

# policy platform

## LOCALISED BENEFITS:

How the localisation of the benefits system can offer a more personalised, efficient service

### Introduction

Barry Maginn, Researcher, Localis



Councils provide a range of personalised and localised benefits and services to residents in need of support through tools such as 'One Stop Centres'. Local provision ensures that support can be targeted, and payments can reflect the cost of living in a particular area. However unemployment support is currently separated and centralised in a one-size-fits-all package. This clearly does not reflect differences in the cost of job-seeking between areas, and ensures that support for the unemployed is not personalised to local circumstances. With unemployment currently higher than it has been since October 1996, Job Seeker's Allowance costing over two billion pounds a year, and growing concern over the current system's disincentivising effects, it is clearly time to consider new ways of delivering support to the jobless. In this Policy Platform we discuss how a localised benefits system could work, and what positives and challenges it entails.

In the first article, Steve Carey, Chief Officer of Revenue and Benefits for Leeds City Council, argues that attempts to streamline and integrate benefit delivery by the Department for Work and Pensions have failed because they continue to deliver through a fractured system involving multiple agencies. He argues that Local Authorities are best suited to deliver an integrated benefits service. Councils are measured on how well they tackle deprivation, and an integrated benefits system could help them gain positive outcomes in this area. Councils could also incorporate a single claim form that incorporates unemployment benefits alongside Housing Benefit, Council Tax Benefit, etc., ensuring a single point of contact; 'wrap around' social care; and, through single agency responsibility, an increase in local accountability.

In the next article, Alastair Gordon, Policy Analyst at Essex County Council, largely agrees with Steve on the positives of benefit localisation. However, he argues that two areas provide barriers to benefit localisation. The first is the public and government's fear of 'postcode lotteries'. The language of localism must change, and rhetoric should instead consider the value of variation. Local variation can drive competition and best practice sharing, while taking account of the unique locality-specific barriers to employment. The second problem is the current complexity of the system. The system must be simplified before it can be localised. Current complexity negatively influences claimants' behavior. Complexity ensures that the current system is inefficient, opaque, and expensive. A streamlined, personalised service could offer real efficiency savings.

Finally, Anne Fairweather, Head of Public Policy for the Recruitment and Employment Confederation, notes that the starting point to benefits reform must be how people move on and off them. Uniformity of benefits with differing levels of earning potential between localities can act as a barrier to working. Complexities in the system can also be a disincentive. This is particularly true for those re-entering work through recruitment agencies. With no guarantee of a long-term stable income, people need to be reassured that unstable working hours will not affect their housing benefits, for example. The only way to improve the system to help those on flexible contracts is to develop a 'single local delivery partner for [all] benefits.'

Localising unemployment benefits presents the opportunity to integrate support and simplify processes, in order to tackle core underlying social problems in a comprehensive manner. The likelihood of an increase in under-employment, with many employers using recruitment agencies and flexible contracts, also means that a localised, personalised system is needed to support and reassure those going into work that they will not lose out in the long-run for coming off benefits.

## Leeds City Council

Steve Carey, Chief Officer of Revenue and Benefits



In 2007 David Freud produced a report to the Department for Work and Pensions entitled 'Reducing Dependency, Increasing Opportunity: Options for the future of welfare to work'. The report strongly criticised the current systems for administering benefits

because they act as a disincentive to enter work or return to work. Freud found that there was a "need to do more to change the perception that moving into work does not pay; a perception which is a function of fragmented delivery by the central benefit system, local authorities and tax authorities."

The Department for Work and Pensions has developed a number of initiatives in response to the need to better integrate the delivery of benefits across central and local government agencies. These have focused exclusively on giving national benefit agencies a bigger role in gathering information on behalf of local authorities. The initiatives have

certainly helped to streamline the process of claiming multiple benefits for some customers but they have done little to achieve the type of integration required if we are to deliver the

right support to the right person at the right time.

Unfortunately, the problems of fragmentation continue. Many claimants still need to complete multiple application forms, provide evidence of circumstances to multiple agencies and deal with multiple agencies when resolving problems with their benefits. The fundamental flaw in the approach taken by DWP is that it focuses on improving the 'process' within the constraints of a system of fractured delivery when more radical change is required. In other words, the approach does not deliver a single agency approach with responsibility for the overall claimant experience.

This focus on increasing the role for national benefit agencies typifies DWP's centralising nature and fails to recognise the role for local authorities as the agency best suited to deliver an integrated benefits

service. The focus is at odds with the view taken by the Child Poverty Unit in its 2009 report *Take Up The Challenge* which identified local councils as the leading organisation for activity to increase benefit take-up. It recognised councils as being able to integrate services and provide more personalised support, as being able to provide outreach services to people in need and of being in a position to work effectively with other organisations to support tenants in making claims for benefit. The report reflected the views of Sir David Varney in his 2006 report: "Service Transformation: a better service for citizens and business; a better deal for the taxpayer." Varney's vision for benefits was one where "Local public services teams reach out to people..., carry out a single assessment of their needs and means and commission appropriate services for them." Sir David continued to say: "Citizens identify these local public service teams with their council"

So what is the case for councils taking responsibility for administering both national and local income-based benefits?

The context that councils work under is very relevant. Local councils are measured on how well they do in tackling deprivation and poverty, in supporting independent living, in providing education, social care and housing services and, in conjunction with Jobcentre Plus and local strategic partnerships, in reducing worklessness. An effective, integrated benefit system would be an important factor in supporting successful outcomes in these areas and would provide context and validity for the role of benefits – something that is lacking in the process-driven output measures that are currently used to gauge the effectiveness of benefits. In other words councils could draw a clear link to local outcomes for local people.

But its at a practical level that the case for councils to be the main agency delivering income-based benefits stacks up. Most councils would offer improved access for claimants to claim benefits through networks of One Stop Centres, Home Visiting Services, Outreach activities and electronic claims as well as linking up to work undertaken across the council with those providing services to citizens who are among the most vulnerable people in society. Many councils already provide single claim form access to Housing Benefit, Council Tax Benefit, Free School Meals and School Clothing Grants as well as using this information to award Council Tax Discounts and support financial assessments for home care services. A single claim form that also incorporates Income Support, Jobseekers Allowance or Employment Support Allowance is deliverable by local councils and offers the tantalising prospect of a benefits service designed around the needs of

**“An effective, integrated benefits system would be an important factor in supporting successful outcomes”**

the claimant, delivered from a single claim, administered by a single agency and supplemented by the provision of 'wrap around' social care, housing and early years services. Varney's vision realised.

Importantly, this single agency approach would create single agency responsibility. Claimants and their representatives would have a single point of contact for problem resolution across a range of benefits; take-up of benefits would become more automatic as we move away from claimants having to negotiate their own way around the current fractured system; overpayments would reduce as changes in circumstance would be automatically linked across the relevant benefits and, where overpayments occur, recovery would be led by a single agency taking into account the totality of overpayments and other debts owed to the public purse.

Giving councils a much bigger role in delivering national and local benefits would see a real increase in local accountability with councils scrutinising performance, setting local standards and measuring, at a local level, the outcomes being delivered.

Links with Jobcentre Plus would need to be maintained. Jobcentre Plus would remain responsible for the work-related activity that underpins current entitlement to Jobseekers Allowance and Employment Support Allowance – with councils providing the benefits administration arm. This separation of duty reflects the current arrangements within Jobcentre Plus where claims for national benefits are dealt with by remote Benefits Delivery Centres that concentrate only on national benefits and have no

**“Giving councils a much bigger role in driving national and local benefits would see a real increase in locals accountability”**

links to the wider services many claimants require. Replacing Benefits Delivery Centres with local councils would achieve massive integration of benefits, join up benefits administration with other support services delivered by councils and deliver significant efficiency savings across government.

The Central Bedfordshire and Luton Total Place pilot looking at access to benefits has also reached the same conclusions. Its time for DWP to shift its approach and to start to promote councils as the answer to integrating benefits delivery.

## Essex County Council

Alastair Gordon, Policy Analyst



Britain is one of the developed world's most centralised countries. Since the mid-1930s, people's freedom to address challenges in their own locality has been slowly eroded. Power and authority has moved upwards to Whitehall departments and to a raft of unelected quangos.

With every new reform, power has moved further away from local communities and their locally elected representatives. The consequences for democracy are serious and far reaching.

As a counter to this, Essex County Council has advanced an innovative programme of work to return power and opportunity to local people. The council has pioneered the personalisation of services, reopened post office branches, and extended banking services to small businesses under the 'Banking on Essex' brand.

In July 2009, the council took its localist reform programme one stage further – it proposed to government that decisions on working-age benefit rates and eligibility criteria be localised. It made this proposal to allow benefit rules to be fine-tuned to suit local conditions and to better link benefit rates with local efforts to tackle worklessness.

Ten months have passed since this proposal was made and the council awaits an official response. The council is realistic about the prognosis – it realises that the idea runs contrary to everything the centralised state holds dear. To succeed, the idea will need to overcome the two principal barriers that confine control to the centre. The first is the government's fear of the 'postcode lottery' - a dangerous piece of rhetoric that conflates 'fairness' with 'uniformity' and limits scope for innovation and improvement in the public services. There is a need to stop looking at variations in local services as the product of 'postcode lotteries', but rather as 'managed difference' expressing meaningful local choice. The second is the barrier of complexity – the size of the bureaucracy that supports the benefits system and the inextricable link between entitlements, earnings and tax credits creates a powerful inertia and an obstacle to reform.

### **Postcode lotteries - debunking the myth**

An honest appraisal of research evidence shows that UK citizens support the principle of local decision-

making and would like to see public services shaped to meet the needs of their communities. But this same research shows that they abhor the unfairness they perceive in 'postcode lotteries'. If this shows anything at all, it is that the language used by those on both sides of the localism debate is often unhelpful. If we are to deliver better outcomes for residents and communities we need to move beyond the rhetoric and be realistic about the existence and value of variation in today's public services.

It is a simple matter of fact that all nationwide public services are susceptible to local variation. Different welfare-to-work providers operate in different areas; different NHS Trusts commission different services to meet local needs; different police forces have different approaches to neighbourhood policing.

This variation is vital to ensuring fair provision.

This ensures that services can meet the needs of all citizens regardless of their local circumstances.

Nowhere else

do citizens experience such uniformity of service, and yet this is exactly what a one-size-fits-all benefits system provides.

**“We need to move beyond the rhetoric and be realistic about the existence and value of variation”**

Those claiming out-of-work benefits need financial support and incentives to re-enter work. But by paying a single rate of, for example, Jobseekers Allowance, and applying uniform eligibility criteria, the system ignores the differential in cost facing jobseekers in different areas as they look for opportunities, travel to interviews etc. It ignores the barriers to employment that long-distance commuting can place on jobseekers, and overlooks the fact that competition for local jobs can vary from town to town. If Whitehall were to accept variation in benefit rules, local agencies could 'experiment' to secure the best fit between local needs and benefit provision. Good local authorities understand their patch and are ideally placed to play this role.

Local variation is not only a source of fairness; it also drives progress in public services. The freedom to change things locally can lead to a healthy competition between service providers – each competing to meet local needs more effectively and efficiently than the others. As different providers generate new ideas and implement improvements, the areas they serve will enjoy better results than others. The important thing is then to spread the good practice throughout the system. Local authorities have a good track record in doing this: they have been operating under this model for years. It is, of course, possible that an innovative authority will implement more good ideas as

others follow their lead. This may maintain, or even increase, performance differentials but it will also help drive improvement across the board.

The role of variation in driving innovation is a point often overlooked in discussion of 'postcode lotteries', but with more people claiming working-age benefits now than at any point in the last ten years, perhaps this is the time for fresh, local ideas.

### **Overcoming complexity in the benefits system**

The UK's benefits system is overly complex. Indeed, the House of Commons Work and Pensions Committee have described the system as "stunningly complicated". There are over 40 benefits administered directly by the DWP, a multiplicity of tax credits administered by HMRC and a range of additional benefits administered by local authorities, the DCSF and the DoH. Manuals and guidance on the administration of these systems run to over 10,000 pages and over 20 separate volumes.

Some complexity must be expected – the diversity in claimants' personal circumstances will necessitate this – but the source of this complexity should not be the design, or lack of design, in the system. When faced with such a Gordian knot the best response is a flexible, but streamlined benefits service. Without a substantial step towards simplifying the system, decisions on benefit rules stand little chance of being devolved. Those who advocate the localisation of benefit administration must first secure the system's simplification.

There are good independent reasons to simplify. Complexity can negatively influence claimants' behaviour: deterring valid claims; encouraging those who wish to cheat the system and reinforcing the poverty trap: claimants' inability to calculate their own entitlement encourages them to remain on benefits, rather than risk financial loss in taking a job. Complexity also has negative consequences for those managing the system. It is inefficient – it requires multiple applications for multiple benefits with different rules and payment periods. It is opaque – increasing the risk of error or fraud and placing the system beyond effective democratic scrutiny. It is expensive – complexity makes it difficult, if not impossible, to tightly control spending on benefits.

The case for simplification is clear. The complexity of the system must not be seen as a barrier to devolution, but as a policy challenge in its own right. Action to address this challenge must be bold: piecemeal change would send ripples through the system without simplifying the whole. Action should also recognise the local dimension. It should open

the door for a localised welfare system run within the family of local government and community services.

## A local future

There are good reasons for trying to overcome these barriers. The prize is a system where local authorities, as democratic community leaders, can take responsibility for shaping provision in their localities. By bringing to bear their local knowledge, and the levers they hold over other local services, they would have the opportunity to improve services for clients and communities, and save money.

With a single authority responsible for all benefit administration and assessment in each area, there would be scope to have each individual's claim handled by a designated adviser. Such a streamlined, personalised benefits service could deliver substantial efficiencies and improve the customer experience.

Whitehall may wish to advise on benefit eligibility criteria, but councils must be free to fine-tune benefits and support packages to suit local circumstances and the needs of their claimants. This could mean establishing personal budgets for helping people back to work; placing time limits on benefits or adjusting payments to reflect the extent to which suitable employment opportunities are available locally and further afield.

## “Councils must be free to fine-tune benefits and support packages to suit local circumstances”

Crucially, local authorities will be able to link work on benefits with their other community service functions. By making this link councils will have an opportunity to reduce the multiple and recurring costs of the social failures they tackle each day. Local authorities are already responsible for providing housing, regeneration, education and social services. Many more take on specific roles in public health, drug and alcohol rehabilitation and carer support. Councils are also targeting interventions towards single parents, people with learning disabilities or mental health needs and young people with specific training needs. A localised benefits system would give councils the opportunity to integrate their work to promote community wellbeing with the delivery of welfare payments. They could enhance support for those in need, make sure that work pays in all localities, and help those who struggle (or refuse) to sustain employment.

It is clear that headline unemployment figures will fall as the economic recovery beds in. But we cannot rely on the economic cycle to penetrate the hardcore of worklessness that blights communities

across Britain. Where national policy has failed, tailored local action, under the stewardship of elected councils, could offer a new way forward.

## The Recruitment and Employment Confederation

Anne Fairweather, Head of Public Policy



The recruitment industry is on the front line of the labour market, through making over 1 million temporary placements every week, it responds quickly and effectively to fill employers' needs. In addition to this the industry makes over 600 000 permanent placements every year.

With so many jobs routed through recruitment agencies, they are often the first port of call for new entrants to the labour market, and for those returning to work from periods out of work, such as benefits claimants.

Temporary work offers employers a unique opportunity to 'road test' new candidates, particularly those with a patchy work history, to see if they fit the company and are reliable. As a result temporary work often acts as a stepping stone into employment and will be the way many NEETs and those on benefits will find their way back into work.

The recruitment industry, through its trade body the Recruitment and Employment Confederation, has therefore stepped up its co-operation with Jobcentre Plus in the last few years, to ensure that Jobcentre customers are well served by the industry, and that Jobcentres are aware of the work opportunities which agencies provide.

Most recently Jobcentre Plus recognised that they were not best placed to support newly unemployed professionals in the recession. As a result the REC and the recruitment industry moved swiftly to provide specialised advice to these work seekers, resulting in over 50 000 people receiving guidance and training in how to find a job in today's labour market. With the advent of further contracting out of welfare to work services, new challenges are presented. Whilst Jobcentre Plus can be criticised for having a too uniform approach to supporting work seekers, they do create a useful single interface for recruitment agencies and the REC to interact with those who need to return to work. The growing number of contracted out services gives the industry many new players to interact with.

It is within this context that the recruitment industry looks at the debate on localised benefits with

interest. From a market perspective, varying rates of benefits, to reflect local labour markets makes perfect sense. Recruitment agencies will negotiate different rates of pay and fees on every assignment, national agencies are also only too well aware of the large variation in wages and the cost of living across the country.

The starting point for any reform of benefits has to be how to move people off them and into work. Here the difference between the level of benefits and earning potential in a locality can create disincentives to returning to work. It is certainly no secret that the need for high levels of Housing Benefit in London can act as a disincentive to move into work. However it is the experience of our members that it is not just the rate of benefits versus the amount which can be earned at work alone which creates issues.

Stable levels of income are a big driver for people to stay on benefits. It is a common complaint of recruitment agencies that some workers will

**“From a market perspective, varying rates of benefits, to reflect local labour markets makes perfect sense.”**

not take the work which is available to them, if it means they will lose their benefits. Whilst some may argue that it is the short term nature of temporary work which is to blame here, the REC believes the

debate should be viewed from the other side. Why can't a worker work as many hours as they can find in a week, with the knowledge that if they do not manage a full week, they are not penalised by losing their full benefits?

However for this to be the case, then a single local delivery partner for benefits is needed. At the moment the interaction of benefits such as Jobseekers Allowance, Housing Benefit, which is an in-work benefit and tax credits are very complex for work seekers and employers alike. Without a single point of interaction, it is impossible for a worker to work, 20 hours one week, 14 the next and none the week after without losing out. And yet it is these short periods of work which bring workers closer to the labour market and are most likely to result in them returning to work on a permanent basis in the future.

The REC can certainly see the benefits of localising benefits rates so that they more closely reflect the cost of living and rates of pay in a local area. However this cannot be at the cost of further complexity. Creating a more flexible benefits system, which is also simpler to interact with, is the real challenge here. The REC remains convinced that the temporary work market in particular has a lot more to offer people

returning to work. But only if the flexibility of the assignments offered can be matched with some surety of income in the short term.

## 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](http://www.localis.org.uk) or call 0207 340 2660.

To find out more about the work of Leeds City Council please visit [www.leeds.gov.uk](http://www.leeds.gov.uk). For more information on Essex County Council, please visit [www.essex.gov.uk](http://www.essex.gov.uk). To learn more about the work of the Recruitment and Employment Confederation, please visit [www.rec.co.uk](http://www.rec.co.uk).

All views expressed in this document are those of the authors alone, and do not necessarily represent the views of the organisations they represent. These views do also not necessarily reflect the views of Localis.



LOCALIS RESEARCH LIMITED  
10 Storey's Gate, Westminster, SW1P 3AY  
T: 0207 340 2660  
F: 0207 222 5859  
E: [info@localis.org.uk](mailto:info@localis.org.uk)