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Dear Michael,

Thank you for your letter of 7 May regarding the definition of supported “exempt” accommodation under Universal Credit.

The Secretary of State announced at the Select Committee hearing last year that help with housing costs for those living in supported exempt accommodation will be provided outside Universal Credit, on much the same basis as now, until a more permanent solution is put in place.

Local authorities will, as now, determine whether accommodation comes within the ambit of this provision, consider which cost are eligible for remission and assess the level of costs that should be met. They will also retain the discretion to make payments direct to landlords. In addition, the payments made by local authorities will be excluded from the benefit cap calculation.

There is broad consensus that the existing rules are complex both to administer and understand. Work by the Government to make progress with reform began in 2011 when it published its consultation document about the future of controlling rent costs in accommodation where support was provided.

Responses to our consultation are informing our policy development as we look to re-design the way in which Government helps with the higher rents charged for supported housing. We affirmed in the consultation paper that this is not a cost cutting exercise but that any changes must not result in an increase in overall expenditure.

We have no plans to broaden this definition but we have updated it for Universal Credit. Such accommodation can include group homes, hostels, refuges, sheltered housing, supported living complexes and adapted housing for the disabled provided by housing associations, registered charities, voluntary organisations and county councils. Housing Benefit recognises the often higher costs of providing such accommodation.
In the short term we will continue to deal with the housing costs for these cases under existing legislation, including direct payments. Those living in supported exempt accommodation will still be able to claim and receive Universal Credit, where they will benefit from the new taper, but their housing costs will be provided separately. This will allow us flexibility in developing future provision.

In the longer term we are exploring the feasibility of a localised funding system. Our aim is to develop a system that is flexible enough to meet the needs of individual providers and their tenants. We believe that this will ease concerns over funding and payment regimes.

We are convinced that local knowledge is essential to help identify this often diverse group, build effective relationships with providers and ensure that resources are targeted effectively at those who need it while ensuring that any financial scrutiny is well directed.

As a foundation for further reform we have begun an exercise with local authorities to establish, as far as possible, a clear picture of the current size of the “exempt” sector of supported accommodation throughout Great Britain. As data in this area is limited, we are asking local authorities to collect and report information about supported exempt accommodation. That information should be available for analysis by June this year.

In addition this Department, with the assistance of the Department for Communities and Local Government and the devolved administrations, is asking representatives of the sector to help it form a better picture of current funding and management practices and to identify data sources that can help fill out the picture.

The objective of these arrangements is to protect the income streams of providers from any unintended consequences of welfare reform. Ministers and officials continue to meet with representatives of supported housing providers to ensure that this objective is achieved.

However, not all supported housing is “exempt”. Where provision does not come within the definition, for example where the accommodation is provided by local authorities, these arrangements will not apply. In such cases, housing costs will be met via Universal Credit and the benefit cap will apply.

Universal Credit will provide a new single system of means-tested support for working-age people who are in or out of work. Support for housing costs, children and childcare costs will be integrated in the new benefit; it will also provide additions for disabled people and carers, which will remove the need to claim different means-tested benefits from different national and local agencies.

Universal Credit will radically simplify the way that means tested benefits are calculated and delivered; it will be a more efficient and effective welfare system - one that will deliver benefits more quickly and easily to claimants, which will
help vulnerable claimants to obtain the financial support that they need more quickly.

We are keen to ensure that Universal Credit should reflect and prepare claimants for the world of work in which 75 per cent of employees are paid monthly and that it should encourage claimants to take responsibility for their financial affairs. To that end, Universal Credit will usually be paid in a single monthly sum to households.

Many people who claim Universal Credit will be working and others will be temporarily unemployed. So many claimants will be used to receiving monthly payments and managing their own budgets and these arrangements will be suitable. However, the Department understands that many people on low incomes are used to budgeting on a fortnightly basis and may be concerned about moving to monthly payment. There will be appropriate budgeting support to ensure recipients are supported effectively. The Department is examining a range of options to support claimants as part of the move to Universal Credit and is carefully considering the welfare implications involved.

For a minority of claimants alternative payment arrangements known as a payment exceptions may be required. Alternative arrangements might include making more frequent than monthly payments or splitting the payment within the household. Detailed proposals for how payment exceptions will be delivered are still being developed.

On 11 February the Department published draft guidance which gives an overview of how alternative payment arrangements will be considered in Universal Credit. This includes financial and vulnerability factors that would trigger a conversation with a claimant about alternative payments. The draft guidance is available on the Department’s website at www.dwp.gov.uk by searching under Universal Credit.

The Social Security Advisory Committee has conducted a public consultation on Universal Credit and related Regulations. Views were invited from a broad range of organisations and individuals. We are grateful to all those who have taken the time to provide responses. Ministers will carefully consider the Committee’s report and the Government’s response will be published when the final Regulations are laid before Parliament, shortly after the Autumn Statement.

Yours sincerely,

[Signature]

Lord Freud

Minister for Welfare Reform