



POLICY NOTE 1: LOCAL WELFARE ASSISTANCE SCHEMES

May 2014

1. Introduction

This short policy note provides information about local welfare assistance schemes (LWAS) which currently support those on low incomes in England with emergency or crisis costs. It has been prepared in the light of a recent decision by the Department for Work and Pensions (DWP) to cease dedicated funding to the Department for Communities and Local Government (DCLG) for LWAS from April 2015 onwards.

2. Some history

The UK's social security system has long recognised that benefit levels do not allow claimants to build up financial reserves which would enable them to manage unexpected or one-off expenditures. As a result, for many years additional public funds have been provided to assist those on low incomes with such costs.

Prior to 1988, a system of single payment grants offered support of this type. Single payments were paid as a right, governed by regulation and had a right of appeal. From 1988 onwards, however, the system was changed with the introduction of the Social Fund.

There were two distinct parts of the Social Fund:

- The regulated social fund which covered one-off payments for specific circumstances such as Sure Start maternity grants, funeral expenses payments, cold weather payments and winter fuel payments. The conditions of entitlement were laid down in regulations.
- The discretionary social fund which covered one-off payments for emergencies and items for which it was difficult to budget through budgeting and crisis loans, as well as support to vulnerable people to stay or return to their homes in the form of community care grants. Conditions of entitlement were set out in directions and guidance from the Secretary of State, and decisions were subject to an internal review process rather than appeal. In contrast to the previous system of grants, seventy per cent of the discretionary social fund was paid out as loans.

3. What is a local welfare assistance scheme (LWAS)?

From April 2013, the discretionary Social Fund was disbanded and key elements of provision were 'localised'. As a result, responsibility for community care grants and crisis loans for general living expenses was given to local authorities in England (and the devolved authorities in Scotland and Wales).¹ Each local authority was tasked with designing a local welfare assistance scheme to provide broadly comparable support to residents.

Funding for the schemes in England was set at £174.7 million for 2013/14 and £172.1 million for 2014/15,² with the budget being transferred from DWP via DCLG to local authorities. In addition, in line with the new burdens doctrine, local authorities were also given 20 per cent extra funding on top of the operating budget for these two years to assist with design and administration.

Critically, DWP and DCLG did not place a duty on local authorities to provide equivalent support to the Social Fund. Nor did they ring-fence the funds. However, councils were given a strong steer as to how they should spend the money. As Minister Steve Webb put it in the settlement letter sent to councils in August 2012:

'It is incumbent on me to say that it is the intention of the government that the funding is to be used to provide the new provision [local welfare assistance]... we expect the funding to be concentrated on those facing the greatest difficulty in managing their income and to enable a more flexible response to unavoidable need'.³

In practical terms LWAS cover the costs (or provide directly) of essentials such as beds and cookers for those leaving institutions or fleeing domestic violence; give specially adapted furniture or equipment for people with disabilities; enable families to replace broken white goods and essential furniture; and enable vulnerable individuals to afford food and heating.

4. Who benefits from LWAS?

LWAS have been in operation for one year and consequently systematic data indicating who benefits from schemes is currently not available. However, it is possible to get a sense of the likely users of LWASs by looking at the beneficiaries of the equivalent elements of the Social Fund prior to 2013.

¹ Unless otherwise stated this note refers only to local welfare assistance schemes run by English local authorities. Local welfare provision is administered by the devolved governments in Scotland and Wales. In Northern Ireland, community care grants and crisis loans for living expenses remain available, but are likely to be replaced shortly by a scheme similar to mainland LWAS.

² Department for Communities and Local Government, *Change in spending power: final local government finance settlement 2014 to 2015*, February 2014. These sums were claimed to be broadly in line with the amount spent on the equivalent elements of the Social Fund in the preceding years. However, CPAG analysis of twelve local authority settlements showed that provision was being cut by 14-15 per cent in both years. See CPAG, *The Social Fund at a Local Level: Notes for and from Practitioners*, Child Poverty Action Group 2012

³ "Abolition of the discretionary Social Fund and transfer of programme funding for a new provision", letter to local authorities in England from Steve Webb MP, Minister of State for Work and Pensions, August 2012

Table 1 shows the breakdown of client groups who, in 2011, were assisted by the relevant parts of the discretionary social fund. As the table makes clear, people with disabilities and lone parents made up the largest client groups issued community care grants. Within the group of lone parents, local authorities reported a large number of applications from mothers fleeing domestic violence. Moreover, a further breakdown of recipients of community care grants showed that 56 per cent were made to ‘families under exceptional pressure’.⁴

Table 1: Percentage of expenditure on community care grants and crisis loans by applicant group

| Applicant group | Community care grants Percentage of total expenditure | Crisis loans Percentage of total expenditure |
|--------------------------|---|--|
| Pensioners | 6.4 | 0.4 |
| Unemployed | 22.5 | 59.3 |
| People with disabilities | 32.4 | 18.5 |
| Lone Parents | 26.9 | 13.1 |
| Others | 11.7 | 8.8 |

Source: adapted from Annex 5, DWP (2013) *Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2012/13*, www.dwp.gov.uk/docs/2013-annual-report-social-fund.pdf

Table 1 also shows how important crisis loans were for lone parents and those with disabilities. It is likely that ‘unemployed’ will be a less significant beneficiary group of LWAS than crisis loans. This is because crisis loans for alignment purposes which were paid out in event of benefit delay remain the responsibility of DWP (now renamed short-term benefit advances).

That families, lone parents and those with disabilities are key users of LWAS is endorsed by figures available from the scheme in Islington.⁵ Analysis of data available from this first year of operation shows that 65 per cent of all applicants are women; 31.5 per cent are lone parents; 44 per cent have a disability and 28 per cent of applicants are homeless or at risk of homelessness.

The Islington figures are particularly telling given that this scheme is one of the few nationwide to have spent all their funding in the first year of operation. Freedom of Information requests have shown that ten months into the schemes’ first year, there had been considerable variation in the amounts councils had disbursed. On average, the 139 local authorities who responded had spent 43 per cent off their allocated budget for 2013/14, ranging from the fully committed Islington to Hereford who had used just 2.3 per cent of its allocation.⁶

Why such variation is observed across the country is highly disputed: some claim, for example, that many schemes have restrictive criteria or have failed to advertise their provision sufficiently; others assert that the need for LWASs has been overstated. However, two facts are difficult to contest: first, that it is implausible that needs of the type LWAS are designed to address simply do not exist in

⁴ Annex 6, DWP *Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2012/13*

⁵ Figures provided by Cripplegate Foundation, the partner organisation delivering the LWAS in Islington.

⁶ The Guardian, ‘The crisis in local welfare assistance explained’, April 20 2014

some parts the country; and second, that it is poor practice to base an assessment of demand on the first years' performance of any new scheme.⁷

5. The future of LWAS

Late December 2013 DCLG published indicative figures for local government finance settlements in which it suggested that local welfare provision would receive no funding from 2015/16 onwards.⁸ This was a surprise on a number of counts:

- First, there had been no suggestion in parliamentary debates about LWAS that these were to be regarded as temporary schemes;
- Second, substantial funds had been made available to local authorities to support them in the design and administration of LWAS, investments that would be wasted if schemes no longer had an operating budget;
- Third, the department had committed to undertake a review of schemes in 2014/15 with the explicit purpose of 'obtaining appropriate information from a representative cross-section of local authorities in order to help inform future funding levels'.⁹ No review of this nature has yet been undertaken.¹⁰

In early January 2014, responding to questions from journalists, DWP announced that 'from April 2015, local authorities will be able to offer this support [LWAS] from within their general fund', intimating strongly that DWP's grant to DCLG to fund LWAS would cease from that point forward.¹¹ This decision was finally confirmed by Ian Duncan Smith and Mike Driver at the Work and Pensions Committee in February.¹²

The idea that local authorities can simply make up the £174 million shortfall from general funds given the acute pressures they already face has been questioned by many. As the Local Government Association put it:

"Councils are concerned that the withdrawal of Government funding for local emergency support schemes may leave some areas unable to afford to help out families in crisis. This could lead to short-term problems escalating. Overall funding for local government has been cut by more than 40 per cent over the course of this Parliament."¹³

⁷ See, for example, S Adam and M Brewer, *Take-up of Family Credit and Working Families' Tax Credit* (no date) which shows how take up of new benefits increases as knowledge becomes more widespread over time

⁸ DCLG, *Change in spending power: provisional local government finance settlement 2014 to 2015*, 18 December 2013

⁹ HL Deb 11 Jan 2012, c 215

¹⁰ PQ response

¹¹ Local government Chronicle, "Crisis loan funding axed", 3 January 2014

¹² Department for Work and Pensions Annual Report and Accounts 2012-13, HC 867 Monday 3 February 2014. See question 248 and question 250

¹³ Local Government Association, "Government should rethink scrapping of £347 million emergency welfare fund, councils urge", media release 24 February 2014

In the absence of LWAS, it is hard to imagine how vulnerable families and individuals will manage unexpected need and crisis expenditures: debt or relying on charitable support seem to be the only possible responses. Even at this early stage, the effects of the reduced and more patchy assistance provided by LWAS compared to the discretionary social fund are already being seen. For example:

- Demand for Trussell Trust food banks services has increased by a factor of over two-and-a-half, with an estimated 330,000 children and 583,000 adults using food banks in 2013/14;¹⁴
- StepChange debt charity saw an 82 per cent year-on-year increase in the number of people seeking its help with payday loan debts;¹⁵
- In September 2013, the grant giving charity Buttle UK surveyed support workers who refer clients to the charity's services nationwide. Sixty-six per cent reported that they were more likely to apply to charities on their clients' behalf since the introduction of LWAS.¹⁶

6. Conclusions and recommendations

Local welfare assistance schemes act as a safety net for families and individuals who cannot build up reserves on their low incomes, and find themselves in incredibly difficult circumstances. They help the most vulnerable groups in society – care leavers, lone parents, homeless people, and those with disabilities. In CPAG's view it is imperative that provision is prioritised and maintained beyond 2015/16.

The government asserts that LWAS will endure beyond this date as the gift of local authorities but we question whether this is likely in the absence of either a dedicated budget or a duty to maintain provision. Indeed, the fact that some local authorities have already disbanded their LWAS indicates that this type of provision is highly vulnerable.¹⁷

In the light of this, CPAG recommends that:

- DWP deliver on its prior commitment to review the operation of LWAS and reconsider the decision to cease dedicated funding for LWAS from 2015/16; or
- DCLG increase the local government settlement by the full amount that would have been allocated for these elements of the discretionary Social Fund, and this sum should be ring-fenced for local welfare assistance schemes; or
- A statutory duty be placed on local authorities to meet the needs covered by LWAS, including enabling vulnerable people to return to, or remain in the community, easing exceptional pressures on families and rent in advance; and meeting short-term needs in an emergency.

¹⁴ See Trussell Trust, *Food bank statistics with regional breakdown* at <http://www.trusselltrust.org/stats>

¹⁵ Figures are for change from calendar years 2012 to 2013. StepChange, "Payday loan problems up 82 percent", press release 27th February 2014

¹⁶ Personal conversation with Buttle UK, 15th May 2014

¹⁷ The Guardian, 'The crisis in local welfare assistance explained', April 20 2014

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