addition, poor planning around the consequences of some aspects of welfare reform has led to reactive measures and unexpected developments which have proved a hindrance to our own timetables. The recent announcement regarding £100 million of additional funding surrounding Council Tax Reduction is a case in point.

It is the opinion of this authority that the Government's timetable around welfare reform will be difficult to adhere to.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

The Welfare Reform Act will deliver some of the biggest changes to the welfare state in over 60 years. Welfare Reform is something that central Government is imposing on local authorities and comes at a time when funding to local authorities is being significantly reduced year on year. The next few years will see massive change which will ultimately place a huge burden on Local Authority resources. With the current funding cuts we are struggling to maintain the service that we currently provide let alone the additional services that we will need to provide as a consequence of welfare reform. The funding provided so far in terms of new burdens support and admin grants are wholly insufficient to deliver services successfully and we have to draw on our own resources. We are also unclear about whether local authorities will need to play an active role in receiving/processing claims and acting as advice points and if so, to what extent.

Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

The financial risks are hard to definitively quantify but it is calculated that the welfare reforms will remove around £80,000,000 in terms of lost Benefits to the people of Hull. This will have a negative multiplier effect on the economy of the city. In a city where there are surplus jobs this might be containable, but in areas where jobs are scarce this will have a very depressive impact on the general economy, potentially increasing unemployment and the Welfare Bill.

In terms of financial risks to the authority it is hard to predict the effects of welfare reform but the abolition of Council Tax Benefit is expected to lower the Council Tax collection rate which carries a financial risk and also direct payment of housing costs within Universal Credit to claimants is expected to increase rent arrears for Council Tenants which again carries a financial risk.

In addition welfare reforms such as the benefits cap will ultimately place a greater need on Council Services such as homelessness provision.

The bedroom tax, benefit cap and introduction of universal credit are projected to have a major impact on income to the Housing Revenue Account. The extent of this is as yet wholly unknown but is material, with bad debts expected to grow significantly. At present we estimate the overall cost to be in the region of £4.75 million.

There has been insufficient consideration of the unintended consequences and costs of implementing Welfare reform. For example, homelessness is already increasing and this is likely to worsen due to LHA changes, the housing element of UC paid direct to tenants and the bedroom tax. Local authorities will have to pick up the costs of this and there will also be increasing burdens on other statutory provision, for instance Children's Services and Health Services. There are unquantifiable social costs for individuals and communities and it is in our view inevitable that crime (including fraud) and anti social behaviour will increase.

The impact of Welfare Reform generally on HRA budgets is hugely significant not least in terms of additional collection costs and potential bad debts, costs which were not factored in to the very recent self financing settlement which was intended to provide certainty in financial planning for Housing Authorities.

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

There are three major categories of potentially job-seeking benefit claimant:

- Job Seekers Allowance (JSA).
- Employment Support Allowance (ESA) which is the successor—for want of a better word—for Incapacity Benefit (IB).
- Lone Parents' Income Support (LPIS).

Numbers of the different categories of claimant fluctuate to some extent, but probably less than is generally imagined. Dealing with them in reverse order:-

- LPIS is the category of claimant which has seen the biggest change over the past 10 years, consistently reducing despite the vagaries of the economy. This change has not been brought about by Welfare to Work programmes but by changes in the regulations which govern the point (in terms of their child's age) at which claimants must seek employment. We therefore see a reduction from 7,000 to 4,000 over the past 10 years. Some of them certainly moved into employment but it is equally certain that many simply moved to JSA.
- ESA/IB is an absolutely rock solid cohort. Despite a very slow and gradual reduction in national ESA/IB numbers probably caused by employment capacity tests, in Hull the number has been fixed at around 15,000 for at least 10 years. There have always been welfare to work programmes focused on people with disabilities but they have generally been small scale and have had no impact on the numbers of claimants. Strangely, the numbers of ESA/IB claimants are also impervious to changes in the local economy.
- JSA is the category of claimant which naturally attracts the most interest as this is seen as the category which reflects the level of employment and is one of the measures of how the economy is doing. The level of JSA in Hull has fluctuated widely (but not wildly) over the past 10 years. As the level fluctuates, however, it does so in a perfect track of national levels of JSA claimants. In percentage points, Hull is at twice the national and regional level. When JSA claimants form 2% of the working age population nationally they form 4% of the working population in Hull. With national levels of 4% currently the JSA level in Hull is 8% or 15,000 people. The figure has been 15,000 for most of the past three years and this is obviously caused by the failing economy. The way that Hull's figures track national figures so perfectly—a perfect example being the mini-peak in unemployment in February 2012—suggests that the only factor which affects JSA numbers is the economy and not Welfare to Work programmes.

In terms of Welfare to Work programmes most people are aware of the headline projects only—think New Deal, Flexible New Deal and now the Work Programme. These programmes cover the past 10 years. Over those years the resourcing of those programmes has decreased with time. This is apparent both to the provider of programmes and the beneficiary. Currently, the Work Programme is largely paid on results (job outcomes). While providers have suffered a decrease in income beneficiaries have suffered a reduction in service levels. This has coincided with difficult times and job outcomes on the Work Programme understandably are poor as far as can be discerned (details on performance are "commercial in confidence"). So although New Deal had better outcomes than the Work Programme it was operating in an easier economic climate and—crucially—it offered employers a sweetener in the form of a wage subsidy to encourage them to employ programme participants. Programmes which offer employers an incentive fare much better in job outcome terms than programmes which offer the employer nothing or very little. This is very easy to understand.

All of the programmes referred to have something in common and that is to say that unemployed people do not become eligible to participate until they have been on the JSA register for a fixed period of time. Currently a claimant aged 25 years or over does not join the Work Programme until they have been claiming the benefit for 12 months—nine months for those under 25. Overwhelmingly JSA claimants who move into work do so during the first six months of their claim. They are the more qualified, motivated and employable section of the JSA cohort. Many of the Work Programme participants are, not surprisingly, the less qualified, motivated and employable. Under previous programmes the employer was faced with a choice—employ a JSA claimant in the early part of their claim without wage subsidy or take a wage subsidy and employ a programme beneficiary. Currently, in more straitened times, the employer can take on a more employable JSA claimant in the early stages of their claim without a wage subsidy or take on a less employable Work Programme participant without a wage subsidy. In such cases the outcome favours the non-Work Programme JSA claimant.

Programmes which offer even more do even better. The much maligned Future Jobs Fund paid a significant portion of a beneficiary's wages for six months in jobs which, according to the rules of the programme, would not have existed without FJF funding. The programme set out to invest £1 billion in jobs which would not have existed without funding—around 250,000 jobs. In Hull, Local Work Guarantee helped 1,200 people into work by paying significant wage subsidies, albeit not in "invented" jobs. These well resourced programmes create employment opportunities where there were none and so actually had a temporary impact on claimant levels.

In summary:

- ESA/IB claimant levels have never been affected by Welfare to Work programmes. In Hull the levels have never been affected by anything!
- LPIS claimant levels have never been affected by Welfare to Work programmes but have been affected by changes in eligibility regulations.
- JSA claimant levels are affected by the economy. Welfare to Work programmes make an impact only when they provide financial support to the employer and that effect may be temporary. In the present climate high levels of financial support for employers are unlikely to be provided.
- The unpalatable truth is that Welfare to Work programmes as we know them have no impact on claimant levels.

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?

An administration grant is being provided to local authorities by the Department for Work and Pensions to aid in the provision of local Social Fund schemes.

We are in the process of recruiting additional staff to undertake the local Social Fund provision. As an authority we would not have been able to deliver this successfully from existing resources.

Uncertainty around the future role of Local Authorities and Universal Credit has led to a large staff turnover as staff feel that the role of a Benefits Assessor has a finite lifespan.

This has also made recruitment to vacant posts problematic.

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

The administration of Housing and Council Tax Benefit via a single claim for by Local Authorities has worked well for years. The changes will cause confusion for claimants, advice organisations and to some extent Benefits Assessors. It also places additional training and system requirements on the Local Authority and its stakeholders.

Separating the administration will add complexity to the claim process and customer journey. For example an assessment for Housing Benefit and Council Tax Reduction is made for a customer after April next year. The customer decides that they want to make an appeal. The Housing Benefit appeal will be sent to HM Courts and Tribunal Service and the Council Tax Reduction appeal will be sent to the Valuation Agency Office.

How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?

Housing costs provision will be the responsibility of the Department for Work and Pensions under the proposed new system who will need to carry out their own impact assessments in this area. However is should be recognised that there is probably a causal link between poverty and deprivation and the level of Benefit Fraud.

Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?

No and currently insufficient information exists in terms of the likely safeguarding arrangements that will be put in place. The lack of detail around this makes it impossible to develop a strategy to support tenants who are likely to struggle under direct payments. Information about the outcomes of the direct payment demonstration projects has not been released in any detail so whilst some data does exist on the likely financial impact it has not been shared as it becomes available to enable others to plan.

Quite apart from the financial impact of the likelihood the a percentage of rent due will not be paid, there has been no consideration of the challenges posed to social landlords in terms of workloads for front line staff who will need to pro actively manage many more tenancies (to ensure that tenants pay their rent). This is a significant cost to the business. In addition, social landlords will need to procure additional financial products and upgrade/extend IT facilities, all of which have considerable costs. With a very compressed timetable to procure and implement solutions, this significantly increases the risks.

January 2013

Written evidence from London Borough of Newham

1. Summary

1.1 At Newham we believe in promoting resilience amongst our residents. Our conception of resilience is about possessing a set of skills and having access to the resources that allow us to negotiate the challenges that we all experience, overcome the more difficult circumstances many of our residents experience, and take up opportunities that come our way.

1.2 We place employment at the heart of our conception of economic resilience, and our local back-to-work scheme Workplace has helped 13,000 people find jobs since its inception in 2007. We recognise that the perception, and in some cases reality, of a benefit trap is extremely damaging and can act as a major barrier to people taking up or progressing in work. That is why we were the first borough in the country to introduce a "better off in work" guarantee for the long term unemployed. We welcome the principle behind Universal Credit of a single taper on benefit removal as paid income increases.

1.3 However, we are extremely concerned that the implementation of welfare reforms will be disastrous both for low income families, for whom in many cases it will be impossible to provide affordable accommodation, and for local authorities, which are being asked to subsidise the failure of national policy and to take on a huge transfer of financial risk. We are particularly concerned about the impact of the benefit cap and social housing under-occupancy. We do not feel that the Government's approach to implementing reforms has shown a joined-up approach between departments.

Response

2. *How effectively are the Department for Work and Pensions and the Department for Communities and Local Government working together to implement Welfare Reform?*

2.1 It is our perception that the Department for Work and Pensions and the Department for Communities and Local Government are not working together to deliver welfare reform but rather working separately to deliver separate policy objectives.

2.2 The drafting of localised Council Tax Support regulations is an example of this disjuncture. The regulations drafted by DCLG reflected a lack of understanding of the complexity of the existing Council Tax Benefit regime, leading to the omissions of provision for additional disregards and the revision of longstanding rules on the treatment of "advantageous changes". These errors may result in further financial pressure on local authorities, and have left the regulations unclear and unreflective of the intentions of the majority of local authorities. This situation could have been avoided with critical input from the DWP.

2.3 A further example is in the two departments' media responses to the effects of the total benefit cap for workless households. This policy will make it almost impossible for us to find local accommodation for some families, and certainly impossible to do so at a level which also allows larger families sufficient benefit income to subsist.

2.4 We have a statutory responsibility to house those accepted as homeless or in other categories of "reasonable preference" for housing regardless of employment status. With ten year plus waits for social housing and the LHA rate for private properties being reduced to cover only 30% of the market there is a chronic shortage of housing available in Newham, even after powers to discharge homelessness duty to the private rented sector are enacted.

2.5 It is this combination of factors that led Newham, in line with many other London boroughs, to seek accommodation outside of the capital to offer to some households. This decision attracted widespread media coverage with the then DCLG Housing Minister Grant Shapps MP calling the decision "outrageous" adding that "Not only do I think it's unfair and wrong, I've also made legislation and guidance that says they're not to do this". Subsequent to this DCLG launched the *Homelessness (Suitability of Accommodation) (England) Order 2012 Consultation*, which proposes to limit councils' ability to "house out of borough".

2.6 We recognise that for many local housing will be the best option and housing out of borough is a step that Newham would not have taken if it did not have to. We already consider the factors that Government is proposing via our duties under the Housing Act 1996. However, in the context of a national housing crisis that is particularly acute in London the combination of benefit caps and restrictions on housing out of borough will make it impossible for the council to meet its statutory obligations to homeless households. There simply are not sufficient properties available for rent at this price.

2.7 It appears to us that DCLG ministers' public pronouncements about out-of-borough placements are at odds with the stated intentions of DWP policy, which is that it is unfair for families with children who are on out of work benefits to live in parts of London with more expensive rents.

3. *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?*

3.1 The guidance available to Local Authorities is sufficient for the use of briefing staff and affected households. The implementation of welfare reform changes through local authority business systems is reasonably easily achieved, and informing residents of likely changes is also a relatively simple matter.

3.2 There has been a lack of clarity and certainty on the timescales for certain reforms, in particular for elements of the migration strategy for Universal Credit which appears to have slipped repeatedly. This is problematic in terms of local authorities' ability to plan for the future, as we are unclear as to what elements of social security local authorities will continue to provide and for how long.

3.3 The guidance provided on risk management has been limited. Central Government has failed to conduct an assessment of the impact of welfare reforms on local authorities in terms of rent collection, bad debt provision, legal action for possession, and potential homelessness.

3.4 We also feel that given the likely increase in welfare reform-related cases going through the court system from April 2013 onwards, it will be necessary for the DWP and DCLG to issue clear and co-ordinated guidance to the relevant courts, in particular on the treatment of possession hearings arising from welfare reforms.

4. *Is the Government's timetable for implementing Welfare Reform achievable?*

4.1 Given the degree of opacity over the timetable for implementing Universal Credit, it is unclear exactly when different aspects of welfare reform will take effect.

4.2 We believe that the delivery of Universal Credit, including the expectations around the provision of Real Time Information through PAYE from employers by October 2013, is ambitious.

4.3 The timetables for the implementation of the benefit cap, under-occupancy penalty, and localised Council Tax Reductions by local authorities appear to be achievable, and we are working with software providers to ensure they are met.

5. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

5.1 We do not believe that the resources allocated to deliver localised Council Tax Support are sufficient either in terms of programme or administration budgets.

5.2 We are concerned that Government plans to provide local authorities with a fixed level of funding for Localised Council Tax Support, set at 90% of current expenditure, do not take into account additional properties which will become available throughout the first two year period.

5.3 In total 5,905 new housing units will be delivered in Newham up to and including 2014–15 according to our Core Strategy Housing trajectory, including the new E20 community in the Olympic Park. At least 35% will be "affordable", meaning over 2,000 new affordable homes will be built in the area. It is therefore a realistic estimate that the number of individuals eligible to claim Council Tax Benefit under current rules could increase by 10% over the next two to three years.

5.4 We are proud that as a council we are delivering new homes for residents. However the new system of Council Tax Support will penalise the council with an additional financial burden for delivering affordable properties.

5.5 We are concerned that Localised Council Tax Support does not allow for in-year changes to the scheme, and is cash limited where previously it was covered by central Government Annually Managed Expenditure. This means that if the level of applications increases against the expectations that we have budgeted for, we will have find savings elsewhere rather than alter our scheme.

5.6 The scheme that we are currently consulting on, like many other local authorities' schemes, would require residents who are unused to paying any Council Tax to make payments. This poses a risk in terms of our collection rates.

5.7 The set-up funding that has been offered to date for the administration of localised Council Tax Support has only been sufficient to cover the cost of software changes and consultation. No recognition has been given in this settlement of the cost of developing schemes on council officers' time. No clarity has been offered over the level of funding that will be provided in future years. This urgently needs to be resolved in a way that reflects the reality of extra burdens, such as appeal costs, that are being placed onto local authorities.

5.8 There has been no provision made for specific communications between the local authority as a landlord and its tenants, which differ in nature from the communications issued by Jobcentre Plus.

5.9 These unfunded administration costs come at a time when we been one of only six local authorities to have our administration grant from the DWP reduced by the maximum of 10%, which along with a decrease in our special economic downturn grant totals over £500,000 in lost administrative budget.

6. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

6.1 We are seriously concerned about the huge unfunded financial pressures which welfare reforms will place upon local authorities.

6.2 In particular we are concerned that from the next financial year the introduction of the household benefit cap and the social housing under-occupancy penalty will constitute new burdens on local authorities, with additional duties in both cases being to house families whose benefits cannot cover the rent they owe the council. Indicative figures show that these burdens alone will cost the London Borough of Newham an estimated £2.5 million in 2013–14. The Government can not implement new policy and simply expect local authorities to deal with the financial implications. It is a false economy to make central savings by transferring costs to local authorities.

6.3 Under the longstanding "New Burdens Doctrine" all Government departments are obliged to justify why new duties should be placed upon local authorities, as well as how much these policies will cost and where the money will come from to pay for them. It is worrying that the DWP has not estimated the cost of these new burdens and has simply transferred unfunded financial pressures on to local authorities without due consideration of the new burdens protocol.

6.4 We have received no assurances so far from the Government about covering these additional costs, and we would like to know what level of consideration the Government has given to funding these new burdens and what steps will be taken to cover these costs.

6.5 Welfare Reform will have additional costs to the council beyond these direct costs, such as additional pressures on social care and children and young people's services where vulnerable people are moved in and out of the borough. We are concerned that the DWP has made no effort to quantify or account for this additional financial risk.

6.6 These costs are separate to the costs that our residents will bear when Welfare Reforms are introduced. We estimate these at approximately £9.7 million in 2013–14, as well as unquantifiable societal and personal costs.

7. *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

7.1 We have raised concerns in the past about the structure of the Work Programme, the Government's main welfare to work scheme. We believe that the single national level of payments on offer under the payment by results system does not sufficiently take account of the higher overhead and staff faced by providers operating in London, meaning that they are insufficiently resourced to provide real help for people who are distant from the labour market.

7.2 Now that data has finally been released it is clear that the Work Programme has failed to meet Government targets, and that in Newham this has been especially true. Only 2.79% of people referred to the scheme in Newham within the first 14 months, or 190 people, were found sustainable work, compared with 3.56% nationally. The respected think-tank CESI/Inclusion estimated the Government's target as 7.9% over the same period.

7.3 Notwithstanding our investment in Workplace, which placed 5,000 people into jobs last year, employment support is the responsibility of national policy. If it is failing to achieve its aims then more people will be on state benefits and therefore affected by welfare reforms, in particular the benefit cap on workless households. This means further costs to the council which we are being asked to subsidise.

7.4 It is important to note that often the work that people move into from out-of-work benefits is low-waged: the average salary of a person moving into work using Workplace is £14,000 per year. This is often insufficient to lift a household above the threshold of Housing Benefit, so an increase in employment will not necessarily lead to fewer benefit claimants from the perspective of a local authority. Since 1 April 2012 we have seen a rise in the number of Housing Benefit claimants by 1.6% in total and 5.3% in the private rented sector.

8. *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?*

8.1 The budgets being transferred from the DWP to Local Authorities for local replacements for the Social Fund are likely to prove insufficient to meet need. They are lower than last year's allocation, and take no account of the additional pressures that are likely to fall on support for people in emergency situations as a result of the implementation of other welfare reforms, in particular Universal Credit.

8.2 We have seen little evidence that local authorities are able to use existing services or contracts to deliver local Social Fund-type schemes. The lack of detailed information from the DWP on current provision, and the challenging timescales between confirmation of available funding and the introduction of provision, has made the introduction of an innovative scheme difficult to achieve.

9. *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

9.1 We assume that this question refers to the abolition of Council Tax Benefit and the introduction of Council Tax Support schemes, and then the gradual abolition of Housing Benefit in favour of Universal Credit from October 2013 onwards.

9.2 The introduction of two separate means tests will mean that claimants have to provide similar evidence and information to two separate authorities, and, if refused, face separate appeals processes.

9.3 The sharing of information between the DWP and local authorities should go some way to easing the administrative burden on claimants, as will the reduction in the number of means tests arising from the introduction of Universal Credit. However the separation of Council Tax Support and Housing Benefit will be more administratively inefficient.

10. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

10.1 LBN has no response to this.

11. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

11.1 When direct payment of housing costs to tenants is introduced in 2014 we will experience an additional financial risk to the council, due to the likelihood of increased arrears from tenants in secure accommodation who are unused to having to prioritise the payment of their rent. We believe that Government should act on the direct payment pilot being carried out in Southwark and pay the housing element directly to landlords, especially in the case of people in temporary accommodation who are by definition vulnerable. At the very least the Government should give tenants the choice of this element going direct to their social landlord helping to provide greater housing security.

11.2 If the Government is determined to pursue its current course, we have concerns about the current regulations. It is difficult to determine from the Universal Credit, Personal Independence Payment and Working-age Benefits (Claims and Payments) Draft Regulations 2012 the exact circumstances in which payment would be made to a landlord. These regulations merely include "provision for the making of payments to a person to discharge, in whole or in part, a liability of the claimant to a landlord in respect of housing costs". The supporting memorandum states that exceptional payment arrangements will be time limited and implemented along with budgeting support.

11.3 Our preference would be for a safeguarding system to be put in place through regulation. This could be based on that developed for Local Housing Allowance (see DWP Local Housing Allowance Paying benefit and applying the safeguards—A good practice guide) which, in addition to the statutory provision for direct payments after eight weeks' arrears, allowed for direct payment where "the customer is likely to have difficulty in managing their financial affairs, for example due to a relevant medical condition or unlikely to pay, for example they have a history of not paying their rent or absconding with their benefit payment." These safeguards prevent arrears arising from the start of a tenancy, and recognise that not all benefit recipients are able to manage their financial affairs.

January 2013

Written evidence from London Borough of Tower Hamlets

1. Executive Summary

1.1 Inner London, and Tower Hamlets in particular, are particularly impacted by welfare reform due to high housing costs, low wages relative to the cost of living and barriers to employment.

1.2 The Council and its partners have real concerns that for some families the impact will be increased hardship which is likely to increase pressure on already stretched public and voluntary services locally.

1.3 In particular, we are not sure that the potential impact of a policy such as the national cap, unrelated to local rent levels, on high rent areas such as inner London has been fully considered.

1.4 The somewhat arbitrary nature of the cap, impacting those on sickness benefits, or those caring for them, and those exempt from seeking work due to responsibilities for young children as well as those fit for and seeking work, is a particular concern.

1.5 Our evidence is that it does have a differential impact on black and minority ethnic and female-headed households and that its equality impact should be further reviewed with this in mind.

1.6 We also have concerns about how the impact of the benefit cap on council finances, both directly through our duty to those who are found homeless, and indirectly through the pressure that increased hardship or forced moves amongst families, will put on services such as schools, social care, health and mental health provision, amongst others. Whilst difficult to quantify at this time, it will be important to explore further whether these new pressures and the impact it will have on the 1,600 households and nearly 5,000 children, will outweigh any savings achieved by the cap.

1.7 Other changes such as the localisation of Council Tax Support and localisation of the Social Fund will bring additional administrative burdens to the Council. It is difficult to see how devolving these very similar processes and having them run separately within separate authorities, potentially requiring a myriad of new IT systems and processes, can be cost effective overall.

1.8 More generally, we have been disappointed in the quality of information and guidance that has been forthcoming from the DWP in enabling us to deal effectively with these changes. Greater sharing of information about those to be affected or, in the case of the Social Fund about current caseloads and recipients, would have helped us prepare better for these new burdens.

1.9 Within these difficult circumstances, we have found real commitment within our authority and amongst our partners in registered housing providers, third sector advice agencies, health and Job Centre Plus, in working with us to ensure the implementation of these changes is as smooth as possible and that those affected are informed and supported to prepare. The extent of work we have done in this field has been identified as amongst the most comprehensive in London and we would like to take this opportunity to share with the Committee this material which is all available on our local Council website at www.towerhamlets.gov.uk/welfarereform

Finance

2. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

2.1 We have significant concerns that sufficient resources are not being allocated to support this major change to the welfare system. Indeed resources are being cut back.

2.2 Reductions in funding include:

- 10% plus cut in award funding for Council Tax Support (CTS).
- DWP has recently informed the council that Housing Benefit (HB)/Council Tax Benefit (CTB) admin funding will be cut by almost £500,000 for 2013–14. (Circular HB/CTB A5/20012).

2.3 In addition, there are significant other resource pressures:

- We believe there is a risk of significant further reduction in Government admin subsidy funding to local authorities.
- The rationale for this would be that local authority admin requirements would reduce in line with the number of HB claims lost to Universal Credit. However, our analysis in Tower Hamlets shows that there will not be a significant reduction in caseload and assessments when HB migrates to UC.
- We also currently operate a joint HB/CTB processing system and the complexity of CTS assessments will remain on par with CTB assessment (and possibly more complicated).
- We therefore doubt that significant savings in respect of admin will be realised.

2.4 *Lack of clarity about future funding:* Considering the new burdens being faced by local authorities through the implementation of the various welfare reforms, it is yet unclear whether:

— The CLG/DWP have undertaken an analysis of the resource pressures and new burdens local authorities are facing and will continue to face.

— Funds will be made available to reflect this additional resource requirement, what the rationale for the apportionment would be and how much local authorities will be allocated.

3. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

3.1 *Benefits Cap:* The most significant resource challenge for local authorities, primarily those in London, will not be the implementation of localised council tax support or advice on Universal Credit, but mitigating, as much as possible, the severe impact of the Benefits Cap.

3.2 Based on DWP scan data around 100 households in Tower Hamlets will have a shortfall in benefit payments following the introduction of the cap. The average loss will be £103 per week (£6,706 per annum). The households affected include nearly 5,000 children who will be impacted, at threat of losing their homes.

3.3 Tower Hamlets has implemented a number of actions to mitigate the impact of the cap including:

— Borough wide awareness campaigns of the changes.

— Personalised joint housing options/employment advice visits to every household who is at "high" and "medium" risk.

— A series of high profile drop in roadshow events ("Money Matters Month") providing advice to over 600 residents in one month.

— A short welfare reform video, booklet and practitioners guide.

— Ongoing training for council, housing provider and partnership staff.

— A rich number of resources for residents and practitioners on our website: www.towerhamlets.gov.uk/welfarereform

3.4 Despite these activities, we still envisage a large impact on a significant number of households across the borough.

3.5 In Tower Hamlets some of the biggest losers are black and minority ethnic families and single parent households, usually headed by women. We have concerns about the extent to which the equalities impact of this policy was fully assessed and considered before implementation.

3.6 Our biggest concern is about the human impact of this change on some of our most vulnerable residents. There will also be consequent financial risks to the local authority which include:

— Cost to the local economy: Based on DWP scan data the estimated total loss to Tower Hamlets residents in lost benefit payments due to the cap will be approximately £8.5 million per annum which will have a serious impact on the affected households. As spending patterns are not entirely clear, it is difficult to calculate what percentage of this loss will be felt in the local economy, but the overall loss is likely to be significant, potentially exacerbating depressed demand, increasing debt and reducing local economic growth.

— Temporary accommodation costs: There are currently 450 households living temporary accommodation due to homelessness who will be affected by the cap. The Housing Benefit lost to these claimants has been calculated to be £3.27 million per annum. The Council has a duty to house these residents. Tower Hamlets Council will be forced to meet these costs unless able to find alternative and less costly housing options for these families.

— Lack of affordable housing options: There are no private rented options within the borough or within most of the neighbouring boroughs which will be affordable to families affected by the benefits cap. The average rent for a two bedroom property in the Tower Hamlets is £350 per week, and a four bedroom is £524 per week as of March 2012, in itself over the £500 per week cap. The Council will therefore have little choice but to consider rehousing homeless families outside of the borough, and potentially some distance from families, disrupting communities, schools and support networks.

— Increase in homelessness: On top of those families already homeless and in temporary accommodation, there are a further 460 households currently in the private sector who will be affected by the cap. The average shortfall for these families is £104 per week (very slightly above the £103 average for all types of dwelling. The loss for those in the private sector is above a £79 average weekly shortfall for those renting in Housing Association dwellings and below the £143 shortfall for families in homeless accommodation). They are unlikely to be able to negotiate lower rent levels with their landlords or find alternative local housing solutions. Many will find themselves in rent arrears and subject to eviction, leading to further homelessness applications to the Council.

- — The cost of re-housing: There is a massive human cost in re-housing families out of the borough—with the loss of support networks and community ties. There are also potential hidden financial costs to the public purse which may outweigh benefits savings. For example, many provide or rely on informal care from families and these costs may in future fall to the state. Allocating new schools, new GPs, new addresses, new practitioner contacts and of course new housing are all additional costs relating to re-housing some of the most vulnerable residents in society.
- — Increased demand for emergency support: Those affected by the cap will face the sharp dilemma of paying their rent or feeding their families and heating their homes. Local authorities who will from April be delivering the Social Fund face a potential significant increase in demand for these, and for other payments including child care costs and discretionary housing payments. Our whole Localised Social Fund budget is currently £1.4 million compared to an estimated benefit shortfall of £8.5 million. There are also additional administrative costs related to the localised Social Fund which each individual council is having to bear, calling into question the efficiency and rationale of devolving the Social Fund.

3.7 Planning for these risks is hampered by:

- — Lack of information and funds from CLG/DWP making it difficult for Tower Hamlets to plan accordingly for the forthcoming changes, and to enable us to attempt to maintain the current level of service provision.
- — The timetable for implementation is too tight to ensure enough support is given to residents to cope with changes—both rehousing and finding employment solutions for vulnerable residents take time.
- — There has been little or no information about the historic demand for Social Fund payments (ie who is demanding what and why) making planning and effective delivery of the new Localised Social Fund more challenging and less efficient.

Housing

4. *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

4.1 LBTH, like most Local Authorities are committed to maintaining a seamless service in respect of both Housing Benefit and Council Tax Support, whist the Council retains responsibility for the administration of HB.

4.2 This is being achieved in the following ways:

- — Initially involving the retention of a single application form and joint HB/CTB processing via integrated ICT processing systems which issue separate award notifications.
- — In addition to Housing Benefit and Council Tax Benefit the application form also incorporates an application for education and welfare benefits.
- — Currently recipients of ESA(IR), IS, and JSA(IB) are passported to full HB/CTB without LA's having to enquire further regarding any other income they may have. However, the inclusion of Housing Benefit within Universal Credit and the fact that it is impossible to separate and disregard the Housing Cost element of the final Universal Credit award, means that "passporting" will not be possible and this is likely to complicate the Council Tax Support assessment process.

4.3 Local Authorities will have significant difficulty replicating the passported provision inherent in the current HB and CTB schemes. This means that a relatively streamlined, joined-up process currently faced by claimants is likely to be significantly complicated in the future.

4.4 It is also likely to increase the assessment requirement for Council Tax Support—meaning claimants will have to complete separate forms and provide information to both the DWP and to the Council.

4.5 Universal Credit is being designed to be One Benefit and One Payment and CTB local schemes are likely to closely resemble the benefits incorporated within UC. The rationale for operating a local CTS scheme independent of Universal Credit has therefore not been made clear.

5. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

5.1 Tower Hamlets has a number of mechanisms in place to prevent fraud. The investigations team works closely with other agencies including other departments within our council, other councils, the Department for Work and Pensions, the police and members of the public to ensure incidents of fraud are continuously addressed.

5.2 The committee may want to consider how media coverage remains overwhelmingly negative with regards to those receiving benefit payments. A report by Turn2us, part of the poverty charity Elizabeth Finn, illustrates the level of disinformation here.[46] This amount of disinformation can have a negative impact on the quality of the debate on welfare reform, and the subsequent solutions to challenges around welfare.

6. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

6.1 Social landlords have considerable concerns about the payment of benefit direct to claimants. Residents as well as their landlords will face considerable pressures as a result. The full scale of the impact has not yet been clarified—the pilots have not reported in sufficient detail to be able to take a view on the risk to rental income and that in itself is a worry. However, there are some key areas where social landlords do have concerns:

6.2 Impact on Landlords:

- The increase in transaction costs decreases provider income which is used to invest in homes and services. That income will instead be paid to the companies such as AllPay or the Post Office or the banks who facilitate the transactions.
- Feedback from partner landlords suggests that all are increasing the resources we spend on supporting residents and chasing arrears—at the expense of improving homes and services to residents—this is on top of the pressure on income should arrears start to increase.
- We still don't know how the courts will view arrears cases which are as a result of these changes—guidance to the courts from the Government would be useful.
- We would suggest that the level of arrears necessary to trigger a direct payment needs to be low enough such that there is a realistic prospect of the arrears being paid in a reasonable timescale and servicing the arrear is not significantly onerous on the tenant.

6.3 Impact on claimants:

- Many of our residents are vulnerable to financial abuse, from legal and illegal lenders—we will need to provide additional services to identify and support these residents as otherwise this cash will be diverted to their abusers and we will end up pursuing arrears. Locally, we have a financial inclusion network which is seeking a range of ways to increase local people's skills in managing money and avoiding debt, but the level of change associated with welfare reform is likely to significantly increase demand on these resources.
- Once direct payments are introduced, many residents may also be more open to abuse from family members and acquaintances. With the payment going to the notional head of household it will put many already vulnerable residents—particularly but not exclusively women—more dependent on their abusers and so more trapped in abusive relationships with the associated risks. Residents are also considering moving back in with abusive family members as a consequence of falling incomes because of the cap.
- We would suggest that the Committee seriously consider recommending a change to this aspect of the policy, specifically where a tenant wants to have their rent paid direct to their landlord they should be able to request this at the outset. If it is an informed choice then we do not see how this would undermine the Government's publicised intent that people should take responsibility for their finances.

Employment

7. *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

7.1 Our contact with our affected families in temporary accommodation, coupled with discussions with Job Centre Plus, local employment support agencies and housing providers have stated that the overwhelming majority of those affected by the cap and not in work are unlikely to be able to move easily into work.

7.2 This is often because of childcare responsibilities and/or childcare costs make it financially unviable for lower earners. Nearly half (46%) of those affected by the cap in Tower Hamlets are single parents. Many of these have children under five and thus are not expected, even within new stricter job seeking rules, to be available for work.

7.3 Other residents have poor health and are receiving Incapacity Benefit or Employment Support Allowance in reflection of this.

7.4 In the move from IB to ESA the Government has itself recognised that assisting long term claimants of sickness benefits is a long term approach which needs to be accompanied by training and support. There is no quick fix which will enable employment options to be realistic for those affected by the cap on implementation in April next year.

7.5 Often part time work is a useful option for those moving back into work following ill-health—but part time options below 24 hours will not exempt people from the benefits cap.

[46] Benefits Stigma: how newspapers report on welfare; *Guardian* Data Blog http://www.guardian.co.uk/news/datablog/2012/nov/20/benefits-stigma-newspapers-report-welfare Accessed 11/12/2012

7.6 Even where those affected are available and looking for work, the lack of job opportunities, particularly in a job market hit by recession means finding employment is not a simple solution. In addition, many residents lack relevant competencies, which require significant additional investment in training and skills.

Other

8. *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?*

8.1 In general, we have been disappointed about the level of information and guidance available to local authorities to implement these reforms. This includes:

8.2 A lack of information on the progress being made on Universal Credit implementation and likely timescales.

8.3 A lack of information on the level of contingency funding available to help offset the impact of the reforms.

8.4 A lack of accurate information about numbers affected—the DWP scan produced to identify residents likely to be affected by the cap, appears to be flawed as it is not based on current data. We have received three different scans each with different numbers and names of those affected. We have worked with the DWP on these issue, but to help us identify errors with the scan it would be helpful if DWP were to publish their assessment formulae.

8.5 A lack of information with regard to local Social Fund administration—in particular DWP were extremely slow to publish statistics regarding current administration of the Social Fund and although figures have now been published on the DWP website, we feel it would be beneficial to visit the local DWP centre which processes Social Fund applications from LBTH residents. However, our requests have been refused, which is a pity as we feel this would be of more practical use than the regional and generalised Social Fund seminars being conducted by DWP.

8.6 DWP HB/CTB Circulars are less frequent and HB Direct does not provide the level of guidance we are seeking.

Methodology

9. *Is the Government's timetable for implementing Welfare Reform achievable?*

9.1 We believe it will be exceptionally difficult. The DWP have only recently set up specialist teams to deliver the benefits cap which will involve merging benefit streams to calculate the total. Effective UC delivery is likely to require the integration with HMRC's RTI system, but developments on this have not been forthcoming

10. *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*

10.1 The new work to operate the Social Fund for Tower Hamlets will require additional claim handling and assessment staff and new systems. Workload planning is hampered by the lack of recent detailed information from DWP on the volume of applications and on the number, values and purposes of grants or loans.

10.2 We are evaluating potential suppliers of systems to administer the Social Fund, including some with whom we have an existing contract. However, it is very unlikely that we can make variations to a contract to encompass the Social Fund, given the potential value of the contract and the need to ensure best-value, fair and transparent procurement. This gives some concern in terms of the timescales to evaluate options and procure a system.

10.3 All of the potential suppliers are still developing their systems, so there is a risk that we may move to procure a system which is not ready for testing, training and adapting for local criteria in time for 1 April 2013.

10.4 Some council services, especially in the social work fields, already help people with their applications for Social Fund payments from the Job Centre, and we are working to ensure that this support will still be provided. However, it seems likely that there will be an increase in applications to the Social Fund, and there would be no additional resource in social work or in local advice agencies to provide support for higher numbers of applicants.

January 2013

Written evidence from SIGOMA

About SIGOMA

SIGOMA is a special interest group of 45 municipal authorities in the northern, midland and south-coast regions of England. Our membership includes 33 metropolitan districts and 12 major unitary authorities covering key urban areas.

Executive Summary

SIGOMA wish to bring the attention of the committee the cumulative impact of regulatory change that will come into force on 1 April 2013.

We will also highlight that authorities are seeking to adapt to these changes whilst undergoing funding and staffing reductions far greater and at a much greater pace than other public bodies.

Press and some Members of Parliament refer to the fact that some authorities appear to be managing change better than others, with the possible inference that it is lack of will or ability that causes some councils to fail. We show that the impact of welfare reform and other initiatives causes much greater hardship for some authorities, especially municipal authorities outside London.

Finally we list some of the practical issues raised by our members and which will be more fully addressed in their individual submissions.

The Change Environment for Local Authorities

1.1 The welfare reform agenda and its implications for local authorities should be considered in the context of the avalanche of financial reform initiatives being introduced on 1 April 2013. To list the main ones:

Policy	*Implementation Date*
Introduction of Business Rate Retention, places risk of changes in business rate income onto each local authority and allocates more funding to prosperous authorities rather than according to needs.	1 April 2013
Transfer of Council tax benefit budget responsibility at 88.3% of current funding level. Local authorities will carry the risk of a demand led and underfunded budget.	1 April 2013
Transfer of health responsibilities budget. Councils have had no input to allocation basis. Authorities carry the risk of inadequacy of PCT base budgets with limited information from primary care trusts.	1 April 2013
Transfer of fixed Social Fund budget responsibilities to authorities at a time of record austerity measures and with no framework for delivery.	1 April 2013
Ring fencing of Early Intervention Grant to fund two year old additional placements, putting other EIG activities under threat	1 April 2013
Redistribution of LACSEG funding between Local Authorities and Academies with no evidence on actual central cost savings achievable by authorities and allocated on divisive basis which has create winners and losers.	1 April 2013
Housing benefit reform. Including housing benefit in universal credit and the imposition of "bedroom penalty".	1 April 2013
Unitary charge phase in	1 April 2013
Council tax bases reduced thereby reducing income from Council Tax in future years.	1 April 2013

1.2 At the same time, throughout the current spending review period, Government have imposed cuts to local authority budgets of greater magnitude and at a more accelerated pace than in any other major Government department (see Table 1).

Table 1: Departmental Programme and Administration Budgets (Resource DEL)* In £ billions

Programme and administration budgets	Baseline	Plans at 2010 spending review				Cumulative real term decline*
	2010-11	2011-12	2012-13	2013-14	2014-15	%
CLG Local Government ~	28.5	26.1	24.4	24.2	22.9	27.0
All other departments	298.1	300.6	302.5	306.7	306.0	6.3

LG DEL includes funding for police and fire authorities. Excluding these, DEL for councils will fall by 28%
*Extracted from data in 2010 Spending Review HM Treasury. Full report Table 1. Assumed 2.3% RPI

1.3 This has been followed up by the imposition of yet further cuts as the austerity measures have proved insufficient, including taking further funding from Council budgets targeted at any pay efficiencies Councils might achieve in 2013–14. In addition, there has been a degrading of local authority Council Tax bases under localisation thereby restricting Council's ability to raise funds locally, and an effective rate capping by the introduction of referendum.

2. Impact on Staffing

2.1 The impact in terms of staffing resources has been stark. English local authorities have lost 14% of their staff since 2009, almost three times the rate of the remainder of the public sector.

Table 2 changes in employment from 2009 to June 2012

Headcount by sector. Source ONS public sector employment statistics

	Private sector		Public sector excluding local authorities		Local authorities		English councils excluding police & fire authorities	
Year	Headcount in thousands	% change	Headcount in thousands	% change	Headcount in thousands	% change	Headcount in thousands	% change
2009	22,491		3,419		2,933		2,093	
2010	22,826	1.5%	3,325	-2.7%	2,887	-1.6%	2,064	-1.4%
2011	23,072	1.1%	3,258	-2.0%	2,680	-7.2%	1,883	-8.8%
June 2012	23,896	3.6%	3,252	-0.2%	2,647	-1.2%	1,801	-4.4%
Movement since 2009	1,405	6.2%	- 167	-4.9%	- 286	-9.8%	- 292	-14.0%

2.2 English Mets and Unitary authorities outside London have lost employees to an even greater extent, over 15% on average. Within those averages are hidden highly contrasting differences between the highest and lowest headcount movement, as much as 60% between highest and lowest. In their 2011 workforce survey the LGA reported:

> *"Out of 188 councils, 77% had reduced the number of staff posts in the 2010–11 financial year to bring about a reduction in workforce cost, with 61% reducing management costs and 56% setting up shared services with other councils/partners*". [Local Government workforce survey 2011—LGA Research]

2.3 The above reductions will include elements of outsourcing, though many outsourcing initiatives had already been undertaken by 2009. Outsourced services can however be a further source of problems when an authority is trying to gear to new responsibilities whilst reducing costs

2.4 Those staff reductions continue as authorities implement efficiency programmes and attempt to assess the financial outcome of 2012 settlement. The implications will only become apparent in the autumn statement and will only become clear at individual authority level in the 2012 settlement, expected to be delivered just one day before the dissolution of parliament.

2.5 This would be difficult enough under normal circumstances, but with budgets being cut and the Government withholding around £½ billion to protect itself from risk,* uncertain allocations add to the difficulties authorities face in establishing resources to meet demand just 100 days (65 working days) before the commencement of the year in which they take effect.

2.6 As noted above, in an attempt to sustain key frontline services, authorities have focussed reductions on management, back office and administrative services, yet these are the very areas which will carry the burden of implementing, monitoring and managing the new responsibilities. In some cases it will involve the wholesale transfer of staff to local authority control, in others recruitment of new skill sets and in yet others the commissioning (and therefore the management) of external services, illustrated in Table 3.

Table 3

IMPACT PROFILE OF GOVERNMENT POLICY INITIATIVES

	Rate retention	*CT support*	*Health transfer*	*Social fund*	*Early intervention*	*LACSEG funding*	*Housing benefit*	*Welfare reform*
Systems change								
Staff transfers								
New specialisms								
New/changed relationship with other agencies								
New responsibilities								
Demand driven budget								

	Rate retention	*CT support*	*Health transfer*	*Social fund*	*Early intervention*	*LACSEG funding*	*Housing benefit*	*Welfare reform*
Budget pressure risk borne by Council								
New regulatory regime								
Governance changes								
Consultation issues								
Uncertainty of adequate central funding								
Increased bad debt risk								
Risk regarding centrally set exemptions								
Local economy financial impact								
Strategic planning								

2.7 In the above context therefore we submit that the timetable for effectively implementing welfare reform within acceptable boundaries of risks is not achievable.

3. How the Changes will Impact

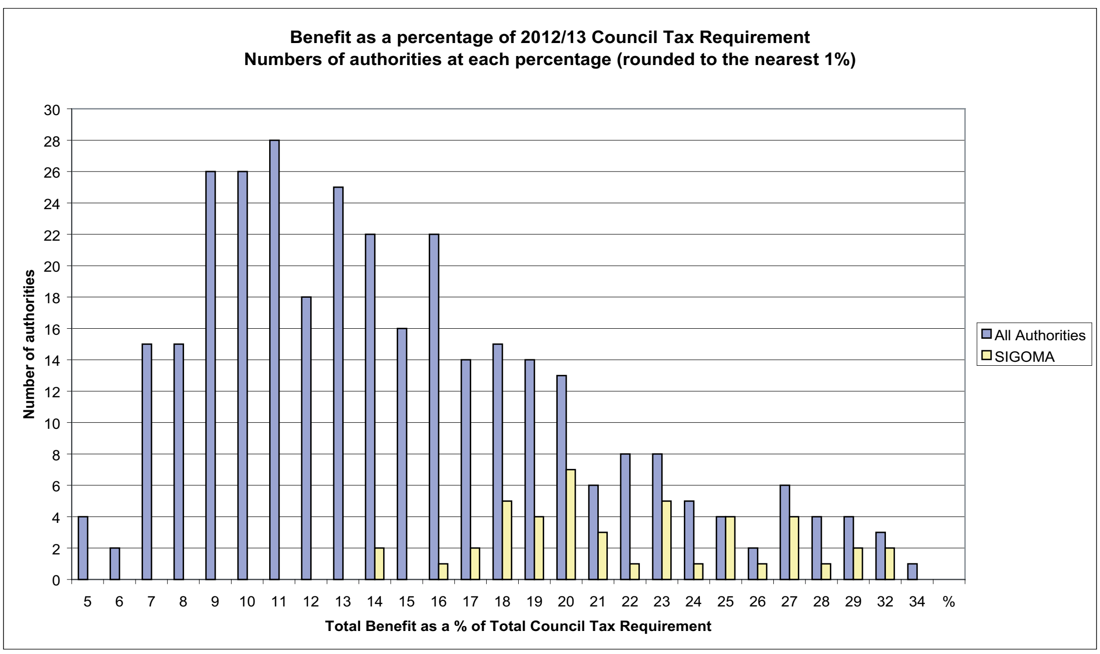
3.1 The financial impacts in areas such as Council Tax support and Housing will be felt as both a direct and indirect effect on Council budgets. Importantly, they will be felt to very different degrees in different parts of the country. Two illustrations are given in s 4 and 5.

*Business Rate safety net £250 million, capitalisation £100 million, EIG withheld £150 million.

4. Council Tax Benefit

4.1 SIGOMA have shown that implementing the reduction in Council Tax support presents a very different magnitude of problem between different authorities. This can be seen in the graph below showing the differences in Council Tax Benefit as a portion of Council Tax requirement for individual authorities.

4.2. Compared to the number at each percentage for the 45 municipal authorities within SIGOMA the difference is huge. For example the modal percentage nationally is 11% (for 28 authorities), whilst for SIGOMA members the most common is 20%.



5. Housing Benefit

5.1 Housing benefit claimant numbers as a proportion of population[1] vary dramatically across authorities, as shown in the tables on the following page.

5.2 The anticipated problems of bad debt management, homelessness and other social issues will manifest themselves most prominently in authorities with the highest proportion of claimants who are mostly amongst the poorest authorities and regions in the country. These problems are already, manifesting themselves in the early pilots, as seen in this extract from Inside Housing magazine:

> *Direct payment to cost pilot landlord £8 million a year*
>
> The Department for Work and Pensions has insisted its plans for direct payment of benefit will proceed despite a landlord on a pilot project claiming the policy will cost it £8 million a year.
>
> Wakefield District Housing is running one of six projects to test the direct payment of universal credit to tenants. The policy aims to encourage people to take responsibility for their finances.
>
> WDH has calculated the reforms will lead it to lose £8 million annually in bad debts. It will have to borrow an extra £20 million to shore up its business plan.
>
> *Extract of report by Carl Brown and Stuart Mcdonald reporting for Inside Housing 7 December 2012*

HOUSING BENEFIT CLAIMANT NUMBERS AS PROPORTION OF POPULATION ESTIMATE[1]

INDIVIDUAL AUTHORITY HIGH AND LOW

Authority	%
Wokingham2	67%
Hart	2.84%
South Northamptonshire	3.30%
Harborough	3.37%
Ribble Valley	3.40%
Fareham	3.54%
Surrey Heath	3.55%
Blaby	3.65%
Rushcliffe	3.83%
Chiltern	3.85%
Southwark	13.62%
Lambeth	13.71%
Kingston upon Hull, City of	13.74%
Liverpool	13.90%
City of London	14.17%
Tower Hamlets	14.43%
Haringey	14.49%
Blackpool	14.70%
Islington	15.37%
Hackney	17.08%

[1] *2012 mid term population estimates—ONS.*

NATIONAL AVERAGES

Regional variations in Housing Benefit claimant numbers as a proportion of population	
South East	6.3%
East of England	6.7%
South West	7.1%
East Midlands	7.2%
England average	8.1%
West Midlands	8.2%
Yorkshire and the Humber	8.4%
North West	9.1%
London	10.4%
North East	10.4%

6. Financial Impact

6.1 The pressure on services, and risk of service failure, will be increased by changes in housing benefit regulations. Debt collection costs and the risk of bad debts are likely to increase as a consequence of rolling housing benefit into universal credit. There is a potential knock on effect into Council Tax collection as households struggling to balance their personal budgets may subsidise housing benefit shortfalls from their

Council Tax budgets (which may be a new or increasing pressure on the household due to underfunding of Council Tax support).

6.2 No measure is being made and no floor set for the *combined* impact of the initiatives listed in the first paragraph of this document.

6.3 SIGOMA therefore wishes to emphasise, and asks the committee to consider that, though welfare reform will present challenges, they are only one part of a huge cascade of different policies being introduced at the same time, bringing different financial and administrative pressures and, most importantly, will not have the same proportionate impact across the country.

6.4 Metropolitan authorities have been cut hardest, those outside London are amongst the weakest local economies (on which they are now being made financially reliant) and they have populations with the highest proportions of those most affected by welfare reform. In addition they are being called on to part fund a £2 billion housing programme in economically active areas. This does not have the feel of an equally shared burden.

7. Recommendation

7.1 The Committee are requested to consider a holistic review of the resource implications for all authorities and regions which encompasses not only welfare reform but all the changes that will take place in 2013 and beyond.

8. Individual Impact

8.1 SIGOMA members are responding individually on specific practical implications they face. These include:

- Difficulty in adapting IT and organisational structures to match the changes in welfare reform, given the short time frame.
- Local authorities continue to explore the possibility of adapting existing service provision but feel that the cross cutting nature of some welfare issues may lead to failure to identify and support some claimants in the transition.
- The demands of catering to the bespoke needs of Crisis Loan claimants, especially on a face to face basis.
- Dealing with organisational structure of support at DWP, which needs adapting and linking with the DCLG and the HCA.
- Uncertainty regarding budget deficits from reduced revenue collection. Revenue and benefit managers are now becoming budget holders of Councils and need time to build up forecasting and financial management capability of their services, over and above the function of administering and collecting revenues and paying benefits.
- Feeling of being over-run with sheer number of changes whilst staff resource reduces.
- Guidance and detailed regulations failing to keep pace with needs of Council officers and affected individuals.

January 2013

Written evidence from Surrey County Council

1. Surrey County Council welcomes the opportunity to provide evidence to this inquiry. The operational and financial issues arising from welfare reform are significant both for the County Council and for the 11 District and Borough Councils in Surrey and this evidence is drawn from the collective experience to date.

2. The County Council takes the potential impact on vulnerable Surrey residents of changes in welfare arrangements extremely seriously. There is a widely held perception of Surrey as an economically successful and socially affluent area. That perception, however, disguises the fact that Surrey has considerable numbers of residents who will be significantly affected. Indeed, it is precisely because the impact of welfare reform will be felt differently among different groups of residents that the County Council commissioned ethnographic research examining the potential implications particularly for low-income families (specifically lone parents and large families) and families with disabled adults or children.

3. The findings from the research are summarised in a report "Preparing for the Impacts of Welfare Reform" and have significantly informed this evidence. A practical understanding of the ways in which residents currently manage their lives and the cumulative impact of the additional changes arising from welfare reform can support effective implementation of the reforms. Lack of such understanding will significantly limit its effectiveness. The County Council would be pleased to share the report with the Committee.

4. Drawing on the insights generated by the research, as well as the experience of Surrey's District and Borough Councils, the County Council would make a number of points in response to questions posed by the Committee:

- the localisation of Council Tax support decisions reflects a lack of consistency in approach between CLG and DWP and is creating major problems in some of the most significant elements of household budgets for vulnerable families. In particular, our research indicates strongly that what happens on Council Tax Benefit will be a determining factor in terms of whether households are in deficit month on month;
- rather than just additional guidance what is needed is effective practical engagement including sharing data and recognition that councils are being asked to determine schemes which require new skills and systems to deliver with very little time to prepare;
- whilst councils may be able to make the necessary immediate decisions and system changes the timetable for implementing change does not allow for the planning that would have allowed these decisions to be better co-ordinated and based on a much better understanding of the potential implications for residents. In Surrey, the County Council has uncovered lack of information and misinformation directly to residents about the changes. Our research also suggests strongly that for disabled people and their carers there is a highly significant risk of misunderstanding and lack of understanding about the nature and effect of the changes;
- localisation of council tax support arrangements will lead to significant financial exposure for councils and the wider impact of the changes will be felt in additional demand for services eg advice and health; and
- for welfare to work schemes to be effective in securing work for parents from low income families there is a need for clear "road maps" to demonstrate how the demands of looking after children can be accommodated in jobs that are suitable for people with relatively low skills. The expectation is that the demand for such jobs will continue to significantly exceed supply in places such as Surrey.

Surrey County Council

5. The County Council has wide experience in providing services which directly support vulnerable residents including Adult Social Care and Children's Services as well as supporting action through voluntary, community and faith sector organisations, commissioning advisory services and supporting people to gain skills and employment. Accordingly, the County Council has insights into the practical effects of the changes being proposed which has been bolstered by the ethnographic research which it has commissioned. The County Council has also established a Surrey officer co-ordination group drawing in people from a range of organisations including the DWP and the District and Borough Councils.

How effectively are DWP and DCLG working together to implement welfare reform?

6. The policy pursued by CLG, to "localise" council tax support whilst DWP has incorporated almost all other means tested benefits into universal credit, is problematic for councils in both financial and operational terms (as described below) and clearly fails to support the aim of simplification. In addition, the suggestion that the localisation of these decisions provides incentives for councils to undertake more effective economic development interventions assumes that councils have the powers and the funding to be able to intervene to help create the kinds of jobs that are needed. DWP's policy of excluding councils from significant direct involvement in the development of the Work Programme did not help in this regard.

7. Our research demonstrates very clearly the significance of monthly expenditure on housing. High rents make some of our respondents vulnerable in terms of the overall cap on benefits. Several of the mothers interviewed intend to seek council housing as a result as opposed to continuing to live in private rented accommodation. There is no clear evidence from CLG that the full effect of the benefit cap on demand for social housing has been properly considered.

8. In tandem with the demanding timetable set by DWP for introduction of very complex changes, the very late date for the wider local Government finance settlement exacerbates what were already considerable difficulties for councils in being able to prepare for the full extent of the changes that may be needed across a range of services.

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. Guidance has not been available in a form and at a time to allow councils properly to train and prepare staff and amend IT systems prior to implementation. Regulations have only just been approved and there is a lot more detail to come. There are also specific holes. For example, there has been no guidance about how to calculate the adjustment to PIP where benefits are provided to a disabled person nor any support for the necessary software changes or staff training.

10. The larger point, however, is that guidance on its own is never sufficient or indeed always the most helpful tool. Of greater value is the effective involvement of relevant agencies. In Surrey we have been working closely with an official from DWP who has attended co-ordination group meetings. This not only helps shape our response, but provides the opportunity to respond on reforms that are likely to be largely shaped in the implementation phase. The same has not been true of other agencies.

11. Effective preparation also requires the sharing of information. Whilst accepting that there are legitimate constraints on the provision of data about the effects of major elements of the welfare reform proposals—such as the numbers of people potentially affected by the overall benefit cap and the extent of the impact on them—this is highly significant information for decisions about local council tax support schemes and the impact on residents. District and borough colleagues have found that the data available from DWP on the numbers of people affected by the cap and the extent of the effect for each of them is inaccurate and incomplete and the development of comprehensive data has required considerable effort locally.

12. Implementation would be greatly facilitated by effective data transfer, data sharing and pass-porting notifications to councils, especially universal credit income information. Real time access to the latter is critical to efficient processing of claims for local council tax support. Currently there are outstanding questions on all of these issues.

13. The research has also shown the significance of the response from other services such as primary, community and public health (all of course simultaneously subject to major changes), adult social care and children's services in anticipating and responding to some of the likely effects of welfare reform particularly in terms of mental health, stress and anxiety. Even for families which currently have well developed coping strategies and well managed finances, having to make use of these approaches more intensively over the long term in order to make ends meet will gradually erode their resilience and place additional demands on public services and third sector support. One of the mothers interviewed, identified by the researchers as probably suffering from undiagnosed depression, described just how down-heartening it would be to have to give her children less fresh food and dress them in shabby clothes. For her "this was not what being a mother is about". Whilst councils are assuming new responsibilities for public health, the degree to which Government and the new commissioning structures are considering the possible effects of welfare reform seems significantly under developed.

14. Our research shows very clearly that during the period of transition to the new system, launch of the new assessment process, and introduction of new names for relevant benefits disabled people and their carers are likely to turn to the services with which they are already engaged for an explanation of how the system works, what is different and how it will affect their payment and services. The need for personal information will occur even where it is unlikely that personal circumstances and eligibility have changed. Those interviewed were all in receipt of social care and hence likely to look to the council or commissioned providers in the first instance. This will place a significant burden on social care staff (including in some cases supporting appeals on PIP).

Is the Government's timetable for implementing Welfare Reform achievable?

15. As the earlier report by the Committee on localisation issues in welfare reform identified, the timetable for making a series of complicated and interlocking decisions about entitlements and the necessary design and system changes to implement them is highly challenging. The specification of local council tax support schemes which are in effect means tested benefits is an area of expertise beyond local authorities' usual remit. Furthermore, councils are being required to make decisions about local council tax support schemes before the effect of wider changes in the benefit system and their implications for residents are known.

16. The transition grant was a late decision and was accompanied by conditions further constraining discretion which risked invalidating the consultation processes councils had already undertaken.

17. The timetable does not allow for the kind of planning that would have allowed decisions to be better co-ordinated and to reflect a better understanding about the potential implications of the reforms. In particular, if the aim is to help people respond positively to changes in incentives, the complexity and range of change in such a short space of time means that potentially positive changes will almost inevitably be affected and the cumulative impact on household finances will be harder to anticipate. These cumulative impacts are crucial to being able to plan for the provision of wider support and advice for those affected and changes in operational services. Sophisticated commissioning can address some of these concerns but that is very much a second best solution.

18. Unsurprisingly given the complexity of the welfare reform changes, our research suggests there is also widespread misinformation about the changes (some of it arising from letters sent out by DWP) and little time to ensure residents are fully informed. This will require targeted operational responses and communication but such communication is itself dependent on decisions on local support schemes which have to be considered in advance of a very late local Government finance settlement.

19. The tight timetable raises significant concerns about being able to analyse and understand the potential differential impacts of reform for people falling within one or more of the protected characteristics within the Equalities Act 2010.

Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

20. The overall effect of the changes is to translate nominal savings for central Government into underfunded costs to be met by local Government. Moreover, whilst decisions on council tax support and technical changes to discounts and exemptions rest with billing authorities, the financial burden will fall on the County Council which will bear 75% of any shortfall in Surrey. Our analysis suggests that in reality the funding gap against likely costs for 2013/14 is up to 19%.

21. Councils are exposed to all of the demand risks associated with local support schemes. These are hard to quantify. For example, the switch from a "benefit" to a "discount" may lead to higher uptake. Assuming protection is maintained, the expected increase in the number of pensioners will exacerbate budget pressures. Funding assumptions for the main council tax support grant will be included in the delayed local Government settlement and will determine the adequacy—or otherwise—of the available funding but as future assumptions are unknown there are further risks in future years.

22. Collection rates are at significant additional risk from the need to collect council tax from residents who have previously not had to pay and councils will need to ensure sufficient reserves to cover the risk of a shortfall. For councils like Surrey which has a high reliance on locally generated funding, even a small reduction in collection rates has long term implications in terms of funding for services. A reduction of 0.5% in collection rates means £3 million of income foregone each year.

23. Our research has also demonstrated the significance of CTB and free school meals for the budgets of low income families. In practice, for all of the families within the sample—and there is no reason to doubt that this pattern is a general one—changes in CTB or the loss of free school meals would tip their weekly budgets into deficit prior to any wider changes in welfare payments. This evidence will inevitably weigh heavily with councils when considering making changes in entitlements.

24. Provision for the replacement of the Social Fund only reflects current expenditure discounted by 10% on the assumption that schemes can be run more efficiently at local level. There is, however, a clear expectation of additional demand. The council is also already seeing a significant rise in demand for advice and support services for which additional provision of £0.5 million per annum over the next three years has had to be made in the council's budget without any support from Government. There are additional training needs across a range of services which also have to be met.

25. The Council has faced an above trend demand for school places this year providing more than 40 additional reception classes predominantly in urban areas, such as Woking and Redhill, where housing costs are comparatively low. Anecdotally, there is a strong suggestion that families have moved to these areas from London as a result of housing benefit changes. This adds to the pressure on the capital budget.

26. There is also likely to be additional pressure on children's and adults services if long-term coping mechanisms for some families start to break down leading to an increase in demand for social care services. Specific changes may have unintended consequences. For example, there is a risk that local authority sponsored fostering will become less viable financially since a child in such arrangements will not be treated as a dependent family member for housing benefit purposes. A reduction in fostering will directly increase pressure on local authority care budgets.

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

27. Our research suggests that for low income families, particularly lone parents, welfare reform will have some effect but not in the manner envisaged. In particular a straight financial calculation of being better off in work will not in itself be sufficient or indeed always evident (there was a clear expectation among interviewees of low earning potential). Nor is the research indicating that motivation is lacking.

28. The main and understandable concern of parents is to be able to look after their children in a responsible, caring and effective way. But the benefit of being in work in terms of self-esteem and setting a good example for their children is also well appreciated. One of the interviewees, a single mother of three who had previously suffered domestic abuse, was enormously concerned about whether her children feel settled and secure and highly aware of the worries among them that she should be at home after school. An effective welfare to work response needs to be able to address these kinds of considerations.

29. Accordingly, whilst the conditionality regime for parents moving on to JSA is seen as providing additional stimulus to look for work there is a fundamental lack of a clearly understood "road map" to become working parents. The effectiveness of welfare to work will primarily depend on finding job opportunities which might typically be relatively low skilled, available in term time and with a working day which at least partly reflects the school day. In a place like Surrey it is not self evident that jobs of this kind are widely available and the expectation is that demand will continue to outstrip supply.

30. There are also wider points from the research about preparations for entering work. One of the parents interviewed was clear that loss of CTB would mean that she would need to take on a weekend job which in turn would mean ending her university course which is designed to provide the qualifications necessary to

pursue a future career. The research is also clear that employers need to have in-work support arrangements in place for disabled people who are moving into the work related activities group.

January 2013

Written evidence from the National Association of Local Councils

LOCALISATION OF COUNCIL TAX SUPPORT

I am writing to express my extreme disappointment at the response from the Government to its second consultation regarding the localisation of council tax support.

This u-turn and sudden change of mind comes as a real surprise, least not because of discussions we have held with Ministers and officials about the impact on local (parish and town) councils, but also the timing given budget and precept setting are at advanced stages.

In summary, I have a number of significant concerns about the impact of this reform on the 9,000 local (parish and town) councils in England, including:

- the views and concerns of the overwhelming majority of respondents to the recent consultation appear to have been ignored;
- the assertion that Government values and trusts local councils (and those local people who put themselves forward to be councillors and make democratic decisions to help local people and improve their area) is being severely tested;
- this new system changes over a hundred years of financial independence of local councils as they will no longer be in charge of their own destiny in setting their budgets and precepts;
- new arrangements may have a detrimental effect on the overall relationship between local councils and the principal council who acts as the billing authority; and
- the policy may undermine the Government's localism and public service reform agenda with regard to the service delivery role of local councils.

I have set out in more detail below our concerns and reaction to the localisation of council tax support proposals as they have progressed.

Over half of the responses to the Government's first consultation earlier in the summer were from local councils and their representative bodies.

Our concern at that point was that without an unadjusted council tax base being applied to new council tax support schemes, local councils would inevitably lose what could be a significant part of their council tax base and place more pressure on their precepts, their primary source of funding.

I was therefore pleased that as a result of responses to the first consultation—and discussions the National Association held with Communities and Local Government—the Government decided to re-think its plans and to consult again on proposals to mitigate any impact on local councils. The National Association and the broader local council sector, along with many billing authorities, responded positively to the proposal of an unadjusted council tax base, which would have averted the pressure put on local council precepts.

The Secretary of State's decision recently was therefore unexpected and extremely disappointing.

By choosing not to apply an unadjusted council tax base and instead provide a grant direct to billing authorities without compelling them to pass this on to local councils, this decision has been perceived by local councils as a disillusioning u-turn. The timetable for these changes has also been of real concern, given local councils are well advanced in setting their budgets and precepts for 2013–14.

I am particularly concerned the new system changes over a 100 years of financial independence of local councils as they will no longer be in charge of their own destiny in setting their budgets and precept. For the first time ever local councils will be reliant on a principal council for an element of their funding. The risk of the new system is at best local councils will receive 100% of grant due, or they may only receive a proportion, and at worst no grant at all. Depending on the scenario, the impact may mean local councils increasing their precept or cutting back on service delivery.

The new arrangements may also have a detrimental effect on the overall relationship between local councils and the principal council who is the billing authority. This is worrying given the work NALC has been doing with the Local Government Association—and Communities and Local Government—aimed at improving relationships between the tiers of local Government and also promoting the devolution of services.

Regulations supporting the new system have been laid before Parliament and given the feedback we have been receiving from local councils (which I am sure the Department is also receiving direct) I wanted to ensure clarity on our views and also the possible unintended fiscal consequences of the new system.

The extreme concern and frustration over the unintended consequences of not applying an unadjusted council tax base was echoed at the National Association's Annual Council meeting on 11 December, 2012. This anger and dismay has been channeled into the following formal motion which mandates the Association to lobby hard for a reversal of these worrying fiscal developments *"That National Council expresses very serious concern about the unintended consequences for communities and Council Tax payers of the proposals regarding Council Tax Benefit Relief; and resolves to campaign vigorously to reverse these proposals."*

Some examples from local councils giving us an initial picture from on the ground about the new system are provided below:

- — West Berkshire District Council currently allocate 0% of the New Homes Bonus to local councils in its area (as this is another voluntary arrangement) and Newbury Town Council is concerned the new scheme will require them to increase their Band D precept if no grant is forthcoming;
- — in Shrewsbury, the Town Council's precept is set at an artificially low figure of £950,000 and as a result of unitary status it receives a £290,000 diminishing grant from Shropshire Council. Over the next six years the Town Council needs to increase its precept while the grant decreases. A reduction in the council tax base means a higher percentage increase each year in order to retain the *status quo,* with a potential cap through referenda on precept increases having a major impact on service delivery by the Town Council;
- — Bridport Town Council in Dorset are working with the District Council to ensure that the total grant is passed on and have expressed to us their disappointment at the Government's u-turn;
- — a 10% reduction in funding for Witney Town Council would significantly impact on the Town Council's activities such as funding provided to support voluntary and community groups, community events aimed at boosting the local economy such as the switching on of the Christmas Lights by their MP and the viability of the running of one of its public halls and the potential impact this may have on local community groups;
- — Hatfield Town Council has suggested they are unlikely to increase the precept though its services and facilities may be severely disrupted in the short term until longer term solutions can be found and implemented; and
- — Ingatestone and Fryerning Parish Council are concerned about the effect on their ability to continue to improve the condition of the parish and any loss of resources would place real pressure to increase their precept.

As you can see there is real concern on the ground in our sector about these proposals and their impact on the ways and means for local councils to continue to deliver services to local people.

The Government has set out quite clearly its commitment and support for local councils—including taking on an enhanced role in the community and in the delivery of services—through both the Localism Act and the Open Public Services White Paper.

In conclusion, we therefore ask that you please influence the Government urgently to demonstrate its support to local councils by changing its plans regarding the localisation of council tax support through amending the regulations currently laid before Parliament to provide for an unadjusted council tax base for the 2013–14 financial year and beyond.

January 2013

Written evidence from Gipton Supported Independent Living (IWR 03)

GIPSIL (Gipton Supported Independent Living) provides support, including housing and related services, to people who are vulnerable and in need, in the belief that this is crucial to their success in becoming independent and reaching their full potential. For more information please visit www.gipsil.org.uk

Executive Summary

We feel that under 25s are being unfairly penalised in changes to Council Tax Benefit and stricter implementation of sanctions regime. We also feel there is still a lack of clarity about Universal Credit, especially regarding direct payments of housing costs to landlords. Any savings made in relation to a reduction in Housing Benefit costs resulting from the social sector under occupancy rules due to be implemented from 13 April will be offset by greater housing management costs and result in destabilised communities.

Our Response

1. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

We do not feel Leeds City Council has been allocated sufficient resources to deliver Council Tax Support as the reduction in funding has meant that single people under 25s are penalised.

The rate of benefit for single people under 25 in receipt of Jobseeker's Allowance; Income Support (except Lone Parents) or Employment Support Allowance is currently £14.75 per week less than for those over 25 despite their having equivalent household expenditure.

Under the proposed scheme for Leeds, working age claimants will have their current Council Tax Support reduced by between 10 and 30% (dependent upon LCC's Consultation & recommendation to the Executive Board).

Leeds City Council have prioritised protection of 100% Council Tax Support for:

- people with disabilities (entitled to a disability premium or disabled child premium) should be protected from this requirement;
- people with dependant children under five should be protected; and
- people in receipt of a war disablement/war widow(er)s pension.

Whilst supporting the need for these groups to be protected, we consider it unfair that those under 25, who have a reduced income simply by virtue of their age and are frequently without extended family support, should be required to meet the same Council Tax costs as those in receipt of £14.75 extra benefit per week.

2. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

At this stage we are unable to answer this question. There is little clarity around the criteria to be applied for direct payments of housing costs to be made to social landlords. However, fewer direct payments to social landlords will inevitably result in higher arrears and recovery costs which will in turn increase rents.

Direct payments of housing benefit to Gipsil result in our being alerted to issues including sanctions, changes in income and other problems quickly. This enables us to provide rapid and appropriate support to our tenants.

It is unrealistic to expect people on extremely low incomes, who are frequently vulnerable, to budget for their rent when they may have insufficient funds to maintain utility supplies on quantum meters or face unexpected expenditure, such as a broken cooker. As such, people will jeopardise their tenancies resulting in greater homelessness.

3. *Further issues with Welfare Reform*

Under Occupancy Rules

The social sector under occupancy rules due to be imposed from April 13 whereby social sector tenants of working age will have their Housing Benefit reduced by 14% if they have one more bedroom than their household is deemed to require and 25% for two plus bedrooms, is highly likely to cause severe financial hardship for claimants and instability within neighbourhoods. This is bound to increase housing management costs for social sector landlords through arrears monitoring and recovery; lettings as tenancies become more transitory in response to changes in household composition and the resultant social problems caused by less well established local populations.

Sanctions

Whilst not an explicit part of Welfare Reform, the new sanctions regime introduced in October 2012 and the stricter application are another part of Welfare Reform which we think has been poorly implemented.

Gipsil's experience of sanctions has been:

- poor communication from DWP regarding reason for sanction (eg lack of information on letters, lack of information on notes used by contact centre…);
- slow decision making on appeals and no detail on responses; and
- lack of designated department or contacts dealing with sanction issues.

Minister for Employment Mark Hoban greeted news that 495,000 people sanctioned by stating that the "rules send out a clear message to jobseekers. We will offer them the support they need to find work, but in return for receiving benefits they have responsibilities too. People cannot expect to keep their benefits if they do not hold up their end of the bargain." http://www.dwp.gov.uk/newsroom/press-releases/2012/oct-2012/dwp108–12.shtml

However, we have seen clients sanctioned for:

- not attending appointments they were not informed of;
- being double booked by the job centre on to two courses;
- failing to apply for a vacancy that had already been filled/no longer existed; and
- applying for eight jobs in space of fortnight rather than 10 required (this is particularly problematic as it is sacrificing quality over quantity—a properly considered job application is surely more valuable than several rushed ones).

For many clients who do not fit within the DWP definition of a "vulnerable group" there will be at least two weeks where they cannot claim hardship payments and are unable to claim a crisis loan.

During these two weeks without income they are vulnerable to:

- — exploitation;
- — exacerbating or developing health problems (cost to NHS/Social Care); and
- — possible knock on affect, such as turning to illegal means (cost to justice system/policing).

Our experiences at Gipsil seem to mirror the findings of Citizen's Advice Bureau in Scotland. They found young people to be particular vulnerable to sanctioning with approx half of JSA sanctions placed on under 25s. See for more detail: http://www.cas.org.uk/publications/voices-frontline-jsa-sanctions

In all, the stricter sanctioning by Jobcentre officials, combined with reduced access to replacement funds leads many clients to a vicious circle of debt, high interest loans and reliance on charities which are also feeling the brunt of Government cuts. Where people are unable to access support either from organisations or their own family they are left with some stark options regarding their own survival.

Our Recommendations

We recommend:

- — Local Authorities given larger budget to support those on lowest incomes during transition to new Council Tax Support Scheme.
- — A designated team to deal with the Sanctions Process within Jobcentre Plus. It would be helpful for claimants to be given formal written warnings prior to any sanction being imposed in order to reduce claimant default and make the system more transparent.

December 2012

Written evidence from Waverley Borough Council (IWR 05)

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 two departments appear to work in "silos" with the Treasury in yet another one. For example, none of them share a key contacts address list so consistent information is not sent to local authorities.

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?*

No. Apart from Statements of Intent on Localising Council Tax Support, detailed guidance is patchy. Although the Statements of Intent were useful and well written they were published after the consultation period had closed.

Consultation near to implementation of key policies is unhelpful, but Universal Credit (UC) information is lacking and that which does come often by-passes members and senior staff because a standard contact address book doesn't exist.

3. *Is the Government's timetable for implementing Welfare Reform achievable?*

We simply don't know but suspect it will not as it is reliant on Computer systems. Our partners, the Citizens Advice Bureau and Claimants are telling us they don't know what's happening and when. It is likely that the 100% requirement to claim on line will fail and there is evidence of this, where a district in the West Country went to all on-line claims and there was 100% failure.

4. *Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?*

One off start-up grant should be sufficient although the timetable has been rushed. The lateness of the one-off £100 million Government grant for 2013–14 is unhelpful in planning terms and the prescriptive conditions undermine the principles of localism.

We have received no resources to provide advice to claimants on Universal Credits.

5. *Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?*

Yes. Impact on staff with the associated redundancy costs. Benefits Admin Grant is allocated annually and no indication is given for future years' funding despite the major changes that are coming. Managing a declining service with uncertain funding and timescales will increase the risk for fraud and error.

There is a major impact on housing rents in the Council's Housing Revenue Account. Currently, tenants in receipt of rent rebate do not receive a cash payment but have their rent reduced at source. With UC they will receive cash and then, hopefully, pay their rent. We acknowledge the Government's intention to encourage UC claimants to develop their financial skills, but the unwillingness to the DWP to consider direct payments to local authorities is extremely short sighted and will result in greater arrears and increased evictions.

When the Housing Benefit system is replaced, there is a risk that the information currently supplied from DWP will not be readily available in the form needed to help the Council deliver its council tax support system.

The risks are not being addressed nationally. Locally, we will be appointing a welfare support officer to work with vulnerable groups to increase financial skills awareness. We will continue to support and work with the Citizens Advice Bureau and direct people to SurreySave, our locally supported Credit Union.

6. *What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?*

There is no evidence to suggest a positive impact.

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?*

We are not in a position to comment because this matter is currently being dealt with by the County Council in Surrey.

8. *How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?*

The separation of UC and localised council tax support will increase the number of different contacts for claimants which will undermine one of the administrative aims of Universal Credit. Council Tax Support should be part of Universal Credit.

9. *How significant an issue is housing benefit fraud under the proposed new system and what measures are being taken to address it?*

When Universal Credit is launched housing benefit will be abolished but there is likely to be a greater risk of fraud during the transition as local authorities inevitably divest staffing resources and skills. We do not see how the DWP delivering UC remotely can possibly provide local knowledge. It would be better if there was a role for existing local authority benefit staff to support the new UC scheme locally.

10. *Are there sufficient safeguards to protect social landlords from financial harm resulting from the payment of housing benefit direct to claimants?*

No. We are not aware of any safeguards. In the current housing benefit regime landlords can request direct payments where a tenant is in arrears by eight weeks. We are not aware that this will be replicated. Similarly, we are not clear on the detail about when Universal Credit will allow direct payments for vulnerable groups and those unable to deal with their own financial affairs. Without these safeguards, and a general facility to allow direct payment between the DWP and Councils, there is a risk of increased arrears, evictions and homelessness. In addition, there is a risk that more private landlords are likely to question whether they provide housing to Universal Credit claimants.

December 2012

Written evidence from LASA (IWR 06)

Executive Summary

In London, local authorities are taking a wide variety of approaches in dealing with welfare reforms. Some have taken the opportunity to put in place cross-departmental working groups to ensure that the full range of potential impacts are understood and assessed, as well as looking to involve local advice services and related partners in preparing for implementation. Others, however, have taken less imaginative approaches that aren't as wide-ranging.

There appears to be little oversight or scrutiny of the variety of responses and there are signs that many authorities are being forced into taking approaches that could be expensive to them, unfair to residents, and possibly even subject to legal challenge. This is particularly the case in terms of authorities looking to secure temporary accommodation in locations all around the UK for homeless local residents, because of an acute shortage of affordable rental stock.

Introduction/Factual Information

1. This response to the Communities and Local Government Committee inquiry on the implementation of welfare reform by local authorities is informed by Lasa's work with local authorities and welfare benefit advice services from across the United Kingdom.

2. More specifically however, this response is informed by a recent report, *Between a rock and a hard place: the early impact of welfare reforms in London*, produced in partnership with Child Poverty Action Group.

3. The report looks at how London's local authorities and frontline independent advice services were planning and preparing for current and forthcoming welfare reforms. In particular, we considered the impact of changes to:

- Local housing allowance.
- Under-occupation penalties in housing benefit.
- Benefit cap.

4. We interviewed a total of 11 local authorities from across Greater London (out of a total of 33), two local advice partnerships and 10 local advice providers.

5. Despite stated policy intentions, the research found little evidence on any downward pressure on private rental levels—indeed, some outer London boroughs reported private rent levels increasing as residents moved from inner to outer London boroughs and landlords adjusting rents to appropriate limits.

6. There is anecdotal evidence that there will be increases in overcrowding in many properties, because of the significant mismatch between under-occupying and over-occupying households in London. There are already 260,000 overcrowded households, with about 80,000 households affected by the under-occupation penalty. Not all of these households will be able to find smaller suitable accommodation.

7. In terms of improving work outcomes, external factors such as high childcare costs and travel costs in London, as well as increases in the minimum hours for working tax credit eligibility are all thought to be hindering the progress of employability. Many authorities report that they are actively intending to concentrate on improving employment support to help families avoid the impacts of the benefit cap, but it is also clear that this will not be suitable for some households.

8. Despite many authorities not seeing the expected problems caused by Local Housing Allowance changes (due to transitional protection for many households), there is serious concern that the benefit cap will have more dramatic and more instant impacts. The numbers of households affected ranged from 700 to 2,300, with most estimating figures between 800 to 1,000.

9. Under-occupation penalties could also be a serious issue, with one local authority alone estimating some 3,300 households being affected, with over 1,000 households losing 25% of their housing benefit. Further, waiting lists for social housing saw some 366,610 households in 2011on local authority waiting lists.

10. As a direct result of these pressures, many authorities report that they do not see any way to discharge their duties to provide temporary accommodation for homeless families within their boroughs, nor indeed within the Greater London area.

11. The *Guardian* newspaper found out that, through Freedom of Information requests following our report's publication, more than 20 authorities are actively considering procuring housing outside of London to deal with this issue. Many are worried about the possibility of legal challenge arising as a result of these actions.

12. Some local authorities have established inter-departmental working groups to plan and prepare for the reforms, and have also worked to involve local advice services. This is because such partnerships will be essential in helping resident to be informed and to understand the scale and the nature of the reforms. This is especially the case in preventing unnecessary homelessness, increased debt, and other negative impacts on employment and health.

Recommendations

13. We believe that the principle of the benefit cap is fundamentally wrong and that it should be dropped.

14. However, accepting that this is unlikely to happen, we would like to see one or both of the following measures considered:

- Variation on the benefit cap for London.
- Temporary accommodation being exempt from the benefit cap.

15. There needs to be proper attention paid to the building of new and properly affordable homes being built in London to address the chronic shortage of properties. The Mayor of London's office has primary responsibility for such a strategy, yet we have seen little evidence that the impacts of welfare reform on housing provision, or vice versa, are being considered in any kind of meaningful way.

16. Thus, we feel that the Mayor of London and London Councils (the representative body for the capital's local authorities) should be coordinating a strategic response across London. We feel that this grouping should

include the Greater London Authority, London Councils, housing associations, advice networks, credit unions and other community representative organisations.

17. Further, they should be working closely with frontline advice providers across London, as there is a clear cross-over in the residents who will be affected and where they will seek advice in order to deal with the changes. Many local advice providers report serious concerns about their capacity to deal with demand from April 2013, due to a combination of cuts to local authority funding and the removal of welfare benefits advice from the legal aid scheme, as well as reductions in debt and housing legal aid.

18. It is clear that the need for welfare benefit, debt/money and housing advice will all be crucial in helping affected citizens in understanding and responding to the reforms. These information requirements must be further communicated to local community groups, who will be the first port of call for many people, as well as other key stakeholders such as GP surgeries and credit unions.

A copy of the full report, *Between a rock and a hard place: the early impacts of welfare reform in London,* can be found here (scroll down to bottom of page): http://www.lasa.org.uk/news/detail/a-rock-and-a-hard-place-the-early-impacts-of-welfare-reform-on-london/

We would be happy to speak to the Committee to expand upon, or clarify any of the information contained above.

December 2012

Written evidence from the Royal National Institute of Blind People (IWR 08)

1. Introduction

1.1 Welfare reform will have a huge impact on local authorities' ability to meet their residents' needs, although clearly some councils will experience greater pressures as a result of cuts in social security than others. Local authorities with the most deprived population groups are already being placed under unprecedented strain.

1.2 RNIB believes these problems are already well documented.[47] In this submission we concentrate on the greatest difficulties for local authorities and blind and partially sighted people.

1.3 We have a number of headline recommendations:

— We recommend a proper cumulative impact assessment of the Government's welfare reforms; both the impact on disabled people and the impacts on local authorities. The cumulative impact assessment would ideally consider the knock-on costs of cutting DLA for more local council social care support.

— Local authorities need to ensure all interested parties are able to give their views on local council tax relief/reduction schemes before they are introduced in April 2013.

2. General Concerns

Is the Government's timetable for implementing Welfare Reform achievable?
Are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed?

2.1 Disabled people are twice as likely to live in poverty as other citizens.[48] When the additional costs disabled people face as a result of their impairment are factored in, figures suggest that well over half of disabled people in the UK could be living in poverty.[49]

2.2 It is concerning disabled people are among those hardest hit by the £21.7 billion cuts to the welfare budget.[50] The latest estimates from the think tank Demos suggest that Britain's 3.6 million people on disability benefits will experience £9 billion cuts over the lifetime of this Parliament, around half the total budget cuts coming from social security expenditure.

2.3 The inescapable conclusion we draw is that however local authorities implement welfare reform; they have been placed in a position that will see the majority of their disabled residents become increasingly dependent over the next few years. Councils can only do so much to mitigate the effects of central Government budget cuts although where they can act they can make a critical difference. The main changes that will affect disabled and indeed many other households are as follows:

[47] For instance in reports like the New Economics Foundation's recent paper, *Everyday Security* (NEF, November 2012) and Child Poverty Action Group and LASA's joint paper, *Between a rock and a hard place: the early impacts on welfare reform on London* (October 2012).

[48] *Disability Poverty in the UK,* Leonard Cheshire Disability, 2008. Based on the relative poverty line. Estimates suggest that around 30% of disabled people live below the income line, compared to around 16% of non-disabled people. There are an estimated three million disabled people living in relative poverty in the UK.

[49] *Disability and the downturn,* Leonard Cheshire Disability, 2010.

[50] This sum includes the £18 billion cuts planned for in the 2010 Emergency Budget and Spending Review plus the £3.7 billion being saved as a result of the 1% cap on a range of working age benefits for the three-year period 2013–14 to 2015–16.

— *Universal Credit:* Although the Government claims that the payment will increase many people's entitlements, in the longer-term approximately 1.7 million households will have lower entitlements than they would have otherwise.[51] Key groups of disabled people will lose out under the new system including 100,000 disabled children who stand to lose up to £28 a week and 230,000 severely disabled people who do not have another adult to assist them and will in future receive between £28 and £58 a week less than currently.[52]

— *Personal Independence Payment:* From April 2013 the Disability Living Allowance (DLA) will be replaced by Personal Independence Payments (PIP) for claimants of working age. Although the change has been presented as a reform rather than a cut, the Government plans to reduce spending by 20% as a result of the transition from DLA to PIP. By 2015–16 half a million fewer people will receive support with meeting the extra costs they face as a result of their impairment than would have otherwise been the case were DLA still being paid on the same basis that it is today. The Disability Benefits Consortium's summer 2012 survey of 4,500 disabled people revealed eight in ten (84%) of disabled people believe that losing their Disability Living Allowance would drive them into isolation and struggling to manage their condition. Three quarters of disabled people surveyed said that losing DLA would mean they would need more social care support from their local council.

— *Benefits Cap:* If disabled claimants are deemed ineligible for Personal Independence Payment (and this will certainly apply to hundreds of thousands) they and their families become subject to benefit cap. This is a cap on the total amount of benefits that working age people can earn. The cap is set at £26,000 a year and will affect 56,000 households by 2013–14, with average weekly losses expected to be about £93.

— *Housing Benefits:* The most important changes affecting blind, partially sighted and other disabled people include introducing a cap on how much people can claim based on the size of their home; setting Local Housing Allowance rates at the 30th percentile in each area, down from the 50th percentile, effectively reducing the number of affordable homes for people on benefits; and the under-occupancy penalties for people in the social rented sector, or as it is now alternatively known, "the bedroom tax". From April 2013, council tenants and housing association tenants will have their housing benefit entitlement reduced if the council decides their home is too big for their needs under new "size criteria" or under-occupation rules. The amount of rent used to calculate housing benefit entitlement will be cut by a fixed percentage: by 14% if you have one extra bedroom and by 25% if you have two or more extra bedrooms. You will not be allowed to claim housing benefit for rooms above this limit that are used for disabled adults but many local authorities' Discretionary Housing Payments will prove insufficient in terms of assisting the worse affected cases.

2.4 We could go on and list many more welfare reforms placing disabled people's incomes and independence at risk; the abolition of the Independent Living Fund (ILF); the abolition in April 2013 of Crisis Loans and Community Care Grants, both elements of the Discretionary Social Fund which are to be replaced by non-ringfenced local authority provision; JSA sanctions; the Work Capability Assessment and increased conditionality for ESA claimants in the Work Related Activity Group; a time limit of just one year for contributions-based ESA; the 1% cap meaning many working age benefits will be cut in real terms over next three years; and changes reducing the amount of support to parents. All these issues would merit detailed submissions in their own right because they are causing great hardship and anxiety.

2.5 Instead we would urge the Committee to note the contents of the New Economics Foundation's (NEF) report *Everyday Inequality: Life at the end of the Welfare State*, which sets out the combined impact of welfare reform and public sector cuts. NEF says welfare reforms and social care cuts are "adding significant pressure to a system that was already buckling under the strain of growing demand and underfunding". To get specific insights into the challenges being faced by disabled people we would urge the Committee to note our recent report, "The Tipping Point: The human and economic costs of cutting disabled people's support[53] (October 2012).

2.6 To answer the Committee's questions directly, not only do we disagree with the overall welfare cuts; we also disagree with the timetable that has been set for implementing these reforms. The Work and Pensions Committee has already raised serious concerns about the timetable for rolling out Universal Credit as part of its own inquiry on this subject.[54]

2.7 In her Committee's November 2012 report, Dame Ann Begg said:

> "Some claimants will not be able to make an online claim and others may struggle to adapt to monthly payments.

[51] Department for Work and Pensions. Universal Credit and changes to in-work incentives. DWP, London: retrieved from http://www.dwp.gov.uk/adviser/updates/uc-changes-to-in-work/

[52] *Holes in the safety net: The impact of Universal Credit on disabled people and their families,* Citizens Advice Bureau, Disability Rights UK and The Children's Society, October 2012.

[53] A report from the Hardest Hit coalition bringing together over 90 disabled people's organisations.

[54] Universal Credit implementation: meeting the needs of vulnerable claimants, Work and Pensions Select Committee, November 2012.

> "The measures the Government plans to put in place to help these claimants may be difficult to access and too slow in identifying who these people are, with the risk that they will fall into debt and hardship before extra support can be provided.
>
> "We believe that the Government should reflect on the possible consequences of these major benefit changes for some of the most vulnerable people in society and that it should consider modifying its implementation timescale if those consequences cannot be adequately addressed before national roll-out begins."

2.8 The Government is designing Universal Credit with the expectation that claims will be made and managed through an online account, accessed via the internet—which it refers to as "digital by default". We go on to explore this in greater detail further below but we agree with the Work and Pensions Committee's recommendation 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.

2.9 Addressing the second question now—are there financial risks to local authorities from Welfare Reform changes? Are such risks being adequately addressed? The answer is "yes" and "no".

2.10 More than nine out of ten disabled people the Disability Benefits Consortium surveyed over summer 2012 felt that losing DLA would have a negative impact on their health. We have already explained that three quarters of disabled people said that losing DLA would mean they would need more social care support from their local council. Staggeringly, 85% of 4,500 survey participants who answered the question told us that they do not currently receive any form of social care support from their council.

2.11 Focusing specifically on blind and partially sighted people, data from the National Adult Social Care Intelligence Service (NASCIS) reveals the total number of adults recorded as "visually impaired" in receipt of social care services has reduced by 36% between 2005–06 and 2011–12.[55] This compares unfavourably with the total number of adults in receipt of social care services, which has experienced a drop in that same period, but by 16% since 2005–06 so clearly not as severe.

2.12 Taking into account all this background information: the half a million disabled people who will lose out on eligibility for PIP, the fact nine in 10 disabled people surveyed on the topic believe their health will deteriorate as a result; and the staggering levels of unmet need in the social care system, it seems obvious to us one of the likely consequences of welfare reforms (like cuts to DLA) will be to see growing levels of demand for council services, with many of the costs diverted from the Department for Work and Pensions (DWP's) budget, to that of struggling, under-funded local authorities and health bodies.

2.13 In *The Tipping Point* report we explain that one of the areas that the DWP failed to consider as part of its equality impact assessment on Personal Independence Payment were the knock-on costs for council-funded social care should 500,000 people lose DLA, as indeed is planned, by 2015–16.

2.14 While we and sector colleagues cannot present a definitive figure, as those who lose DLA may not qualify for council funded care, we aim here to provide some estimates of the costs that could be involved in terms of a greater need for care resulting from the DLA cuts. To exercise caution, we have chosen a conservative estimate from a Disability Alliance survey of 1,700 disabled people carried out in early 2011.

2.15 In the *End of a lifeline? Ending Disability Living Allowance to introduce Personal Independence Payment* report from the Disability Rights Partnership (February 2011) we learnt that of 1,700 individuals surveyed, 14% said cuts to their DLA would likely result in a need for more local council services. If half a million individuals are to lose DLA, this would represent 70,000 people in total needing more council help.

2.16 The average cost of council support in the home is £204 a week (£10,608 a year). Based on this average, these 70,000 people could represent around £742.6 million a year in unmet need for care that councils may need to meet. There will be some within this 70,000 who may not qualify for council funded care for example due to means tests and tighter restrictions on eligibility. However, in the Disability Alliance survey, many families reported that their relatives would need residential care placements if they lost the financial means to be looked after at home. Disabled people also suggested moving to care homes to avoid being "burdens" on families. One person needing a council funded care home placement would cost £32,396 per year—so just a handful of people moving into residential care as a result of losing DLA would rack up enormous costs to local authorities.

2.17 The Government's failure to do its own modelling on these impacts means local authorities are ill-equipped to deal with the increased demand that will almost inevitably arise as a result of cuts to DLA.

We recommend a proper cumulative impact assessment of the Government's welfare reforms; both the impact on disabled people and the impacts on local authorities. The cumulative impact assessment would ideally consider the knock-on costs of cutting DLA in terms of increased demand for local council social care support.

[55] Referrals, Assessments and Packages of Care data from the NASCIS dataset available through the NHS Information Centre for Health and Social Care.

3. Universal Credit

How will the separation of the administration of Council Tax Benefit and Housing Benefit affect claimants?

Council tax

3.1 The Government plans to replace Council Tax Benefit (CTB) with local relief schemes from April 2013. Expenditure on local relief schemes will be 10% lower than current expenditure on CTB.

3.2 We do not think the separation of the administration of Council Tax Benefit and Housing Benefit makes sense and would agree with the Work and Pensions Select Committee that the policy works against the Government's objective of simplifying the benefits system. It could also create unintended effects in terms of improving work incentives and marginal deduction rates.

Are local authorities being allocated sufficient resources to deliver services such as localised Council Tax Support and advice to claimants on Universal Credit?

3.3 In some circumstances disabled people are helped with their council tax through the disabled band reduction. This makes sure disabled people don't pay more council tax because they need a larger property due to their disability. In summary, the requirements for a reduction are the property must be the main residence of at least one disabled person and must also have additional rooms or space required to meet the specific needs of the disabled person.

3.4 The Local Government Finance Bill made provision for the localisation of council tax support but the Government will only transfer to local authorities their estimate of what would have been spent on CTB in each area (had the old scheme continued) minus 10%. This will be a limited amount of money so councils will have to ration it. The Government will prescribe the rules for pensioners, to ensure that they will not be worse off. After the pensioner protection and the 10% cut, there will not be enough to cover the CTB that would have been awarded to other groups.

3.5 It will be up to the local council to decide who will lose out and by how much. On average, it looks as though the poorest non-pensioner claimants (that is, those who would have got full CTB under the old system) will have to find around 20% of their council tax from basic incomes—although it could be more or less, depending on who the council decides to protect and by how much. We fear many working age disabled claimants might be not able to make up the shortfall in payments owed to their council. We are concerned a similar scenario to that which unfolded in the early 1990s with the Poll Tax could develop with all that means in terms of the most vulnerable households being pursued for arrears.

3.6 Some councils are saying that they don't have time to develop a new scheme for April 2013, so will run the old one for the first year and meet the shortfall through cuts elsewhere; or simply impose a percentage cut across the board for non-pensioners. This could disadvantage working age disabled people.

Local authorities need to ensure all interested parties are able to give their views and influence the design of the local reduction scheme.

Digital by default

3.7 RNIB has serious concerns about the claims process for Universal Credit and would like to see the Government do more to assist claimants, like those with a visual impairment, who cannot readily or easily make a claim online. A default and preferred option of encouraging online claims should not in any way compromise blind and partially sighted people's access to Universal Credit.

3.8 There will be a significant increase in demand for advice services for claimants during the four-year period of Universal Credit implementation. We agree with the Work and Pensions Committee that the DWP needs to work with the advice sector to quantify and provide the extra resources necessary to fund retraining of advisers and the additional advice services which will be required to ensure a successful implementation of Universal Credit.

Cuts to advice

3.9 The Government's proposals on civil legal aid will surely undermine (or at the very least now appear at odds with) Ministers' assurances to the Work and Pensions Committee that funding for the advisory sector would be found "if needed". The Government proposes to reduce the overall budget for legal aid but other cuts—to local independent, free or low cost advice—will also play their own role in preventing blind and partially sighted people from getting access to the advice they need.

3.10 These proposals are likely to result in widespread closures of law centres, Citizens Advice bureaux (CAB) and other local independent advice services. The NEF report referenced earlier reveals that in Birmingham and Haringey, two areas with high levels of relative poverty, demand for CAB services has risen dramatically over the past two years. In Haringey they estimate that demand has risen three-fold. In Birmingham, speaking just of the demand for help with reforms to disability benefits, a case worker quoted in the report noted: "in 2009, for the whole year, we had 472 appeals. In the first quarter of 2012 we are looking at 436".

3.11 There is clear evidence that receiving advice is associated with successful application for a range of benefits (60% of people who are registered blind or partially sighted who had successfully applied for DLA had received advice, compared to 38% of those who were unsuccessful). So although we urge local authorities to do whatever they can to support information and advice services, including Citizens Advice bureaux, devastating welfare cuts mean we still face an environment where the support blind and partially sighted people once relied on to help lead an independent life will be reduced, withdrawn or more severely rationed.

3.12 We should also acknowledge that £2 billion will have been taken out of care budgets by local authorities between April 2011 and March 2013. Age UK estimates 800,000 older people with care needs are currently going without formal (state-funded) care and support, largely as a result of funding constraints and ever tightening eligibility criteria. The crisis in our social care system, coupled with welfare cuts, represents a perfect storm for local authorities and the most vulnerable groups in society.

4. Social Fund

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?

4.1 All we can comment on here is that we agree with the Work and Pensions Select Committee that giving local authorities responsibility for a new system of local welfare assistance without central guidance on how to determine eligibility, and in the absence of ring-fenced funding, will result in uncertainty and inconsistency in the way the support is administered.

5. Welfare to Work

What impact have Welfare to Work schemes had, or are likely to have, on the numbers of benefit claimants?

5.1 The Work Programme appears to be failing blind and partially sighted claimants. More people are being found fit for work following a Work Capability Assessment than originally expected (this includes blind and partially sighted claimants) but less are being offered any effective support. The data we have so far leads us to be seriously concerned that blind and partially sighted may be being "parked" by prime providers as cases who are "too difficult to get into jobs".

6. Conclusion

The overall picture looks very bleak for blind and partially sighted people. Taking into account that blind and partially sighted people often require additional help to exercise their freedoms—for example to access social opportunities—we are left to conclude that changes in welfare provision, coupled with cuts at a local level, will leave many more blind and partially sighted people dependent and isolated. We hope local authorities can work with us and partner agencies to mitigate the impact of welfare cuts but we recognise the unprecedented funding challenges they face.

About us

As the largest organisation of blind and partially sighted people in the UK, RNIB is pleased to have the opportunity to respond to this consultation.

We are a membership organisation with over 10,000 members who are blind, partially sighted or the friends and family of people with sight loss. 80% of our Trustees and Assembly Members are blind or partially sighted. We encourage members to be involved in our work and regularly consult with them on Government policy and their ideas for change.

As a campaigning organisation of blind and partially sighted people, we fight for the rights of people with sight loss in each of the UK's countries. Our priorities are to:

- Stop people losing their sight unnecessarily.
- Support independent living for blind and partially sighted people.
- Create a society that is inclusive of blind and partially sighted people's interests and needs.

We also provide expert knowledge to business and the public sector through consultancy on improving the accessibility of the built environment, technology, products and services.

December 2012

Written evidence from MasterCard (IWR 09)

THE ROLE OF ELECTRONIC PAYMENTS IN IMPLEMENTING UNIVERSAL CREDIT

I am writing in relation to the CLG Committee's inquiry *"The implementation of welfare reform by local authorities"*. The rapid development of technology creates a significant opportunity for the policy makers to explore the ways that benefits are spent. This issue is one that MasterCard has considered in detail, and has been involved with in the US and South Africa, amongst other countries and I was therefore wondering if you would be able to spare some time for a short meeting to discuss the opportunities that exist.

The UK leads the European market for electronic payment innovations, and there are a number of developments underway that have the potential to help achieve public policy aims. You may be aware that MasterCard has been engaging with the DWP to understand the opportunity to deliver Universal Credit on prepaid cards. MasterCard prepaid cards are a type of payment card that look and function just like any other payment card except you can only spend the money loaded on the card.

In partnership with Demos, we have been exploring the role prepaid cards can play in benefit delivery, as a means of bringing together personal budgets and welfare benefits, and possibly in wider applications related to encouraging financial capability. I would be happy to share these findings with you. Our work with Demos has particularly focused on two separate threads:

- We are looking at the wider topic of the operational benefits of using electronic payment systems for Universal Credit payments, the distribution of direct payments and personal budgets, and the savings in administrative costs this could have for local authorities.
- Secondly we have been exploring the issues associated with whether or not restrictions can or should be placed on items that may be purchased on prepaid cards loaded with benefit payments.

Linked to our work with Demos on Universal Credit, I would also like to discuss with you proposed European legislation[56] that has the potential to damage the payments system for consumers and greatly restrict the ability of benefit claimants to receive Universal Credit electronically.

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[56] "European Commission Green Paper: Towards an integrated European market for card, internet and mobile payments Brussels," COM(2011) 941, 11 January 2012