



National Audit Office

Local government report

by the Comptroller and Auditor General

Local government

Local welfare provision

Key facts

151

single-tier and county councils in England given funding for local welfare provision

£347m

funding to councils for 2013-14 and 2014-15, including administration funding – from 2015-16 funding is included in the revenue support grant

78%

proportion of councils that reported spending less than the funding they received in 2013-14 due to a range of factors

£177 million the Department for Work & Pensions' spending on crisis loans and community care grants in 2012-13

£4.82 the average funding the Department for Work & Pensions gave to councils per working-age adult in 2013-14

£2.40 the average amount councils spent per working-age adult in 2013-14

24% the proportion of councils reporting they would not spend all the funding provided to them in 2014-15

73% the proportion of councils offering help in the form of furniture and white goods

68% the proportion of councils offering food support

Summary

Introduction

1 In April 2013, as part of the changes introduced by the Welfare Reform Act 2012, the government stopped providing crisis loans and community care grants. These were two forms of discretionary financial support to help people deal with emergencies, resettle or remain living in the community, and to ease exceptional pressures on families. For 2013-14 and 2014-15 the Department for Work & Pensions provided transitional grant funding to 151 single-tier and county councils in England to deliver new support for vulnerable people using existing powers. This new support, commonly called local welfare provision, was to be aligned with other services councils provided, such as housing and social care. The government also provided funding to the devolved administrations in Scotland and Wales, which have taken a more centralised approach to the delivery of local welfare provision.

2 The government placed no new duties on English councils to deliver local welfare provision and did not place any monitoring requirements on them. The Department for Work & Pensions did, however, write to council chief executives in August 2012 to say it expected them to provide “flexible help to those in genuine need”.

3 For 2015-16, the government included funding for local welfare provision in councils’ revenue support grant which can be used to finance revenue spending on any service. It has proposed to continue separately identified funding for local welfare provision in the provisional local government finance settlement for 2016-17. The government believes that issues of local welfare are best responded to at the local level, according to local priorities.

4 Like the support that ended, local welfare provision gives vital help to people in times of need. By addressing short-term problems, such as a lack of money to pay for heating or essential household items, local welfare provision can help avoid greater public spending when problems escalate, for example if people become ill or homeless.

5 Between 2010-11 and 2015-16, the government reduced its core funding to councils by an estimated 37% as part of its strategy to reduce the UK’s budget deficit. Over the same period, councils faced rising demand for some services due to population changes. The transfer of funding for local welfare provision came as councils were dealing with these pressures. They were also setting up council tax support schemes as central government required. Councils have inevitably made choices about the support they can afford to provide. These choices affect people in need of help and the delivery of value for money for taxpayers.

6 Organisations supporting vulnerable people facing financial hardship have shown considerable interest in the move to local welfare provision. They are concerned that the government's measures to reduce welfare spending are removing the 'safety net' for those they support.

7 This report has been prepared using powers under the Local Audit and Accountability Act 2014 that enable the Comptroller and Auditor General to carry out examinations for the purpose of providing advice of a general nature to relevant authorities on the economy, efficiency and effectiveness with which they use their resources in discharging their functions. The report examines how English councils implemented local welfare provision after April 2013 and the challenges they face sustaining provision. It highlights issues for councils to consider when deciding how to meet local welfare needs economically, efficiently and effectively. We encourage councils to learn from others' approaches.

8 The report will interest:

- council officials designing and delivering local welfare provision;
- elected members who decide what support councils provide;
- organisations working with councils delivering local welfare provision or supporting people seeking help;
- the Department for Work & Pensions, which is responsible for welfare policy; and
- the Department for Communities and Local Government, which oversees local government finance.

9 Our report is based on a survey of information councils published on their websites; a review of provision in 6 councils representing a range of council types and facing different circumstances; interviews with 3 councils that reduced provision in 2015-16; evidence from the Department for Work & Pensions and from voluntary sector organisations; analysis of financial and other data and a literature review. Full details of our approach and methods are in Appendices One and Two.

10 The report has three parts:

- Part One considers the support the Department for Work & Pensions provided to councils to develop local provision and how localisation has affected spending.
- Part Two examines how councils have used the funding they received and highlights questions for councils reviewing their provision.
- Part Three highlights the challenges to sustaining effective provision, given ongoing financial pressures and factors that influence demand for support.

Key findings

Localising welfare support

11 The Department for Work & Pensions assisted councils to develop local welfare provision, although councils said its help was of limited value.

The Department gave councils information and data on delivering crisis loans and community care grants and discussed with them how they might implement provision. It gave councils funding in 2012-13 to set up schemes. Many councils we spoke to said the data were not detailed enough to help them. About half said funding was insufficient to cover set-up costs (paragraphs 1.10 to 1.12).

12 Since crisis loans and community care grants ceased, the Department for Work & Pensions and councils have reported reduced spending on the discretionary financial support they provide. The Department gave councils a total of £141 million in 2013-14 for local welfare provision and £30 million to administer it. It allocated funding to councils based on past demand for crisis loans and community care grants in different areas. Councils serving more-deprived areas received more funding than those in less-deprived areas. Councils acted cautiously, for example by limiting who they helped, as they were concerned about high demand and uncertain about funding after 2014-15. Seventy-eight per cent of councils did not spend all the funding they were given on local welfare provision in 2013-14 and one-quarter did not expect to in 2014-15. Councils we met were using underspends to help fund provision in 2015-16 when a reduced amount of funding was included in councils' revenue support grant. The Department also spent less on discretionary financial support after April 2013 (paragraphs 1.13 to 1.23).

Delivering local welfare provision

13 Councils' provision is aligned with other forms of support. Councils worked with partners, such as local advice providers, to design schemes and offer similar help to that the Department for Work & Pensions provided. Most councils administer local welfare provision alongside other forms of support they provide, such as discretionary housing payments. This enables them to minimise administration costs and coordinate different forms of support (paragraphs 2.2 to 2.5).

14 Councils check applications to ensure that needs are genuine and to identify the support required. Councils invite applications directly or through partners. A quarter of councils aimed to respond to urgent requests for help within one day. Seven out of 10 councils only considered applications from people receiving means-tested benefits (paragraphs 2.6 to 2.13).

15 Councils provide different types and levels of support but there is no widespread benchmarking to help improve cost-effectiveness. Councils support people in emergencies and help people remain or resettle in the community. Most commonly they provide furniture, white goods, food and fuel support. Councils use different mechanisms for delivering support. These are influenced by local supply chains, concerns about quality and safety and a desire to minimise the risk of abuse. Councils carried out research locally to decide what they would spend on different types of support; however, we found no widespread benchmarking as there is in Scotland (paragraphs 2.14 to 2.24).

16 Councils generally provide goods in kind rather than cash as this reduces the scope for fraud and targets needs. Only 24% of councils offered cash support. Cash-like forms of support include controls on how funds can be spent. Councils said removing cash support had reduced demand. Commentators were concerned that changes to application procedures and applicants' preference for more flexible support had led people to look for help elsewhere. Few councils offered loans due to the difficulty of collecting repayments (paragraphs 2.25 to 2.29).

17 Commonly, councils either did not collect information on applicants and their needs or made limited use of this. This information would help them target support more effectively. Councils monitored data on the number of applications they received and the value of awards. But often they did not collect or use information on who applied for and received help and why. Those councils that did had identified ways to improve their provision (paragraph 2.30).

Risks and challenges

18 Since April 2015, some councils have stopped or curtailed the provision they introduced in 2013 because there is no longer specific grant funding. Despite funding being included in the revenue support grant, councils say funding from government for local welfare provision has ceased. We found that 10 had stopped or significantly reduced provision in 2015. Council taxpayers and other stakeholders could challenge councils to explain their decisions (paragraph 3.2).

19 Councils have limited understanding of the effectiveness of their spending on local welfare provision or the consequences of reducing this. To achieve value for money, councils must examine how effectively local welfare provision meets people's needs and reduces demand for other publicly funded services. Doing this is challenging. Few of the councils we met had attempted to quantify the benefits of local welfare provision to inform their funding decisions (paragraphs 3.3 to 3.6).

20 Demand for local welfare provision will vary from place to place and over time. Councils need to understand the factors that impact on the communities they serve in order to plan an appropriate level of support. In some places, improving economic circumstances and tax reductions, for example, might reduce people's reliance on local welfare provision. In others, demand might increase due to the effect of welfare reforms and other local challenges. The government plans to reduce spending on welfare benefits by £12 billion in 2019-20, on top of changes that mean welfare spending is £16.7 billion lower in 2015-16 than it would otherwise have been (paragraphs 3.9 to 3.12).

21 Ineffective coordination between national and local welfare support has led to the unintentional and inappropriate transfer of costs to councils and risks undermining the government's welfare policy objectives. Central and local government provide many types of financial support to people in different circumstances. Ensuring nationally and locally provided welfare support complement each other requires central and local government to understand the impact their policy decisions have on other parts of the welfare system. However, councils reported that a significant proportion of the applications they received for local welfare provision were from people facing hardship as they switched between different types of benefits, experienced benefit delays or sanctions, or moved from benefits to work. Additionally, in some cases, council-provided welfare support risked reducing benefit recipients' incentive to find work by weakening the effect of benefit sanctions applied by government (paragraphs 3.13 to 3.16).

Overview

22 Since April 2013 councils have used funding from government to help vulnerable people meet urgent needs for household items, food, heating, clothing and other costs. Effective councils provide targeted, responsive and flexible help that is integrated with other forms of support, such as discretionary housing payments, and reduces the scope for abuse. They also help people address underlying problems and manage their finances more effectively. However, concerns that demand would be high as a result of welfare reforms, and uncertainty about funding from government after 2014-15, made councils act cautiously. The overall level of discretionary financial support provided by central and local government has reduced since April 2013. This could be the result of better targeting of support, or an indication that need is going unmet which may lead, in turn, to greater costs for other public services. Neither central nor local government is sure of the reasons.

23 The future of local welfare provision appears uncertain. With reducing resources and competing pressures, many councils say they cannot afford to continue offering this support without specific government funding. Some have already stopped or reduced the provision they introduced in April 2013. Charities report increasing demand for their support as a result. It remains to be seen how councils will respond to the government's proposed continuation of funding for local welfare provision in the provisional local government finance settlement for 2016-17. The need for local welfare provision in different places will change as a result of the government's welfare reforms and local circumstances. However, many councils have only a limited understanding of the drivers of demand for this sort of support and the consequences of not providing it. Without this, they cannot know whether their local welfare provision is meeting people's needs cost-effectively and whether it reduces the need for more costly public services.

Issues to consider

24 Councils should:

- a** use the findings from this report to review the effectiveness of the support they provide to meet local welfare needs;
- b** collect and make use of information on who seeks help and why in order that they can target support where it is most needed;
- c** understand costs to the public sector which local welfare provision helps to avoid and use this information to make decisions on funding; and
- d** consider whether other public services and charitable organisations have sufficient capacity to meet any increase in demand caused by reductions in local welfare provision.

25 The government has proposed the continuation of separately identified funding for local welfare provision in the provisional local government finance settlement for 2016-17. The Department for Communities and Local Government should continue to note councils' concerns about their ability to continue local welfare provision due to funding pressures, to inform the government's decisions about future local government funding.

26 The Department for Work & Pensions and councils should consider how the welfare support they provide interacts with other parts of the welfare system in order to:

- a** improve coordination between centrally and locally administered support for the benefit of people seeking assistance;
- b** avoid the unintentional transfer of costs from one part of the welfare system to another; and
- c** ensure local welfare provision does not undermine the achievement of the government's national welfare policy objectives.