Dear Michael,

Thank you for your letter of 12th December.

Let me first address the issues you raise, namely Discretionary Housing Payments (DHP) and direct payments to tenants in the social rented sector. The Government recognises that Local Authorities will need to help people through this time of welfare reform and that is why we have made available £180 million in DHP funding this year. In addition it was announced in the Autumn Statement that a further £40 million will be made available in 2014/15 and 2015/16 to ensure that the pot of DHPs available to support those affected by the removal of the spare room subsidy will not be reduced for the next 2 years. This will allow councils to make longer term awards where appropriate. Local Authorities will be notified of their individual allocations in the New Year.

Further to this, we have allocated each Local Authority in Great Britain a share of £34.1 million to support the administrative costs of implementing welfare reform changes. This can be used in a number of ways, including to provide housing options advice and other activities in relation to those affected by the changes.

On the issue of arrears, it is simply too early to say that they are increasing because of the removal of the spare room subsidy. We need to carefully monitor the evidence over time, and that is why we have commissioned an independent 2 year evaluation on the effects of the removal of the spare room subsidy.

In respect to the matter of Direct Payments, Dunedin Canmore are one of six Direct Payment Demonstration Projects (DPDPs) in the UK, set up to test different switchback triggers and tenant support processes. The aim of the
Projects is to produce a wide range of practical learning to help ensure the right support for tenants and landlords is in place to support the full implementation of Universal Credit.

However, the Direct Payment Demonstration Projects operate outside the Universal Credit environment, which means that the enhanced support mechanisms that will be available to claimants under Universal Credit were not available to the Projects. So Dunedin Canmore's experience should be viewed in the context of the current housing benefit system.

Collectively, the Projects have already produced a great deal of valuable learning that has informed and continues to inform the design of Universal Credit, including adjustments to the way DWP and landlords identify claimants in need of personal budgeting support or rent payments paid direct to landlords. Indeed, as a result of learning from the Projects, DWP has acknowledged that a far higher proportion of tenants will continue to have their housing costs paid direct to their landlord under Universal Credit than was originally envisaged. The enhanced safeguards available for tenants in terms of Personal Budgeting Support will also help ease claimant's transition onto Universal Credit:

- All claimants will be assessed at the start of their claim by the personal budgeting support triage, which has evolved with the help of DPDP experience, and a range of financial tools, products and money advice will be provided through the Local Support Services Framework that have not been available to the projects. Claimants who, at that point, are unable to manage the standard monthly payments of benefit or are at risk of causing financial harm to their household will be put onto managed payments from the start of their claim and their budgeting support needs reviewed throughout the claim.

- Claimants who accrue arrears will have their payment arrangement reviewed initially if their debt is equivalent to one month's rent liability. They will be automatically switched back to direct payment of rent to landlords if their debt is equivalent to two months' rent. This is an additional safeguard to complement a landlord's usual rent collection practices. Claimants at that point will be offered further financial budgeting support.

As Lord Freud announced in his speech to the CIH in June, we expect UC claimants to remain on managed payments for up to six months after arrears have cleared. This will provide both landlords and tenants with reassurance that tenants are equipped to manage their own financial responsibilities. Claimants (and landlords) will therefore not experience frequent changes to their payment arrangements.
Wherever possible, these alternative payment arrangements will be time-limited and delivered in conjunction with appropriate budgeting support to help claimants successfully transition to monthly budgeting, thereby moving closer to work. All APAs are considered on a case-by-case basis and assessed and reviewed on their individual merits.

Deductions from benefit to help tenants repay arrears of rent, utilities and other similar debts are not new. Landlords are already familiar with how Third Party Deductions work. They are a "last resort" arrangement to prevent eviction, utilities being cut off or possible imprisonment for non-payment of Council Tax and Fines. We are looking at ways in which to lift tenants out of rent debt more rapidly under Universal Credit, to help stabilise landlords' income stream and help tenants protect their tenancies.

The Rt Hon Iain Duncan Smith MP
SECRETARY OF STATE FOR WORK AND PENSIONS