



DWP Department for
Work and Pensions

Caxton House
Tothill Street
London
SW1H 9DA

Telephone
020 7340 4000

Email
ministers@dwp.gsi.gov.uk
www.dwp.gov.uk

Our ref: POS(4)4070/160

Mr Kerry Macdermott
Institute of Revenues Rating and
Valuation
Northumberland House
303-306 High Holborn
London
WC1V 7JZ

06 MAY 2011

28 April 2011

Dear Mr Macdermott,

Thank you for your letter of 16 March about Universal Credit and housing costs. I am sorry for the delay in replying.

I am pleased that you are able to support our intention to introduce Universal Credit and I look forward to my officials being able to work with the Institute to assist in the development of the new benefit. We are considering issues such as those you have raised as we take forward the development of Universal Credit, reflecting the views of external organisations such as yourselves.

I am attaching a note setting out our broad policy objectives in respect of some of the areas that you have identified. I would be more than happy for the Institute to host this note on its website. I would also be happy for my officials to meet with you over the coming weeks to discuss our reforms as they go forward.

I should say now that support for housing costs is an important element of Universal Credit. This will bring together different forms of income-related support and this offers the greatest scope to improve the incentives to work. The key mechanism for making work pay will be the single taper and this will operate best by bringing together all in-work support including housing costs.

Nevertheless, the questions that you raise are both pertinent and helpful and will prove useful in ensuring that we have the design and delivery right before introducing Universal Credit.

Yours sincerely,

A handwritten signature in cursive script that reads "David".

Lord Freud
Minister for Welfare Reform

Policy

Following a consultation on 21st Century Welfare, the Secretary of State announced plans for a Universal Credit on 5th October 2010. This will merge out-of-work benefits with in-work Tax Credits in a single system and one streamlined payment.

Universal Credit will improve incentives to work (especially for low earners) by a combination of earnings disregards and a single withdrawal rate to reduce the Credit when earnings exceed the disregard. This will make the benefits of work clearer and simpler: encouraging people to move into work and see the financial benefits of increasing the number of hours they work.

Support for housing costs is an important element of Universal Credit as it will bring together different forms of income-related support. Including housing costs in this support provides the greatest scope to improve the incentives for people to move into work. The key mechanism for achieving this will be the single taper and this will operate most effectively by bringing together all in-work support including housing costs.

Legislation

The Welfare Reform Bill was introduced into Parliament on 16th February 2011. More information on the passage of the Bill can be found on the UK Parliament website at:

<http://services.parliament.uk/bills/2010-11/welfarereform.html>

We intend to have a description of the way in which housing support will be provided in Universal Credit available during the passage of the Bill.

Operational & delivery issues

Introducing Universal Credit will be a very substantial exercise with around 19 million individual existing awards of benefits and tax credits becoming part of the new benefit. We are progressing with a dedicated transition project that will assess and deliver staff training.

There are currently 18 million cases of different tax credits and benefits that will become part of Universal Credit. They are delivered by three different organisations: DWP, HMRC and Local Authorities. The system is therefore expensive to run and confusing for customers. By joining up those benefits and households, we will deliver 9 million cases of Universal Credit through a single organisation.

The Department for Work and Pensions will be responsible for the delivery of Universal Credit. The Government will consider how best to ensure that customers receive a fast, modern and seamless service.

Over time, the financial support currently delivered by HMRC and Local Authorities through Tax Credits and Housing Benefit will be replaced by Universal Credit. This process will not be completed until Universal Credit is fully in place, around four years after implementation begins in 2013.

Fraud and Error

The new fraud and error strategy, 'Tackling Fraud and Error in the Benefit and Tax Credit Systems', was published in October 2010.

The strategy sets out a range of new measures including proposals to create a single fraud investigation service to investigate welfare fraud across all benefits and Tax Credits administered by DWP, HMRC and local authorities. The strategy sets out that the new single fraud investigation service will be in place from 2013, ready for the introduction of Universal Credit.

Work to design the organisational structure and look at various options for achieving integration is in the very early stages of development. The intention is that local authority benefit fraud investigators will become part of the single fraud investigation service when it is formed in 2013. Options for integrating local authority investigators will be discussed with the local authority Associations as the work progresses.

It is expected that the single fraud investigation service will be designed from scratch (that is, not bolted on to any existing organisational structure) whilst ensuring that best practice, knowledge and experience from across local authorities and DWP is utilised. It is also expected that there will be a mix of national (for example, organised fraud) regional and local investigation teams under the new structure. It is important to design the best possible structure to deliver the aims of the new organisation.

Much work needs to be done to get to the level of detail to answer the questions raised. We will continue working with Local Authority Associations and local authority representatives in taking this project forward.