

**Department for Communities and Local Government**

**Government response to the  
Communities and Local Government Select  
Committee's Report: Localisation issues in  
Welfare Reform**

January 2012

Cm 8272

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Presented to Parliament by the Secretary of State  
for Communities and Local Government  
by Command of Her Majesty

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# Contents

<b>Introduction</b>	<b>2</b>
Key themes	2
Localisation of discretionary Social Fund	2
Localisation of support for Council Tax	3
Housing Benefit	4
<b>Conclusions and recommendations</b>	<b>5</b>
Introduction	5
The discretionary Social Fund	5
Support for Council Tax	9
Housing Benefit	14

# Introduction

1. The Government welcomes the Committee's report on its inquiry into Localisation Issues in Welfare Reform. The Committee has taken evidence from a wide range of organisations and has produced a considered report and set of recommendations.
2. The key themes of the report were: the localisation of the Social Fund; localisation of Support for Council Tax; and Housing Benefit changes.
3. The Government has consulted with a range of key partners from the Sector on all aspects of the localisation of Council Tax support and business rates and is committed to continuing this relationship up to April 2013 and beyond.
4. Subsequent to the publication of the report the Government has been continuing to develop its plans for Welfare Reform and through the legislative process some of the issues raised by the Committee have been given detailed consideration. The Government has been consulting with local authorities, the Local Government Association and other interested parties on welfare reform and is committed to working with them to support their planning.

## Key themes

### **Localisation of discretionary Social Fund**

5. The Government believes that local authorities are better placed to determine and support the needs for local vulnerable people and provide services tailored to a locality's requirements. We believe local authorities will be better able to prioritise support for those in greatest need.
6. This prioritisation of support is intended to create the conditions for better coordination and integration of services provided by local authorities and other support organisations.

7. We agree that levels of resource provided to local authorities must accurately reflect the costs of setting up and running the new local systems. We have discussed issues around the new locally based provision with local authorities over the summer and work is underway to scope and calculate additional costs.
8. The Department for Work and Pensions (DWP) have made it clear that any new burdens on local authorities would be funded.

### **Localisation of support for Council Tax**

9. In 2011 the Government undertook an extensive consultation on the localisation of support for Council Tax in England and embarked on a national engagement programme with the sector. The Government received four hundred responses to its consultation, which provided valuable insight into how the sector could manage this change. The Government response to consultation, published in December 2011, sets out the policy for localised support for Council Tax in more detail. Since the Local Government Finance Bill was introduced on 19 December 2011, the Department for Communities and Local Government has held a number of engagement events with key partners and plans to continue this open relationship with the sector throughout the legislative process. A further technical consultation on grant distribution is planned for Spring 2012.
10. The Government welcomes the Committee's support for the principle of localisation and believes this approach is the best way to give local authorities more financial control of their local area whilst still delivering the planned reduction in expenditure. This reform will lead to around £4 billion being handed to local authorities, giving them increased responsibility and financial autonomy.
11. The Government recognises the Committee's concerns around the timing of localising support for Council Tax and is therefore working with local government to look at how existing systems can continue to be used where possible to minimise disruption and cost during the transition. The Government's response to consultation sets out clear proposals on this.

12. The 2010 Spending Review <sup>1</sup> committed Government to localising support for Council Tax and reducing spending by ten percent from April 2013. As the Committee is aware, this is part of a wider set of reforms to the welfare system: improving the incentives to work and ensuring resources are used more effectively, so reducing worklessness and ending a culture of benefit dependency.

## **Housing Benefit**

13. While the Government understands the Committee's comment on the changes to payment of Housing Benefit it believes that the integration of housing costs into a centralised Universal Credit will provide a suitable level of support and be a major simplification that will greatly help claimants to take responsibility for their finances. Universal Credit will also ensure that people are always better off in work than on benefits and addresses the criticism that Housing Benefit in particular traps people in benefit dependency.
14. The Government agrees that social landlords' income should be protected for them to maintain services and build more affordable homes. The Government is working with local authorities and social landlords to achieve this and has set up a series of projects to test how payment of Housing Benefit to tenants in the future will operate to provide mechanisms to safeguard social landlords' finances.

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<sup>1</sup> The Government will reduce spending on Council Tax Benefit by 10 per cent and localise it from 2013-14 while protecting the most vulnerable. In addition, the Government will consider providing greater flexibilities to local authorities to manage pressures on Council Tax from the same date. Section 2.42, Spending Review 2010.

# Conclusions and recommendations

15. Set out below are the Government's responses to the Committee's conclusions and recommendations, under the headings adopted by the Report.

## Introduction

### **RECOMMENDATION 1**

**In addition to its formal response to our report, DCLG should take into account the chapter about Council Tax support when collating responses to its consultation on that subject.**

**(Paragraph 4)**

16. The Government welcomes the suggestions made by the Committee in their chapter about Council Tax support and has addressed a number of the specific comments in the Government response to consultation which was published on [19 December] 2011. Additionally the Government has individually made comment on each of the Committee's specific recommendations as set out below.

## Localisation of discretionary Social Fund

### **RECOMMENDATION 2**

**We acknowledge the concerns of those who fear that localisation of the discretionary Social Fund will result in a 'postcode lottery' of support, or that it will be a 'poisoned chalice' for local authorities. However, we consider that councils' local knowledge, broad responsibilities and experience of benefits administration put them in an ideal position to refine and deliver the successor schemes to Community Care Grants and Crisis Loans.**

**(Paragraph 16)**



17. The Government welcomes the comments made by the Committee and agrees local authorities (and the devolved administrations) are better placed to determine and support the needs of local vulnerable people than the current remote centralised system. Local authorities, like all other public bodies, have a duty to deliver their services fairly.
18. The Government believes the phrase ‘postcode lottery’ fails to understand the intention of replacing the failing Crisis Loans for general living expenses and Community Care Grants with local tailored support that is designed to meet the needs of people in the local area. If this tailored support varies from one local authority to the next that is because it is addressing issues that are specific to each area.
19. The Government also believes a one-size-fits-all approach will not work if we want to assist the most vulnerable people. Support must be tailored to their needs, and so it will differ according to the different issues in each area.
20. The Government is committed to working with local authorities and the Local Government Association to support their planning. Over the Summer officials from the Department for Work and Pensions met with over fifty local authorities to support their planning and to understand the issues they will face. A report on our findings was published in December.<sup>2</sup>
21. The Department for Work and Pensions also intends to run a series of regional workshops over the coming months to further support local authority planning for the new support.

### **RECOMMENDATION 3**

**We urge the Department to reconsider, however, whether social services functions in upper-tier authorities are the most appropriate channel for this service, given that many current recipients of Community Care Grants and Crisis Loans are not social services clients. The service should be delivered by teams that are able to make contact with the widest possible range of people who might need support, including through partnership with other organisations and other relevant local authority functions.**

**(Paragraph 17)**

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<sup>2</sup> This can be found here: <http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/>

22. The Government agrees that delivery should be by teams that are able to make contact with the widest possible range of people who might need support. As the Government said in its response to the call for evidence on local support to replace community care grants and crisis loans for living expenses published in June 2011, there is no assumption that Social Services will deliver the new local tailored support. The Government expects local authorities to look at the range of support services provided in their local area and this need not be restricted to local authority provided services.
23. The lack of interaction with other support services within the current Community Care Grant and Crisis Loan schemes is precisely one of the issues these reforms are trying to address.

#### **RECOMMENDATION 4**

**We welcome the Government's assurances that the allocation of funds for disbursement will be calibrated against legitimate demand, and that administration costs will be separately and fully funded. However, we have doubts about how accurately demand in the last quarter of next year will predict demand in the longer term. We also caution against assumptions that a localised system will be cheaper to administer, at least in the short term. The level of resource given to councils must accurately reflect the costs of setting up and running new local schemes, rather than the cost of administering the discretionary Social Fund in its current form.**

**(Paragraph 21)**

24. The current discretionary Social Fund scheme is cash-limited. The new arrangements will also be cash-limited. For the current spending review period the Department for Work and Pensions has been allocated £178 million per annum for the discretionary Social Fund. From 2013/14, taking into account the impact of the Crisis Loan reduction measures this funding will form the programme funding for the new local welfare assistance. The Government believes that local authorities will be better placed to prioritise spending on those with the greatest need. This will help to address some of the concerns raised by the Public Accounts Committee in their report that was published last December.

25. Following criticism from the Public Accounts Committee of the funding model used to determine local Community Care Grant budgets the Department for Work and Pensions reviewed the methodology applied and considered a range of potential models. Ministers determined that a hybrid legitimate demand model would provide the most equitable national distribution for the cash-limited fund. Evidence from the review suggests that Community Care Grant demand is relatively stable over time both nationally and locally. As a result the Government does not share the Committee's concern that an assessment of past legitimate demand would be an inaccurate determiner of future demand.
26. We agree that the level of resource given to councils must accurately reflect the costs of setting up and running new local schemes.
27. The White Paper published in December 2010 – Universal Credit: welfare that works (Cm 7957)<sup>1</sup> made clear that any new burdens on local authorities would be funded.
28. Emerging evidence from discussions over the summer with over 50 local authorities suggested that local authorities were likely to reject creating any new services and instead map the functions across existing services or contracts.
29. Work is currently under way to scope and calculate the additional costs of setting up and running new services. This will take into account what local authorities are saying. Details will be shared with local authorities (and the Governments in Scotland and Wales) as this work progresses.

#### **RECOMMENDATION 5**

**The Government's decision not to ring-fence the funds that will be devolved for this purpose may carry some risks at a time of difficult financial circumstances for councils. Nonetheless, we accept that it is desirable that local authorities have autonomy to use the resource in innovative ways. However, we recommend that central government identifies clearly the amounts that are being allocated to local authorities, and collects information about their use, until the new arrangements have bedded in—we suggest a period of five years. This would provide some reassurance about the effectiveness of the new system in helping those in need, and provide clearer information to local voters about whether their local authority was choosing to spend less than the allocated amount.**

**(Paragraph 25)**

30. The Government welcomes the Committee's comments that local authorities should have the autonomy to use the resource in innovative ways. We believe that allowing them to design their local service without the constraints that a duty or ring-fence would bring will support this ambition. However, we do not agree that it is for central government to collect local information from each of the disparate services run by English local authorities with the aim of producing an annual report. Devolution of the design and delivery of the service requires local accountability. It is for local authorities to account to their residents on the scope and quality of the service they provide.

## Localisation of support for Council Tax

### **RECOMMENDATION 6**

**We agree that it is desirable for local authorities to be able to—in the Minister's phrase—"control their destiny", but the Government should not pretend that control over diminished resources, within centrally-imposed constraints, is unproblematic. Nor can it be considered a great advance for the policy of localism. The proposals for the localisation of Council Tax support seem to us to provide an illusion of delegation with a minimum of real discretion, virtually guaranteeing that the funds available to support working-age unemployed people will be squeezed.**

**(Paragraph 43)**

31. The Government believes that it is right to protect pensioners and the most vulnerable in society. As the Government response to consultation sets out in more detail, the arrangements put in place will continue to ensure that the poorest pensioners receive support with their Council Tax bill. It is not proposed that this support should be extended to all pensioners: those pensioners with means to pay their Council Tax will continue to do so. Elsewhere, the Government has taken a series of steps to support councils to keep Council Tax bills as a whole down for all local residents, including pensioners.
32. Through responses to the consultation, the Government has concluded that support for vulnerable pensioners should be delivered through a national framework of criteria and allowance.

33. In relation to other vulnerable groups, local authorities already have clearly defined responsibilities in relation to, and awareness of, the most vulnerable groups and individuals other than pensioners in their areas. The Government therefore does not propose further statutory responsibilities for providing support for these groups, beyond their existing framework of duties and responsibilities.
34. The Government recognises the Committee's concerns about local authorities potentially having to find savings from working age claimants, but local authorities will have discretion over how this saving is realised. As well as being able to choose – through the design of their scheme – whether some awards should be reduced, thereby increasing the amount of Council Tax the authority collects from some current welfare claimants, authorities may also choose to realise the saving in other ways. This could be through reconfiguring funding for other services through efficiency savings, using reserves, or using flexibility over Council Tax. The effect of any one of these decisions could be enable local authorities to lessen the reduction in support to vulnerable working age claimants.
35. In addition to this, as the Government response to consultation sets out, the Government is also minded to base grant distribution on previous shares of expenditure in the early years and will consider what, if any, provision needs to be made for authorities who may face the greatest pressures.

#### **RECOMMENDATION 7**

**We have seen little evidence to support the hope that new and better-paying jobs for individuals, immediately sufficient to off-set the 10 per cent reduction in the benefit budget, will inevitably follow from these incentives; the means of economic growth are never solely in the gift of individual local authorities. We have commented in a previous report that councils would have welcomed more involvement in the development of the Work Programme to improve their capacity to tackle worklessness. It is not at all clear that the supposed incentives of the new Council Tax support system will make local authorities feel that they are partners with central government in the achievement of economic development.**

**(Paragraph 44)**

36. The Government believes that this reform will give local authorities a financial stake in the provision of support for Council Tax, and a strong interest in helping to move local taxpayers into work, and reduce dependence on support. It will therefore be in the interest of local authorities to ensure that local schemes support the improved work incentives to be delivered through Universal Credit, which will be crucial in supporting local authorities in their efforts to increase employment and drive local growth.
37. As the Government response to consultation sets out in more detail, local schemes of support for Council Tax will be implemented shortly before the introduction of Universal Credit begins in October 2013. Universal Credit will bring together different forms of income-related support and provide a simple integrated benefit for people in or out of work. It will provide a basic income for people out of work covering a range of needs including helping with housing costs and simplifying the welfare system to make work pay and combat worklessness and poverty.
38. The Government Work Programme providers are already working closely with local authorities in many areas to align support and ensure local strategic employment objectives can be met. Through active partnership working providers will be bringing in to their supply chains those who can best support individual need whilst looking to service the requirements of the local economy.
39. Research has indicated that areas with high numbers of benefit recipients will benefit from support through the work programme. The Government expects that the incentives for providers to achieve sustained job outcomes are such that higher numbers will in turn find and keep a job, having a knock on effect to the services they currently receive from their local authority.
40. Using funding from the European Social Fund, the Department for Work and Pensions has also recently let contracts in England for the delivery of support to families where there are multiple problems and a history of worklessness. The success of this work heavily depends on the Department for Work and Pensions providers working with local authorities who have the lead in identifying those families that would benefit from this provision.
41. The Government is also exploring how to enable closer working between Work Programme providers and local authorities, through improved data sharing.

## **RECOMMENDATION 8**

**We are concerned about the financial risk to local authorities from assuming responsibility, within a fixed budget, for a means-tested benefit for which demand could increase as well as decrease. Collaboration between councils may share but not remove the risk, at a time when most council budgets will already be stretched to their limit. We recommend that the Government provide some means to access flexible funding to ensure that there is no possibility of local authorities either rationing support or raiding other budgets in-year to fulfil the terms of their Council Tax support scheme. Furthermore, a fixed grant will disincentivise efforts by local authorities to improve take-up among those groups who at present under-claim Council Tax Benefit.**

**(Paragraph 48)**

42. The Government recognises the increased challenge local authorities will face, as a result of having to manage a fixed budget to provide support for Council Tax. The Government intends for local schemes to be fully integrated with the Council Tax system, with support being offered in the form of a Council Tax reduction. Where demand for support increases above or falls below local forecasts, billing authorities will collect less or more Council Tax than had been estimated at the beginning of the financial year.
43. As the Government response to consultation sets out, the Government believes that – as at present – this deficit or surplus should be shared between the billing and major precepting authorities at the beginning of the following financial year.
44. To help whilst the localised schemes bed in, the Government proposes to set grant allocations on an annual basis for the first two years following introduction, allowing new allocations to be set for 2014-15 if required. This will balance the certainty requested by local authorities with the recognition that there is a need for flexibility in the early years.

## **RECOMMENDATION 9**

**By the time the Department's response to the consultation is published, there will be little more than a year for local authorities to design and implement their Council Tax support schemes, which is an extremely challenging timeframe. Too much time has been lost. The Government needs to consider that, even if local authorities prove technically capable of establishing new schemes to the original timescale, it might not be wise to press ahead so hastily. Reform of Council Tax Benefit will affect a huge number of households, and it is vital that the systems used to deliver it are robust.**

**(Paragraph 56)**

45. The Government is certain that the timescale for change is achievable whilst recognising that local authorities need as much time to implement this reform as possible.
46. The Government is committed to continuing to work with local government to ensure that schemes can be introduced by April 2013. In particular, it is keen to look at ways in which the implementation of new schemes in the short term can be made easier by using existing systems and processes, and making use of available data. The Government wishes to reduce the need for individuals to have to repeatedly provide the same information and evidence to various public sector bodies. Therefore, the Government will be seeking sufficient powers to facilitate the sharing of detailed information between the Department for Work and Pensions and local authorities and between local authorities, where appropriate and possible.
47. The Department for Communities and Local Government is engaging with local government on the implementation of this policy, and has two key partner groups made up of local authority representatives and professional bodies who are working through the policy elements of this reform and separately how the policy can be practically delivered.



## **RECOMMENDATION 10**

**We recommend that the Government delay the introduction of the new Council Tax support system by a year or more, if consultation with local authorities indicates that this would reduce the risks inherent in introducing many complex changes concurrently.**

**(Paragraph 57)**

48. As detailed in the 2010 Spending Review document, the localisation of Council Tax Benefit is intended to deliver a saving in 2013-14, while also giving local authorities more flexibility and responsibility to provide support for Council Tax in their area. As outlined above, the Government will work closely with local government to ensure local authorities are in a position to introduce localised schemes to provide support for Council Tax from April 2013. We are certain that the current timescale is achievable.

## Housing Benefit

### **RECOMMENDATION 11**

**We understand and are sympathetic to the policy intention behind the Universal Credit, but believe that in the case of support for housing costs, councils should retain administrative responsibility. It is incongruous for a Government committed to decentralisation to plan to remove from local authorities a function which they administer well, in which they have irreplaceable expertise, and which greatly affects other areas of local policy-making and service delivery such as housing strategy and homelessness. Furthermore, while Universal Credit aims to make the system simpler, in splitting responsibility for Council Tax Benefit and Housing Benefit it may introduce unnecessary complexity for customers.**

**(Paragraph 68)**

49. Housing support is a critical element of Universal Credit. It will form part of a regular single payment combining help for living expenses and housing, where appropriate, which will be simple to understand and to administer. It brings together different forms of income-related support and offers the greatest scope to improve incentives to work.

50. Within Universal Credit, the key mechanism for making work pay will be the single taper and this will operate most effectively by bringing together all in-work support including housing costs. Overlapping tapers would create a number of problems such as complexity, delays arising from the need to deal with multiple agencies and perpetuate fraud and error. If housing support is not included, it will make the operation of this single taper very much more difficult.
51. As the Department for Work and Pensions starts to build the organisation to deliver Universal Credit, and we have yet to settle on the precise detail, and select the right people with the right capability, it is likely some of the skills required to deliver Universal Credit to claimants who require support to access the system will exist within local authorities. We will therefore always look to include local authority staff in our thinking.
52. In relation to the longer term delivery of Universal Credit, we will continue to work with colleagues in HM Revenue and Customs and local authorities to test new ways of working and impact ongoing Delivery Model design at both a national and local level.

#### **RECOMMENDATION 12**

**We are concerned about the potential negative impact of direct payment arrangements for the Universal Credit on social landlords and the availability of finance for investment in the social housing sector. We are encouraged by the Minister's assurance that final decisions have not yet been made on this point, and recommend that a thorough assessment of the possible impact of direct payment on housing associations' ability to borrow be undertaken before arrangements are finalised.**

**(Paragraph 72)**

53. The Government believes that Universal Credit should replicate as far as possible a wage, so the way in which it is paid is of critical importance. The Government wants to see very many more people handle their own benefit and rent payments. However, the Government also recognises the importance of stable rental income for social landlords to support the delivery of new homes. So it is important that the design of Universal Credit contains safeguards to help protect social landlords' income streams, and it is equally important that sufficient support mechanisms are in place for those who may need help managing their finances.

54. For this reason the Government will run a number of demonstration projects (beginning in Spring 2012) to test out elements of a direct payment process and to gather the information necessary to design safeguards in Universal Credit. The demonstration projects are an important element in the preparation for the roll out of Universal Credit and we are taking forward an intensive process of engagement with local authorities, housing, lending and voluntary sectors in developing their design. We are in the process of deciding on volunteer local authorities and housing associations. External contractors have been appointed to take forward the independent evaluation: these are a consortium led by the Centre for Regional Economic and Social Research at Sheffield Hallam University.



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