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CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

Child Poverty Action Group is a registered charity in England & Wales (294841) and Scotland (SC039339)

Introduction from CPAG

Currently, the social fund provides an essential, if imperfect, source of support to many families on a low income. Following the Welfare Reform Act 2012, key functions of the social fund will be devolved to local level in 2013. It is vital that replacement schemes, provided by local authorities, continue to provide support for vulnerable families.

The social fund, currently administered by the Department for Work and Pensions (DWP), seeks to meet a range of needs that are not met by regular benefit or tax credit payments. There are two parts of the fund:

- the regulated social fund – Sure Start maternity grants, funeral expenses payments, cold weather payments and winter fuel payments;
- the discretionary social fund – community care grants, budgeting loans and crisis loans.

It is parts of the discretionary scheme that are being devolved to local authorities. The discretionary social fund was intended to help families on low incomes manage through personal economic crises – such as paying to get fuel reconnected or replacing a broken freezer. They have been a long standing part of the welfare system as a partial acknowledgement that it can be extremely difficult to budget for emergency expenses, especially if you're living on benefit that are set well below the poverty line. From 2013, local authorities will have responsibility for meeting the needs for one-off items of expenditure for benefit claimants previously provided through community care grants, and for emergency financial support for all local residents previously met through crisis loans.

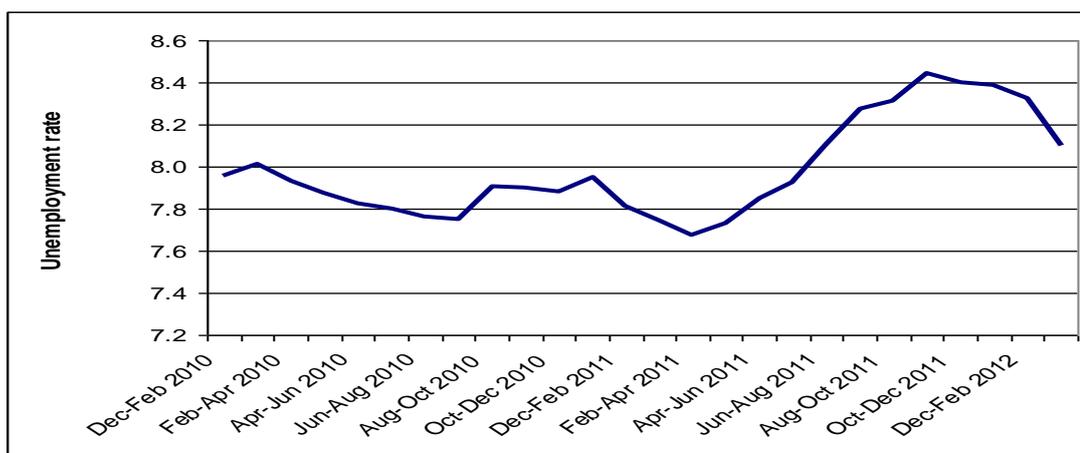
The money formerly spent in local areas on delivering this support will be devolved to a local level, and is not ring-fenced. However, settlement letters from the DWP state that while the DWP

“do not want or expect (local authorities) to replicate the current scheme in either whole or part... it is the intention of the Government that the funding is to be used to provide the new provision. Whilst the Government recognises the difficulties relating to the boundary between providing financial support and social services, (they) are expect the funding to be concentrated on those facing greatest difficulty in managing their income, and to enable a more flexible response to unavoidable need, perhaps through a mix of cash or goods and aligning with the wider range of local support local authorities/devolved administrations already offer. In short, the funding is to allow (Local Authorities) to give flexible help to those in genuine need.”

However, the funding made available to each local authority represents a significant reduction in the funding that was previously provided to households within each region. Based on a sample of 12 Local Authorities who shared the details of their settlement with us, the average reduction in funding for the social fund replacement schemes in 2013/14 compared to the funding for the nationally administered Social Fund in 2011/12 is **13.9%**, rising to **15.6%** in 2014/15. While Local Authorities received around 20% on top for administration (which simply reflected the costs of administering the scheme at a national level), many worry that this amount combined with start up grants as low as around £4,000, would not adequately cover the costs of developing and implementing an entirely new scheme by April 2013. Some felt that they would need to dip into programme funding during the first year to cover these costs – further increasing pressure on the funding available to develop a localised scheme.

This increase in financial pressure is happening against a background of lower household incomes and national cuts to social security spending that will already reduce family incomes. For example:

- Support for low income families is shrinking. £53bn is being cut from social security spending between 2011-12 and 2014-15, most of which is being removed from means tested benefits that support (by definition) households on the lowest incomes. The IFS predicts that these reforms will push 800,000 children in to poverty by 2020¹.
 - For example, £22bn is being withdrawn from the housing benefit budget, which supports low income households meet the costs of housing
 - Changes to disability benefits will mean some claimants lose access to contributory employment and support allowance, and some will lose support when the personal independence payment replaces disability living allowance for adults. Around 30 per cent of total community care grant expenditure and 20 per cent of expenditure on crisis loans goes to disabled people
 - Council Tax Benefit is also being localised, but with a 10% cut. How local authorities implement this cut will also impact on family budgets
 - Many of these cuts are yet to hit families, with many due to take effect in 2013
- Unemployment is at historically high levels; leaving many families without work or – importantly – earnings. Unemployment rates were at 8.1% in the three months to April 2012².



Unemployment rates, 16+ seasonally adjusted, Dec 2010-Feb 2012

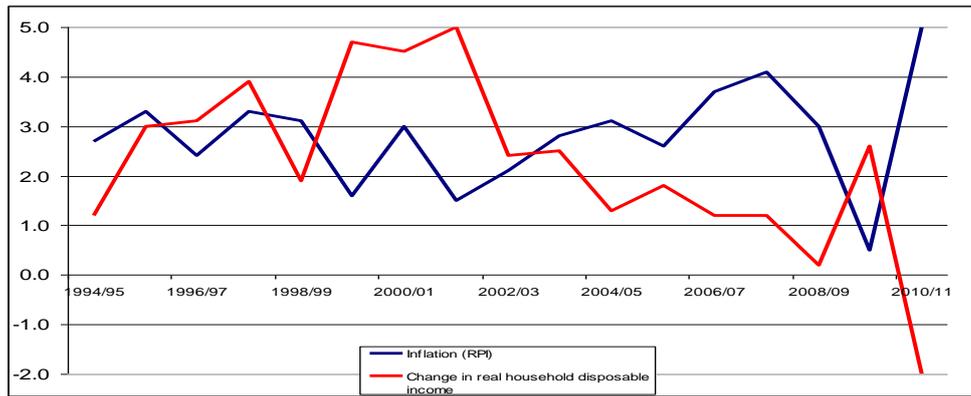
- Wages are stagnating while living costs increase, this has left many families who previously may have just been able to get by struggling. Household disposable incomes decreased by 2% in 2010/11 as interest rates rose to 5%³.

¹ Institute of Fiscal Studies *Child and Working Age Poverty from 2010-2020*

<http://www.ifs.org.uk/comms/comm121.pdf>

² ONS Labour Market Statistics, April 2012 (16+ seasonally adjusted) <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/april-2012/statistical-bulletin.html#tab-Unemployment>

³ DWP Households Below Average Income Data Series, Table 2.1tr: Recent economic indicators^{1,2,3} http://research.dwp.gov.uk/asd/hbai/hbai2011/excel_files/chapters/chapter_2_excel_hbai12.xls



Inflation (RPI) and change in household disposable income, 1994 - 2011

Further, one of the biggest overhauls of the social security system is due to coincide with the localisation of the Social Fund. If the transition to the Universal Credit is not completely smooth, and if computer glitches or delays occur, families may need to turn to localised social fund schemes to tide them over.

These pressures mean that demand on the social fund replacement schemes may increase, making it all the more important that local authorities have the best possible scheme in place to meet rising needs and mitigate the worst effects of poverty on their residents. It also makes the reduction in funding for localised schemes all the more difficult to cope with.

The information presented in this briefing emerged from a number of roundtable discussion attended by Local Authorities, Housing Associations, Voluntary Sector Organisations and advice agencies around the country, including;

- London
- Leicester
- Newcastle
- Darlington, and
- Stockport

The purpose of this note is not to provide an overview of the localisation of the social fund⁴, nor a full report of the discussions held⁵. Rather it is to provide an overview of key problems identified across the regions, promising options for solutions and delivery approaches and key considerations in developing a local scheme.

⁴ Much of which is available in Delivering the Social Fund at a London-level: Opportunities and Risks <http://cpag.org.uk/content/new-report-how-can-social-fund-be-delivered-local-level>

⁵ Minutes and locally specific information is available about these on request

Key issues identified by authorities and voluntary sector staff

Reduced funding and increased demand

There was a general concern that the amount of money available to run the scheme will be less than the scheme is currently funded, at a time when demand for support is increasing.

- An indicative amount each local received was provided in settlement letters sent to Local Authorities in early August. DWP stressed that

“The programme funding has been calculated by looking at the legitimate demand, for those aspects of the discretionary Social fund being abolished, for your area. We then applied that as a percentage of the Department’s allocated £178.2 million to arrive at your figure. For administration funding we are transferring the amount the Department for Work and Pensions spends on administering them. This works out at approximately twenty per cent of the transferred programme spend. For start up funding, we listened to what authorities have told us. The amount to be transferred therefore allows a degree of flexibility according to your intentions, and is in line with expectations that the programme funding will be, in most cases, aligned with existing provisions.”

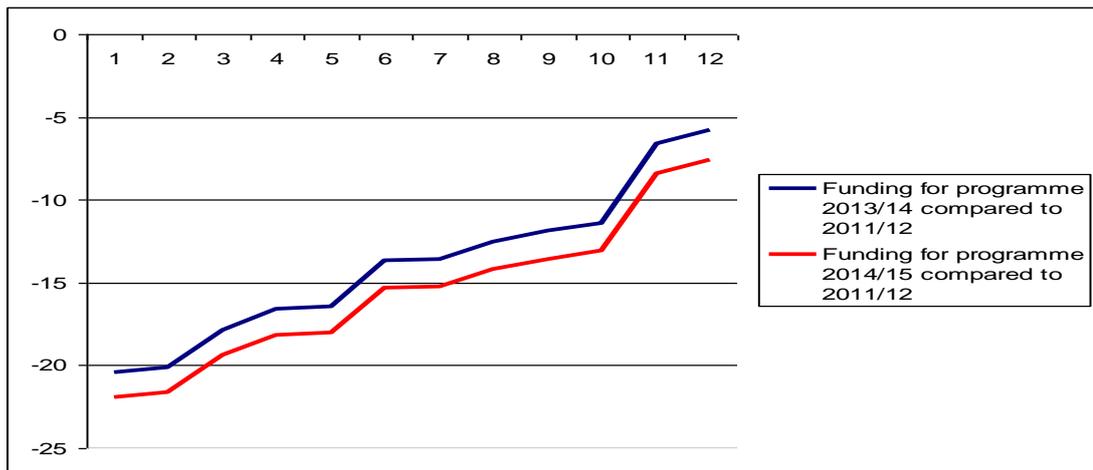
- Calculations roughly reflected a formula:

Settlement = Community Care Grant provision from 2011/12 + Crisis Loan Grant provision reflecting 2005/06⁶ provision+ 20% for administration fees + some set up funding

- The difference in Crisis Loan demand and provision between 2005/06 (which was reflected in settlement calculation) and 2011/12 (the most current available data) in some regions is significant. For example, in Newcastle the awards for crisis loans for items has decreased by £79,600 or 55% (while the number of applicants has stayed the same, the rejection rate increased), but the awards for crisis loans for living expenses have increased by £242,800 or 279% (due to more applicants and a maintained rejection rate).
- The indicative funding made available to each local authority represents a significant reduction in the funding that was provided to households within each region in 2011/12. Based on a sample of 12 Local Authorities who shared the details of their settlement with us, the average reduction in funding for the social fund replacement schemes in 2013/14 compared to the funding for the nationally administered Social fund in 2011/12 is **13.9%**, rising to **15.6%** in 2014/15⁷.
- However there was significant variation across regions, with some regions indicative settlements being 5.8% lower in 2011/12 than 2013/14, spanning up to 20.4% lower.

⁶ The rates are being pegged to the 2005/06 level, after which time telephone applications to the social fund were introduced. Since 2005/06 there has been a large increase in applications to the Social Fund. The DWP believes that demand has been artificially inflated by the introduction of the telephone service, so the replacement scheme is being funded at pre-telephone application 2005/06 levels. Whether telephone applications artificially inflated demand, or the increase reflects a greater local need, is unknown.

⁷ Calculated by comparing the indicative settlement figures provided to Local Authorities by DWP to data about Social Fund spends in regions for April-Sept 2011/12 which have been doubled out, to estimate a full year spend. OBR CPI predictions used to keep calculations real to 2011/12 value.



The percentage reduction in “social fund scheme” spends between 2011/12 and 2013/14 and 2014/15 across 11 different Local Authorities.

- These reductions continue a recent trend in reducing support available for the social fund. Reforms introduced in 2011 meant that Crisis Loans were no longer available for items such as beds and cookers (exceptions were allowable for disasters such as after a flood); the rate of living expenses was reduced from 75% to 60%, and; a cap of three loans per year was introduced.
- If you compared the reductions indicated in the settlement letters with the amount of help available in each region in 2010/11, before these reforms were introduced, the localisation of the scheme represents an even more significant cut. For example in one local authority, comparing the indicative settlement for 2013/14 with 2010/11 spends highlighted a 41.6% reduction⁸. Pressure on social fund provision is already high, and about to increase.
- While local authorities received around 20% on top for administration (which simply reflected the costs of administering the scheme at a national level), many worried that this amount combined with start up grants as low as £4,000, would not adequately cover the costs of developing and implementing an entirely new scheme by April 2013. Some felt that they would need to dip into programme funding during the first year to cover these costs – further increasing pressure on the funding available to develop a localised scheme.
- There is likely to be increased demand for the social fund at the same time. High unemployment and welfare reforms were felt to be key drivers of increasing demand.
 - Whether local authorities could create some sort of contingency plan for greatly increased demand was unclear.
- There was also some expectation that these reforms will interact with reduced support for Council Tax Benefit, and that the same households may be hit twice.

⁸ Compared to a 13.6% reduction between 2011/12 and 2013/14 in the same Local Authority.

- There was some suggestion that in some Local Authorities, there may be the capacity for councils to allocate additional money to the scheme and make up the shortfall – rather than having to turn large numbers of clients down.
- There was also a question raised about what will happen at the end of the two year period, for which funding will currently be allocated, and a lack of clarity about how exactly these funding arrangements will work. For example, can local authorities roll over any under spends between years, or will the DWP reduce budgets going forward if an authority does not award all of their settlement?
- There was a sense that the language of ‘localisation’ was not accurate, and that this might increase expectations. Many authorities felt that social fund is not being localised, rather it is being abolished and an entirely new – often smaller – scheme is being developed by local authorities. To manage expectations, many authorities want to adopt the language of the abolition of the social fund.

Possible ways to make up some of the shortfall

- However, some local authorities have earmarked possible savings that may be made through administrative efficiencies. The possibility of piggybacking on to administrative systems already developed to deliver other discretionary funds within an authority appears to be a popular way of thinking about administrative savings.
- Some local authorities thought that there might be an overlap with the troubled families budget, and that there may be a way of tapping in to some of this funding.
 - However the outcomes for this funding are very specific, and it remains unclear if or how this funding stream could be accessed.
- Many local authorities were looking to make saving through bulk procurement and using electrical co-ops or white good schemes (discussed below).

Client groups and eligibility

There was a strong sense that current entitlement and eligibility criteria are far from perfect, and that new social fund replacement scheme should not aim to simply replicate existing criteria. The localisation of the social fund should be seen as an opportunity to match new eligibility criteria to local need to produce a more effective support system.

- **Local authorities were keen to think about what could be done differently, including routing people to foodbanks** or other sources of charity support.
- **Current DWP data about current clients might⁹ not accurately reflect local need** and the client groups that local authorities want to help. A housing association representative suggested that housing associations might be one source of useful data about client groups and their likely needs.
- **The introduction of the Universal Credit will make it difficult to use the social security systems as a means of eligibility.** The lack of a clear distinction between ‘in work’ and ‘out of work’ benefits in Universal Credit means that entitlement to any new social fund replacement scheme cannot simply be passported.

⁹ Available at <http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/localisation-data/>

- **New schemes are unlikely to include loans** (as they cannot easily be recovered through the benefit system as in the current system), but will normally be grants. This may mean that eligibility criteria need to be different than those for the current scheme.
- **Transient groups were likely to present a difficulty for local authorities**, and there was a need to ensure that local authorities did not replicate provision to the same client, nor exclude vulnerable people who legitimately need to move.
 - Some co-ordinated regional working would be needed to deal with issues around 'local connection'.
 - Local authorities may need to balance eligibility criteria and issues around 'local connection rules' to ensure they can meet local needs within shrinking budgets, while not excluding people who legitimately needed to move, such as families fleeing domestic violence.
- **Impact assessment will be necessary to explore how client groups change as eligibility localises.** This would help in understanding the impact of any reforms on existing claimants, but also to map who are 'new' claimants under changing eligibility criteria¹⁰.
- Recommendations for the minimum data collected to enable a proper evaluation of impacts (based on the London report) include:
 - Number of applications to the scheme, acceptances and refusals.
 - Causes of applications.
 - What applications are for.
 - Characteristics of applicants, including age, gender, ethnicity, social tenancy, number of children, disability and employment status.
 - The number of complaints made/reviews requested and upheld. Baseline data for this may be difficult to obtain, as it is currently held by the Independent Review Service on the basis of Jobcentre boundaries only. However, complaints about this scheme could be compared to those made about other local authority services.
 - Data from local advice agencies about the number of clients presenting who have been unable to access support.
 - Data from local advice agencies about the number of clients presenting with problem debt.
 - Data from local grant giving organisations and foodbanks about any changes in demand over the course of the year.
- Other useful data to collect may include:
 - Data about demand placed on third sector organisations as a result of both referrals and signposting.
 - The proportion of people leaving care / being resettled who remain in their accommodation after a period of time, to capture issues that reduced resettlement funding might generate.
 - The type of agencies already involved with and supporting people who make a claim, as this may shift from early intervention organisations to crisis support and social services.
 - If claimants also have budgeting advances from the DWP.

¹⁰ Some baseline data from the DWP to assist LA do this is available at <http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/localisation-data/>

Accessing social fund replacement schemes

- Many local authorities are considering combining discretionary payments, including discretionary housing payments and perhaps payments made under Section 17 of the Children Act 1989.
- This may create a universal assessment process for the different discretionary payments held by local authorities, which would allow authorities to divert people to the most appropriate payment scheme.
 - Many local authorities felt that it would be impossible to develop a universal assessment process for discretionary funds by April 2013, given the number of departments that would need to be involved.
- While some have been considering routing access to the social fund replacement scheme through the social care system, there is legitimate concern that this would result in people being excluded from the new scheme as many families who may be in need will not be in contact with social services.
 - With regards to Section 17 payments, information-sharing protocols between council departments will need to be devised to ensure that either duplication of payments for the same purpose to the same person does not occur (if Section 17 payments are not combined into a joint assessment process) or that necessary information about the nature of the crisis is shared to ensure the most appropriate payment is provided (if they are combined).

Joint Working and Partnerships

- The need for closer joint working between local authorities and other organisations was raised. Housing associations, grant giving charities, food banks and credit unions were thought to be particularly important for local authorities to engage with.
- Providers of 'moving on' or resettlement services might also be useful partners for the delivery of a localised fund.
- There has been some conversation of paying cash through credit unions, but there are questions of capacity:
 - Authorities may also need to cover credit union's admin fees to make this a financially viable activity for credit unions.
 - Even where credit unions have capacity, recipients may have to already be or become a member to do this. This may raise issues about the speed of emergency payments.
- There may be a role for the welfare rights advice sector in building in a more reactive element to any social fund replacement scheme. Many authorities intended to integrate a benefits check as part of any replacement scheme to assist with long term income maximisation. However, questions about the capacity of the local welfare rights advice sector will need to be addressed; in short welfare rights services cost to provide.
- The capacity of local food banks will need to be investigated, particularly if referrals and / or signposting is offered to those refused or denied access to the local scheme.
- Energy providers and organisations that provide energy bill checks might be able to reduce household expenditure.
- The overall point was made that a more regional approach would be useful. Various areas around England are looking at regional schemes, and Scotland has developed a single scheme.

Replacing current Community Care Grant provision

- There was a feeling that the narrowing of the community care grant scheme will have a large impact on the community, and that impact assessments were needed to understand any implications.
- Local authorities are evaluating a 'trade off' between bulk purchasing and providing the goods that normally fall under community care grant provision to stretch their budget, or providing cash or store vouchers to allow families to purchase their own goods.

Purchasing goods

- Local co-operatives and third sector providers, such as white goods co-ops and electrical co-ops are a possible partner for procuring the type of goods that are currently provided through Community Care Grants, and it generally felt that they would be able to negotiate discounts for local authorities.
 - Beyond this, one council was setting up its own furniture and white goods recycling scheme, to make this available for people across the income spectrum, including for those who are not receiving benefits.
- While many local authorities are looking at purchasing and providing white goods, it was suggested there may be issues around liability if any injuries result from use/malfunction of that white good. Legal advice would be necessary.
- Issues may arise in providing goods that meet specific needs (e.g. a fridge that can fit in the small space of a family's particular kitchen, or a particular aid or adaptation for a person with a disability etc). A large range of options or authority contracting may be needed. Contracts with plumbers, electricians, builders etc may have to be broadened.

Cash or cash vouchers

- Vouchers that can be used in various stores or for certain schemes may be a solution, but may raise issues of stigma and value for money (as vouchers restrict the ability to shop around).
 - A Housing Association present at one of the roundtables suggested that their tenants' priority was to have furniture and white goods sorted out by the Association, rather than to do it themselves, and another participant had been discussing this issue with Age UK who also said that people generally wanted goods delivered to them.
 - However, there is also some concern around the potential stigma of using voucher based systems if goods are not provided sensitively. There is a balance to be struck between maximising support and making sure delivery mechanisms are non-stigmatising.
- Prepaid cards may be an option, and aside from pre-paid Visa/Master cards which have high admin fees, some credit unions are able to provide these.

Replacement for crisis loan provision

- Where previously crisis loans payments could be recovered through the social security system, at a local level Crisis Loans will probably become grants.
 - However, some councils are looking at software systems that let them offer 'loans' rather than grants, but with a limited/no expectation that these would be repaid. Anything that is repaid would go back in to the funding of

the local scheme. This may raise an issue of fairness, as clients who 'do the right thing' and repay what was offered to them as a 'loan' will be worse off than clients who do not. There are likely to be equality issues that arise from this, with certain client groups, such as people with learning difficulties or who speak English as a second language, perhaps lacking the savvy to understand that non-repayment would not result in penalty.

- There was a sense that all of the risk was being localised and that local disasters may generate a social fund catastrophe. At the moment, people can be refused access to the social fund because it has used up its annual budget, but this is awarded across a broad regional level. How an authority will manage if it runs out of cash – especially if there is a localised crisis like a flood – is unclear.
- The criteria to define a crisis will have to be explicit. However, it will be difficult to have a hard set of criteria that covers every type of emergency that may arise; decisions will have to be discretionary at the end of the day. Managing discretion within a limited budget may prove difficult.
- Concerns were raised about the availability of out of hours services, particularly by councillors, who felt that they may end up with clients who have been unable to access any other support turning up on their doorstep.
- Where crisis loans were paid out for lost or stolen money, generally up to two weeks of living expenses needed to be met. However, as Universal Credit moves payment to monthly cycles, provisions made to meet living expenses in these situations will need to cover up to one month.

Dealing with disputes

- As a matter of public law, if access to any new social fund is partly discretionary, a review or complaints mechanism will need to be available.
- The Local Authority Ombudsman could be a potential solution, but in some areas the time frame might not be suitable to deal with a present emergency.
- Some authorities are looking at 'scaling up' their existing mechanisms that deal with disputes around discretionary housing payments. These may provide a functional model to work with.
- The potential role of the third sector and advice agencies in taking part in dispute and review panels may be problematic; a diversity of views about the extent to which charities and advisors – who are traditionally advocates for claimants – would want to be involved in this kind of activity existed.
- There was a question about how appeals and disputes that take place at a local level would be paid for. At the moment, the costs of these are met through the Independent Review Service, but presumably these costs will fall to local authorities.

Key considerations

While these are all common-sense, we thought it might be helpful to include a list of key questions for consideration in developing a social fund replacement scheme that emerge from the discussions above, rather than to provide any summary of an as yet ongoing discussion:

Making the most of a smaller budget:

- How will your local authority cope with this localised shortfall? Options include:
 - tightening eligibility criteria to reduce the number of claims submitted or maintaining discretion but with very high rejection rates,
 - decreasing the size of the awards, which may mean they cannot cover the costs of a crisis or fully meet needs, or
 - finding additional funding to fill the shortfall for the scheme
- What are the key drivers of demand in your area? Is there a way to identify these? Can you stem demand?
- Can you reduce administration costs to free up budgets?

Eligibility:

- Who are current recipients of social fund loans and grants? Do these demographics match what you feel is local need? Can you create eligibility criteria to better reflect local need?
- How will you deal with 'local connection' criteria? Will this exclude people who need to move from any support?
- What are neighbouring local authorities doing? Is there anyway you can help co-ordinate a regional approach to avoid a postcode lottery system?

What your scheme provides:

- Will your scheme have any cash facilities, or will it all be the provision of goods?
- What local partners, like white goods co-ops or third sector providers, exist in your area that could assist in the delivery of goods?
- What are your legal liabilities if the goods you provide cause harm?
- How will your local authority work to minimise the stigma attached to vouchers?
- If there are no cash facilities, how will the authority manage upfront travel expenses or requests for support for fuel reconnection given the large number of energy suppliers?

Combining schemes or applications:

- Could you create a universal application system for discretionary payments?

- Which discretionary schemes operate within your authority? Could you combine discretionary schemes? Do the purposes of these schemes overlap or should they remain separate? Which departments would need to be involved in this?

Joint working:

- Which external partners, such as Housing Associations or the advice sector, offer guidance and assistance in the development of a combined application system?
- Which partners may be able to help deliver elements of your localised scheme? Can partners be chosen that also boost the local economy?
- Could Credit Unions or the Advice sector be engaged to build a more responsive local scheme?
- Do other grant giving charities exist in your region? Could referral to these be integrated in to your scheme?

The timing of provisions:

- The timing of provisions may matter. Even if you do develop a universal, one-stop-shop application system, when will it be open to access? Will it be able to deal with weekend or out of hours emergencies?

Evaluation and monitoring:

- What data are you going to collect to monitor your scheme and its impacts?
- How and when will you evaluate your scheme? Are there plans in place to review and revise the scheme based on early evaluations?
- How will you ensure that your first version of the scheme is updated based on evaluations, rather than just becoming permanent by default?

Dealing with disputes:

- How will you deal with disputes? Is there a model already in operation in your local authority, such as for dealing with disputes around discretionary housing payments, that you could borrow or expand on?
- How much will this cost? Are the costs of managing disputes included in your administrative budget?

Managing expectations:

- How will you manage the expectations of claimants who are familiar with the social fund, and expect it to continue?

Emerging promising options

We listened to the views of many local authorities and they were keen to stress that while the localisation of the social fund presents significant challenges, it also presents a range of opportunities to provide a more effective support system within each local area.

A number of promising approaches are emerging¹¹, which include:

- **Integrating 'longer term sustainability' elements into schemes.** A number of local authorities are looking at including benefit checks, energy tariff checks or the offer of financial literacy courses as part of the assessment process. CPAG would like to note that many low income families manage inadequate budgets meticulously, so would not recommend financial literacy classes as compulsory. Some are also looking at membership to credit unions as part of the delivery process. These sorts of moves could work to introduce an element of financial sustainability in to what is otherwise a temporary grant provision.
- **No big bang.** A number of local authorities were considering putting an interim scheme in place so they could assess local need before finalising the delivery model. It will be important to monitor outcomes carefully, and ensure that the interim scheme does not become a permanent option by default.
- **Integrated assessment processes.** A number of discretionary payment schemes are administered by authorities. A universal assessment for eligibility for this discretionary support seems popular, but would require joint working across housing, revenue and benefits, and adult and children's social services that may be difficult to implement by April 2013. CPAG does not recommend that the different forms of payment are integrated into one fund; they have clear and distinct purposes. Rather, we suggesting there may be options to 'hide the wiring' so that wherever residents enter the system, their eligibility for the full range of support is determined.
- **Savings from bulk procurement.** Local authorities could prioritise local purchasing in order to boost the local economy, support third sector providers, or save more by joining a large procurement scheme across regions. There may be a dilemma between making cash payments to avoid stigma and the potential for savings from procurement of goods in bulk to be provided in kind. To reduce stigma CPAG would emphasise the importance of ensuring that claimants have the chance to choose goods that are suitable for their own homes, and that any payment methods are as non-stigmatising as possible.
- **Maintenance of some form of cash scheme.** However, local authorities will probably need to retain some type of provision to make cash payments in the case of emergencies; most notably when people are threatened with their fuel being disconnected and for travel costs.
- **Clear referral routes to other help and support.** Authorities can improve existing arrangements to deliver a more integrated scheme to meets immediate need *and*

¹¹ Many of these are discussed in greater detail in the London report <http://cpag.org.uk/content/new-report-how-can-social-fund-be-delivered-local-level>

enables residents to access further help and support. Other funds, such as those from charitable foundations, may exist within regions and accessing (or attempting to access) the social fund may provide a useful point for referral. Signposting will need to be carefully managed to avoid overwhelming third sector organisations. Referrals and signposting will be particularly important in the case of rejected applications.

Examples of thinking in progress

Newcastle's thoughts on their local scheme:

There are opportunities for improvement in the delivery of a new scheme. These include:

- the verification of need,
- alignment with other discretionary funds,
- supporting people to resolve budgeting issues and preventing repeat applications,
- developing a preventative culture around the fund.

They think they will introduce a differentiated approach, with one arm for those leaving institutions, and one for those needing emergency support.

There is a strong need for realism around this scheme. The social fund cannot solve poverty. They will focus on the poorest, but it's not yet clear whether this means only people on benefits. Eligibility will probably follow the existing criteria – there's not a huge amount of space to be creative. The scheme will also need to complement other discretionary funds.

They will want to link provision of financial support to other care and support arrangements, and to devolve some of the funding to agencies which can help and support people. They will not be providing any support through loans, and are more inclined to provide support through goods and services than through cash.

They want to help people to become eligible for affordable credit, and to allocate a proportion of their funding to helping prevent further crises.

The governance of the new scheme will be through their financial inclusion partnership. They want the admin costs for the new scheme to be minimal, but this will be difficult.

They want to provide consistency and certainty about what support will be available for. However, it needs to be remembered that this is within a very difficult context: by 2014 there will be around £83 million less cash available to people who receive benefits within Newcastle, on top of £80 million of cuts to local authority services.

Solihull MBC thoughts on Local Discretionary Grants:

One system for discretionary grants:

- A single system for assessing eligibility for discretionary grants and other components of support (e.g. DHP, personal budgets, troubled families, section 17 funds). No reference to it being a social fund in name.
- A central gateway for clients experiencing multiple problems – undertake a universal assessment of a household's needs and broker applications with relevant service providers.
- The project is being developed / located within income and awards due to their experience and expertise in: administering DHP, assessing appeals, knowledge of welfare benefits, visiting officers helping people to maximise their income. And, there will be capacity given the future transfer of housing benefit to a central government function.
- Underpinned by a case management system – to process online applications and perform client outcome monitoring.

Online based applicants:

- Exploring options with a number of software providers around piloting a case management system – in order to process and management online discretionary grants applications.

Cashless system:

- No cash awards will be made – item / service based.
- We are considering using the Family Fund to support claimants that require essential items. The Family Fund will provide the applicant with a voucher that can be used to purchase necessities such as washing machines, beds, food etc. This voucher gives the applicant choice to purchase items that have a warranty and greater a greater product life. It may also take away an element of stigma.

Eligibility:

- Apply a filter to define those that are most vulnerable – at risk of poverty – in part, criteria informed by our Action Against Poverty Needs Assessment
- Before submitting an application, clients must show that they have sought to address their needs through other forms of advice and support, such as the credit union, the citizen's advice bureau, charities and benevolent funds. If no prior advice or support has been sought, then their application will not be processed. Our Money Counts website will provide information on available support – and this is a project being explored through our financial inclusion group.
- An initial financial check will be made at the onset to see if the household has financial capacity to meet their short term need / crisis.
- Where possible, we will assess a whole households needs and from this develop a pathway plan – to encompass the applicant's core and additional needs. Effectively reduce the number of times a client presents – by improving their long term outcomes

The Third Sector:

- In late July, we will be holding a workshop with key third sector partners to understand their current and anticipated pressures as a result of welfare reform. As a result of this workshop, we will look to commission additional third sector support to complement a local social fund model.
- Importantly, our social fund will be shaped through partner consultations to determine the continuum of support for applicants.
- Third sector agencies will be a key referral source – we will encourage clients to use these agencies as a first point of contact. With the support of Solihull MBC, third sector partners will be best place to deliver caseworker support in the form of: welfare benefits advice, debt-restructuring, eligibility checks and support to fill out applications for discretionary grants and other entitlements e.g. personal budget payments
- To support clients adversely affected by welfare reform, we will be looking to deploy a caseworker who can work these clients on an outreach basis. In turn, this is likely to reduce the number of applications for crisis living expenses.

Procurement Options:

- As mentioned, exploring options around using the Family Fund.
- Involve our corporate procurement team to set up a framework of suppliers – e.g. white good, removal services etc.

General Policy:

- Firstly, we will look to go out to consultation with partners to develop options around a local discretionary grant model.
- From this initial consultation period, we will develop 3 model options with a 'framework' policy.
- Partners will have the opportunity to provide feedback on the policy and options. Accordingly, a preferred option and the 'framework' policy will be presented to our leadership teams and cabinet before Dec 2012.

System Testing:

- From December onwards we will be use Discretionary Housing Applications to test our policy and new systems. This will provide a period of learning in time for April 2013.

Broader components of support:

- For clients at risk or in poverty, we will connect them with programmes aligned to our Action Against Poverty Strategy
- A particular link will be made with the troubled families programme – our assessments will identify households that match this criteria

The view from London and findings from the London study¹²:

Most local authorities we spoke to were at an early stage of thinking around the delivery of the fund. There was clear potential for authorities to offer a more integrated service than that currently provided, but many authorities were concerned that this would be difficult with the level of funding. A number of promising approaches are emerging, which include:

- *No big bang.*
- *Integrated assessment processes.*
- *Maintenance of some form of cash scheme.*
- *Clear referral routes to other help and support.*

There are also a number of key risks that Local Authorities will need to consider when establishing new schemes. These include:

- *The inability to accurately predict demand.* It is difficult to predict the real levels of demand in each local authority under the present system – the current data suggest a mismatch between predicted levels of need and expenditure.
- *Reputational risk from turning people down.* The reduced level of funding means that local authorities will inevitably be turning down claimants who would previously have been eligible for support.
- *Cross –borough issues and postcode lotteries:* An integrated approach is required across London boroughs to ensure that local connection rules or their absence do not create a situation in which London residents who cannot prove a local connection (for example if they are moving because of domestic violence) become concentrated in those areas which have not imposed such rules.
- *Dealing with emergencies:* It is not yet clear how local authorities would deal with a large scale emergency, for example riots or floods, which significantly increased the demand for emergency support.

¹² More detail about London is available from <http://cpag.org.uk/content/delivering-social-fund-london-level-opportunities-and-risks>

- *Out of hours provision:* The level of money devoted under the 'new burdens' scheme will determine the level of service which local authorities will be able to provide at the assessment and application stage, although there should be benefits from an integrated assessment process across council departments. But this funding is unlikely to cover the costs of an out of hours service, potentially leaving residents with no source of support in an emergency.

The salience of these risks will in part depend on the level of administrative funding provided by central Government to support local delivery.

Key messages for central government

Although the main aim of this briefing is to provide a resource for and from local authorities thinking about how to develop a scheme, some key messages emerged for central government.

- *Taking a lead on local connection:* Government at a national or regional level could helpfully take a lead in clarifying issues around local connection and eligibility. If one authority chooses to apply local connection rules and others do not, those who do not may see an unsustainable increase in demand for their schemes.
- *Contingency arrangements around Universal Credit:* Local Authorities are seriously concerned that any delivery problems with Universal Credit will end up on their doorsteps, and place pressure on their discretionary funds. We know that the implementation and IT for Universal Credit are seen as major projects in Whitehall. Nevertheless, we think that Government needs to make clear contingency arrangements for if things do not go to plan, and to share these with local authorities well before the initial roll out of Universal Credit in October 2013.
- *Clarity around information sharing arrangements about claimants' entitlement to DWP administered benefits:* The eligibility criteria adopted by local authorities may require information about claimants Universal Credit or social security entitlements. Local authorities would like to know that this information will be available to them in a timely manner to enable accurate decisions regarding entitlement to the localised replacement scheme. A single point of contact, or clear details about how this might work, should be made available.
- *Monitoring and evaluation:* Central Government will be reviewing social fund localisation in 2014/15. We recommend that the outcomes they monitor include the prevention of hardship and destitution; access to affordable credit; the perception of the service by claimants, and; the administrative costs of running the replacement scheme locally.
- *Rethink the language:* Local Authorities expressed a desire for central government to stop referring to the social fund as localising, rather saying that it is being abolished to reduce unrealistic expectations on emergent local schemes.

Localisation of the social fund is an experiment which could have a range of positive impacts for local residents, providing a more responsive and integrated service. But we do not yet know whether it will be possible to deliver these within the current budgets; Government must be prepared to rethink the approach if the reforms mean that low income families are left with nowhere to turn in a crisis.

Appendix

Helpful websites and resources

The London report: *Delivering the Social Fund at a London-level: Opportunities and Risks*
www.cpag.org.uk/content/delivering-social-fund-london-level-opportunities-and-risks

DWP data about current local authority Social Fund spends, from 2005/06 to 2011/12
www.dwp.gov.uk/local-authority-staff/social-fund-reform/localisation-data/

Get to grips with universal credit!

CPAG's new book *Universal credit: what you need to know*
www.cpag.org.uk/bookshop/uc

'Excellent overview...well worth a tenner' *Adviser* magazine (Citizens Advice)

Our experts at CPAG also run training on universal credit and other welfare reform changes from our offices in London and Glasgow, or we can come to a venue of your choice.

Find out more at www.cpag.org.uk/training