Cripplegate Foundation *Helping since 1500*

CHILD POVERTY ACTION GROUP

Delivering the social fund at London-level: opportunities and risks

June 2012

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.

The report was written by Kate Bell, London Campaign Co-ordinator at CPAG. Thanks are due to all who took part in the roundtable, and in particular to those who spoke to us in more depth. The report, of course, expresses the views of CPAG alone.

Published by Child Poverty Action Group
94 White Lion Street
London N1 9PF

Tel: 020 7837 7979
staff@cpag.org.uk
www.cpag.org.uk

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Contents

One
Executive summary

This report forms part of CPAG's new programme of work on child poverty within London, where four in ten children fall below the poverty line. 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 these families.

The report is based on a roundtable held in April 2012 with representatives from local authorities, voluntary sector organisations and credit unions; a series of in-depth discussions with five local authorities and potential delivery partners; and desk research. It aims to provide an insight into current thinking rather than a comprehensive account of future local authority provision in London – which for the most part remains at a very early stage of planning.

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. From 2013, local authorities will have responsibility for meeting the needs for one-off items of expenditure for benefit claimants through community care grants, and for emergency financial support for all local residents through crisis loans. The money formerly spent in local areas on delivering this support will be devolved to a local level, but will not be ringfenced; rather, the purposes of this funding will be set out in a settlement letter.

The primary drivers for the level of social fund demand are economic; the number of people who are on a low income in a given area, and the costs they face. The DWP has provided data on current local level demand and expenditure, while the money devolved to a local level for crisis loans will be pegged to 2005/06 levels of spending. But there are a number of factors which CPAG believes may act to increase demand on the fund.

- The impact of overall benefit cuts; around 55 per cent of cuts to financial support have not yet hit families.
- The specific impact of the local housing allowance cap and overall benefit cap on London: it is estimated that 54 per cent of families who will be hit by the overall benefit cap live within the capital.

- Changes to disability benefits, which will see some residents losing access to contributory employment and support allowance, and some losing 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.
- The introduction of universal credit in October 2013. While we hope for a smooth transfer to the new system of universal credit, any glitches in delivery may have an impact on demand for the social fund.

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.*** A number of local authorities were considering putting an interim scheme in place, enabling them to assess the level of need within their local area before finalising the delivery model. If this route is taken, 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.*** Local authorities run a number of discretionary payment schemes, including, for example, discretionary housing payments and Section 17 payments for children in need. There may be access to other funds, such as those from charitable foundations, within the borough. It seems sensible for residents to be assessed for their eligibility for this type of support at one time – rather than having to pass through multiple assessment procedures. This will require joint working across housing, revenue and benefits, and adult and children's social services. We are not recommending that the different forms of payment are integrated into one fund; they have clear and distinct purposes. Rather, we are suggesting there may be options to 'hide the wiring' from the residents' perspective, so that wherever they enter the system, whether through housing, social services or through applying for a social fund type payment, their eligibility for the full range of support is determined.
- ***Maintenance of some form of cash scheme.*** Local authorities may see a dilemma between the desirability of making cash payments to avoid stigma and the potential for savings from the bulk procurement of goods to be provided in kind. We set out a number of steps that councils should consider to reduce stigma if they do go down the route of providing goods in kind. However, whatever the route chosen, we think that local authorities will 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.*** There is a real potential for local authorities to improve existing arrangements to deliver a more integrated scheme that not only meets immediate need, but enables residents to access further help and support. Credit unions and advice agencies have a role to play here.

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 (eg, 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 (eg, riots or floods) which significantly increased the demand for emergency support.
- ***Out of hours provision.*** The level of money devoted under the 'new burdens' scheme, by which funding for services devolved from central to local government is determined, will limit 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. Although the main aim of this report is to provide a resource for local authorities thinking about how to develop a scheme, some key messages emerged for central government.

- ***Clarity over administrative funding.*** Local authorities require clarity over administrative funding in order to be able to plan provision, and need it soon.
- ***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 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 have been carefully planned. Nevertheless, we think that the government needs to make clear contingency plans, and to share these with local authorities well before the initial roll out of universal credit in October 2013.
- ***Monitoring and evaluation.*** Central government will be reviewing social fund localisation in 2014/15. We recommend that the outcomes it monitors include the prevention of hardship and destitution; access to affordable credit; and the perception of the service by claimants.

Localisation of the social fund is an experiment which could have 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; the government must be prepared to rethink its approach and the level of funding provided if the reforms mean that low-income families are left with nowhere to turn in a crisis.

Chapter Two of the report gives brief details about the research process.

Chapter Three provides an overview of current provision, and of the changes to the scheme from 2013.

Chapter Four examines who currently uses the social fund, and key drivers of future demand.

Chapter Five examines the options currently being considered by local authorities for delivery, looking at which department within the council is taking a lead in this area, at eligibility criteria and assessment options, at the type of provision being considered and potential partners (discussed further in Chapter Six), at appeals and reviews, monitoring outcomes, and the extent to which provision is being aimed at meeting other council priorities.

Chapter Six explores possible partnerships, including with credit unions, advice agencies, local charities and the Family Fund.

Chapter Seven sums up promising approaches and key risks in delivery.

Chapter Eight reports on messages from the report to central rather than local government.

Two

About this report

This report focuses on delivery of the social fund by local authorities in London, as part of CPAG's new London programme of work. Four in ten children in the capital live in poverty, the highest rate of any region, and support for families on low incomes is therefore particularly important here. The report presents an account of the existing social fund scheme that is being devolved to local authorities, examines some current options for delivery and looks at promising approaches and key risks.

The aim of the report is to provide a useful resource for local authorities considering how to use the money that will be devolved to them to replace current provision of community care grants and crisis loans through the social fund. CPAG's main concern around the delivery of new schemes is to ensure that families with children on a low income are protected from hardship, and have access to timely support. But we believe that to work for families the social fund needs to work for everyone, and therefore this report considers how replacement social fund schemes might work for all local residents.

We hope that new schemes can work to prevent hardship, and to give families more comprehensive support than the current scheme. But there is a serious risk that the devolution of the social fund to a local level with a reduced budget, and at a time of significant change and retrenchment in the social security system, could leave families with nowhere to turn in an emergency.

The report is based on a roundtable held in April 2012 with representatives from local authorities, voluntary sector organisations and credit unions; a series of in depth discussions with five local authorities and potential delivery partners; and desk research. It aims to provide insight into current thinking rather than a comprehensive account of planned local authority provision in London – which for the most part remains at a very early stage of planning.

Three

What is the social fund and what is happening to it?

This chapter provides a brief guide to the current social fund, focusing on community care grants and crisis loans, the parts of the fund for which funding will be devolved to local authorities.

What is the social fund?

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. It came into operation in 1988, following the Social Security Act 1986, and replaced single payments of supplementary benefit for one-off needs.[1] The original aims of the fund were:

- to support the government's economic objectives by containing expenditure within the social fund budget;
- to handle the arrangements in a way that did not prejudice the efficiency of the main income support scheme;
- to concentrate help on those facing greatest difficulties in managing on their income;
- to enable a more varied response to inescapable individual need than could be achieved under the previous rules;
- to break new ground in the field of community care.[2]

There are two distinct parts of the social fund.

- The **regulated** social fund covers one-off payments for specific circumstances. These are Sure Start maternity grants, funeral expenses payments, cold weather payments and winter fuel payments. The conditions of entitlements are laid down in regulations.[3]
- The **discretionary** social fund covers one-off payments for emergencies and items that are difficult to budget for. These are community care grants, budgeting loans and crisis loans. The conditions of entitlement are set out in directions,[4] but payments are discretionary and budget-limited.

Reforming the social fund

Making the case for reform, the government argued that the current schemes were failing to deliver:

> *'… parts of the scheme are poorly targeted and open to abuse. For example, Crisis Loan awards have almost tripled since 2006, with little evidence of an underlying increase in need. To ensure that the right support is offered to those in genuine need, we intend to reform the Social Fund.'*

It suggested that:

> '*It is difficult in a centrally administered system for staff to exercise a high degree of discretion. For example, in the case of Crisis Loans, where it is necessary to determine if there is a severe risk to the applicant's health or safety. These services can be more effectively run locally where they are linked to other support services*.'[5]

The regulated elements of the social fund will remain the responsibility of the DWP.

In the discretionary part of the fund, from April 2013, budgeting loans and the elements of crisis loans that deal with 'alignment' issues while claimants wait for benefits to be paid will be replaced by a system of advances within the new universal credit, which is to be introduced in 2013. The money currently available to support the remaining parts of crisis loans and community care grants will be devolved to local authorities. No ringfencing will be attached to the money devolved to local authorities, nor will there be any duty to provide a particular type of service. Local authorities will be sent a 'settlement letter' setting out the purposes for which the money is intended to be spent, and may be required to report on how funding has been used.[6]

On 17 January 2012 the government spokesman Lord De Mauley said:

> *'The settlement letter will set out what the funding is to be used for, the underlying principles, and describe the outcome that must be achieved. It will say that the funding is to concentrate resources on those facing greatest difficulty in managing their income, and to enable a more flexible response to unavoidable need. The letter will make explicit that the funding is to provide a replacement provision for community care grants and general living expenses crisis loans.*
>
> *The letter will go on to explain that community care grants were awarded for a range of expenses, including household equipment, and were intended to support vulnerable people to return to or remain in the community or to ease exceptional pressure on families. They were also intended to assist with certain travel expenses. It will also explain that crisis loans were made to meet immediate short-term needs in an emergency or as a consequence of a disaster when a person had insufficient resources to prevent a serious risk to the health and safety of themselves or their family.'*[7]

Local authorities will need to have a new scheme in place by April 2013.

Table 1 gives a brief summary of how these schemes will operate in the future, and we discuss each element in more detail below.

Table 1: **Existing and future social fund provision**

Current social fund provision	**Provision after April 2013**
The regulated social fund: funeral payments, cold weather payments, winter fuel payments and Sure Start maternity grants	Remain the responsibility of DWP
Budgeting loans	Replaced by a system of budgeting advances within universal credit from October 2013
Crisis loans for alignment purposes, benefit disallowance or sanction	Replaced by a system of short-term advances within universal credit from October 2013, or by DWP hardship payments
All other crisis loan expenditure	Funding devolved to local authorities
Community care grants	Funding devolved to local authorities

Budgeting loans

Budgeting loans, currently available to claimants on out-of-work benefits, will be replaced by a system of 'short-term advances' when the universal credit system is introduced from October 2013. The DWP has stated that:

> *'Budgeting Advances will replace Budgeting Loans and will be an advance within Universal Credit only. It will provide a lending facility for those who are least likely to be able to access mainstream credit. Budgeting Loans will remain for the existing claimants on an income related benefit until the transfer to Universal Credit is complete.'*[8]

There will no longer be a national scheme for either community care grants or crisis loans, with the money previously invested in these schemes being devolved to local authority level.

Crisis loans

> *'Crisis Loans are interest-free loans available to anyone (whether on benefit or not) who cannot meet their immediate short-term needs in an emergency or as a consequence of a disaster. Repayments are made directly from benefit where possible. Separate arrangements are made for people not in receipt of benefits.'*[9]

The average crisis loan award for 2010/11 was £83.[10]

Current eligibility for crisis loans

CPAG's *Welfare Benefits and Tax Credits Handbook* (2012/13) states that to be eligible for a crisis loan, you must satisfy all of the following conditions.[11]

- You must be aged 16 or over.
- You must be without sufficient resources to meet the immediate short-term needs of yourself and/or your family.
- You must not be an 'excluded person' (ie, in hospital or a care home, a prisoner, a member of a religious order, in relevant education, not habitually resident, involved in a trade dispute, or subject to certain jobseeker's allowance sanctions).
- You must not be a person subject to immigration control (with certain exceptions).
- The loan must not be for an 'excluded item'.
- The crisis loan must be to help you meet:
  - expenses in an emergency, or as a consequence of a disaster, where a crisis loan is the only means by which serious damage or serious risk to the health and safety of yourself or a member of your family may be prevented; *or*
  - rent in advance payable to a landlord who is not a local authority and where a community care grant is being awarded following a stay in institutional or residential accommodation.
- The loan cannot exceed £1,500.
- You must be likely to be able to repay the loan.
- You must not have had more than two previous crisis loans for living expenses in the last two years. (This does not apply if it was an alignment payment or for an unavoidable disaster or emergency.)

Crisis loan expenditure has risen rapidly since telephone applications were introduced in 2006 (although it is not clear whether it is solely the introduction of telephone applications that has driven this rise, and we discuss the issue of demand further in Chapter Four). The 2010/11 annual report on the social fund states that expenditure reached an all-time high in 2009/10, remaining at £228 million in 2010/11.[12] From 4 April 2011, the following changes were introduced to the scheme to try to limit expenditure:

- crisis loans for items such as cookers and beds are now only available following a disaster such as flooding;
- the rate paid for living expenses has reduced from 75 per cent to 60 per cent of the personal allowance benefit rate; *and*
- a cap of three crisis loan awards for general living expenses in a rolling 12-month period has been implemented.[13]

As the DWP believes that demand has been artificially inflated by the introduction of the telephone service, it will fund replacement provision at the level of crisis loan expenditure was introduced – that is, at 2005/06 levels.

A breakdown of expenditure on crisis loans is below. The largest proportion of spending was for alignment payments, which will be replaced by 'short-term advances' under universal credit. The DWP states that short-term advances *'will replace interim payments of benefit and Crisis Loans for alignment. These will be a payment on account of benefit. It removes confusion over whether a Crisis Loan or interim payment is more appropriate for someone awaiting their first benefit payment. This will streamline the system, so that it is simpler to administer and easier for customers to use, thereby reducing administration costs.'*[14]

However, items and services and general living expenses also accounted for around a third of expenditure each.

Table 2: **Crisis loan expenditure by application purpose**

Purpose	**Percentage of total amount**
Items or services	31.9
Rent in advance	6.1
Living expenses (general)	29.2
Living expenses (alignment)	32.8

Source: Annex 10, DWP (2011) Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2010-11, www.dwp.gov.uk/docs/2011-annual-report-social-fund.pdf

The DWP's December 2011 report on discussions with local authorities around delivery of the social fund provided a summary of how it expects existing needs covered by crisis loans to be met. Local authorities will be responsible for providing assistance for living expenses for individuals leaving care, when people have lost or had money stolen, where they cannot access their capital, where their fuel supply has been cut off, for general living expenses and in cases of disaster.

Table 3: **Crisis loan provision now and in the future**

Current reason for crisis loan application	Current expenses that may be met	How this will be met in future
Leaving care 16-18 year olds Disabled people Prisoners and young offenders Elderly leaving respite care	Living expenses (food and heating only)	New local authority Provision
Leaving care – rent in advance For example, young people or prisoners. Only applies if they qualify for a community care grant on leaving care.	Living expenses	Discretionary housing payments from the local authority or budgeting loans/budgeting advance from DWP.
Rent in advance (ordinary) Moving from one home to another, but the serious risk to the claimant's (families) health or safety is a criterion.	Living expense – rent	Discretionary housing payments from the local authority or budgeting loans/budgeting advance from DWP
Lost or stolen money/giro	Living expenses (food and heating only)	New local authority provision
Alignment (period before first payday) The claimant cannot manage until the first benefit pay day or first wage when returning to work.	Living expenses (food and heating only)	Short-term advances from DWP
Capital not realisable The claimant cannot immediately access assets – eg, premium bonds, house sale, insurance etc.	Living expenses (food and heating only)	New local authority provision
Reconnection of fuel supply The claimant is in crisis and fuel has been cut off.	Help with a reconnection charge (help may also be given when the claimant is in the red on their fuel meter but only so they are brought back to zero on the repayment meter)	New local authority provision
Benefit spent – living expenses required	Living expenses (food and heating only)	New local authority provision
Benefit disallowance The claimant is in a vulnerable category – eg, lone parent, disabled etc. (As hardship payments bring the benefit level up to 60 per cent of maximum, they are unlikely to receive a crisis loan.)	Living expenses (food and heating only)	DWP hardship payments
Benefit sanction Only in circumstances outlined under disallowance.	Living expenses (food and heating only)	DWP hardship payments
Disaster	Living expenses (food and heating only) or essential household items	New local authority provision

Source: Annex C, DWP (2011) Local fieldwork summary report, www.dwp.gov.uk/docs/social-fund-la-fieldwork-summary.pdf

Community care grants

> *'Community Care Grants are non-repayable grants awarded for a range of expenses including household equipment. They are primarily intended to support vulnerable people to remain in or return to the community or to ease exceptional pressure on families. Eligibility is conditional on receipt or imminent receipt of an income related benefit.'*[15]

The following are examples of the things that clients may currently apply for.[16]

- Furniture, cookers, beds, bedding and household equipment, floor covering, curtains and heaters.
- Moving expenses, including removal costs, fares and storage charges.
- Connection charges when setting up or moving home.
- Reconnection charges for fuel after disconnection. However, the DWP might only accept this where there are direct deductions from benefit to pay off the debt.
- Items which will improve living conditions such as minor repairs, redecoration, installation of a pre-payment meter, or a washing machine.
- Clothing and footwear.
- Maternity and funeral expenses that are arguably not covered by the regulated social fund.
- Items needed because of disability (including wheelchairs, stair lifts, special clothing, an orthopaedic mattress or an upright armchair).

The average community care grant award in 2010/11 was £466.

Current eligibility criteria for community care grants

CPAG's *Welfare Benefits and Tax Credits Handbook* (2012/13) states that to be eligible for a community care grant you must satisfy the following conditions.

- You must be in receipt of a qualifying benefit.
- You must not have too much capital.
- You or your partner must not be involved in a trade dispute.
- You must not be a 'person subject to immigration control'.
- The community care grant must not be for an excluded item.

You must also show that you need the grant for one or more of the following qualifying conditions.

- To help you, or a member of your family, or other person for whom you or a member of your family will be providing care, to establish yourself (or her/himself) in the community following a stay in institutional or residential accommodation in which you (or s/he) received care.
- To help you, or a member of your family, or other person for whom you or a member of your family will be providing care, to remain in the community rather than enter institutional or residential accommodation in which you (or s/he) will receive care.
- To help you to set up home in the community as part of a planned resettlement programme following a period during which you have been without a settled way of life.
- To ease exceptional pressures on you or your family.
- To allow you, or your partner, to care for a prisoner or young offender on temporary release.
- To help you, or members of your family, with travel costs within the UK to visit someone who is ill, to attend a relative's funeral, to ease a domestic crisis or to move to suitable accommodation.

The 2011 social fund annual report states that in 2010/11, over 254,000 payments were made, from a total budget of £141 million.

Details of community care grant expenditure for each local authority are available on the DWP website.[17]

Table 4 shows the categories of expenditure, with over half of grants going to 'families under exceptional pressure'.

Table 4: **Community care grants – type of expenditure 'expenditure by direction 4'**

Direction 4 condition satisfied	**Percentage of total amount**
People moving out of institutional or residential care	7.2
Helping people stay in the community	28.5
Families under exceptional pressure	56.7
Prisoner or young offender on release on temporary license	0.2
People setting up home as part of a planned programme of resettlement	6.2
Travelling expenses	1.1

Source: Annex 6, DWP (2011) Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2010-11, www.dwp.gov.uk/docs/2011-annual-report-social-fund.pdf

Four

Current and future demand

This chapter looks at who is likely to need to access provision provided by local authorities and at possible drivers of future demand for the type of support that the social fund currently provides. It then looks briefly at how local authorities might think about reducing the need for the social fund, a theme continued in the next chapter, before discussing claimants' views on provision.

Who accesses the social fund?

To access community care grants, claimants must be in receipt of a qualifying, income-related benefit.[18] Anyone can access a crisis loan, but they must show evidence of need.

Table 5 shows the client groups who, in 2011, used the parts of the discretionary social fund that will be devolved to local authorities. Disabled people and lone parents made up the largest client groups.

Table 5: **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	8.4	1.3
Unemployed	17.4	54.2
Disabled	30.8	18.5
Lone Parents	30.4	14.9
Others	13.0	11.2

Source: adapted from Annex 5, DWP (2011) Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2010-11, www.dwp.gov.uk/docs/2011-annual-report-social-fund.pdf

Research[19] published by the Joseph Rowntree Foundation in 2006 looked in more detail at the factors associated with accessing the social fund, and the findings reflect the figures in Table 5. It found that:

- Pensioners received a disproportionately small proportion of social fund expenditure compared to their presence in the eligible population. The report suggests that a lack of knowledge, the stigma of applying, communication difficulties, high repayment rates for budgeting loans and an antipathy to borrowing all hold pensioners back from applying.
- Couples with children and single parents were significantly more likely to have accessed the social fund than those without children.
- Those in rented accommodation were more likely to receive awards than those who owned their own home, particularly those in council or housing association properties.
- Disabled people were significantly more likely to receive a community care grant or budgeting loan.

Drivers of demand

Demand for crisis loans has risen significantly since 2006, at the same time as a telephone claiming system was introduced. We do not have a clear analysis of what has driven this increase. DWP data suggests that crisis loans given for alignment payments and living expenses have gone up broadly in line with the increase in claims for jobseeker's allowance that accompanied the recession. The DWP argues that an increase in applications by young people is driving this rise (although it does not supply the data in its report to back this up) stating that: '*we know that demand is largely being driven by young people under 25. Even when taking into account the relatively high levels of youth unemployment during the recessional period, actual demand outstrips forecasts.*'[20]

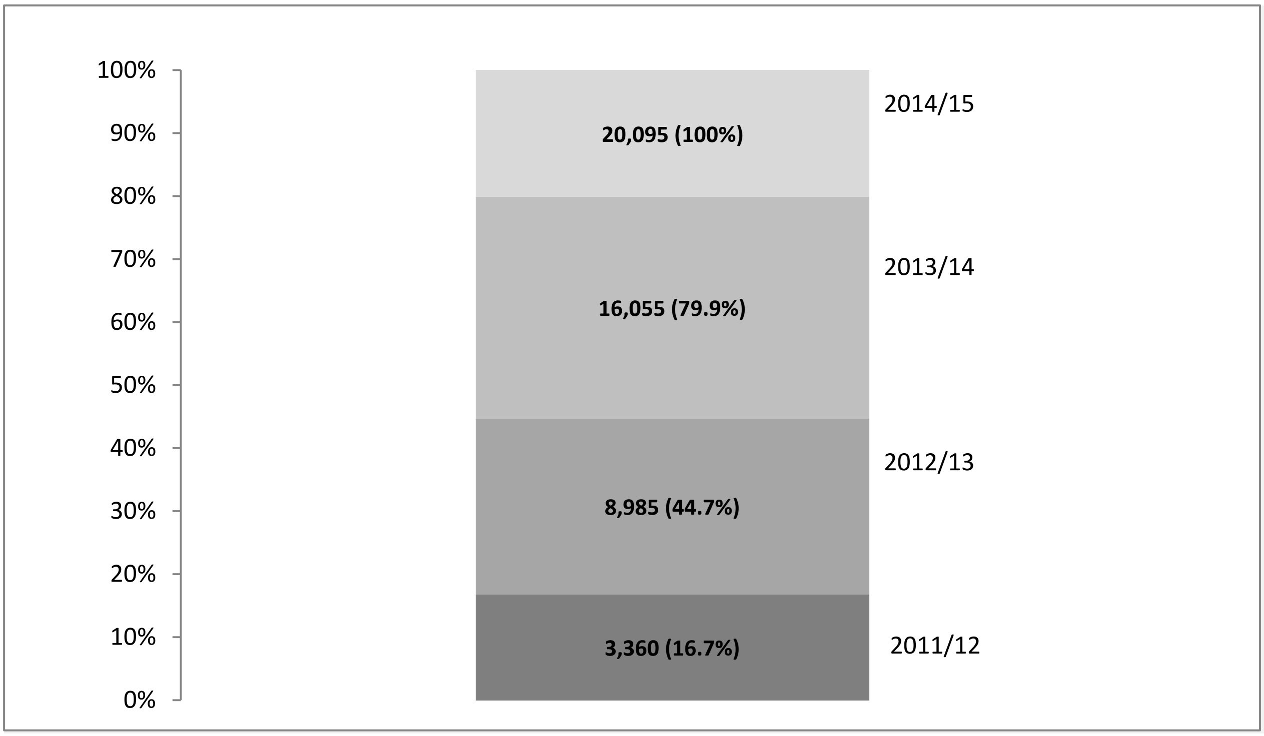
However, other services such as foodbanks have also seen a sharp rise in levels of demand. The Trussell Trust, one of the main food banks in the UK, states that '*foodbanks fed 128,697 people nationwide in the last financial year, compared to 61,468 in 2010-11: an increase of 109%. Many of those helped were families struggling as a result of rising food and fuel prices combined with static incomes, high unemployment and changes to benefits. 45,898 children have been fed in the last 12 months.*'[21]

Levels of demand for the support provided through replacement social fund schemes are likely to depend on national and local employment levels, and are difficult to predict. But there are some factors that we do know are likely to increase demand. We discuss these below.

The impact of overall benefit cuts

In 2011/12, the total loss to families from welfare cuts was £3.360 billion. This year it will be well over double that, at £8.985 billion. However, this still is not even half the full amount of cuts that families will be experiencing by 2014/15. During the current year, families will still be waiting for 55 per cent of the full cuts to hit them.

Chart 1: **How cuts to social security accumulate to £20 billion annually by 2014/15 (£ million)**



Source: figures from HM Treasury

The specific impact of housing benefit cuts in London

The way that housing benefit is been calculated is changing, with significant impacts for families. These cuts are likely to have a particularly harsh impact in London, with 54 per cent of families affected by the overall benefit cap being found in the capital.

- Local housing allowance (paid to those in private rented accommodation) has been limited to the 30th percentile of costs for rental housing in a 'broad market rental area', down from the limit being placed at the 50th percentile. From 2013, the 30th percentile rates will not be uprated in line with actual rents, but instead with inflation measured using the Consumer Price Index.
- In addition, fixed caps have been placed on the total amount of local housing allowance payable to those in private rented accommodation, ranging from £290 a week for a one bedroom home, to £450 for a four bedroom property.
- From 2013, the government will introduce a cap of £500 on the total amount of benefit that 'workless' families can receive. Families containing someone claiming disability living allowance or the support component of employment and support allowance will be exempt, and the cap will only apply nine months after first claiming as an unemployed person, providing that they have been in work for 12 months prior to making the claim. The government's own impact assessment finds that over half of households affected by the benefit cap are in London.[22]

A report commissioned by London Councils from Navigant Consulting[23] found that as a combined result of these changes:

- 133,000 workless households in London, 20 per cent of the total, will be unable to afford their current rent as a result of either the household or LHA cap.
- 11 per cent of workless households, some 73,000 in total, would experience a shortfall in their benefits against their living and housing costs as a result of the household benefit caps.
- Almost two-thirds of these households will face a shortfall equivalent to more than 10 per cent of their living cost benefits. Over a third face a shortfall above 20 per cent and one in six of over 30 per cent.
- The household cap has a disproportionate impact on families and on larger families in particular.

It is not yet know how families will react to these changes, which will result in much accommodation in inner London becoming unaffordable for families.[24] Some families may seek (or be placed by their local authority in) cheaper accommodation either within London or elsewhere, and may come to the social fund (or its replacement) to access support with this transition. Some families may want to stay put, and end up in overcrowded properties; this may again increase the demand on the scheme for essential items.

Changes to disability benefits

Currently, 30 per cent of community care grant expenditure, and just under 20 per cent of that on crisis loans, goes to people with a disability. Changes to disability benefits might also therefore be expected to increase demand.

- Around 700,000 people are expected to lose out by 2015/16 from the abolition of contributory employment and support allowance for those in the work-related activity group after one year, with the DWP estimating net losses at £36 of week.[25]
- By 2015/16 around 500,000 fewer adults are expected to be eligible for the new personal independence payment than would have been entitled to disability living allowance.[26]

The introduction of universal credit

Universal credit will be introduced in phases from 2013. While we hope the introduction will go smoothly, there is a risk that glitches in delivery, of the type that saw widespread overpayments and problems for tax credit claimants when the last major reform of benefits was introduced in 2003/04, could see claimants ending up at the doors of local authorities. As one local authority we spoke to put it, '*people are used to coming to us when they have problems*.'

Can local authorities influence demand?

Demand for local authority provision will obviously depend on the specific eligibility criteria set within each borough for any replacement scheme. But local authorities may be able to use their other services in order to reduce the need for social fund replacement provision. Ideas include:

- Cross-authority work when people are rehoused to minimise the need for clients to apply separately for a grant to refurbish a new home.
- Work with advice services to maximise benefit entitlement, and to deal with problem debts. However, it should be noted that benefit levels leave families well below the poverty line;[27] many social fund claimants will be turning to the fund not due to poor money management, but due to the fact that meeting an additional cost such as a broken cooker is simply impossible on a benefit level income.
- Work to encourage affordable sources of credit such as credit unions. We discuss this further in Chapter Six, but the flip side of this is that many local authorities mentioned a concern that families could turn to high cost lenders if no alternatives are in place.
- Work to ensure that school costs such as uniforms and the costs of school trips are kept to a minimum for low-income families.
- Some local authorities suggested that their work to increase local employment rates should, in the long-term, reduce the need for the scheme.
- Local authorities have a duty under the Child Poverty Act 2010 to produce a local child poverty needs assessment and strategy. Measures to reduce child poverty should also reduce demand for the social fund, although it should also be noted that the social fund can play a key poverty prevention role.

What type of scheme do claimants want?

The Joseph Rowntree Foundation research published in 2006 conducted a series of focus groups with both benefit claimants and non-claimants on what a revived social fund might look like. The context for this research was very different: the research considered a national scheme, and one that was assumed to have the potential to become significantly more generous. But some of the findings are still relevant to the design of local schemes. In general, respondents in the focus groups wanted to see:

- ***A more generous scheme.*** In general, the research found that the scheme should give grants for a broader range of items, and that access should be extended to those in low-paid work, as well as on out-of-work benefits. As discussed below, this is unlikely to be possible with the current level of funds being devolved for social fund delivery, but it may be a future consideration.
- ***A scheme based on need rather than client group.*** There was a strong preference for eligibility to be based on individual assessments of need, rather than a categorisation of household type or type of benefit.
- ***Grants rather than loans.*** Grants were generally seen as preferable to loans. However, the research states that: '*Notwithstanding the popularity of grant-based reforms to the Social Fund, participants – current benefit recipients and non-recipients – were in favour of retaining a loan scheme, principally as a welcome alternative to using 'loan sharks' and as a way of extending provision to other low-income groups not currently eligible. In addition, some form of crisis award, whether a grant or a loan, was seen as a necessary part of the scheme.'*
- ***Payment in kind.*** The research found a preference for people to receive goods in kind, whether in the form of vouchers, or by the use of special stores or catalogues, although acknowledged that there were risks that this could be stigmatising (the researchers stated a view that these risks had been under-estimated by research participants).

The DWP published small scale 'customer insight' research[28] based on telephone interviews with claimants of community care grants in 2011. Key findings included:

- Participants preferred face-to-face applications, followed by phone, post or online.
- Concerns were raised around postcode lotteries within the existing system; for example, prisoners in the same prison being offered different levels of support through community care grants on release depending on their Jobcentre district.
- When questioned about the possibility of local provision, preferences for a more local provider were linked to the possibility of face-to-face provision, and '*Customers associate community care grants with claiming benefits so there is a strong link to [Jobcentre Plus] that may act as a barrier to an alternative provider.'*
- It also looked at the question of grants or cash, and found that:

  'Just over half of customers said they would be content to be supplied with goods instead of cash, especially white goods. Of those who preferred cash, they cited choice and being able to 'shop around' as the main reasons. Vouchers would be acceptable providing they allowed an element of choice in supplier and manufacturer.'

  'Most customers said they would accept reconditioned white goods (drawing a clear distinction between reconditioned and second-hand), providing they had a guarantee and proved reliable. Second-hand beds, bedding and clothes were considered unacceptable. The exception to this was ex-offenders who mainly wanted cash for clothes. The cash was seen as an important part of their resettlement package.'

  One community care grant client is quoted in the research as stating that: '*The most important thing for me is that you know who to go to and that it is easy to access.*'

Five

Delivering a new scheme: current local authority thinking

This chapter looks at current local authority thinking about delivery, based on conversations with five London local authorities. Different authorities are at different stages of development of a new scheme, and this represents a snapshot of current thinking, rather than a comprehensive review of possible approaches across London. We look at which department within the council is taking a lead, at eligibility criteria and assessment options, at the type of provision being considered and potential partners (discussed further in the Chapter Six), at appeals and reviews, monitoring outcomes, and the extent to which provision is being aimed at meeting other council priorities.

Although the funding that will be devolved to local authorities is for two distinct types of provision, community care grants and crisis loans, all of the authorities that we spoke to were planning to run an integrated scheme.

Where within the council does the social fund sit?

In three of the local authorities we spoke to development of the scheme was being led by the Revenue and Benefits divisions. In the other two it was being developed by cross-cutting corporate strategy or policy teams, but most expected Revenue and Benefits teams to be taking a lead.

It was emphasised that new schemes would require the involvement and buy-in of both children's and adult services teams, and close links with housing in order to be successful. Clients needing a community care grant are often in contact with local authority services. For example, housing services may advise clients they are rehousing to access a community care grant to furnish the new property, and social workers often assist their clients with accessing grants. However, it is important to note that many potential clients will not currently be accessing any local authority service.

Some local authorities were thinking about how to ensure an integrated approach to the full range of discretionary payments they will be managing. In addition to replacement social fund provision these include:

- discretionary housing payments;
- homelessness prevention funds;
- Section 17 payments under the Children Act (to promote the welfare of 'children in need').

Eligibility criteria and assessment

Most local authorities had not yet developed detailed eligibility criteria for their schemes, but were thinking along the lines of serving broadly similar client groups to the present scheme. However, it was emphasised that the level of funding that will be given to local authorities, in particular the reduction in expenditure on crisis loans to 2005/06 levels, means that authorities will be able to help significantly fewer people, and will have to plan and profile expenditure carefully. One authority estimated that due to the capping to 2005/06 expenditure levels it may have to turn down around 800 families who would previously have been considered vulnerable, if the new scheme replicated the current one. It was in any case planning on restricting repeat applications to the scheme.

A key issue emerged around local connection rules. Charities involved in the roundtable expressed fears that if applicants to local schemes are asked to prove a local connection, families who have had to move, such as those who have experienced domestic violence, or those leaving prison, may find themselves with no way of accessing support. However, authorities emphasised the need for an integrated approach across London; one local authority that has a central transport hub at its centre, was concerned that it may end up as the first point of call for many vulnerable people. It emphasised the experience of seeing refugees and asylum seekers camping out at its offices and the risk of this happening for families or individuals unable to access emergency support.

Local authorities that had got as far as thinking about how applications were assessed were planning on offering both telephone-based and face-to-face provision. One local authority was planning to run a telephone service, backed up by an online facility where council employees such as social workers could make applications. Frontline staff would be available for those needing emergency support; a key issue to emerge in the roundtable discussion was around what to do with the 'three o'clock on a Friday afternoon' clients who need urgent access to financial support.

A further difficulty emerged around using benefit entitlement as a criterion of eligibility. Although clients should be eligible for 'short-term advances' under universal credit, those who require money because there have been delays in their application may be stuck in a 'catch-22' situation where they are also unable to access locally provided support. The introduction of universal credit will also mean that eligibility criteria may need to become more complex. Whereas at present there is a fairly clear line between 'in-work' tax credits, and 'out-of-work' benefits (which at present enable access to the community care grant scheme), universal credit will integrate these two systems.

One authority was considering how to ensure an integrated assessment process for the full range of council discretionary support. It was also working with a local grant making charity to see whether there was the potential to offer a fully integrated service that would include access to the charity's own support. Another local authority also emphasised that in determining eligibility and prioritising need it would need to take a common approach across the full range of its discretionary spending, including discretionary housing payments.

The DWP has not yet announced how much money will be given to local authorities under the 'new burdens' legislation to enable them to deliver replacement schemes. The DWP has said that the localised scheme will not cost more to run than the current national scheme,[29] but there is concern that this may mean a serious shortfall in administrative costs, as administering local schemes effectively may be more expensive than the current centralised call centre-based system. One local authority calculated that on a basic administrative model, the costs of delivery would come to around 20 per cent of the total funding it expects to receive (in contrast with the cost of administering housing benefit which comes in at around 2 per cent of total expenditure). Local authorities' ability to run an assessment service will depend on the level of administrative funding.

Another local authority also mentioned the possibility that applications to the fund would have to come through referrals only (eg, from social workers), but there are concerns that this will lead to many families who currently access the scheme, but have no contact with social workers, losing out.

Local authorities may want to examine the options for sharing the costs of administration with neighbouring councils.

What type of provision?

None of the local authorities we spoke to were currently planning on providing support in the form of cash, although some had not entirely ruled this out.

The local authority that had got furthest in its thinking was planning on replacing the majority of community care grant provision with access to goods from a local furniture recycling scheme. Clients will be given a voucher for use with the scheme, and have a choice of goods, all of which would be under warranty. Although the issues of stigma and lack of choice involved with this type of scheme were considered, the local authority felt that the savings it could deliver outweighed the cost; the 10 per cent discount it had negotiated with the scheme will allow it to help around 10 to 15 per cent more families. The local authority that was considering partnership with a local grant making charity was considering using that charity's model, which provides vouchers for use with local suppliers.

One authority had also considered in detail the issue of how to support families who needed emergency help of the type currently provided through crisis loans. It was opting to use payment cards with local supermarkets – Sainsbury's and Tesco – which are centrally located within its borough. It believed that use of these cards would not be stigmatising and also emphasised that they could restrict expenditure on these so as not to allow the purchase of cigarettes or alcohol.

The issue of whether payment cards are likely to be stigmatising was discussed at the roundtable event. Concerns were raised by voluntary sector organisations about the use of anything that marked out social fund claimants, with the negative experience of the voucher scheme used to support asylum seekers raised as a cautionary example of how not to do it. Key considerations in the use of payment cards may be the extent to which it is possible to provide cards that look like normal store cards, the extent of choice given to claimants (whether they are accessing goods or using a payment card) and with payment cards when used for emergency payments for food, whether claimants are able to receive change, or to shop around to ensure that they get the best value.

There were some needs which are currently met by the social fund which no local authority had yet resolved how to deal with. These include:

- ***Travel costs – including to funerals.*** One authority was considering whether it could book tickets for people, but were concerned about the practicalities of this. It emphasised that it would make having previously applied for alternative funds a condition of eligibility.
- ***Reconnection of fuel supply.*** Crisis loans are currently available to reconnect people who have been disconnected from their fuel supply. One local authority was struggling to find a way to replicate this without using cash; making arrangements with the large number of potential fuel suppliers seemed impractical.
- ***Support with disasters.*** Local authorities were principally worried about what would happen to their resources if they were faced with a large scale local issue such as rioting or flooding, and how they would prioritise need.

None of the local authorities we spoke to thought that it would be feasible to provide loans as they would be unable to recover them through the benefit system. The DWP has also suggested that it doesn't expect local authorities to act as lenders. But there is a concern that an inability to access any form of cash may mean that residents are more likely to turn to high cost lenders when in need, as they are likely to be unable to access other forms of credit.

Working with partners

All local authorities we spoke to were keen to work with external partners. This included the idea of working with local schemes and charities to help procure goods and services, partnering with advice services to ensure both knowledge about the replacement scheme and advice on debt, and working with local credit unions to enable access to an alternative form of loan. The potential for working with these types of partners is discussed in more detail in Chapter Six.

Appeals and reviews

The roundtable discussion highlighted the fact that the type of dispute process that local authorities will need to have in place will depend on the how decisions are made and what the rules are. Key considerations when setting up appeal and adjudication processes include the need to publicise the scheme, and for the guidance given to officials to be publicly available (at present the *Social Fund Guide* is online), and the need for decisions to be given in writing, with details available of what claimants should do if they wish to dispute them.

The current crisis loan dispute mechanism is very rapid. Although there are no legal time limits for carrying out reviews, the Social Fund Independent Review Service has stated that all reviews should be carried out within 10 working days, and a review of a crisis loan decision relating to urgent living expenses should be completed on the day the request is received.[30] Most local authorities who had thought about this were planning to provide an internal review service, either of the kind currently run for discretionary housing payments or through their existing complaints procedures. Matching the timescales of the current system was thought to be difficult. One authority commented that the current dispute mechanism for the social fund, the Independent Review Service overseen by the Social Fund

Commissioner, is very highly thought of. Although this will be abolished, the ideal scheme would have been for local authority criteria and decisions to be reviewed by this type of independent arbiter.

Monitoring outcomes

The DWP will be conducting an assessment of replacement provision for the social fund in a sample of local authorities in 2014/15. However, Lord Freud, the responsible DWP minister in the House of Lords recently stated that:

> *'Whilst the 2014-15 review will provide some overview of the efficiency of the scheme, it will be for local authorities to ensure that day-to-day services provided for their communities are effective, efficient and offer good value for money*.'[31]

None of the local authorities we spoke to had yet thought in depth about monitoring the outcomes from the new scheme, although one authority was considering setting up an interim scheme in order to gather local data about the level of need and the type of provision required, prior to deciding finally on the nature of the scheme. This authority also noted that local authorities would need to be aware of their statutory duties when setting up social fund schemes, including:

- the duties on public sector bodies under the Equality Act 2010;
- the duty to promote children's and young people's wellbeing and welfare under the Children Act 1989;
- the duty to provide advice, information and assistance on childcare under the Childcare Act 2006.

Meeting broader aims

Most of the local authorities we spoke to were keen that the scheme they establish should promote the broader objectives of the local authority, including promoting independence and employment. Initial thinking primarily saw these ideas being realised through links between grant provision and access to advice services. Some authorities were also thinking about how to promote credit union use, with options including at the one end referring all those refused a grant to a local credit union and, at the other, making sure that all those who need to access a grant have a deposit made into a credit union account. The options for working with partners are discussed further in the next chapter.

However, it was emphasised that the social fund at present provides a backstop to the rest of the social security system, a place of last resort, and that this is likely to remain a function of any new scheme.

Six

Potential partners

All the local authorities we spoke to were keen to involve local partners in the delivery of the social fund. This chapter examines the options for this, looking at the potential role of credit unions, advice agencies, local charities and the Family Fund.

Although we do not discuss the potential for working with Jobcentre Plus in depth here, good communications between Jobcentre Plus and local authorities will be essential if the scheme is to be a success. People are used to going to Jobcentre Plus for support of this type, and Jobcentre Plus staff will need to have clear information about who is likely to be eligible for support, and where they should be signposted to.

Credit unions

Credit unions are often highlighted as a possible 'solution' to the 'problem' of the social fund. The last government consulted on the potential of asking credit unions to deliver budgeting loans, and they have been often mentioned as partners for local delivery.

There are clear advantages for local authorities in seeking to work with credit unions to help low-income families access more affordable credit. Credit unions are experienced in lending to people in these circumstances, and have developed expertise in both assessing eligibility for loans, and in signposting or providing access to financial advice, with financial education one of the key aims of the credit union movement. The DWP has invested in a growth fund to encourage the expansion of credit unions, and is currently deciding how best to invest a further £73 million in order to *'benefit many more financially excluded people by giving them access to affordable bank and savings accounts and other financial services that meet their needs.'*[32]

Credit unions are also keen to work with local authorities in this area. We spoke to one community finance development institution (CDFI), and to the Association of British Credit Unions (ABCUL), who also shared with us their response to the Welsh Government's recent consultation on possible replacements for the social fund.

There has been particular interest in the ability of credit unions to deliver some kind of loan scheme, in the absence of local authorities being able to do so. As ABCUL put it in its response to the Welsh Government consultation:

> *'credit unions are experienced in assessing, approving and delivering applications for loans, as they are in the collection and enforcement of payment, all of which will be critical to the successful delivery of the scheme but are likely to be lacking from many other possible delivery mechanisms.'*[33]

However, the involvement of credit unions in this type of scheme is not uncomplicated. Issues highlighted in these discussions included:

- ***The costs of administering loans.*** Both the CDFI we spoke to and ABCUL emphasised that credit unions and similar institutions could not deliver an expanded loan scheme to those on low incomes without some financial and, possibly, infrastructure support.
  ABCUL state that it is unlikely that the interest cap of 26.8 per cent APR imposed by the Credit Unions Act would be sufficient to meet the costs of administering a social fund replacement scheme as the typically small, short-term loans would be likely to generate less in interest than they would cost to administer.
  The CDFI we spoke to charges rates of 59 per cent for a first time loan, and 49 per cent for subsequent borrowing, which covers its current costs. However, it too emphasised that if it were to expand short-term lending it would need financial support to do so from the local authority, and potentially infrastructure support to enable the set-up new processes. The CDFI also mentioned that it would be unlikely to be willing to hand out cash from its offices, and would need other arrangements here.
  Although plans are underway for a central banking platform for credit unions, possibly to be delivered through post offices, finance for this is uncertain, and it is unlikely to be in place for another three or four years. At present, all credit unions are independently managed, and have their own arrangements and criteria in place.
  There are also issues of capacity. Credit union presence is variable in different boroughs, but at the moment even the largest credit unions are not accessible to the majority of people. Despite significant growth in the sector, at the end of September 2011 credit unions in Great Britain had just 836,339 adult members.[34]
- ***Independence.*** Some credit unions were wary of losing their independence, and being seen as too closely associated with local authority provision. This was both because they wanted to be able to maintain their own criteria for lending, and because they were worried about the implications of having to turn people down for loans that have previously been provided by the state.
  The CDFI we spoke to said that it had withdrawn from the second phase of the DWP's growth fund because it was unhappy with the business model it imposed on them, and emphasised that it would need to agree the aims of any partnership with a local authority.
  This organisation was less worried about the reputational risk involved in turning people down for a loan: it regularly does turn people away, but emphasises an approach which explains to clients what they need to do in order to be eligible for a loan (eg, in terms of reducing discretionary spending) and advises them to return in three months. Many of clients do follow this advice, and gain a loan on a second application.
  However, as is evident from the term 'crisis' loans, many of those who may be looking for short-term financial support may not be able to return in three months' time. ABCUL's response to the Welsh Government consultation emphasised the risks for credit unions in this area, particularly where there is a finite amount of funding, stating that: *'Credit Unions are likely to be wary of involvement that might mean their having to issue a final decision on support to an individual on*

the basis that funds have already been exhausted for the period in question if there were no contingency arrangements in place for such circumstances.'[35]

Advice agencies

Everybody we spoke to was keen to emphasise the role that welfare advice and debt advice could play in both ensuring that local residents had access to local schemes and, in the longer term, reducing reliance on such schemes through helping people to maximise their incomes and to manage their debts. One possible approach emerging was to require claimants to seek advice as a condition of claiming a grant or support; although clearly thought would have to be given as to how to enforce this in crisis situations where support is needed instantly. The potential to link this type of advice more effectively to the provision of grants was seen as one of the key ways in which the new provision could improve on the current scheme. All of the local authorities were actively engaging with advice providers in their area.

However, advice providers are also likely to have some reservations about taking a formal role in the delivery of a local authority scheme, and have similar concerns around independence as credit unions. Citizens Advice in England's briefing for local bureaux on the social fund suggests that while they should engage actively with local authorities in developing new provision, this *'could raise sensitive issues about protecting client interests*' and advise that *'bureaux should not be involved in who does or doesn't qualify for an award.'*

Grant giving charities

There are several charitable organisations across London who work at borough-level to give grants to local residents. Often these grants are used as complementary to social fund provision, meeting needs that cannot be met through the current statutory system. These charities will need to rethink their own criteria in line with new local priorities, and there may be opportunities to provide a more holistic service to local residents through working with local authorities, with benefits for both sides.

We spoke to one grant giving foundation that was considering this approach. It currently provides grants to local residents, who apply either in person or through a support worker. Those who apply individually receive a personal visit and assessment from the grants officer, and all applicants are also signposted to other forms of support, including financial capability training. They see the benefits of working with the local authority as enabling a more integrated service, including the possibility of a joint assessment process for support from either the local authority scheme, or the charitable foundation, or both. The local authority would benefit from their grant giving expertise, and an additional source of funds to refer people to, and there may be opportunities to bring in additional (charitable or other) funds into the joint scheme to provide a better service for residents.

Once again, however, there were concerns about independence, with the foundation being clear that it wishes to maintain its own criteria for grants. It also raised issues about whether it would be subject to any formal appeals or complaints procedures if a joint assessment process is adopted.

The Family Fund

The Family Fund charity has provided grants for families caring for disabled and seriously ill children for nearly 40 years. Last year, it delivered grants to around 59,000 low-income families with severely disabled children, distributing around £33 million of funding on behalf of the four UK governments. The Fund aims to help families to lead ordinary lives, and it provides grants for many items, including washing machines, fridges and clothing. It makes three-quarters of its grants using store-branded payment cards, vouchers and direct credits. Families are provided with a 'managed choice'; they are given a financial limit and the name of approved suppliers, but can choose the goods they need within those parameters. The Fund also provides cash as needed.

The Fund therefore has considerable experience of grant-making and procurement, including long-standing relationships with Comet, Argos and the Park Group. It makes this available to third parties through Family Fund Trading Ltd (FFT), and is keen to help local authorities set up replacement social fund schemes. Any profits will be reinvested in its core grants. At present, it is offering a service at three levels.

1. You decide, we deliver
Under this option, local authorities set eligibility criteria and undertake the assessments. It notifies FFT of approved grants via a web-based portal and FFT sends a payment card, voucher or cash to recipients. FFT would share part of its discounts, which it estimates would give authorities savings of around £22,000 on a budget of £500,000. The authority would pay FFT an initial set-up charge and an annual support fee.

2. We help you decide, we deliver
This option would replicate the above but the FFT would also provide an online platform to support the eligibility assessment (using the local authority's criteria). The local authority would use the online system to input, assess and award a grant. This option would also provide councils with a wide range of management information about applications. Again, there would be estimated savings of £22,000 on a £500,000 budget and the authority would pay FFT an initial set-up charge and an annual support fee.

3. We do it all for you
This would involve the local authority outsourcing bespoke elements of the grant administration service to FFT to administer centrally. FFT would decide and deliver using the local authority's criteria. Options might include contact handling or aftercare and applicants might be referred locally or apply directly to FFT. Reviews in the case of disputes could be carried out by another team within the Family Fund, as with its present grants scheme (although thought would have to be given as to whether this would meet the statutory requirements for local authorities).

Obvious advantages of the scheme include the substantial discounts that can be negotiated with suppliers. One clear drawback is that option three, at least, removes the original aim of localisation to ensure that those with knowledge of local need are making decisions about eligibility, and to some extent replicates the existing telephone-based system, although the Fund stress that applications could be referred to them from local services. As with local authority schemes, concerns remain as to how non-'goods' based needs might be met such as travel costs and fuel reconnections.

Seven
Summing up: promising approaches and key risks

Local authority planning around the social fund remains at an early stage. In this chapter we summarise potentially promising approaches and highlight the key risks involved in delivering a new scheme.

Promising approaches

No big bang

Some local authorities are considering introducing an interim scheme to replace the social fund in 2013/14. This will allow for assessment of the level of need, and trialling of different approaches. This seems to be a sensible way to proceed, although it is vital that a bare bones interim scheme does not become the default provision – and clear mechanisms for review need to be in place if this approach is adopted. We recommend that the evaluation of any interim (or permanent) scheme collect the following data as a minimum.

- 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.

Integrated assessment processes

Local authorities run a number of discretionary payment schemes, and there may be access to other funds, such as those from charitable foundations, within the borough. It seems sensible for residents to be assessed for their eligibility for this type of support at one time – rather than having to pass through multiple assessment procedures. This will require joint working across different departments, including housing, revenue and benefits, and adult and children's social services. We are not recommending that the different forms of payment are integrated into one fund; they have clear and distinct purposes. Rather, we are suggesting 'hiding the wiring' from the resident's perspective, so that wherever they enter the system, whether through housing, social services or through applying for a social fund type payment, their eligibility for the full range of support is determined. This should also, hopefully, save administrative costs for the local authority, and ensure that policies imposed by one part of the council are not frustrating the intentions of another. One local authority said that its housing department had raised concerns that a new social fund scheme would restrict its ability to rehouse residents in unfurnished properties; an integrated approach should help with this type of issue (even if cost pressures mean that they are unlikely to be fully resolved).

Maintenance of some form of cash payment

We understand that local authorities are faced with a dilemma between the desirability of making cash payments to avoid stigma, and the potential for savings from the bulk procurement of goods. If they choose to go down the goods route, we 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. Local authorities may also want to consider whether to prioritise local purchasing in order to boost the local economy, or to think about the savings possible through joining a large procurement scheme.

Whatever the route chosen, local authorities will need to retain some type of provision to make cash payments in emergency cases; most notably when people are threatened with fuel disconnection or for travel costs, although we recommend that there is some flexibility around these. While authorities may want to make this a minor part of their schemes, and will have to think carefully about how to ration such payments, we believe that some form of cash provision is likely to be indispensable.

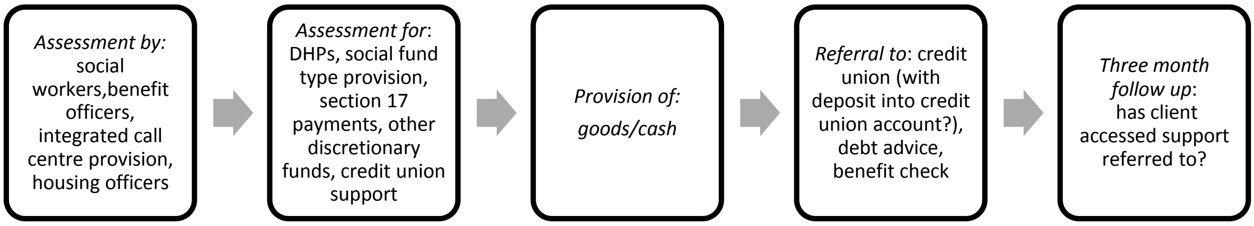
Clear referral routes to other help and support

There is a real potential for local authorities to improve on existing arrangements to deliver a more integrated scheme that not only meets immediate need, but enables residents to access further help and support. Both credit unions and advice agencies may have a key role to play here, with the potential to link applicants to benefit checks and debt advice, and perhaps to establish links or deposit schemes with credit unions to enable residents to save or borrow on a more sustainable basis. One local authority suggested that every application for social fund-type support could also be viewed as a credit union application. Signposting in these situations is unlikely to be sufficient; many of those claiming support may be in crisis, and unready to access this type of support immediately. But ensuring that follow-up calls are made to all those who have received social fund-type support could help, as could incentives to engage with credit union provision such as a small deposit into a savings account.

These options may not seem feasible with the current level of social fund funding. But, in the long-term, they should help to reduce demand for the fund, and possibly for other local authority services.

However, it should be remembered that most social fund claimants do not seek support due to poor money management, or a lack of support. Those who on a low income often simply do not have any spare capacity to meet unexpected costs; whatever scheme replaces the social fund needs to recognise their needs.

Illustrative model for a replacement social fund scheme at local authority level



Key risks

The key risks for local authorities stem from the level of support that will come from central government, for both provision and administration of the new scheme. Local authorities are being handed a reduced pot of money, and an as yet undefined amount of support to administer it, at a time when significant changes in the social security system are likely to increase demand for this type of support.

As we highlighted in the Chapter Four, changes to housing and disability benefits, and potentially the introduction of universal credit, are likely to increase the demand for local authority support, both in terms of understanding the changes, and in mitigating their impacts. This also comes at a time when a significant proportion of frontline local authority staff, those administering housing benefit, are expected to see their role diminished, as the payment of housing costs transfers to universal credit.

The key risks identified by the local authorities that we spoke to included:

- ***The inability to accurately predict demand.*** Local authorities will need to profile expenditure over the course of a year to avoid a situation (seen in the current social fund) whereby claimants applying at the end of the financial year are likely to lose out. However, 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. Clear communications will be vital to reduce this risk (which it is unlikely can be eliminated), along with transparent appeal procedures.
- ***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 residents who cannot prove a local connection (eg, if they are moving due to domestic violence) become concentrated in the 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 (eg, riots or floods) which significantly increased the demand for emergency support.
- ***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.

Eight
Messages to central government

Local authorities and partners are keen to make the replacement for the social fund provision as successful as possible. But they are concerned that the reduction in funding for crisis loans to 2005/06 levels will leave them unable to meet considerable amounts of need. Further ways in which central government could help local authorities to deliver more successful schemes include providing clarity over administrative funding and boundary issues, and by ensuring that contingency arrangements are in place around the implementation of universal credit.

CPAG also believes the impact of the housing benefit changes and benefit cap will place serious pressure on local authority budgets. We will be reporting on the effect of these later in 2012.

Clarity over administrative funding

At present, local authorities are planning in something of a knowledge vacuum. A lack of clarity over the amount of money they will have within local schemes, and the amount that will be transferred in order to administer these, means that it is exceptionally difficult for them to plan what type of provision might be feasible. The government needs to indicate soon what it expects these sums to be and to listen carefully to local authorities concerns about administrative costs.

Clarity over boundary issues and local connection

We understand that central government wishes to leave the design of schemes to local authorities. But the issue of local connection presents collective action problems; if one authority chooses to apply local connection rules and others do not, those who do not are likely to see an unsustainable increase in demand for their schemes. Our preference is for no local connection tests to be applied, enabling those who need to cross borough boundaries to access support. This could be co-ordinated at a regional or national level, but it would be extremely helpful if the DWP was to provide a strategic steer.

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 hope that the introduction of universal credit will be smoother than that of tax credits in 2003/04, where widespread administrative problems caused considerable hardship for claimants and damaged the reputation of the scheme.

We know that the implementation and IT for universal credit have been carefully planned. Nevertheless, we think that the government needs to make clear contingency arrangements in case things do not go to plan, and to share these with local authorities well before the initial roll out of universal credit in 2013.

Monitoring and evaluation

We are pleased that the government will be reviewing the outcomes of the localisation of the social fund in 2014/15, although we suggest that its research concentrates on a larger number of local authorities than currently planned. The DWP has not yet published the outcomes that it expects localised social fund provision to achieve. We suggest that these include the following.

- ***The prevention of hardship and destitution.*** This could be measured by monitoring access to advice services, food banks and other grant provision in the local area, although it would be preferable to conduct a high quality representative survey in each borough before and after social fund localisation.
- ***Promoting access to affordable credit***. Again, local advice agencies are likely to have some information about the number of their clients who are presenting with unsustainable debts, and the number who have accessed high cost lending options, but a survey would also be a better approach here.
- ***A service that is perceived as fair by claimants***. Any evaluation of future schemes needs to capture the perceptions of those who access it – eg, whether they view the provision as stigmatising.

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; the government must be prepared to rethink the approach, and the amount of funding being made available, if the reforms mean that low-income families are left with nowhere to turn in a crisis.

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