The Chartered Institute of Public Finance & Accountancy

CIPFA Benefits and Revenues Service

Preparing for Universal Credit in Local Authorities

3. Impact of welfare reform and universal credit roll-out

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CIPFA Benefits and Revenues Service

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Impact of welfare reform and universal credit roll-out

Summary

The government's ongoing process of welfare reform and reduced welfare spending is likely to impact on a range of local authority services, especially on their hardship schemes.

A report by Grant Thornton, Easing the Burden (Grant Thornton, 2015) warns that this could potentially lead to more people living in poverty and greater pressure on local authorities' already stretched budgets.

The Grant Thornton report analyses of the impact of the welfare reforms made in the last parliament, but was published before the latest reforms were announced in the government's Summer Budget and contained in the new Welfare Reform and Work Bill.

However, the report does conclude that, without flexibility from government, the cuts involved in reducing welfare spending by a further £12bn would risk raising levels of hardship and increasing the number of people claiming discretionary housing payments (DHPs).

The Grant Thornton report found that 95% of local authorities polled think recipients of these payments are either wholly or partly dependent on them to avoid homelessness. Further reductions in housing benefit are therefore likely to result in increases to rent arrears and homelessness, they warned.

The analysis also found the cumulative effect of various welfare reforms was putting a significant financial strain on people needing the support. A majority of local authorities and housing associations surveyed had seen a rise in average council tax and rent arrears since 2012/13, which was attributed in part to welfare reform.

The report also highlighted that welfare reform since 2010 had prompted "an impressive response from both councils and housing associations and has been a key driver for innovation and improvement in local provision," adding:

> The question is can they continue to make efficient use of rapidly reducing resources? Our research suggests that without flexibility from Whitehall and further measures, such as devolution of welfare funding, this is unlikely… devolution of welfare administration to local authorities could allow for more efficient integration of spending.

Local authorities will therefore have to plan their arrangements for dealing with the fall-out from the government's welfare reforms as well as for helping the Department for Work and Pensions (DWP) in the implementation of the main – and end point – of the reforms, universal credit.

The pathfinder authorities have already been addressing some of these issues. Some social landlords, for example, have been involved in the piloting of the 'trusted' landlord regime, which allows named landlords to identify tenants they consider to be at risk of being unable to manage their finances. These tenants' housing benefit is then paid to their landlord directly instead of being included in the universal credit.

The initiative itself was developed when the pilots identified that many such tenants were found to have been evicted as a result of missed rental payments and, according one pathfinder, "the DWP has listened to us in implementing some of the recommendations we have given them".

Pilot local authorities have also identified problems and solutions to the support system offered to claimants, including seconding 'personal budgeting support' officers to Jobcentre Plus in response to a lack of referrals when the post was based at the council and to ensure Jobcentre Plus "asked the right questions" to see if claimants needed assistance with their finances.

This has resulted in more referrals in respect of people who genuinely need – and will benefit from – the support being offered by the local authority.

Much of the additional support and service provision provided by the pathfinder local authorities is funded by the DWP; however, all other councils must negotiate resources for implementing universal credit with the DWP through 'delivery partnership agreements'.

Funding routed through these agreements is expected to be rolled into a grant after the switchover to universal credit is complete.

During the implementation period, however, universal credit will be slowly rolled out, meaning that, for this period, housing benefit claims will exist alongside universal credit, with the housing benefit caseload reducing as the universal credit caseload increases.

The current timetable from the DWP suggests that, from 2017, existing claimants of all benefits will begin to be migrated onto universal credit as part of managed migration or when their circumstances change.

On top of this complexity, local authorities will play a role in managing the £12bn programme of cuts and changes to social security contained in the new government’s Summer Budget.

This all means a difficult and uncertain few years for local authorities, especially as the DWP has yet to set a clear timetable for the full roll-out of universal credit to all benefit claimants.

This also creates problems for local authorities in planning their business and services, in considering housing benefit staffing levels, and in carrying out future modelling in terms of the changes.

Reforms contained in the July 2015 Summer Budget

The Chancellor announced various measures aimed at achieving the £12bn savings promised in the Conservatives’ election manifesto.

The measures affecting overall benefits rules include:

- Freezing the annual uprating of working-age benefits for four years (ie the whole remaining period of this government). This will include most of the applicable amounts and other elements of housing benefit, including the local housing allowance (LHA).
- Exemptions include the support group component of employment and support allowance (ESA) and disability elements of tax credits and housing benefit applicable amounts, which will continue to be uprated in line with the CPI.
- Other exclusions include: maternity allowance; statutory sick pay; statutory maternity/paternity/adoption pay; and the carers and pensioners’ premiums in housing benefit and the other frozen benefits.
- The other disability, carer and pensioner benefits/premiums will continue to be uprated in relation to prices or earnings.

- Those in receipt of the work-related activity group (WRAG) of ESA will have their entitlement reduced to the same level as those in receipt of jobseeker's allowance (JSA). This will only apply to new ESA claims received after April 2016.

The main changes affecting child tax credit, and which also impact on universal credit and housing benefit calculation rules, include:

- The tax credits earnings disregard (income threshold) will be reduced from £6,420 per year to £3,850 per year.
- In universal credit the work allowances will be reduced to £192 per month for those with housing costs and £397 per month for those without housing costs and will no longer be applied for non-disabled, childless claimants.
- The taper at which tax credits are reduced as earnings rise will be increased from 41% to 48%. It remains at 65% for universal credit.
- The disregard for changes in circumstances before in-year increases in earnings are taken into account in tax credit calculations will be reduced from £5,000 to £2,500 per year.
- Child allowances will no longer be applied for the third and subsequent children born after 6 April 2017 in claims for child tax credit, housing benefit and universal credit, although there will be provision for 'exceptional circumstances', such as multiple births.
- The family element will be removed from housing benefit for children born or claims made after April 2016.
- From April 2017, this will also apply to the equivalent family element in tax credits.
- The removal of the child allowance for third and subsequent children and the universal credit higher amount for a first child will apply to families claiming universal credit for the first time after April 2017.
- Children with disabilities will continue to receive the disabled child element or severely disabled child element in tax credits, universal credit and housing benefit.
- The overall household benefit cap applying to tax credits, universal credit and housing benefit will be reduced to £23,000 for claims in London and £20,000 for claims outside of London. The effective date will be set by Statutory Instrument.

- Most 18–21-year-olds will not be entitled to claim housing benefit or the housing element of universal credit automatically from April 2017.
- Backdating of housing benefit claims will be limited to a maximum of four weeks from April 2016.
- DHP funding to local authorities, to help mitigate the impact of these changes, will be £800m over the next four years.

Other measures included in the Summer Budget are:

- Renaming the national minimum wage the national living wage and increasing it for employees over 25 years old to £7.20 an hour from April 2016, rising to £9.00 an hour by 2020.
- Thirty hours of free childcare (increased from the current 15 hours) will be provided for working parents with children aged three to four – but the conditionality rules are amended for benefit claimants with children over the age of two, who will be expected to take actions to prepare for work, and for those with children over three, who will be expected to look for work.
- There will be devolution of welfare powers to Scotland but, despite measures to extend devolution to Wales – and to parts of England along the lines pioneered in Manchester, Sheffield, Liverpool and Leeds – there is no suggestion of devolving welfare to cities, regions or counties.
- Social rented sector tenants earning more than £30,000 a year (£40,000 in London) will be required to pay full or near full market rent if they wish to remain in their accommodation. This is referred to as a requirement to 'pay to stay'.
- Social rented sector landlords will be required to reduce their rents for existing tenants by 1% per year for the next four years.

Certain providers of 'specialised supported' accommodation are likely to be exempt from the requirement to reduce rents by 1% over the next four years. Such accommodation is more expensive to build and manage, with rents based on recovering actual costs and therefore often being higher.

The government has said that it "acknowledges that there may be some circumstances where the rent reduction policy should not apply".

In particular, the types of accommodation that are currently excepted under the Rent Standard, such as specialised supported accommodation, are likely to be made exempt.

Social landlords of such accommodation have called for all accommodation that meets the definition of 'specified housing' to be exempted.

Specified accommodation is most supported housing where care, support or supervision is provided to the person living there. Specified accommodation is currently protected from many of the welfare reform measures, such as the benefit cap and universal credit. It is also the type of accommodation for which local authorities will retain responsibility for meeting housing support costs through housing benefit.

The government has also confirmed that 18–21-year-old universal credit claimants living in specified accommodation will retain eligibility for housing benefit after April 2017.

Reforms contained in the Welfare Reform and Work Bill

The Welfare Reform and Work Bill 2015–2016 provides the enabling legislation for many of the measures announced in the Chancellor's Summer Budget.

The benefits and tax credit measures which will be introduced are as follows:

- Clause 7 provides for benefit cap changes – reducing the benefit cap to £23,000 per year (£15,410 for single people) in Greater London and £20,000 per year (£13,400 for single people) outside of Greater London. The level of the cap will be reviewed each year.
- Clauses 9 and 10 provide for the freezing of certain benefits and tax credits for four tax years.
- Clause 11 provides for changes to remove the family element and to limit the number of children that can be included in a claim to two, unless there is a prescribed exception.
- Clause 12 amends universal credit to limit the number of children that can be included in the claim to two, and also to remove the higher amount paid for the first child.

- Clauses 13 and 14 remove the work-related activity component in ESA and the limited capability for work element in universal credit.
- Clause 15 amends the work-related requirements under universal credit for claimants: to attend a work-focused interview for parents of a child aged one; and to carry out work preparation and attend work-focused interviews for parents of a child aged two. It also amends all the work-related requirements to apply to parents of a child aged three or more.
- Clause 16 provides for loans for support for mortgage interest (SMI) in income-based JSA, income-related ESA and universal credit.

DWP assessment of the impact of the reforms contained in the Welfare Reform and Work Bill

The DWP has issued a number of impact assessments setting out the expected impact of the various benefit measures announced by the Chancellor in his Summer Budget.

The DWP's impact assessment on the benefit cap estimates that around 90,000 additional households – comprising 112,000 adults and 224,000 children from low-income families – will be hit by the plans to reduce the benefit cap.

The impact assessment also notes that:

- affected households will lose an average of £63 per week in 2017/18
- single mothers will be hit hardest as a group by the cap – constituting 59% of those affected by the change
- more than three-quarters of those affected will be aged between 25 and 44
- as many as 37% of households affected may be ethnic minority households – although the study says this cannot be precisely quantified.

The DWP estimates that the cap will save £95m in 2016/17, £300m in 2017/18, rising to £480m in 2020/21. But it admits that it has not yet modelled the costs of supporting those families affected.

Other impacts highlighted in the documents include:

- 500,000 families will be impacted by the abolition of the ESA WRAG, generating savings of £640m by 2020/21
- the four-year benefit rate freeze is expected to save £3.5bn in real terms in 2019/20 compared with what would have been the case if benefit rates continued to be uprated according to the CPI, with savings continuing in future years as increases will be from a lower base level
- the average difference will be around £6 a week compared to CPI uprating, with the majority of working-age households in receipt of state support affected by the policy
- by 2020/21, the savings generated by limiting support through tax credits and universal credit to two children will be £1,365m, and of removing the family element in child tax credit and the child premium in universal credit £675m
- once the policy is fully rolled out, approximately 3.7 million households will have a lower rate of payment than would otherwise have been the case.

Other assessments of the impact of the latest reforms

The government has said that much of the impact of its welfare reforms will be offset by the allied announcement in the summer budget of an increase in the national minimum wage (NMW), which will be re-named the national living wage (NLW).

In its briefing note An Assessment of the Potential Compensation Provided by the New 'National Living Wage' for the Personal Tax and Benefit Measures Announced for Implementation in the Current Parliament (IFS, 2015), however, the Institute for Fiscal Studies (IFS) has identified that the increase in the NLW will only offset around 26% of the losses due to proposed tax credit and benefit changes. It also shows that, for those in decile 2 of household income distribution, the compensation will be as low as 7%.

In the briefing note, prepared for the House of Commons Treasury Select Committee, the IFS considers the extent to which households might expect the net losses from the tax and benefit changes that have been announced to be offset through increased wages as a result of the increase in the NLW for those aged 25.

The IFS briefing notes the following findings:

- Of the 8.4 million out-of-work claimants currently eligible for working-age benefits or tax credits the average loss from the cuts to benefits and tax credits is £750 per year.
- Among this group the average gain from the new NLW is estimated at £200 per year, offsetting around 26% of their losses from the changes.
- The average losses from tax and benefits changes in deciles 2, 3 and 4 of the household income distribution are £1,340, £980 and £690 per year respectively. These same groups are estimated to gain £90, £120 and £160 from the new NLW.
- This suggests that a 'better case' estimate of the compensation these groups will receive on average is 7%, 13% and 24% respectively.

Meanwhile, on 10 September the housing charity Shelter published the results of its research into the effect of the four-year housing benefit freeze announced in the Summer Budget, concluding that this will result in more than 300,000 low-income families in England facing a shortfall, mainly as a result of the freezing of LHA rates.

The research was based on estimated typical rents for a two-bedroom home at the lowest end of the private rental market in each local authority area in 2019/20, and compared this figure with the maximum LHA rate for each area, which will be frozen from April 2016. It found that, in the bottom quarter of the market, by 2019/20:

- 3% will see a projected affordability gap of more than £500 a month
- 15% more than £200
- 30% more than £100
- 52% more than £50.

In total, Shelter predicts that 80% of working English households claiming support to help meet private-sector rents will be affected by the freeze.

Modelling the impact of welfare reform on local authorities

The Local Government Association (LGA) has provided a useful welfare reform modelling tool on its website. This tool allows each English local authority to identify the impact of the reforms in its own area in terms of the numbers affected by each reform and the costs/savings involved.

The LGA spreadsheet for modelling the impact of welfare reform is available from its website.

New legislation containing other reforms

In addition to the reforms included in the Welfare Reform and Work Bill, a number of other reforms announced in the Summer Budget will be enacted through Statutory Instruments.

Two of these have already been laid, affecting earnings disregards in universal credit (work allowances) and SMI.

Coming into effect from 11 April 2016, The Universal Credit (Work Allowance) Amendment Regulations 2015 (SI 2015/1649) reduce the range of earnings disregards in the universal credit calculation process from seven to two.

The regulations contain a higher allowance where there are no housing costs included in the universal credit calculation and a lower amount where housing costs are included. In addition, the changes remove all earnings disregards for childless and single claimants who do not have a limited capability for work element.

The amended monthly earnings disregards/work allowances – which apply to single or joint claimants who are responsible for one or more children or qualifying young persons and/or have limited capability for work – are:

- higher work allowance – £397
- lower work allowance – £192.

The Social Security (Housing Costs Amendments) Regulations 2015 (SI 2015/1647), in force from 1 April 2016, increase the waiting period before a claimant can qualify for housing costs in income support, JSA, ESA and universal credit from 13 weeks to 39 weeks, or nine assessment periods in universal credit (it is currently three assessment periods).

The 39-week waiting period introduced by these regulations will apply to new claims made on or after 1 April 2016 and 'unlinked' claims made on or after 1 April 2016. The 13-week waiting period introduced by SI 2008/3195 will still apply to claimants who are in a waiting period for housing costs up to and including 31 March 2016.

Additional proposals affecting SMI in universal credit involve converting the help provided by SMI to those out of work to a repayable loan. (SMI will not be available to working claimants in universal credit.)

Timeline for the reforms

APRIL 2016

Tax Credits
taper rate increased to 48%
income threshold decreased to £3,850
income rise disregard halved to £2,500
Universal Credit
Work allowances lowered or removed
Available in all job centres
Roll out continue to be extended to families and couples
Benefit cap set at
£23,000 in London; £20,000 elsewhere, with a phased rollout
All income related benefits
Rates frozen for four years
Housing Benefit
Applicable amounts and LHA rates frozen for four years
Family Premium removed for children born or claims made after April 2016
backdating of housing benefit claims will be limited to a maximum of four weeks.
National living wage
for employees over 25 years old, compulsory for most employers

APRIL 2017

Child premium, and child allowances
removed for third and subsequent children,
for new births or claims on Universal Credit
Universal Credit (and housing benefit)
18 to 21 year olds lose entitlement to housing support
Instead will receive intensive support at the start of their claim,
will expected to earn or learn after six months
managed migration commences
ESA
Work-Related Activity Group new claimants receive the same rate as JSA
Social sector rents
Rents for existing tenants reduced by 1% per year for the next four years
Market rents for those on incomes above £40,000 in London or £30,000

SEPT 2017

Free childcare
entitlement doubled from 15 to 30 hours for parents of 3 and 4 year olds

APRIL 2018

Support for Mortgage Interest
Converted to a loan

Discretionary Housing Payments

To help mitigate the impact of these changes, the government will provide £800m of funding to local authorities for discretionary housing payments (DHPs) over the next five years.

Discretionary Housing Payments (DHPs)

DHPs to mitigate the worst effects of welfare reform

The range of welfare reforms which have been introduced since 2010, and which are due to continue for the next few years, have created gaps in the safety net of welfare provision, resulting in potential hardship for benefit claimants, many of whom are in vulnerable circumstances.

Both the government and, more importantly, the courts have accepted this. In numerous legal challenges to the reforms, especially the removal of the spare room subsidy (bedroom tax) and the benefit cap, the courts and upper tribunals have ruled that DHPs are available to mitigate the worst effects of, and the discriminatory impacts of, these reforms.

In such cases, the rulings of the courts have, arguably, created a duty on local authorities to make awards of DHPs in the circumstances considered by the courts.

This is because the case law has established that some of the legislation introducing the welfare reforms does result in discrimination (for example, against women and disabled people), but that the availability of DHPs mitigates the discriminatory effect of the legislation. Refusing to award a DHP in such circumstances therefore may result in discrimination.

As a result of the case law from the courts and tribunals, the continuing reforms resulting in further benefit cuts, and the announcement that £800m will be provided to local authorities over the next four years for DHP awards, local authorities will need to review their practices and policies on deciding how best to use their limited DHP budgets, including:

- the purpose of and priorities for making awards
- the circumstances under which an award will be considered
- the level of individual awards
- the length of the period an award will be made for
- the review arrangements for continuing awards
- publicising the availability and arrangements for awarding DHPs
- the referral arrangements for claimants potentially eligible for a DHP

- how DHPs can be incorporated into wider LA support services to vulnerable people in a way that the provision of a range of discretionary and statutory local support and advice services can be coordinated.

In considering the length of a DHP award, different solutions requiring different approaches may be necessary. Options will include:

- long-term, open-ended awards where there is a gap in the safety net
- short-term awards to allow time for the claimant to prepare for, or adapt to, the change and to seek and receive advice and support on managing their budgets, tackling debt, behavioural changes, finding work or finding cheaper accommodation
- phased reduction of support as a means of preparing claimants for reductions in their benefits and to reduce the impact of 'cliff edges'.

DHP spending in 2014/15

Figures from the DWP showing the level of local authority spending on DHPs in 2014/15 indicate that:

- almost a third of local authorities in England and Wales overspent their DHP allocation
- in Scotland every local authority spent 125% or more of their allocation
- total spending on DHPs in Great Britain excluding Scotland (including additional funding provided by some local authorities) was broadly equal to the total central government allocation
- when Scottish local authorities are included, spending was around 121% of the total allocation.

Additionally, the statistics show that, of the total spend in England and Wales:

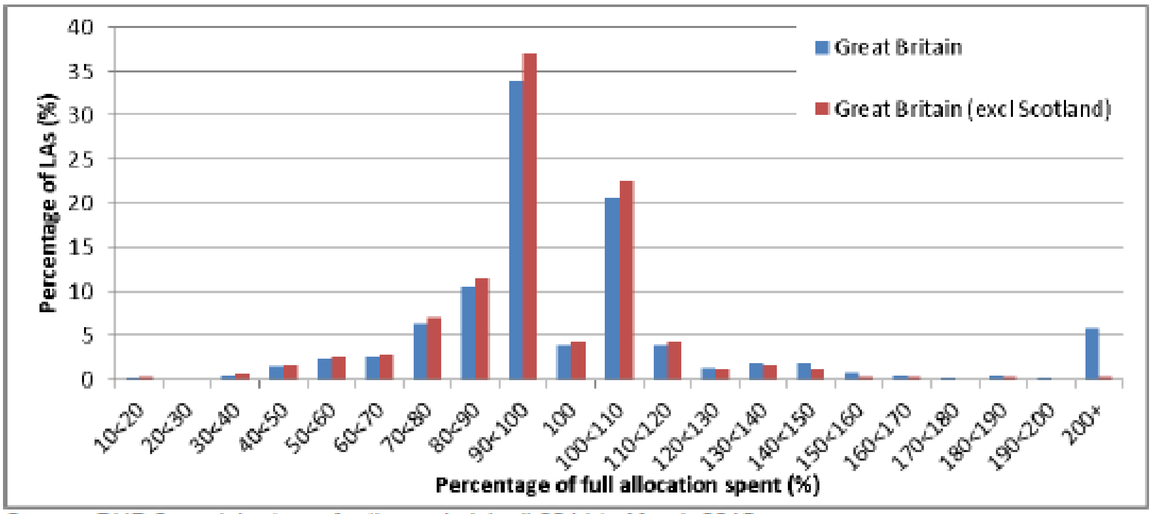
- 45% was due to the bedroom tax
- 19% was due to the benefit cap
- 13% was due to LHA.

DHP expenditure compared with full-year allocations

	DHP spend (Apr 2014 - March 2015) (£)	DHP allocation 2014/15 (£)	Spend as percentage of allocation
England	140,615,097	141,279,705	100%
Scotland	50,352,309	15,230,343	331%
Wales	8,047,690	7,766,472	104%
Great Britain	199,015,096	164,276,520	121%
Great Britain (excl Scotland)	148,662,787	149,046,177	100%

Source: DHP financial returns for the period April 2014 to March 2015
Notes: Two LAs have not provided financial returns and therefore the DHP spending and allocation for these LAs have not been included.

DHP expenditure distribution



Source: DHP financial returns for the period April 2014 to March 2015
Notes: Two LAs have not provided financial returns and therefore the DHP spending and allocation for these LAs have not been included.

Proportion of DHP expenditure on each welfare reform

Welfare Reforms for which DHP was awarded	Amount spent (£)		Percentage of total spent	
	Great Britain	Great Britain (excl Scotland)	Great Britain	Great Britain (excl Scotland)
Benefit Cap	27,237,415	26,004,412	15%	19%
RSRS	100,822,172	60,966,278	55%	45%
LHA	19,860,935	17,306,741	11%	13%
Combination of welfare reforms	2,184,073	1,932,018	1%	1%
Award not for welfare reforms	33,453,246	29,986,616	18%	22%
Total	183,557,841	136,196,065	100%	100%

Source: DHP Monitoring returns for the period April 2014 to March 2015
Note: Percentages may not sum to 100 per cent due to rounding. The DHP allocations shown here have been adjusted to reflect only those LAs who have submitted returns.

DHP expenditure on each reform, compared with allocation

Welfare Reforms for which DHP was awarded	Amount spent (£)		Amount allocated (£)		Spent as percentage of allocation	
	Great Britain	Great Britain (excl Scotland)	Great Britain	Great Britain (excl Scotland)	Great Britain	Great Britain (excl Scotland)
Benefit Cap	27,237,415	26,004,412	39,809,608	38,487,247	68%	68%
RSRS	100,822,172	60,966,278	56,388,511	47,323,818	179%	129%
LHA	19,860,935	17,306,741	36,288,490	34,698,915	55%	50%

Source: DHP Monitoring returns for the period April 2014 to March 2015
Note: The DHP allocations shown here are for those LAs who have submitted monitoring returns. Table excludes the non reform and combined awards and does not include the core budget in the allocations.

Changes to the DHP guidance manual

The DWP has issued an updated guidance manual to local authorities in relation to changes to the DHP guidance manual. Even though the award of DHPs is, by definition, a discretionary power of local authorities, it is important that local authorities take into account this guidance when considering awards of DHPs.

This is because several rulings of the courts and upper tribunals on challenges to the welfare reforms have referred to the DWP guidance on DHPs and ruled that local authorities would be required to take this guidance into account when considering making awards of DHPs.

The updated guidance takes into account feedback from local authorities and other stakeholders, as well as including an expanded good practice guide that offers advice on how DHPs can be used to support certain groups of people.

The revised good practice guide provides advice on how DHPs can be used to provide support to claimants affected by some of the key welfare reforms, including:

- the benefit cap
- removal of the spare room subsidy (bedroom tax)
- reductions in LHA.

The good practice guide, however, is intended to act as an aid. Local authorities have overall responsibility for how DHPs are administered and paid, taking into account the impact of the welfare reforms and any other relevant factors. The guidance emphasises that "due to the discretionary nature of the scheme it is important that local authorities are flexible in their decision making".

This guidance also provides details on existing (and changes to) assurance arrangements that local authorities are required to follow and the reporting measures introduced from April 2013 that provide information for the DWP about the use of DHPs in local authorities.

Before a local authority can consider making a DHP award, it must be satisfied that the claimant is entitled to:

- housing benefit; or
- universal credit that includes a housing element towards rental liability; and
- requires further financial assistance with housing costs.

Council tax liability is not eligible for a DHP. This means a claimant who is receiving local CTS but not housing benefit or universal credit that includes a housing allowance is not eligible for a DHP.

In such cases, however, local authorities may consider an additional reduction to the council tax liability under Section 13A(1)(c) of the Local Government Finance Act 2012.

It is good practice that local authorities co-ordinate their rules for considering a Section 13A(1)(c) reduction with their rules and circumstances for awarding DHPs. This is so that a claimant awarded a DHP who is also liable for council tax also receives an appropriate reduction in their council tax.

There are certain elements of a claimant's rent that cannot be included in housing costs for the purposes of a DHP because the regulations exclude them. These include:

- ineligible service charges
- increases in rent due to outstanding rent arrears
- certain sanctions and reductions in benefit.

The revised manual provides guidance in the following areas.

Deciding whether to award a DHP:

- the criteria for award
- the types of shortfalls DHPs can cover
- rent deposits and rent in advance
- DHPs and two homes
- what DHPs cannot cover
- the level of a DHP and payment cycles.

Applying for a DHP:

- the application process
- who can apply for DHPs
- who you can pay
- information a claimant must give
- telling the claimant of the decision
- backdating a DHP.

Administering DHPs:

- who can accept applications
- who can administer DHPs
- when a DHP application can be made
- method of payment
- contracting out.

Maintenance of DHPs:

- length of payments
- change of circumstances
- when you can stop paying a DHP
- overpaid DHPs

Dispute procedures:

- reviewing the decision
- notifying the claimant.
- Assurance and reporting measures:
- DHP claim form
- DHP funding
- reporting measures.

The good practice section of the manual contains good practice in relation to:

- support for claimants affected by the benefit cap
- support for claimants affected by the spare room subsidy
- support for claimants affected by LHA reforms
- managing a DHP scheme
- further examples of good practice
- profiling the budget and managing transition.

Local authority returns to the DWP – monitoring of DHP spend

Since April 2014, local authorities have been required to report to the DWP on the amounts of DHP actually spent during each half of the financial year to support people affected by the welfare reform changes.

For 2015/16, housing benefit circular A6/2015 notified local authorities that the DHP reporting arrangements were to be changed, so that it was no longer required to record the number of awards and, instead, only details of the amount of DHP paid.

The reporting spreadsheet asks for the value of DHP paid, broken down by welfare reform impact (eg benefit cap) and purpose of award (eg to help secure and move to alternative accommodation). It no longer records the number of awards.

If a breakdown of expenditure by purpose of award within each welfare reform impact is not available, local authorities should just record the total DHP paid for each column.

These monitoring returns are intended to provide intelligence on how local schemes are operating. They are separate from the formal accounting returns used for subsidy purposes, which are still required.

- Reporting periods will span 1 April–30 September for the half yearly return and 1 April–31 March at the end of the year.
- Local authorities will be asked to return the reports for the first half of the year in October 2015.

The key to recording the DHP expenditure is to note when the payment to the individual, rather than the decision, is made. Expenditure should be recorded in the year in which it actually occurs.

Where an award is paid over more than one reporting period, it needs to be split along the lines of the actual expenditure, as opposed to assigning all expenditure to the point at which the award is made.

Local provision of advice and support for universal credit claims and claimants

The development of local partnership agreements

In a speech to the LGA at the end of August 2015, Lord Freud made a number of further comments:

> When you embark on any major reform, national or local, the key to success is the collaborative working with those who understand the issues and their community.
>
> If you can garner support from the people who are implementing the change, your reform is more likely to succeed.

He also stated that the implementation of universal credit "would have been far tougher if it wasn't for the expertise, enthusiasm and backing from local authorities across Britain," and added:

> We could never have delivered reform on the scale of universal credit without the free and frank exchange of ideas and willingness by local authorities to test aspects of the policy during the early stages of the programme.

The pathfinder process involving local authorities, mainly in the northwest of England was, he said, created to trial specific aspects of universal credit policy, such as direct payment of housing support, monthly payments, online benefit claims, and budgeting support, with the trial results feeding back to the DWP.

To support this, the DWP and pathfinders started the development of 'universal credit delivery partnerships' to build on existing and new local partnership principles.

These partnerships ensured that extra support was available for vulnerable claimants during the trials and provided assistance locally to those who needed help to make their universal credit claim online or had difficulty managing a monthly budget.

The partnerships also provided a forum for landlords and local officials to discuss policy details and share results from the trials with the DWP.

Once the pathfinder initiative is concluded, the lessons learned from the partnerships will be used to help deliver universal credit to the rest of the country using similar arrangements.

Local authorities involved as pathfinders hosted events for other local government officials to see first-hand how universal credit worked and what preparations were needed prior to introducing the reform.

Lord Freud said that:

> This culture of working alongside local government has continued as we look for their input and expertise in designing the next phase of universal credit.
>
> The department and local authorities are currently trialling aspects of universal support – *delivered locally*, which will ensure that support for claimants goes beyond simple help with job seeking. It will encompass three core elements, triage, financial inclusion, and digital skills.
>
> Reforms must be implemented by working alongside local government if they are to be truly successful.
>
> It is that collaborative approach that has been the key to the success of our welfare reforms and it is that approach we must adopt if that success is to continue in this parliament and beyond.

'Universal Support – delivered locally', the vision of Lord Freud

'Universal Support – delivered locally' is intended to provide a structure, delivered locally, for planning holistic and integrated localised claimant support for people who need extra help to make or maintain a claim for Universal Support, and to assist them in managing their household finances and to support their move towards self-sufficiency and independence.

It sets out a high-level approach to building local partnerships, to providing funding to cover the incremental costs of supporting the transition to universal credit, and to supporting those with longer-term needs in accessing benefit.

It also aims to act as a tool for the DWP, local government and partner organisations to improve value for money and achieve better outcomes through effective partnership working in the delivery of targeted local solutions to meet the needs of individuals.

It is envisaged that this will involve a partnership between Jobcentre Plus and the local authority, with each acting as a key delivery partner and working with various local providers, including social landlords and voluntary and community sector organisations, to plan and then implement this support within a 'single claimant journey'.

The intention of Universal Support is that local authorities "will be joint and equal lead partners with Jobcentre Plus" in determining how any relevant national and local government resources are used to support service provision to meet local needs.

Earlier this year, Lord Freud set out in some detail his vision for 'Universal Support – delivered locally'.

The roll-out of universal credit, he said, is an opportunity to bring together many different agencies responsible for delivering the current multitude of benefits alongside other local support providers, like local authorities and charities.

Universal Support is intended to bring such services together in a joined-up, possibly co-located way based on local needs, led by a partnership between the local authority and Jobcentre Plus, to deliver 'whole-person support'.

Such services need to recognise the need to support vulnerable people while they are vulnerable, but also that vulnerability may be a temporary situation.

For those with more permanent needs, however, the role of support must be to maximise their life chances, and to help move them towards full independence and work readiness.

Universal Support is intended to ensure such services are provided through an integrated relationship between the DWP, local authorities and third sector organisations.

Lord Freud expects that every local authority will have a tested and funded way of providing support to the vulnerable and those at risk through the approach set out in Universal Support.

This approach was initially set out when the Local Support Services Framework was published in February 2013 and was developed in the update and trialling plan published in December 2013. These trials have involved close partnership working between local authorities and the DWP.

May 2014 saw the publication of an expression of interest (EOI) trialling prospectus to further develop those local authority–DWP partnerships to trial aspects of Universal Support.

As a result of the EOI, on 1 September 2014 11 areas began to test aspects of Universal Support for a 12-month period. In August 2015, five of these trials ended; however, the remaining six trials have been extended for an additional three months.

Information gathered from these trials will be used to develop Universal Support, scheduled to commence roll-out to all local authorities from May 2016.

The trials concentrated on developing the local partnership approach to providing help, assistance and support for those claiming universal credit, and to test various support options for those who need additional help – in particular, claimants with complex needs and vulnerabilities.

These key areas of universal support focused on in the trials include:

- triage
- digital support
- financial advice and guidance
- case management of complex needs; and
- alignment with DWP's work services.

Derby City Council, for example, has developed a co-located multi-agency advice hub, bringing together advice and support.

The tri-borough trial in Lambeth, Lewisham and Southwark has extended its 'digi-buddies' service, offering digital support from Lambeth to Lewisham and Southwark.

In another area there is a focus on offenders and ex-offenders, which offers the opportunity to gather valuable data on a group known to have multiple and complex needs and who may require intensive support under universal credit.

The trials have adopted a range of partnership working between agencies and partner organisations.

In some areas this has required a commitment to a full-time joint presence by all partners, typically where a hub has been established, ensuring the full service envisaged can be offered.

The trials are subject to evaluation conducted by the Centre for Economic and Social Inclusion.

Lord Freud concluded on his vision for universal support that:

> We are keen to build, maintain and grow the strong relationships that we have with local authorities.
>
> I hope that as Universal Credit expands across Great Britain so will our networks of integrated delivery partnerships and co-located sites so that we can restore work incentives, renew fairness, provide whole person support to those in most need.

Universal credit data sharing with local support providers

Key to the delivery of locally integrated delivery partnerships will be effective data sharing, in order to ensure universal credit claimants who need extra support get a more coherent, joined-up provision of services and don't slip through the net.

Regulations are now in place aimed at ensuring that data-sharing provisions are fully in place for the start of the national expansion of universal credit.

As part of the arrangements for Universal Support, the DWP has published a response to its consultations on the sharing of universal credit data with local authorities and other local support providers.

It is proposed that local authorities will have access to universal credit claim data on individual claims, including the level of the maximum universal credit, the elements included in calculating that maximum, and the actual level of universal credit payment being made to the claimant.

It is also proposed that some universal credit claim-related data will be available to social landlords (for example, whether or not a claim is in payment, for alternative payment arrangement [APA] purposes) and to the local authority's partners in delivering local support services.

The consultation response – Universal Credit Data Sharing between DWP and Local Support Providers (DWP, 2015) – responds to two consultations carried out by the DWP on the draft Social Security (Information Sharing in Relation to Welfare Services etc) (Amendment) Regulations 2015 (SI 2015/46).

This includes the DWP's response to whether it should share data with housing associations operating as charities, and whether it would share data with private landlords.

The DWP responded saying it would only share personal data with registered social sector landlords and not with private landlords as they do not usually provide welfare support to tenants.

On data sharing with a range of local support providers two main issues were raised: whether data sharing between the DWP and local support providers would be mandatory, and assurance that the DWP would protect the claimant's personal information.

In response the DWP confirmed that universal credit claimants will be informed about the proposed information sharing with their social landlord, and will have an opportunity to object.

Regulations were subsequently laid on 23 January 2015 and came into force on 13 February 2015 (SI 2015/46).

These regulations provide for information sharing between the DWP and local support providers – specifically local authorities, CABs (Citizens Advice Bureau), credit unions, social landlords and relevant registered charities – for the purposes of Universal Support.

The Information Commissioner has, however, made his own comments and expressed some concerns over the proposed data-sharing arrangements under the universal credit system, particularly concerning ensuring that the data is secure and making sure that claimants are aware their data is being shared and the purposes it is being shared for.

The Information Commissioner's Office advises that any sharing of personal data should be proportionate and in line with the reasonable expectations of the individual.

The data includes sensitive personal data, which must be treated with greater care than other personal data; the Data Protection Act contains requirements in relation to the processing of such sensitive personal data, including that individuals must "give their explicit consent to the processing".

There remains a lack of clarity, and there is indeed confusion, about whether the proposed data sharing will be based on universal credit claimants' consent or the possible use of opt-outs, as set out in the consultation. In response to this, the Information Commissioner has stated that "[the data-sharing] arrangements should be as transparent as possible and that individuals affected should be aware that the processing will be taking place".

Organisations in the third sector can often experience difficulties in achieving investment in a secure IT provision. In the eyes of the Information Commissioner, the DWP may therefore "need to consider how to support organisations involved in this data sharing so that people's information can be protected and kept secure".

Meanwhile, the DWP is going ahead with its data-sharing arrangements, contracting ATOS Canopy to provide a cloud-based data hub by November 2015.

This system is intended to provide for the secure transmission of DWP benefit and HMRC tax credit data to local authorities.

The information shared will enable local support providers to identify universal credit claimants who need assistance, advice and support, and to ensure that support is in place.

Developing local partnerships for the delivery of universal support

Delivery partnership agreements

As universal credit is rolled out nationally, each local authority will need to prepare for and set up its own locally designed partnership arrangements as part of 'Universal Support – delivered locally'.

Local authorities are encouraged to begin setting up plans for effective working partnerships and developing plans for activity in their area, in particular around the following ideas:

- joint mapping of services to establish the level of support that may be required by claimants, in particular for claimants with complex needs

- starting to think about how these services can be delivered to achieve better outcomes for claimants to equip them for the future, and to give improved value for money for the taxpayer.

Such partnerships have been given the name 'delivery partnership agreements' (DPAs).

DPAs will involve a contract between each local authority and the DWP in relation to the implementation and delivery of universal credit in an area. A DPA will outline exactly what each local authority will be expected to do and the role they will play.

The contents of a DPA will vary between local authorities, with each local authority being involved in designing its own DPA, along with the DWP and any other local agencies to be involved in the DPA.

Typically, DPAs include agreements to share information about claimants with the DWP, local landlords and other local partners. They will normally give local authorities a leading role.

DPAs will include a right to terminate the agreement. They will also specify the financial settlement for each local authority for its part in implementing universal credit.

DPAs are not a statutory requirement for local authorities, and each local authority will be able to discuss the contents of a DPA with the DWP. Oldham Metropolitan Borough Council, one of the pathfinders who has already gone through this process, has said that: "It's really important councils have a dialogue with the DWP about what's in the DPA and what the funding will deliver."

The time frame of a DPA will also differ between local authorities. The length of time they cover will usually depend on when universal credit is being rolled out in an area in relation to the financial year. In the pathfinders' cases, DPAs have been regularly revisited and updated.

It is anticipated that DPAs will eventually be replaced with grant funding settlements once universal credit has been fully rolled out and the DWP has a better understanding of how much it costs to deliver.

Developing partnerships and shared services

The process of developing partnerships and sharing services will not be straightforward. It will include developing the approach by mapping out:

- services which are already in place
- which services will need to be in place when universal credit is rolled out
- who provides those services currently and who may provide them going forward
- what gaps exist
- what the current costs for those services are
- how current services are funded and where the money comes from; and
- what the demand for local support services is likely to be when universal credit is rolled out.

It will involve the identification of the how, who, what, where, when and control.

How – how will the partnership work?

This includes deciding the process through which the partnership and the delivery of the existing and new services will operate, and may include considerations around the following questions:

- Should the local authority deliver the services itself?
- Are there any options for and advantages in working with neighbouring local authorities?
- Are there options or inclinations to contract out the services?
- What are the options for partnerships with other local organisations in the social rented sector and/or voluntary sector?
- Will services be commissioned from other organisations, or provided in combination with other organisations?
- What IT systems are required to deliver the partnership, who should have access, what are the data protection and data sharing arrangements, will there be cost sharing?

Who – who will be included in the partnership?

This involves identifying the potential partners to be involved in the partnership agreement and the skills, knowledge and resources they can bring to it. Outlining possible partners will involve identifying:

- Which internal local authority services will be included – benefits, housing, adult and children's social services, libraries and community centres, education services, home-finding and homelessness services, work-finding services?
- Which national organisations will be included – DWP agencies (Jobcentre Plus, pensions and disability services), DCLG, HMRC?
- Which local organisations will be included – voluntary and charitable services, CAB and advice services, local social and private sector landlords, credit unions?

What – what services will be provided as part of the partnership?

This involves identifying the range of services which will be provided by the partner organisations as a whole, and may include:

- assistance in finding and moving to a new home
- assistance in finding and moving into work
- assistance for disabled and other vulnerable groups
- assistance in getting online and operating computers and systems in order to make and maintain a claim for universal credit
- assistance with managing monthly budgets, ensuring bills are prioritised and paid, reducing debts and arrears, and accessing and using relevant bank accounts
- financial inclusion
- identifying cases to be considered for an APA
- welfare rights advice and accessing benefits
- assistance in obtaining child support and childcare services
- specialist services to vulnerable people, eg obtaining disabled adaptations, accessing specialist accommodation, provision of care

services in that accommodation, services for the homeless and those threatened with homelessness

- intermediary support – communication aids and complex needs support
- joined-up and holistic support for claimants with the most complex needs.

Where – where will the services be located or accessed?

This involves identifying where the support can be accessed by those who need it. This may involve considering:

- one-stop shops located in the central local authority offices or hub, multi-point access, etc
- making services available in the community at non-central local authority offices, community centres, libraries, DWP agencies and other partner outlets
- referral and signposting arrangements
- joint/co-location of services, staff secondments, generic access points, etc
- online access and websites, designated telephone lines, visiting officers, etc.

When – when will the partnership arrangement start and be completed?

This involves agreeing the timescale with all partners for the implementation and roll-out of the universal support service, and may involve:

- identifying key stages in the programme
- setting timescales for finalising the partnership agreement
- agreeing the start date
- deciding whether to adopt a 'big-bang' or phased roll-out
- agreeing the timescale for the roll-out of each phase of the partnership agreement.

Control – what control and monitoring arrangements will be required?

This involves identifying the monitoring and control arrangements the local authority will need to ensure the services are being delivered efficiently and cost-effectively to those who need them, to their satisfaction. This may include:

- IT reporting and monitoring systems
- frequency and content of reports submitted by partners
- setting of and monitoring performance against agreed standards
- complaints, disputes and appeals arrangements
- policing the DPA and its partners, including agreeing/applying the sanctions for poor performance or failures.

Council tax support (CTS)

Re-designing local schemes to fit with universal credit

There are real administrative and delivery advantages in aligning local CTS schemes with the rules for assessing universal credit.

This will also go some way to ensuring local CTS schemes do not undermine their objectives for universal credit, especially those relating to work incentives and simplification.

Given its nature, universal credit will probably eventually be received by a majority of a local authority's recipients of CTS. In order that their local schemes work properly and take into account the new benefit therefore, local authorities will have to take into consideration the operation of universal credit and its impact on those receiving CTS.

Therefore, when considering the appropriate changes to the design of their local schemes, local authorities will need to consider carefully how their CTS schemes will work alongside universal credit.

Designing CTS schemes to work alongside universal credit as smoothly as possible poses a number of challenges for local authorities.

CTS schemes and the welfare reforms

An additional problem is that the current means-tested benefits and tax credits will continue alongside the roll-out of universal credit, as a result of universal credit's long phasing-in period.

It is therefore necessary that the local authority's CTS scheme interacts in a coherent way with both the existing system of means-tested benefits and tax credits and universal credit, at least until 2019/20.

In addition, local authorities will need to decide whether or not they will mirror the changes introduced by the latest package of welfare reforms introduced in the Welfare Reform and Work Bill.

For example, they will need to decide whether to mirror the changes to universal credit work allowances in the earnings disregards used in their CTS schemes, including removing earnings disregards for single non-disabled claimants and having two levels of disregard depending on whether the housing costs element is included in the applicable amount/maximum universal credit rate. Similar issues will relate to the removal of support for the third child and subsequent children.

They will also need to decide whether to mirror the non-dependant deduction (NDD) categories (housing costs contribution) used in universal credit or to apply their own rules and rates for 'council tax contributions'.

Having different rules and deductions for NDDs is structurally easier than the other considerations relating to the applicable amount and disregards as NDDs are applied right at the end of the process, but it may be difficult to justify different rules in consultation.

In addition, the local authority will need to consider whether or not to apply a deduction for non-dependants receiving universal credit, especially for those non-dependants who are not receiving the maximum amount but are receiving a tapered universal credit amount.

Other considerations arising from the welfare reforms include:

- Should eligibility for a CTS award be removed for 18–21-year-olds from April 2017?
- What will the impact of reduced income due to reduced tax credits be on increased entitlement to CTS and therefore additional costs of those schemes for authorities?

- Should the local arrangements for backdating CTS claims be aligned with the new rules for backdating housing benefit claims?
- What consultation process will the authority need to carry out when considering/making such changes to their local CTS scheme?
- What additional resources need to be made available for Section 13A(1)(c) hardship awards to match additional DHP awards where housing benefit is also being awarded?

Once the managed migration process starts, a further consideration that local authorities will have to make is whether or not, when a housing benefit claim with a CTS award is migrated to universal credit, to provide for transitional protection where the change would result in a lower level of CTS being assessed, and, if so, how long to apply transitional protection for.

And, of course, all such changes to CTS schemes will have to be fully consulted on, taking into account the guidance contained in recent case law (the Haringey and the Sandwell cases).

Treatment of universal credit as income

One of the key issues is how to treat income received from universal credit in the means test for CTS. The essential choice for local authorities in designing their scheme is whether to take universal credit into account as income, or to fully disregard it.

An additional problem is that some of the benefits that universal credit is replacing do count as income for CTS (notably tax credits), while others do not (income support, income-based JSA, income-based ESA and housing benefit).

The CTS scheme could address this by taking into account in full the income received from universal credit but also using as the applicable amount the maximum universal credit level as assessed by the DWP in the universal credit claim.

In this way, the income received from universal credit is offset by the universal credit maximum amount. Only income above that reduces the family's entitlement to CTS, using the level of taper applicable to the local authority's CTS scheme.

For those still in receipt of legacy benefits, as the allowances in those benefits are mirrored in the universal credit elements, the income received from those will be offset through matching the allowances and premiums in the applicable amount in the local scheme with the components used in the calculation of the universal credit amount.

This would mean that only one means test is required for those on universal credit and those still on legacy benefits

The problem, however, is that this removes from the local authority much of the flexibility and discretion it has in fixing the level of applicable amount. This is because, in order to follow this approach, the applicable amount in the local scheme would have to be fixed to, or tightly linked with, universal credit parameters.

Universal credit where the housing element is included

Under the current CTS schemes, housing benefit is disregarded as income, as there is no current allowance in the applicable amount to cover families' housing costs.

If, therefore, universal credit is taken fully into account as income, including the housing support element, then any family receiving the housing element in their universal credit (the majority of universal credit claims) may receive lower levels of CTS, as their level of universal credit income would be greater than their allowances in the local authority's CTS scheme.

This could be overcome by introducing an allowance equal to a household's eligible rent in the local CTS scheme applicable amount arrangements, in order to offset the income received from the rent component of universal credit.

Using the maximum universal credit level as the CTS applicable amount addresses this problem, as this would already include the housing costs element. The housing support payment in universal credit will therefore be offset by the housing allowance.

However, for those still claiming housing benefit, this would mean including housing benefit as income in the CTS assessment. Alternatively, in such cases the CTS applicable amount may be based on the maximum universal credit level without the housing element. This would have the advantage of making the assessment of CTS more straightforward as the income from housing benefit could remain disregarded.

A similar approach would be taken for those in receipt of CTS only.

For those in receipt of universal credit with SMI included as a housing element, the CTS would be assessed with an applicable amount equal to the maximum universal credit (which includes the mortgage interest as a housing element) and the universal credit award would be taken into account as income. In this way, the SMI income will be offset by the applicable amount.

As SMI is only available to out-of-work claimants, where the CTS claimant is still receiving legacy out-of-work benefits which include SMI, they will be passported to maximum CTS in the normal way by those legacy benefits.

Passporting maximum CTS

Currently, anyone receiving means-tested out-of-work benefits is automatically passported to full CTS without having to go through another means test. Under universal credit, these automatic passporting arrangements will no longer exist.

As universal credit is an out-of-work and in-work tapered benefit, entitlement goes far further up the income range. The cost implications of continuing to passport maximum CTS through receipt of universal credit would be prohibitive for local authorities.

Those in receipt of maximum universal credit, ie where their award is the same as their maximum universal credit, may remain passported to maximum CTS.

The approach set out above of taking the maximum universal credit as the CTS applicable amount and universal credit as income, along with other earned and unearned income, will only need to be applied for those CTS claimants not in receipt of maximum universal credit.

Given the current gateway conditions for entitlement to universal credit, so far there are no such claims. Local authorities will therefore only need to adopt such an approach once the DWP starts to pay universal credit to those in work and with income in excess of the maximum rate, where the taper is applied. It is unlikely there will be any such claims in 2015/16 and very few in 2016/17.

Using data from universal credit claims

The approach set out above reduces the burden of means testing for claimants and administrators but relies entirely on the DWP making available to local authorities information relating to the maximum universal credit and the level of universal credit along with the income and other circumstances of the claimant.

Almost all working-age claimants of the reformed CTS will be entitled to universal credit, and the information needed by the DWP to calculate their universal credit entitlement would probably include all the information local authorities would need to administer CTS without having to collect the same information a second time from claimants.

The DWP also proposes to use real-time information on earned income collected through the PAYE income tax system (RTI) as part of this process, as such information would be likely to be more up-to-date and accurate than that provided by claimants themselves.

However, this will mean that each time earnings change, the universal credit award will be recalculated, requiring a similar reassessment of CTS. This may result in regular changes in circumstances involving small adjustments having to be assessed for the CTS claim each time universal credit changes.

The assessment period rules in universal credit will mean that such reassessments of CTS will at least be no more common than monthly, but local authorities may decide to introduce a minimum change rule into their CTS scheme whereby, if universal credit changes by an amount below the minimum change rule, no reassessment would be necessary. The adjustment would then be taken into account from the next annual recalculation of CTS.

Advantages of adopting such an approach

There are numerous advantages of adopting the approach outlined above, ie aligning the CTS scheme with universal credit – treating universal credit as income which is offset by maximum universal credit as the applicable amount.

For those in receipt of universal credit, the local authority will be able to base the calculation of CTS simply on the universal credit claim details and the council tax liability without, in most cases, having to obtain any additional information from the claimant.

It also provides a consistency of approach which hopefully means it is clearer and more transparent for claimants.

It does, however, remove some of the flexibility for local authorities, potentially affecting their ability to control costs, and ties local authorities' CTS schemes into the overall welfare reforms, including the freezing of applicable amounts and the reductions in support for families and third and subsequent children.

However, local authorities will retain flexibility in other areas of their CTS scheme, which will help in controlling costs. Such areas may include:

- earnings and other income disregards
- capital cut-off
- maximum eligible council tax
- minimum payments
- taper rates
- NDDs.

Sharing of DWP data for local CTS schemes

The above approach relies on local authorities having access to universal credit claim data.

In the August 2015 edition of HB Direct, the DWP provided an update on its plans to move to an automated process for sharing data on universal credit claimants with local authorities for CTS purposes.

The DWP announcement stated that:

> Currently data is shared manually between DWP and LAs where an interest for LCTR has been registered in the universal credit claim.
>
> The LADS [local authority data sharing] delivery team has been commissioned to deliver an automated solution for sharing data and has been working with Universal Credit, Housing Delivery Division transition team, DWP IT Suppliers and LA IT Suppliers to understand the requirements.

The future of support for council tax

Various bodies, both governmental and non-governmental, have been calling for support for council tax costs to be included in universal credit arrangements.

This is because of the way CTS schemes can often compromise the work incentives of universal credit. Once a 20% taper is added to the 65% taper applicable in universal credit, the marginal deduction rates for those entering work can be very high – a situation made still worse once tax liabilities are also factored in or where a local authority adopts a higher taper rate in its CTS scheme.

This can result in marginal deduction rates of in excess of 90%, removing most of the work incentives, especially where a work allowance is not applied (single and childless) and/or where there are high travel-to-work or childcare costs.

Many commentators feel therefore that the only solution to this would be to incorporate CTS into universal credit, possibly by including council tax in the housing element or having a new council tax element.

When looked at more closely, however, there are many problems associated with this, which is why council tax benefit was not included in universal credit in the first place.

The basic problems are in obtaining the individual council tax liability details and, worse still, in paying the council tax direct to a claimant's council tax account so that it remains as a rebate to the council tax bill. The only other option would be to include the CTS in the monthly universal credit payment, leaving local authorities to collect the council tax directly from the claimant. It is obvious why local authorities do not like this option.

Other problems have been identified in a report from the New Policy Institute (NPI).

The NPI concludes that it is hard to see how CTS could be integrated with universal credit, given the local variation which now exists across local CTS schemes.

In its research, [Managing the Challenges of Localised Council Tax Support]() (NPI, 2015), the NPI examines the various CTS schemes brought in across England since April 2013 and, using examples of best practice, looks at how local schemes can be designed to protect both the revenue of local authorities and the incomes of their least well-off residents. Key findings include:

- schemes varied according to type and the minimum payments expected of claimants, and there were no obvious patterns of political control, demography or location
- among those local authorities choosing to bring in a new system rather than absorb the cost of their 10% cut in funding for CTS, approaches varied significantly
- some local authorities had opportunities to recoup costs by, for instance, removing exemptions on second homes, while others did not
- while the design of the schemes may now be settled, implementation is ongoing
- while many local authorities have so far resisted using bailiffs or court summons for CTS debts, many now have residents with two or more years' outstanding payments
- the sustainability of the current mix of scheme design on the one hand and collection and enforcement policy on the other is therefore under question; and
- as it stands therefore, it is hard to see how CTS can be integrated with universal credit – the variation at local level is the opposite of the national standardisation in universal credit.

The NPI research emphasised the tension between the objectives of CTS and those of universal credit. Local CTS schemes may now be more responsive, but their localisation undermines the policy objectives of universal credit: to simplify the welfare system and improve incentives to work.

Rolling support for council tax into universal credit would help to realign these policy objectives, and to ensure that households who cannot afford to pay are not expected to do so.

This would, however, entail the return of the system to central government administration, removing the positive flexibility provided by a framework of local schemes, and result in greatly increased collection and arrears management costs for local authorities.

The other option is to give local authorities further discretion to redesign wider elements of their council tax system, for example the cap on rate increases or the rules on maintaining the single-person discount.

This would allow authorities to draw in funding and better target it towards protecting those who are unable to pay. Furthermore, devolving wider discretion over scheme design would fit in with the government’s localism agenda.

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