

# Consultation Response

## Local Welfare Provision in 2015-16: Consultation Response by London Councils

London Councils represents London's 32 borough councils and the City of London. It is a cross party organisation that works on behalf of all its member authorities regardless of political persuasion.

### Introduction

1. London Councils welcomes the opportunity to comment on the Government's proposed reforms to local welfare provision in 2015-16.
2. We were extremely disappointed that the original decision to cease funding for local welfare provision, without proper consideration and consultation, was made without a full assessment of the operation of existing local schemes.
3. The manner in which this decision was announced, hidden within the 2015-16 indicative Revenue Spending Power allocations that were published with the 2014-15 local government finance settlement with no prior warning or explanation of the decision, was also disappointing.
4. This response first sets out some general comments about the consultation followed by more detailed responses to the specific consultation questions.
5. In particular, this response demonstrates that there is a real and growing demand for local welfare assistance. As a result, London Councils is calling for the government to continue to make additional funding available for local welfare provision under Option 4.
6. London Councils believes it would be especially misguided to cut funding for local welfare provision ahead of the roll-out of Universal Credit across the country next year and recommends maintaining funding at least until a proper review can be carried out informed by the roll out of Universal Credit.

### General comments

#### **London local government faces a disproportionate level of cuts**

7. Between 2010-11 and 2015-16, London local government will have seen a real terms reduction in core funding of 44 per cent. Over that period, London has seen a reduction of £2.6 billion on a like-for-like basis. This trend is set to continue. Over the following three years to 2018-19, it is estimated core funding will fall by a further £1 billion (29 per cent) in real terms.

8. This means a 60 per cent real terms reduction in core funding between 2010-11 and 2018-19 compared with a real terms cut of just 3 per cent for the whole public sector over the same period. This level of contribution to the Government's deficit reduction programme far outstrips the contribution required of the vast majority of other Whitehall departments.
9. In addition to core funding cuts, there have been a number of 'cost shunts' whereby local government has taken on new responsibilities but without sufficient funding to cover these new burdens. Local government has continued to demonstrate high levels of performance and has been repeatedly asked to deliver cuts on behalf of other Whitehall departments.
10. Council tax benefit localisation (circa £420 million), the original transfer of the Social Fund, which became Local Welfare Provision Grant (circa £96 million), and Children-on-Remand (circa £19 million) are three areas where local authorities have been asked to take on additional responsibility and control costs. They are also all areas where central government departments have repeatedly failed to have an impact.
11. Even more worryingly, these are volatile areas of expenditure which are demand-led and subject to wider economic performance. As such, central government has not only transferred cost and responsibility, but significant financial risk too. Local government welcomes the opportunity to take on new responsibilities like providing local welfare schemes, but it must be recognised that these cost-shunts run the risk of having a significant knock-on impact on resources available for other vital services such as social care.

#### **Local Welfare Provision Grant should continue to be fully funded**

12. London Councils is frustrated that, despite the opportunity to reconsider the funding of local welfare provision, none of the proposed options in the consultation includes any new funding for local government to provide this service. London Councils would like to see a requisite transfer of funding between the Department of Work and Pensions (DWP) resource DEL and the local government resource DEL in order to fund local welfare provision.
13. Options 1, 2a, 2b, 3a, and 3b all involve the same finite amount of resources, while local government is still expected to continue to be responsible for delivering local welfare provision. This goes against the New Burdens doctrine and is another example of the cost shunting that is putting even greater pressure on local authority budgets than is necessary. By comparison, the transfer of other responsibilities has been accompanied by the transfer of relevant sources of funding.
14. The devolution of local welfare provision grant to local government followed almost immediately by cessation of that funding places further financial pressure onto local government. Once again, local government is being asked to deliver savings on behalf of a central government department. Given the extremely challenging financial climate for local government, London Councils believes that this funding decision raises significant questions about the ability of local authorities to continue to provide local welfare provision through general resources. It is likely that this will only be possible in the short term and even then, only if boroughs implement significantly less generous local schemes.
15. The decision to end this grant undermines the significant efforts and resources committed by local authorities to set up local schemes following the abolition of crisis loans and community care grants as Government controlled schemes in April 2013.

#### **A lack of transparency**

16. London Councils also believes that the government's approach to funding local welfare provision raises crucial issues of transparency. The consultation states that "as part of the Spending Round 2013, the Government provided for a number of areas of local authority spending, including local

welfare provision, to be fully funded from within Revenue Support Grant (RSG), rather than being subject to separate grants” (para.1.12). London Councils would like Government to provide further details of how the government provided for local welfare provision to be fully funded from RSG.

17. If the Government has provided enough funding within RSG for local welfare provision, it should show how this has been achieved. This would have eliminated the need for the current consultation. Without such information, it can only be assumed that funding is being cut. As such, London Councils is disappointed that no indication was given to local authorities that funding would only be in place for two years at the time of the initial settlement. The Department for Work and Pensions had previously indicated its intention to carry out a full review of the operation of local schemes during 2014-15 in order to shape future provision. It is regrettable that this review was not allowed to take its course in advance of a decision being taken on future funding.
18. London Councils reiterates its call for transparency in the calculation of RSG, which should include a full breakdown of the local government Resource DEL, how the central share of business rates is funding local government grants, and visibility of the process for calculating funding cuts. At present, DCLG does not publish a full breakdown of the local government resource DEL, meaning it is difficult to robustly assess the financial impact of new Government policy and spending decisions. The sector needs more information and clarity about exactly what funding is being awarded to local government and the sources of that funding.
19. This issue further highlights the lack of transparency in the local government finance system which enables funding streams to be “rolled in” to core funding without clear visibility or a full assessment of the size of the burden being placed on local authorities. The rolling-in of council tax support funding to the tier funding components of RSG is a further example. This practice undermines trust between local and central government, undermines the New Burdens doctrine, creates further complexity for elected members, officers and local residents and increases financial uncertainty for local authorities.

### **Nature of borough provision**

20. London Councils welcomes the Department for Work & Pensions’ recognition of the way that local government has linked local welfare assistance with other services and interventions in its recent review of local welfare provision. The “excellent examples” of how provision has been aligned with existing services collected by the review team are complemented by many more in London boroughs.
21. In addition, the DWP review indicated that around a third of local authority expenditure on local welfare provision was undertaken in partnership with the voluntary and community sector.
22. As well as the examples highlighted in the DWP review, London Councils would like to draw the consultation team’s attention to the case studies in our recent report *Local Welfare Provision – one year on* (attached to this submission). These show how boroughs have ensured local welfare provision is better targeted on those in genuine need and on interventions that increase self-reliance and independence by working collaboratively with organisations such as local credit unions, social enterprises money advice services and also Jobcentre Plus advisors.

### **Expenditure of local welfare provision funding**

23. The DWP review of local welfare provision suggested that some local authorities had not spent their full allocations in 2013-14 and, overall do not forecast doing so in the current year. There are a number of reasons as to why this might be the case, including:
  - Lower initial awareness of local schemes and available funding
  - The removal of straight cash awards in favour of awards being made ‘in-kind’ or through vouchers/store cards/refurbished goods leading to a lower demand than anticipated

- Caution in scheme design resulting from concern about potential funding withdrawal – a fear that has been fully realised
- A lack of in-depth data from DWP on previous expenditure causing boroughs to adopt cautious approaches to the design of their schemes
- Boroughs simply being more effective in targeting their local schemes - initial allocations were based on previous expenditure under the Social Fund which, as the government has admitted, overstated underlying demand

24. London Councils has compiled figures from boroughs on their expenditure on local welfare schemes in 2013-14 and their planned expenditure in 2014-15. We believe these figures provide evidence of a real and growing demand for local welfare assistance. The figures are presented in our answers to the specific questions overleaf.

25. In particular, boroughs have reported growing demand as a result of sanctions applied to Job Seekers Allowance and Employment and Support Allowance claimants. London boroughs are especially concerned about the effects of defunding local welfare schemes just before the roll-out of Universal Credit. This is a huge change to the welfare system that, if not handled cautiously, could see significant numbers of claimants left without means of supporting themselves.

26. For these reasons, London Councils calls for funding for local welfare provision to be maintained at its current level.

**London Councils**  
**November 2014**

## Consultation Questions

**Q1 – Do you have a preference for options 1, 2a, 2b, 3a, 3b or 4? Please explain how you have come to this view.**

27. London Councils has a preference for option 4. None of the options 1, 2a, 2b, 3a, or 3b provide an adequate solution as none involves the requisite transfer of funding to support local welfare provision.
28. Option 1 is a continuation of the original proposal to end funding completely, to which London Councils remains firmly opposed.
29. London Councils believes that Options 2a and 2b, to create a notional line in the settlement for local welfare funding, has the capacity to be misleading and may give the impression that local authorities have received funding for local welfare provision when this is not the case. It would also undermine local decision making.
30. Options 3a and 3b, which ring-fence funding within RSG, also undermine local decision making because non-ring-fenced resources would be reduced. These options are again misleading as they suggest local welfare provision would continue to be funded by government, but because the overall level of RSG will stay the same, the cut to non-ring-fenced RSG effectively reflects the cut to funding for welfare provision.
31. As outlined above, London Councils would like to see local welfare provision fully funded by a transfer of funding from the DWP resource DEL to the DCLG local government resource DEL. If it can't be fully funded then the cut to funding should be agreed through negotiation with local government based on the latest available evidence.

**Q2 - If you have provided representations on option 4, how else would you propose delivering and funding local welfare provision? What evidence can you provide to support this?**

32. London Councils has collected figures from boroughs on expenditure on local welfare schemes in 2013-14 and planned expenditure for 2014-15. **This information builds on the submissions made to the Department for Work & Pensions as part of its local welfare provision review and includes responses from a number of boroughs that did not respond to the department.**
33. London Councils received responses from 28 boroughs (five more than responded to the DWP review). Those boroughs spent **£14,015,147** on local welfare assistance in 2013-14 – equivalent to **57.5%** of their allocated programme funding.
34. Of the 25 boroughs that also gave figures for planned expenditure in 2014-15 (eight more than gave figures to the DWP review), **£18,383,008** of expenditure was planned – equivalent to **85.3%** of their allocated programme funding for the year and a **39.2% increase** in the expenditure of those 25 boroughs in 2013-14.
35. While there clearly has been an underspend, these figures demonstrate that there is a real and growing demand for local welfare assistance. If government funding is not maintained then once any underspend has been used up, local schemes will have to be funded from borough resources, which are already under huge pressure.
36. Furthermore it should be pointed out that there will have been behavioural effects as a result of the uncertainty over the future funding of local schemes. A rational and prudent response to the uncertain funding outlook would be for boroughs to shepherd their resources as carefully as possible in order to keep them viable for as long as possible.

37. London Councils would also like to flag up the potential for other welfare reforms to place extra pressure on local schemes – particularly the roll-out of Universal Credit across the country in 2015. The roll-out of Universal Credit next year has the potential to push claimants into a position where they need short-term support. In particular, the introduction of a seven day waiting period for claims is likely to introduce significant delays for claimants to a system that already sees claims paid on a monthly basis.
38. Similarly, the fact that sanctions apply to the whole of a Universal Credit claim including the housing elements – as opposed to just the personal benefit elements – means that there will likely be an increase in arrears and debt problems.
39. Lastly, any further reduction in the benefit cap will have a particularly profound impact on London and would likely lead to an increase in moves within London – moves that would likely bring a greater call on support with moving and refurbishment costs.
40. Therefore, London Councils' primary ask is for funding for local welfare provision to be maintained at its current level. However, as a secondary ask, if funding is cut, a cliff-edge withdrawal is unacceptable, disruptive and misguided. Any reduction should at least be tapered during the period of the roll out of Universal Credit expansion and transition. This could take the form of maintaining funding for 2015-16 and 2016-17 at an appropriate proportion of current levels. A proper review of local welfare provision could then be conducted in 2016-17 to guide future provision informed by the roll-out of Universal Credit and further experience of other forms of discretionary assistance (such as discretionary housing payments).

**Q3 – What is the likely impact (and extent of any impact) on groups that display protected characteristics of the four options discussed?**

40. London Councils has not collected data on the characteristics of recipients of local welfare assistance. Given that most schemes are in their infancy, robust data on the extent to which groups with protected characteristics have been helped is not available.
41. However, we would draw the department's attention to our report *Local Welfare Provision – one year*, on published this summer which contains a number of case studies illustrating how claimants with a range of physical or mental health conditions have been helped to through boroughs' local schemes to live healthier, safer, more dignified lives.

**Q4 – Do you agree that some impacts can only be assessed locally depending on the decisions made by individual authorities?**

42. London Councils does not have a view on this question

**Q5 – If your preference is for option 4, and you have proposed an alternative way of delivering and funding local welfare provision, please outline how this will adhere to the public sector equalities duty.**

43. Please see the response to Q3.

**Q6 – Do you agree that this is the right timetable?**

44. No – it is insufficient for funding for local schemes to be decided on a year-by-year basis. These schemes are meeting real, on-going demand and should be funded on a long-term basis accordingly.