



LOCALIS discussion notes

2 February 2010

Localised benefits: A viable alternative approach?

SUMMARY

This is a note following a roundtable discussion hosted by Localis and Essex County Council considering the merits of the current benefits system and the potential alternatives. Lord Hanningfield, Leader of Essex County Council, introduced and concluded the session, with a wide ranging discussion in between. The participants were:

Participant	Organisation
Lord Hanningfield	Essex County Council
James Morris	Localis
Lord Freud	Conservative Party
Anne Fairweather	Recruitment and Employment Federation
Shane Frith	Progressive Vision
Stephen Greenhalgh	London Borough of Hammer-smith and Fulham
George Jones	LSE
Robin Millar	Centre for Social Justice
Ian Mulheirn	Social Market Foundation
Stephen Brien	Centre for Social Justice
Lawrence Kay	Policy Exchange
Alither Mutsago	Department for Work and Pensions
Bill Parnham	DWP
Cathy Payne	DWP
Brandon Hallam	Essex County Council
Mike Morgan-Giles	Localis
Tom Shakespeare	Localis

WHAT ARE THE PROBLEMS WITH THE CURRENT SYSTEM?

1. The inflexibility of a centralised model

- A number of guests said the central government grant is an issue – central/local balance must change, said one guest. The connection between tax raising and spending is important. Another noted change on this could not / would not be quick.
- Centralised requirements make local prioritisation, spending and delivery incoherent. Local authorities need fewer strings and more carrots and sticks to change behaviours and incentives. Their vested interest in reform and local improvement should be harnessed rather than stymied.
- Two attendees commented that the centralised system was inflexible to local variation. The money, one argued, should be used in different ways, and not necessarily just go straight to the recipient. There is currently little room for experimentation.

2. Administrative complexity

- The current system of administration is complex according to many of the attendees. People don't understand the system. Also problem of some benefits currently centrally prescribed, and others locally. Complexity actually results in people sitting on benefits.
- DWP don't even understand the current system themselves. One contributor said this was a reason not to give benefit control to local authorities – two others said the opposite, saying it was a key reason why they should be given control (saying that it was the system of centralisation which had caused the complexities – rather than in being an inherent issue)
- Additional issue of citizens having to deal with lots of organisations currently – it would make much more sense just to have a single point of contact. There are many departments (DWP, DoH, DCSF,



2 February 2010

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DCLG, MoJ) all making payments. Most agree that this multi agency approach is the problem.

3. Institutional dependency and perverse incentives

- There are too many people claiming benefit – and it is a multi-faceted problem. Another emphasised importance to get people into long term work, for at least a 3 year period. Behavioural change is required to achieve this – but the system in operation plays an important role.

- Does the system still reflect the original aims of the Beveridge settlement? One contributor questioned whether it discriminated between claims in sufficiently desirable ways. Another mentioned the 'Benefits Trap'.

- Perverse incentives associated with 16 hour week. Another agreed, saying you need a system without discouraging points.

- It was also claimed that there are some serious issues around the risks and perverse incentives to get people into temporary work, with people quickly ending back up in the benefits system.

4. Variations in quality of service

- Even though the current system is centralised (JCP), there is a big variety in the quality of service offered throughout. JCP is also not good at engaging with employers.

- It was suggested that the big variations in performance currently can lead to fraud and error.

HOW WOULD A LOCALISED BENEFIT SYSTEM WORK?

1. Establishing the right level

- One contributor said this should always be determined issue by issue on where it fit best. In this case, one contributor suggested it could be on a regional or sub-regional level.

- Another mentioned that RDAs were likely to disappear

and that sub regional might be the most appropriate.

- Another said that there is no need for new structures/institutions – as there is plenty of expertise in local authorities. But another said it is important not to over-localise.

2. Administering the system

- One mentioned that local authorities (good ones) administer and commission better than Whitehall. Others agreed, suggesting that local government should have a bigger role in administration (essentially scrapping JCP). Another said that if admin was with local authorities, complexities within the system would be reduced.

- A number of attendees highlighted that having only one point of contact for claimants is important within the process. However this could be achieved centrally or locally - no consensus.

- One commented that you could conceivably move the admin to local authorities, and leave welfare-to-work with JCP. Moving both would be more complex. However, problem with this is that it prevents local authorities having an integrated approach to benefits and W2W.

- The one-stop shop concept was frequently cited, with some people arguing that this would work better locally, and others arguing that the scale of the one stop shop would need to be carefully considered.

3. Working on a more commercial basis

- Outcome based approach way forward – through both financing and commissioning getting people back into work.

- One attendee noted the issue of no 'bite' – as local authorities (unlike private companies) can't just be allowed to go bust. Another said solution was that small failures should be left to authorities, and central government should step in when catastrophic problems occur.

- Culture shift required from simply admin to a more



2 February 2010

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commercial emphasis. New delivery arms can be used to achieve this. Local authorities are also willing to take risks for rewards. Another agreed, saying that funding from centre leads to institutional safety.

- Money could be raised by borrowing against future business rate revenue increases associated with success of getting people back into work.
- Incentive mechanisms need to be looked at – proper ones must be reincorporated. Need a system where the savings achieved should be kept within a local area.

PRACTICAL IMPLICATIONS OF LOCALISATION

1. Local knowledge

- One attendee mentioned that it is local councils and people working in the area who have knowledge about who is actually on benefits and about their individual situations.
- There is a trade-off between conditionality and complexity – however local knowledge of the claimants – can improve conditionality.
- Companies could have a much more tailored approach with localised approach.

2. Local delivery – improved efficiencies

- The logical next step from Total Place would be to allow councils to be in charge of delivery, as this is likely to improve efficiency. Two attendees said that this was key.
- Another said problem of this approach was that it could focus too much on money.

3. Local innovation and experimentation

- Variation crucial for each area. No one size fits all. Attendee noted that 3-4 authorities all had different – but successful - family intervention policies.
- One attendee stated belief that replication of good provision would occur, thus diminishing issues

associated with variation.

- Variation also leads to better policies and innovation.

4. Personalisation and better results

- One said that personalisation can be achieved through localisation. Another mentioned the benefits of the personalisation agenda within social care.
- However, one attendee said there was a difference between localisation and personalization. Also, issue of whether or not personal entitlement can be reconciled with local authorities.
- Improved long term results can be made through locally tailored early intervention schemes.

CHALLENGES

1. Postcode lottery / Postcode conscious decision

- Another mentioned that 'postcode lotteries' could become an issue – they indicated the need to change the public perception of this – making it essentially a 'postcode democracy'.
- Others however suggested that these 'lotteries' could perpetuate differences. Another commented that those on benefits are the least mobile in society.
- One individual commented that housing benefit is conducted locally – therefore conceivably so could benefit rates.
- Another said that under the Dutch system, people can move house in order to get better rates, but that it wasn't a major problem because it was less about the money, and more about the outcome.

2. Variations in conditionality

- Localised variation will lead to differences in conditionality around the country (which is currently nationally driven). This is likely to attract a reaction in the media.

3. Lack of experience in councils

- Another commented that need to be careful about economies of scale and also about the experience of



2 February 2010

Localised benefits: A viable alternative approach?

local authorities. Bringing down to too small an area can lead to complication and issues over lack of experience.

4. Smart government

- One participant made the point that there are some concerns about the practicalities of local government taking the lead when they have limited revenue raising powers

5. Added complexities

- There would be added complexity for employers and people with a local system.
- One attendee mentioned that one unanticipated side effect of localised rates in Holland, was people moving house based upon the rates. Another said that this was not a concern as people are 'entrenched' and will not move on a whim
- Another commented that localising benefits is not something you can do overnight. You need to start with one benefit – suggestion by person was health

steady accretion of power at the centre in Britain and the concomitant erosion of local autonomy. Essex County Council is advancing an innovative programme of work to return power and opportunity to local people, including through reopening Post Offices and personalising care services.

In addition to this, in July 2009, Essex County Council submitted six proposals to central government to help promote sustainability in local communities under the Sustainable Communities Act. One of these proposed that Essex County Council take over the responsibility for designing local eligibility criteria and incentives for those receiving out-of-work benefits in Essex.

For more information on Essex County Council, please visit www.essex.gov.uk.

All content in this discussion note is intended to reflect the broad nature of the discussion, and does not necessarily reflect the views of individuals, organisations or Localis.

FOR MORE INFORMATION

Localis is an independent think-tank dedicated to issues related to local government and localism more generally. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

For more information, please visit www.localis.org.uk or call 0207 340 2660. For more information on this work, please contact Tom Shakespeare on tom@localis.org.uk or call 0207 340 2660.

Essex County Council's vision is to deliver the best quality of life in Britain, providing excellent services and securing the future of our county.

Part of this agenda involves trying to challenge the

Supported by: Essex County Council

