

## **Communities and Local Government Committee Inquiry into Localism**

### **Submission of Evidence by the Institute of Revenues, Rating and Valuation**

#### **Executive summary**

##### **An active welfare system**

- Reform of social security is high on the Government's agenda. The starting point is that welfare should not just alleviate, but actively prevent poverty. While the social security system has been largely successful in preserving people from destitution, it has not made an active contribution in helping people to escape other aspects of social exclusion: dependency, alienation, and atrophy.
- To remedy this, the Government wants to create a universal credit that rewards work and penalises worklessness. This means a social security system which is customer-focused and responsive, and which can be easily accessed. It means that the system would be simplified, duplication minimised, and that new technology would be used to deliver these objectives. The Government is now developing proposals to simplify and improve the administration process in line with this agenda.
- The IRRV believes development of an active modern service based upon localised delivery is equally important to the reform of the benefits regime itself, because the new system will need to be more customer focused and integrated.

##### **An active service means a local service**

- The IRRV believes that localisation of social security is essential to the development of a more effective, efficient and active welfare system. By localisation the IRRV means a service in which:
  - Customer service and access to the main means-tested benefits is integrated through the creation of 'single gateways' at local level.
  - The processing of the main means-tested benefits is integrated at local level using technology and effective data management to streamline services.
  - The creation of "Life Events Centres" based upon local authorities should deliver the frontline of all public-facing services, including job seeking and welfare to work.
  - The delivery of benefits is co-ordinated with other local action on social exclusion and worklessness.
  - Local authorities are the key players in providing local gateway to benefits.
  - Services would be delivered by partnerships between the public, private and third sectors.

##### **Complexity and duplication within the current system**

- The social security system is very complex. This can make benefits difficult to claim and difficult to administer. Currently in the fullest part there are 12 agencies involved in delivering 79 benefits, many of which must be claimed separately. This arrangement is administratively expensive and hinders the co-ordination of social security with other aspects of social policy.
- The current division of responsibilities between the DWP Agencies and local authorities is part of the problem. It is liable to confuse the claimant, and increases difficulties in accessing benefits. It creates the potential for communication problems and delays in processing claims. It also involves duplication, making the service less efficient than it could be.

##### **Creating single gateways to benefits**

- Local authorities should be made responsible for co-ordinating the delivery of benefits at local level. They are well placed to take on development of a 'single gateway', enabling local people to access a range of benefits simply and quickly, all at the same point. This would provide an opportunity to co-ordinate benefits with related local government responsibilities.
- Some local authorities already have experience of re-organising their services to make them more active and accessible. This usually rests on the use of one-stop shops, making a range of services accessible at the same point of delivery. Staff at the one-stop shop should be in a

position to consider all the claimant's needs and so enable them to access the full range of help available. This could extend beyond benefits to jobsearch advice, training, childcare and other appropriate forms of assistance. This service would also provide the gateway to all customer facing public services.

- Practical improvements to service delivery would require the better use of technology. It can make a difference externally, through improved access for the customer; and internally, through more efficient processing and communication. The service would open all channels of communication and deliver the service through local "Life Events Centres" (LECs).

#### **Integrating the administration of benefits**

- The IRRV believes that there would be advantages in going beyond combined service delivery, and integrating the administration of a universal credit as well. Through their experiences of housing and council tax benefit, local authorities already have the technical ability to deal with other income-related benefits. This has been recognised by the government by giving the responsibility for the proposed cap on welfare benefits. We propose that the administration of universal credit should be carried out in parallel to the administration of employment advice; all within one organisation, the local authority.
- Employment advice would be contracted out to the private sector, welfare to work providers and the third sector.
- Greater local authority involvement in providing the universal credit would create opportunities for joined-up thinking across a range of local government responsibilities. In tackling social exclusion, benefits are only part of the picture. Social security must be a key part of a combined assault on social exclusion, complementing other services such as education and training, local economic development, housing, social services, and childcare.

#### **Achieving common standards, given differences between local authorities**

- The IRRV is in favour of increasing the role of local authorities in social security. However, we accept that in some parts of the country this may not be the best way forward. There is a range of performance among councils and different authorities may be suited to different degrees of responsibility. Also, geographic and demographic considerations mean that there are differences in terms of their capacity to take on a project such as localisation. Following the principle that "what matters is what works" a 'patchwork quilt' approach might be the best way forward, in which consistency is sacrificed for practicality.
- The role which councils play in providing a service could vary. It may not always be appropriate for the local authority to take on the complete operation of localised service provision. The signs from the government are that the existing divisions of responsibility are no longer to be set in stone. Where necessary other statutory agencies, the private and third sectors could help deliver elements of the service; though organisational divisions would make it more difficult to achieve a seamless service.

#### **The transition to a localised benefits service**

- It is unlikely that localisation could happen quickly. A realistic model would deliver incremental change, steadily increasing local discretion and flexibility over service delivery and administration while retaining a common universal credit regime nationally.
- There are some fundamental practical issues which would need to be addressed in making the transition to a localised benefits service. We propose a staged roll out, supported by special task forces. We also highlight key concerns about staffing issues, information technology, and funding.

#### **Funding a localised benefits service**

- Central government should make a long term commitment to fund administration costs. The quid pro quo for full central funding of a locally administered service should be a value for money operation. Moreover, there should be commitment from all parties to realising efficiency savings – a 'localisation dividend'. A major element of the "localisation dividend" would come from a major nationalisation of the DWP Agencies and the administration of tax credits.

## Localising benefits

### The role of local authorities in delivering an active modern service

#### Welfare reform and the goal of an active modern benefits service

1. Reform of social security is high on the Government's agenda. The starting point is that welfare should not just alleviate but actively prevent poverty and reward work. What is required is a proactive welfare system which provides dependable social security for those who cannot work, and help into work those who can.
2. The logic is that while the social security system has been largely successful in preserving people from destitution, it has not made an active contribution in helping people to escape other aspects of social exclusion; dependency, alienation, and atrophy. This owes a great deal to the mechanical way in which social security is 'doled out' by a vast bureaucracy which, once it has assessed eligibility, barely takes any further interest in the client.
3. IRRV's proposal is to replace this lumbering giant with an 'active modern service'. This implies a system which is customer-focused and responsive, and which can be easily assessed. It means that where possible the system should be simplified, and duplication minimised. It involves exploiting the potential of new technology to deliver these objectives. This suggests major organisational change alongside reform of the benefits regime.
4. The IRRV believes claimants want and need a more active relationship with those who administer the system. This includes everything from getting more help in filling in forms or using electronic channels to clearer explanations about what information is required and why.
5. The government seeks a benefits system which helps move people from welfare to work. Awareness (or lack thereof) about benefit entitlement has a bearing upon jobsearch choices; an often quoted example is that people do not realise that housing benefits can continue into work. There is a need to organise the service so as to give the customer accurate and complete information. Ultimately this could entail the co-ordination of access to benefits with knowledge and advice about the local job market. This is particularly essential with the proposed introduction of the universal credit and the cap on welfare support.
6. Beyond this the Government is looking for a system which recognises the realities of today's increasingly insecure and flexible labour market. With more people moving in and out of short term work the social security system needs to be able to respond quickly to their changes in circumstances. Any system must also reward work.
7. What does all this add up to? The task seems to engage at local level, delivering a more interactive, personalised, and local service; while the building blocks of the benefits regime continue to be defined nationally.
8. A better social security service can not be developed in isolation from other Government programmes. Namely the modernisation of local government, welfare to work, housing policy, and the Big Society. It is in this spirit that we advance the case for localisation of social security. The paper seeks to apply 'joined-up thinking' to the future delivery of social security, and considers the contribution that local government can make to the development of an active, modern benefits service.

#### Localisation: an active service means a local service

9. Localisation is itself a highly inexact term. This makes it necessary to spell out what we mean when we advocate a localised benefits service. We envisage a service in which:
  - Service delivery is integrated at local level. Claimants access means-tested credits through a single local gateway, using all available channels.
  - The processing of means-tested credits is also integrated at local level.
  - The provision of social security is co-ordinated with other local action on social exclusion and work provision.
  - Local authorities are key players in delivering the universal credit to their communities.

- All customer facing public sector services should be delivered through the same local gateway, in effect a "Life Events Centre" (LEC).

### **The benefits of allowing local initiative**

10. However, this is not to reject the principle of local discretion. With the condition of a properly funded benefit regime, advantage should be taken of the scope for local responses based on local knowledge of particular local needs. There is a case for central government to create enabling powers to free up local initiative, allowing benefit providers to target particular problems with tightly focused benefit packages.
11. This 'local action fund', similar to the Discretionary Housing Payments, might variously be aimed at: helping homeless people; providing assistance with the extra costs associated with starting a job; helping with travel costs in rural areas; or where house repossessions are a major problem it could go towards mortgage assistance. Doubtless there are many imaginative possibilities which could be identified by local providers on the basis of knowledge of their client profile.
12. The key is to harness local knowledge and local initiative. But any local discretion should be designed to increase the responsiveness of the benefits system, not to cover for underfunding of national rates.
13. The purpose would be to enable the system to respond to differences in the nature of need between different areas. A local authority, accountable to the local community and with wider responsibilities for its welfare, ought to be able to exercise such discretion more effectively than a central government agency.

### **Complexity and duplication within the current system**

14. At present there are 23 major benefits available. There is no specific dedicated agency which ensures that citizens claim all the benefits to which they are entitled. At least eight organisations are involved in delivering these different benefits, each of which must be claimed separately. This arrangement is very expensive and makes it difficult to co-ordinate social security with other aspects of social policy.
15. It is difficult for potential claimants to understand the system and make a claim. System complexity also reinforces the benefits trap, affecting both those seeking to escape from unemployment, and those already working in a low-paid job who might have an opportunity to increase their earnings.
16. It is not just those looking for work who need the assistance of a 'smart' social security system. The majority of customers are not in a position to support themselves through paid employment. Groups such as pensioners, people with disabilities, and those caring for young children also require a modernised, customer-focused service which respects their dignity and is co-ordinated with other welfare services.
17. The current division of responsibilities between the DWP Agencies and local authorities tends to confuse the claimant, and increases their difficulties in accessing benefits, forcing them to make separate approaches to different offices.
18. One solution would be to consolidate all benefit delivery with the DWP or a new agency. To make the transfer complete would also mean giving the DWP responsibility for administering education benefits, free school meals, and concessionary fares on public transport. The DWP is after all the dedicated benefit provider, already administering the widest range of benefits. But there are questions over its ability to deliver a customer-focused, responsive, integrated and efficient service. Moreover, removing local authorities from any role in benefits provision goes against the grain of localism. It does not fit with the view that local government would like to have of its role, or with the projected role that central government seems to have for local authorities.

### **The Locally administered benefits service: a greater role for local authorities**

19. Ministers and local government leaders have agreed to work together to make services much more convenient and accessible.
20. Unlike the third or private sectors, or central government agencies, local authorities must act for, and be accountable to, the local community as a whole; and de facto, they have a general responsibility for the welfare of their local communities. The former government enacted this

responsibility in legislation, in the form of a duty on councils to promote the economic, social and environmental well-being of their areas. In this context there is a natural role for authorities in enabling local people to access social security, and service delivery could be improved by co-ordinating benefits with related local government responsibilities, most obviously housing, social services and local economic development. This option would not be available if benefits were taken away from local authorities.

21. Local authorities could also lay claim to a greater role in benefits provision on the basis that they are directly accountable to the people they serve; they are accessible to local people; and to different degrees in different authorities they have a commitment to customer service and to maximising access to benefits.
22. The Government has said that it wants a new partnership with local authorities, which recognises and builds upon what they have to offer in delivering services to the public. Marrying this philosophy together with the Government's welfare reform objectives provides logic for greater localisation of benefits services. This would offer a means to improve access to advice about the types of support available, and about services to support clients in finding employment.

### **Localised service delivery: the single gateway in action**

23. Leeds City Council has successfully established one-stop shop pilots and has secured funding for the refurbishment of six area offices and the building of two further one-stop shops. These bring together benefits, welfare advice, housing services, council tax, adult training and employment guidance, and more besides. Leeds reports high customer satisfaction levels since the introduction of the new service. The project has involved Leeds in a successful partnership in the delivery of public and private sector services at one point of contact.
24. There are many other local authorities who have implemented projects similar to Leeds, some of these have involved partnership between Shire Districts and County Councils. There is considerable experience at a local level in delivering integrated customer facing services, which would smooth the development and introduction of a localised service based upon LEC's.

### **Developing staff and IT support**

25. As a first step in putting the single gateway and the LEC into practice, customer service officers based in front-line local community offices can be trained up to provide advice and information about the whole range of benefits and services available to help clients in their attempts to find suitable employment. For the time being the "back office" administration of different benefits and services will continue to be the responsibility of the existing separate agencies. The customer services officer would resolve all enquiries as far as possible, and refer in to the appropriate specialists where necessary.
26. Practical improvements to service delivery would require the use of technology. Improved channel access is underway with web based services which should give the claimant more choice in how they access the benefits system, and where they go to do it.
27. Also relevant is the development of software which bridges the gap between the interface with the customer and the stored data; giving a three tier structure which provides a basis for the integration of services along one-stop shop and LEC lines.
28. Customers should feel the benefits from changes in service delivery very quickly. Localising administration would take longer to implement, but would further enhance the service to the customer and reduce bureaucracy.

### **Localised processing of benefits: integrated administration**

29. There is clear need for better communication and co-operation between the different arms of the benefit service, especially the Agencies of the DWP, HMRC and local authorities. The government has made this a key part of its approach to welfare reform. Joint working between councils and government agencies to develop a simple, accessible single gateway to benefits would be a real improvement
30. This should lead to a number of improvements. It should lead to the use of common IT interfaces to process the different benefits. Information could be accessed, checked, and acted upon without crossing complicated organisational boundaries. This would assist with data-matching, allowing

more immediate action to be taken to promote benefit take-up and combat fraud; and aid delivery of the right benefit to the right people at the right time. More reliable and prompt access to complete information about a claimant should reduce cases in which backdating is necessary. Administration under one roof should speed up the processing of claims and reduce clients' confusion about what is happening with their claims.

### **Combined delivery and administration of income-related benefits**

31. Localisation would work better with some benefits than with others. Expertise in housing benefit is the starting point for local authorities, and if their remit were to be broadened it would make sense to look at other benefits which operate along similar lines. This suggests income-related benefits, which form a natural group. We set out one potential way forward in which both the customer service and administration of housing and council tax benefit are integrated with the other main income related benefits: income support and jobseeker's allowance. Other benefits like child benefit and state retirement benefit should continue to be paid by a national agency, for the time being. The introduction of the universal credit should then be integrated in to the process.

### **Co-ordinating benefits with other local authority activities**

32. In the longer term there is scope for the local authority to build on this role. The one-stop shop and LEC models could include the co-ordination of benefits with employment advice (which sits naturally with a role for local authorities in promoting the economic well-being of their areas) and other local competencies. Locally managed benefit services would be able to identify historical, geographical and educational trends within local communities, and to discern patterns of deprivation. Those suffering from social exclusion require more than financial support. Services provided by the local authority, such as education, health, housing, adult guidance, social services, and childcare are essential to assist clients out of the benefits trap.
33. Integrated benefit services, combined with awareness of the pressures upon local communities can help support the tailoring of services to meet particular local and personal needs, and to develop new responses to increase access to training and employment. Local authorities should take the initiative in forging partnerships to combat social exclusion in their communities.

### **A patchwork quilt: differences between local authorities**

34. If the Government looks to local authorities to play a lead role in developing a new model of benefits delivery it will want to address the issue of the range of performance among authorities. The Government will trust some authorities more than others, and would probably want to exercise different degrees of control over different authorities.
35. Because councils are geographically and demographically diverse, their capacities to take on such a project vary considerably. Larger authorities are likely to welcome a wider role in helping local people to access welfare. But some smaller authorities might feel considerable trepidation that benefits would swamp everything else that they do, turning them into a sort of glorified benefits provider with a few add-on services. Either way, localisation would mean raising the status of benefits within local authorities involving a reordering of priorities within the council and a more dynamic approach to benefits as a service to the local community.

### **“What matters is what works”**

36. A problem with the patchwork quilt approach is that it could mean treating local authorities differently within the same Benefits Agency (BA) area. The principle must be “what matters is what works”. It may be that in an area of very small district councils it would be more practical for the local government role in benefits to be passed to the private or third sectors.
37. The signs from the Government are that the existing divisions of responsibility are no longer to be set in stone, and that it is looking or experimentation with different forms of service delivery. This will affect the role of the private and voluntary sectors, just as it could alter the relative responsibilities of central and local government.
38. There is a general shift underway towards more fluidity in the provision of services. The separation of roles between the public, private and third sectors is becoming less clear cut. Local government has a unique strength in that it is accountable through the ballot box to the local community as a whole. But councils must also justify their involvement on the basis of merit.

39. Where benefits have been contracted out both the local authority and the private contractor will have valuable experience in re-organising and integrating different parts of the benefits service. The contractor should be able to make a significant contribution to the delivery of other benefits on a more local basis. The local authority would have to consider whether its client team should lead the localisation project, and what role the contractor would have if it is to administer benefits other than those already specified in its contract.
40. Increased private sector involvement could include setting up regional or national benefits processing sites to do the 'back office' work. Care would be needed to ensure that reliance on these centres did not undermine the standard of service provided to the customer. Much would rest upon the quality of links between the processing centre and the local benefits gateway.

### **The Transition to a localised service**

41. How localisation would work would depend on how and why it was driven forward. At its most extreme it presents a very frightening prospect: one big bang. But it is unlikely that localisation could happen overnight, especially given the preference for evolutionary change expressed in the welfare reform green paper. A realistic model would deliver incremental change, steadily increasing local discretion and flexibility over service delivery and administration while retaining a common benefits regime nationally. A clearly defined roll-out is required, taking a building block approach. A range of high performing authorities should be given the chance to lead the way, and shape the scope and boundaries of the exercise. Other authorities would follow, using the lessons of their experiences.
42. The advantages of localisation are relevant in both urban and rural areas, and the key is to develop imaginative and flexible approaches. Experimenting with different forms of service delivery and obtaining support from different partners should be encouraged. For instance, setting up a small number of one-stop shops to provide a face-to-face service may be inappropriate in many rural authorities, where customers might live many miles away. Alternative solutions might have greater reliance on telephone and electronic channels, perhaps involving telephone and video links; or 'benefits buses' touring outlying areas; or some role for local post offices.
43. There are some fundamental practical issues to be addressed in making the transition to a localised benefits service. We propose a staged roll out, supported by a special task force.
44. These are not the only challenges involved in the localisation of benefits. Others include:
  - a. **Legislation:** any change will require legislation across a number of policy areas including local government, housing, finance, and social security.
  - b. **Organisational structure:** new structures will need to be developed to link the claimant, the front end services, and the processing of claims in the back office.
  - c. **Performance assessment and service standards:** performance assessment needs to be made more sophisticated.
  - d. **Location:** the need for comprehensive reach ensuring accessibility of services and buildings across the locality.

### **Implementation task force**

45. A DWP-instigated task force should assist local management (both local authority and BA) with the development of single gateways to benefits. The task force should include particular expertise in IT and change management. As localisation 'rolled out', the task force would gain experience of common practical problems and apply this knowledge in subsequent stages. Performance is all important, and the task force should feed into the continuing monitoring, development and application of nationally consistent standards. .

### **Staffing**

46. Re-organising the service would necessitate the transfer of significant numbers of staff between existing benefit providers, either on a permanent or contract basis. There are differences in the terms and conditions of staff working for the various government agencies and in local government, including:

- pay scales and grading
  - leave entitlement
  - car allowance and expenses
  - pay dates
  - redundancy and sickness agreements
  - redundancy and selection procedures
  - pensions
  - working structures.
47. Underlying these is the question of whether the negotiation of staffing issues should happen at national or local level.
48. Through reorganisation processes many local authorities already have extensive experience of issues arising in the transfer of staff, which would come in useful in the transition to a more localised service. The issues include:
- staffing levels, costs and locations
  - TUPE
  - negotiating machinery
  - disaggregation of staff
  - personnel protocol
  - accommodation

### **Information technology**

49. The success or failure of any major change will owe a great deal to the quality of technological support.
50. One central computer system is not necessarily the best solution. For example the Benefits Agency systems lack flexibility and generate considerable problems. The resources involved in developing a new central computer system would be enormous. Alternatively, different suppliers could produce acceptable products allowing for regional variations in emphasis. The key would then be successful integration of the different systems. By using the web browser and e-mail, or secure networks, communications between systems can take place quickly. It could also allow data-matching to be carried out on a regular basis.
51. The role of local authorities is wider than that of a national agency such as the BA. They exist to provide good local government across the board. Councils hold vast amounts of information on their citizens, clearly this could be used to target and provide services to the community.
52. The use of the latest technology is essential, both in order to facilitate the swift transfer of services and to provide the customer with the easiest way of receiving their benefits.

### **Funding a localised service**

53. Benefits practitioners and other interested groups would bring much useful experience to the design and development of localisation structures, ensuring that all key elements are included. Arrangements for the funding of both administration costs and benefit expenditure must be resolved at an early stage.
54. We would expect central government to make a long-term commitment to fund both benefit expenditure and administration costs in full, and to cover transition costs. In so far as local authorities would be taking over the role of a government agency they should be resourced on the same basis.
55. We would oppose mechanisms which required authorities to jump through the hoops of an incentive scheme in order to obtain the full complement of funding. However, where an authority persistently failed to provide an effective and efficient service, central government would reserve the right to impose penalties.