

Date: 21 March 2012

Local Authority Chief Executives

PLANNING FOR WELFARE REFORM FROM APRIL 2013

We wanted to take this opportunity to write to thank you for all the positive engagement our Departments have had with local authorities over the last year and to update you on some of the key elements of welfare reform. Annex A to this letter gives updates about each of the specific changes that are currently underway.

Since the announcement in May 2011 about Universal Credit delivery roles, DWP has worked with local authorities and other delivery partners and we have now agreed that local authorities will provide face to face support for a minority of Universal Credit claimants who will need more intensive help to access the online system. Looking forward to 2013 it will, therefore, be important to manage down benefits services while retaining enough capacity to provide face to face support to these claimants. Capacity will also be required to maintain the Housing Benefit caseload prior to full migration, deliver localised Council Tax Support and, in England, to take on some aspects of the current Discretionary Social Fund.

As we move towards a more integrated welfare system we would also like you to be working closely with local partners including local Jobcentre Plus offices but also Registered Providers (Housing Associations), private landlords and third sector partners to prepare for the reforms. Jobcentre Plus District Managers should be liaising with your staff to discuss how services to help claimants with online access, financial literacy and job seeking can be properly coordinated locally in advance of the launch of Universal Credit in October 2013.

We recognise that managing large scale change presents considerable challenges but the past year has shown how well central and local government can work together to plan for and deliver change and we are both very grateful to you and your staff for your continued assistance with the reforms.

This letter and the annex, together with contact details for the Jobcentre Plus District Managers, will be placed on the DWP UC for local authorities website for staff and partners to see www.dwp.gov.uk/ucla

Yours Sincerely



Robert Devereux



Bob Kerslake

ANNEX

This Annex gives additional detail and an update about the key welfare reforms. The Household Benefit Cap for out of work families; localised council tax support schemes; Universal Credit (UC); the Single Fraud Investigation Service (SFIS) and implementation of the new size criteria for social housing.

Household Benefit Cap

From April 2013 the Government will put a limit on the total amount of benefit that working age people can receive. This means that households claiming out of work benefits will no longer receive more in benefits than the average wage paid to those who are working. Total benefit payable will be limited to a maximum of £500 each week for couples and lone parents and £350 for single people, though entitlement to certain other benefits will exempt claimants from the Household Benefit cap.

Local authorities will be responsible for applying the Household Benefit cap to new and existing claims from April 2013, through Housing Benefit deductions closely supported by DWP colleagues. From October 2013 new claims will start to be taken through Universal Credit and the cap will be applied directly to those claims. Detailed implementation plans are being made, in partnership with representative local authorities.

Further detailed design work is ongoing. The first contact with claimants potentially affected by the Benefit cap will be through the issue of a direct mail letter. This will be sent by DWP to all claimants affected over a two week period from the end of April 2012 and will provide them with a helpline number for any enquiries. We will provide each LA with a list of these claimants.

Reforming Council Tax Support

We are grateful for your engagement with the Council Tax Support reforms through last year's consultation exercise, and through DCLG governance groups. Local authorities already administer council tax benefit in addition to council tax discounts and exemptions and we are working with some of you to understand what new or adapted systems may be required by the reforms. We have also begun to engage with suppliers on this issue.

DCLG have made available a design tool to enable you to understand the impact of any proposed changes to how council tax liability is assessed upon your Council Tax Benefit caseload. This will enable you to better quantify any resulting further changes that you may need to make to administrative systems, including IT systems and levels of staffing. The tool is available at

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>

As stated in the Government response to the consultation on localising support for council tax, the Government does not intend the administration of local schemes to put pressure on local government finances, in line with the new burdens doctrine. We will, therefore, continue to work with you to assess the net impact of the localisation of support for council tax, including the transitional costs of moving to the new arrangements.

Universal Credit (UC)

Local authorities are now represented within the UC Programme at all levels, from the Programme Board through to working groups looking at important aspects of UC, such as financing arrangements and support for claimants with the most complex needs.

Since the announcement in May 2011 about delivery roles, DWP has worked in partnership with local authorities to examine the options for face to face service delivery and the design team has now agreed that a national service with targeted local flexibility is the optimum solution from the point of UC roll-out. The core UC offering, for the majority of UC claimants, will be provided by DWP. However we will need local authorities to provide face-to-face support for a minority of UC claimants, with more complex needs, who will need help to access the new online system and more intensive, work-focussed, support.

We envisage a soft landing from October 2013 with applications for the new benefit arising only from new claims or major changes in a claimant's circumstances. We know that many of you are already making plans to scale back benefits services from 2013. However as you manage down that capacity, please have regard to the fact that some capacity will be needed to maintain the Housing Benefit caseload prior to full migration to UC; process new claims to Housing Benefit for some working age claimants until April 2014; and to provide the face to face support described above. New HB claims for pensioners will also continue until October 2014 and full migration of all existing claims to UC will not be complete until the end of 2017.

The DWP and the Local Government Association are working together on the development of short term pilots to help ensure that local authorities are ready for Universal Credit in 2013, and longer term pilots to help develop a more diverse model for delivering Universal Credit after 2015. More information about these can be found on the website of the Local Government Association

http://www.local.gov.uk/web/quest/lg-finance-news/-/journal_content/56/10161/3514355/NEWS-TEMPLATE

The UC Programme will additionally be working with local authorities to understand the full range of impacts resulting from decommissioning the HB delivery service. This work will allow us to confirm both the specific impacts which will need to be funded and the amount of funding that will be available for each item. We are planning to announce funding decisions for decommissioning alongside the arrangements for the main Housing Benefit administration grant. DWP and DCLG will work closely together, and with

colleagues in the Devolved Administrations, to ensure that the principles of the new burdens doctrine are applied in assessing all of these funding decisions.

During discussions with the DWP and DCLG you have made us aware of your concerns about plans to pay rent to claimants, rather than landlords, under UC. The Housing Benefit Demonstration Projects will begin in five Local Authority areas from June 2012 and will involve directly paying Housing Benefit to approximately 2000 tenants in each local authority to examine approaches to help claimants manage their own money on a monthly cycle, test safeguards for landlords and understand the level of exceptions.

The Single Fraud Investigation Service (SFIS)

In February 2012 the Department published a joint strategy with HMRC and the Cabinet Office *'Tackling fraud and Error in Government'* outlining plans to tackle fraud and error in the tax credit and benefit system. As part of this strategy we are creating a single integrated fraud investigation service with statutory powers to investigate and sanction all benefit and tax credit offences. We are also piloting a Mobile Regional Taskforce to concentrate on fraud in targeted, small, areas of the UK.

In November 2011 Lord Freud announced that local authority staff currently employed on welfare benefit investigation will become part of SFIS from 2013. These staff will remain employed by local authorities, but operate under SFIS powers, policies, and priorities.

Further detailed design work has been underway, collaboratively with HMRC, DWP and local authorities since November 2011 and a design discussion document will be circulated for informal consultation with stakeholders in April 2012

Social Sector Size Criteria

From April 2013 the applicable maximum rent will be reduced by a national percentage rate depending on how many bedrooms the household is considered not to require. A 14% reduction will be made for those who under occupy their home by a single bedroom and a 25% reduction for two bedrooms or more. The assessment of requirements will be against the same criteria currently used for LHA: a bedroom will be allocated for a single adult or couple; every two children under the age of 10 or each child over 10 if they are different genders.

Although there are no planned exemptions to the new size criteria, on 14 December 2011 the Government announced that it would add an additional £30m per year to the discretionary housing payment budget from 2013/14. This is aimed at supporting two specific groups of social tenants through the changes. The first group are disabled people who live in significantly adapted accommodation and who may need additional support to remain in their existing homes. The second group are foster carers, including those who need to keep an extra room when they are in between fostering.

We are continuing to engage with social housing providers, local authorities and other Government departments to build an effective implementation strategy that will support tenants, their advisers and housing providers in preparing properly for this change. You will hear more on this as we roll it out.