

## CORPORATE MANAGEMENT TEAM REPORT

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**Report Title: Local Delivery of the Social Fund Replacement Scheme**

**Considered by: New Ways of Funding Board**

### **Purpose of the Report:**

As part of the Welfare Reform Act 2012, the current Social Fund scheme administered by the Department for Work and Pensions (DWP) is repealed with effect from 1 April 2013. Services provided under the current scheme will be replaced by a local scheme delivered by local authorities and other Welfare Benefits created by the DWP.

- This report will provide CMT with an update on progress of the development of the local provision replacing the Social Fund
- CMT are asked to consider the delivery model options outlined in the report and make a decision on how to progress
- CMT are also asked to consider the proposed criteria for the scheme and to provide comment

### **Recommendations:**

1. It is recommended that CMT approve the identified preferred option.

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*Type of meeting appropriate to consider the issue:*

**Business meeting**

(covers performance, budget, audit, HR, health and safety, ratifies Gateway reports)

<p><b>Transformation meeting</b></p> <p>(cover issues from ISS, Customer Services, Adults, Children, Place, People and Change)</p>	<p>X</p>
<p><b>Strategic meeting</b></p> <p>(Strategy and direction)</p>	
<p><b>Gateway process</b></p> <p>(non contentious report with only one clear course of action recommended)</p>	

<p>Has this report been agreed elsewhere (i.e. the relevant Programme Board and CMT member)?</p>	<p>No</p>
<p>If agreed by CMT, will the report be the subject of Cabinet, Lead Member or Officer decision?</p>	<p>Yes</p>
<p>Is the report time critical and if so why?</p> <p>Yes; A new local scheme must be in place by 1 April 2013. It is essential that a preferred model is identified to allow for a robust scheme to be developed and appropriately publicised.</p>	<p>Yes</p>

## Background

The Welfare Reform Act 2012 contains provisions that will see the abolition of the Social Fund, the current system of discretionary payments made to low income households who are unable to access credit and are facing sudden unexpected costs. In its place will be a combination of new locally based provision to replace Community Care Grants & Crisis Loans and a new nationally administered advance of benefit facility that will replace Crisis Loans & Budgeting Loans, which will continue to be administered by the DWP.

Crisis Loan Alignment Payments & Interim Payments of benefit will be replaced with a single system of Short Term Advances administered by the DWP. Budgeting Loans will be replaced by a new system of Budgeting Advances. They will be an advance within Universal Credit and also administered by the DWP.

The provision of discretionary payments to support vulnerable households and to alleviate short term crises will be the responsibility of the local authority. Local authorities are encouraged to think radically and creatively about the design of their new local service.

The new locally based assistance or Social Fund Replacement Scheme should be in place by 1 April 2013. The use of existing powers in the Local Government Act 2000 will mean that there will be no new statutory duty requiring local authorities to deliver the service.

Whilst local authorities are not expected to replicate the current system, it is the expectation of the Government that funding is 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. Local authorities have a responsibility to decide how they wish to make provision available; for example, the way people can apply, be referred, and claim for emergency provision in their area.

Local authorities also have a responsibility to consider how to communicate these changes.

## Grant Allocation for New Local Provision

The programme funding has been calculated by looking at the legitimate demand for those aspects of the discretionary Social Fund being abolished. DWP then applied that figure as a percentage of the Department's allocated £178.2 million to arrive at each authority's figure. For administration funding, central government will transfer the equivalent amount currently spent by the DWP on administration (approx 20% of transferred programme spend). An amount for start up funding has also been allowed and is equivalent to 1% of the programme funding.

The table below provides details of the set up, programme and administration funding for 2013/14 and 2014/15.

<b>Grant Allocation for Havering</b>	
<b>Local Authority:</b>	<b>Havering</b>
<b>2012/13</b> Set-up funding	<b>£6,042</b>

<b>2013/14</b>	
Programme funding	<b>£604,178</b>
Administrative funding	<b>£127,667</b>

<b>2014/15</b>	
Programme funding	<b>£604,178</b>
Administrative funding	<b>£117,021</b>

## Key Principles of a Local Scheme

The DWP has recently published the total Social Fund spend for 2011/12 by local authority. Havering's expenditure was £812,800. However, a significant proportion of this figure includes alignment payments, which will be covered by the DWP's Short Term Advances. With alignment payments removed, Havering's total spend reached £675,900.

Based on the current number of applicants accessing the Social Fund scheme, Havering Council can expect around 7,000 applications for assistance to be made. The number of applications and total expenditure has increased significantly since 2006, particularly for Crisis Loans.

However, it is likely that Social Fund applications will continue to rise in 2013 as changes to welfare benefits affect families on lower incomes. It is therefore essential that a local scheme ensures genuine assistance to those most in need, without stimulating or encouraging inappropriate demand. In order to achieve this, it is important that robust eligibility criteria are agreed.

It is also vital that a local scheme reflects the needs of their community and builds upon programmes and services that are already in place, for example, the Supporting People programme. There is also the opportunity to utilise and further develop existing partnership arrangements or develop new ones with, for example, furniture reuse services and food banks. It is recommended that cash payments are reduced where possible through the use of these services, to ensure that assistance is tailored to need. This will also help to ensure that a new local scheme does not pose any unnecessary risk to the Council.

Finally, the local scheme must support the preventative agenda and encourage positive habits and decision-making. This could be explored through linking applications with income maximisation initiatives and budgeting/ financial capability training.

## Options Appraisal

There are a number of options open to Havering that CMT are asked to consider.

### **Option 1) Recommended: Delivery of the general service by external provider, with some dedicated funds allocated to Council departments.**

At a recent Social Fund working group, this was identified as the preferred option due to reasons of efficiency, practicality and alignment of provision with genuine need. There are a variety of voluntary sector organisations that could provide local Social Fund provision and have approached the Council with offers of support.

The Disabled Association of Barking & Dagenham (DABD) is a local organisation with a wealth of experience supporting socially excluded people throughout London and the UK. It understands the needs of the local population, and has established links with the Trussell Trust, which runs foodbanks in Harold Hill, Collier Row and Rainham. It also has established links with, and makes referrals to, second-hand white goods providers such as

the Homestore in Stratford and Lighthouse Project in Brentwood. It is likely that Barking & Dagenham Council will use DABD to deliver its Social Fund. DABD is also in discussions with Hackney and Redbridge.

Family Fund is one of the UK's largest providers of grants to low-income families, awarding over £33 million last year alone. It has firmly established links with a variety of private sector companies, and its payment cards are accepted at stores such as Argos, Homebase, Debenhams and Mothercare. Family Fund offers flexible options for Social Fund delivery, ranging from 'procurement only' - where an authority assesses and approves an application and Family Fund provides goods - to a full application, assessment and delivery model. Several other London authorities have indicated that they are likely to use Family Fund to support their Social Fund delivery.

The Liberty Credit Union has been active in Havering since 2003 and offers savings account and low-cost loans to members. It also provides training and advice around budgeting, dealing with debt and sensible borrowing and saving options.

There are three aspects to this preferred option:

#### Delivery of general loans by external provider (in place of Crisis Loans)

As there is no requirement for local schemes to provide loans, many authorities are to deliver grants only. However, it is recommended that Havering continues to deliver loans as far as possible. It is felt that a blanket grant approach is likely to encourage inappropriate demand, whereas a push towards loans is likely to naturally reduce the number of bogus applications.

The Liberty Credit Union have met with the Council and have confirmed that they would be interested in providing a loan aspect of local Social Fund provision, and would be happy to work with the authority to develop eligibility criteria and flexible repayment plans.

If the loan was tied in with Credit Union membership, it could potentially reduce the number of future applications by increasing the number of people saving responsibly and making sensible financial decisions. This would in turn reduce the number of people getting into crisis situations through approaching doorstep lenders etc. The Credit Union have confirmed that it may be possible for those who successfully repay their Social Fund loans to be 'mainstreamed' into its core service, allowing the opportunity to shift to prevention.

It is of course necessary to ensure that robust eligibility criteria is developed to minimise the number of unpaid loans as far as possible, although there will always be some element of funding written off. It is therefore recommended that people are only eligible to apply for a loan once any previous loans have been repaid. The Credit Union have expertise in monitoring loan histories in order to make informed award decisions and reduce the amount of 'written off' funds.

If loans are repaid successfully, it would reduce financial risk to the Council and would ensure that Havering's allocation could assist more people in genuine need. It could also contribute towards savings targets if required.

#### Delivery of loans over £250 by external provider (in place of Community Care Grants)

As can be seen in Appendix A, Community Care Grants were awarded for larger amounts than Crisis Loans, and in generally in circumstances where expenditure can be predicted, such as individuals leaving care or planned resettlements. Therefore, it is recommended

that some larger loans are made available to cover this need. It is recommended that these loans (referred to in this paper as 'Independence Funding') are budgeted for separately and a specific number are made available per year. This will manage demand and ensure that genuine needs are met. It is also recommended that the eligibility criteria for Independence Funding include a referral from a relevant professional involved with the individual. Eligibility criteria will be revisited in more detail further in the paper.

It is recommended that the general service is delivered by an external provider for a variety of reasons. It allows the local scheme to capitalise on existing specialist knowledge and experience in the field, therefore reducing unnecessary risk associated with developing a new service. Organisations such as DABD and Family Fund also have established financial capability training and income maximisation assessments that could be utilised as part of the offer, helping to support positive financial decision-making and habits, ultimately reducing inappropriate demand.

Established links with foodbanks and furniture providers would also widen the opportunities to reduce cash payments. Many national case studies of the DWP scheme indicate areas where cash payments could easily have been reduced. One such case study outlines a 47 year old disabled woman living alone claimed a community care grant when her cooker broke down – she was awarded £670 cash to purchase a replacement. If a replacement had been obtained directly from a white goods project through an external provider, a saving could have been made.

#### Dedicated funds allocated to Council departments

It is recommended that where expenditure information is known and falls within the remit of existing Council departments, some funding should be devolved to these departments directly. The DWP have released information pertaining to Havering's historic Social Fund spend which outlines the reason for application. This information can be seen in Appendix A at the end of the document.

This information confirms that approximately 10% of all Community Care Grants awards were to support individuals leaving residential or institutional accommodation. A further 6% were awarded for planned resettlements. Given that the authority's Leaving Care team already deal directly with these individuals and distribute the Setting Up Home Allowance (SUHA), it may make sense to align these payments with existing provision. This allows for individual team knowledge to be utilised and supports the scheme to build upon programmes and services that are already in place.

Other examples include applications for Crisis Loans made by people wishing to secure accommodation, which could be mainstreamed into existing rent deposit schemes within Homes & Housing.

More detailed analysis of potential service breakdown based on need can be undertaken when the DWP release their final year figures. This is due to be available at the end of November. However, as an initial breakdown, it is suggested that £1,000 could be allocated per award. Based on last year's awards, this would suggest that approximately £140,000 of the £604,000 total would be devolved to existing Council departments, leaving £464,000 for the general service aspect.

An initial breakdown of award categories in April – September 2011/12 and suggestions for future provision can be seen below:

#### **Crisis Loans ('Crisis Prevention Loans')**

Category	Awards	Spend	Average spend	Recommendations
Leaving care and not entitled to benefit	10	£500	£50	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid. This is to cover living expenses, not equipment.
Disaster e.g. fire, flood, explosion etc	20	£900	£45	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid.
Lost or stolen money/ giro	180	£10,600	£58.88	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid.
Capital not realisable	250	£14,600	£58.40	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid, an individual is not eligible to reapply. Vouchers used where possible.
Reconnection of fuel supply	10	£600	£60	Funding given directly to suppliers for reconnection.
Homelessness – securing accommodation	10	£7,800	£780	Funding devolved to Homes & Housing.
Benefit spent – living expenses required	750	£36,900	£49.20	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid, an individual is not eligible to reapply. Vouchers used where possible.
JSA disallowance imposed on customer	70	£11,500	£164.28	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid, an individual is not eligible to reapply. Vouchers used where possible.
Item needs replacement	30	£3,800	£126.66	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid, an individual is not eligible to reapply. Vouchers used where possible.
Alignment	980	£66,000	£67.34	This will now be paid by DWP, through Short Term Benefit Advances.
<b>Community Care Grants ('Independence Funding' over £250)</b>				
Category	Awards	Spend	Average spend	Recommendations
Moving out of residential/ institutional accommodation	30	£9,520	£317.33	Funding devolved to Leaving Care teams.
Helping people to stay in the community	90	£63,840	£709.33	Signpost to other available areas of funding within Homes & Housing or Social Care & Learning Departments. If not eligible, loan to be administered by the Credit Union. Vouchers used where possible.
Families under exceptional pressure	180	£140,910	£782.83	Given out as loan to be administered by Credit Union. Required to pay loan back before able to request another. If loan is not repaid, an individual is not eligible to reapply. Vouchers used where possible.
Planned resettlement	20	£20,390	£1,019	Funding devolved to other teams.
Travel expenses	10	£1,850	£185	Other funding and initiatives are

				available to aid with travel. Travel expense claims will not be eligible for loans.
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**Other Options Considered:**

**2) Delivery of general grants by an external provider, with some dedicated funds allocated to Council departments.**

Some other London authorities have decided to opt out of providing loans altogether, focusing on grants only. The reason for this decision is largely the potential administrative burden of collecting loan repayments, and the likelihood that many loans may have to be written off. It may prove more difficult to manage repayments as part of a local scheme than it has been in the past, as repayments were historically reclaimed at source of benefits by DWP.

Therefore, a grants only option would remove any administrative costs, time and effort associated with loan recovery in situations on non-repayment. However, a grants only system is likely to stimulate inappropriate demand and increase application numbers, so the reduction in administrative costs may be negated.

Furthermore, a grants only option does not support the preventative agenda, encourage people to make sensible long-term decisions to reduce future applications, or hold any possibilities for making savings or replenishing initial allocation of funding.

**3) Delivery of general grants and loans by internal Council departments.**

It is of course possible that the local scheme could be delivered internally by the local authority, through the Public Advice & Service Centre (PASC).

The advantage of this centralised approach would be simplicity and ease of access to IT systems. The DWP have confirmed that they will be extending access to their Customer Insight System (CIS) within local authorities to aid with the delivery of the Social Fund. The CIS system will make it easier for administrate the Social Fund by providing information on award histories for individuals. It is unlikely that this access would be extended to external providers.

However, at the working group it was felt that there was little capacity within PASC or Customer Services to deliver this. Furthermore, delivering internally would not utilise the existing specialist knowledge and experience brought to the table by some external providers, potentially posing significant risk to the Council. It was also felt that, given the tight timescales, it would be more efficient to make use of existing links with foodbanks, furniture providers etc through external providers.

**Other Considerations**

*Eligibility* – Proposed eligibility criteria are included in this report for CMT consideration.

*Accessing the local scheme* – Current applications (to DWP) are paper-based, however consideration may want to be given to an online system.

*Reviews and appeals* – Whilst there is no right of appeal within the current scheme, there is a right to review to the independent Social Fund Commissioner. This option will no longer

be available and therefore it will be for the local authority to ensure decisions are fair and have in place arrangements for reconsideration or review. This adds an additional administrative burden.

*Branding of a local scheme* – If a decision is made to deliver both loans and grants, there will be a need to differentiate between the two aspects of the Social Fund. Havering will therefore need to give consideration to the names for each aspect. As an interim, the lower-amount loans (replacing Crisis Loans) are being referred to as ‘Crisis Prevention Loans’ and the loans above £250 (replacing Community Care Grants) are being referred to as ‘Independence Funding’. However, this is subject to approval from CMT and may change.

*Data sharing/ access to IT systems* – The DWP have confirmed that they will be extending access to their Customer Insight System (CIS) within local authorities to aid with the delivery of the Social Fund. The CIS system will make it easier for administrate the Social Fund by providing information on award histories for individuals. However, it is unlikely that this access would be extended to external providers, and so if a decision was made to deliver through an external provider, the implications this would need to be explored in further detail.

*Monitoring outcomes* – It is essential, especially in the first year, that outcomes for Social Fund awards are monitored robustly, to ensure that genuine assistance is being given where required. If an external provider is chosen to deliver the general service, performance measures will be included in the contract. The length of any contract also needs to be considered – it is recommended that a year ‘trial’ scheme is undertaken to be reviewed in April 2014. Internal Council departments with devolved funding will also be required to achieve set outcomes.

*Monitoring demand* – Before the scheme becomes operational, it is difficult to anticipate what demand will be. Therefore, it may be necessary to reassess funding along the way. Regular monitoring and review points will be included within any contract or service specification.

## **Proposed Criteria**

The following criteria have been drafted for CMT consideration and comment. More detailed outline of what will be awarded in practice will be drafted in conjunction with provider when a decision has been made.

### For ‘Crisis Prevention Loans’

- You must be aged 16 or over
- You must live in Havering (and have lived here for four weeks prior to applying)
- You must be in receipt of a qualifying benefit or be classified as ‘low income’  
[definition of low income to be agreed]
- You must not be an ‘excluded person’
- You must not have any savings that can be relied on to meet the need you are presenting with
- You must not be in the process of repaying a previous Crisis Loan/ Crisis Prevention Loan
- You must not have failed to repay a previous Crisis Loan/ Crisis Prevention Loan
- You must not be seeking support to pay for an ‘excluded item’
- You must be willing to engage with support from advice agencies (or similar) to address any financial capability issues or on-going difficulties as a condition of support

## For 'Independence Funding'

- You must be aged 16 or over
- You must live in Havering (and have lived here for four weeks prior to applying)
- You must be in receipt of a qualifying benefit or be classified as 'low income' [*definition of low income to be agreed*]
- You must not be an 'excluded person'
- You must not have any savings that can be relied on to meet the need you are presenting with
- You must not have already been awarded two or more Community Care Grants/ Independence Funding in the previous 12 months
- You must not be seeking support to pay for an 'excluded item'
- You must be willing to engage with support from advice agencies (or similar) to address any financial capability issues or on - going difficulties as a condition of support
- You must have a referral from a relevant professional that outlines the needs to be met. Professionals could include staff from Social Care & Learning, Homes & Housing, NELFT etc.

You will **not** get Social Fund assistance for the following:

- a need which occurs outside the United Kingdom
- **or** an educational or training need including clothing and tools
- **or** distinctive school uniform or sports clothes for use at school or equipment to be used at school
- **or** travelling expenses to or from school
- **or** school meals taken during school holidays by children who are entitled to free school meals
- **or** expenses in connection with court (legal) proceedings such as legal fees, court fees, fines, costs, damages, subsistence or travelling expenses (other than emergency travelling expenses when stranded away from home)
- **or** removal or storage charges if you are being re-housed following a compulsory purchase order, a redevelopment or closing order, a compulsory exchange of tenancies, or under a housing authority's statutory duty to the homeless
- **or** domestic assistance and respite care
- **or** any repair to council property and, in the case of Scotland, any repair to property of certain housing trusts
- **or** a medical, surgical, optical, aural or dental item or service (these needs can be provided free of charge by the National Health Service, if you are getting Income Support, income-based Jobseeker's Allowance, Employment and Support Allowance (income-related) or Pension Credit (which includes the guarantee credit))
- **or** work related expenses
- **or** debts to Government departments
- **or** investments
- **or** purchase, installation, rental and call charges for a telephone
- **or** mobility needs
- **or** holidays
- **or** a television or a radio, or a licence, aerial or rental charges for a television or a radio
- **or** garaging, parking, purchase, and running costs of any motor vehicle except where the payment is being considered for emergency travel expenses
- **or** housing costs, (other than intermittent costs not met by Housing Benefit, Income Support, income-based Jobseeker's Allowance, Employment and Support Allowance

(income-related) or Pension Credit, certain rent in advance payments, certain boarding charges, and minor repairs and improvements)

- **or** council tax, council water charges, arrears of community charge, collective community charge contributions or community water charges.

Excluded persons:

People in hospital or care homes unless they are about to be discharged within two weeks, prisoners, members of residential religious orders, people in relevant education who do not qualify for the qualifying benefits

Excluded items:

Work items, school uniforms, court costs, repairs to social housing properties, council tax/water/fuel, medical items, most housing costs, debts, anything the council has a duty to provide, daily living expenses, telephony costs.

## Appendix A: Community Care Grant and Crisis Loan application data

### Number and type of Community Care Grant applications in Havering between April and September 2011

<b>Total Community Care Grant Spend</b>	£ 237,600
<b>Number of Community Care Applications</b>	740

<b>Applications by Direction 4</b>	
Moving out of residential/institutional accommodation	30
Helping people to stay in the community	100
Families under exceptional pressure	210
Prisoners/offenders on temporary release	-
Planned resettlement	20
Travel expenses	10
Directions not satisfied or travel expenses refused on budgetary grounds	360

<b>Number of Legitimate Demand Applications</b>	380
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<b>Total Number of Awards</b>	330
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<b>Awards by Direction</b>	<b>Number</b>	<b>Spend</b>
Moving out of residential/institutional accommodation	30	£9,520
Helping people to stay in the community	90	£63,840
Families under exceptional pressure	180	£140,910
Prisoners/offenders on temporary release	-	£ -
Planned resettlement	20	£20,390
Travel expenses	10	£1,850

<b>Total Living Expenses Spend</b>	£71,900
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### Number and type of Crisis Loan applications in Havering between April and September 2011

<b>Crisis Loans</b>	<b>Applications</b>	<b>Awards</b>	<b>Spend</b>
Leaving care and not entitled to benefit	10	10	£ 500
Leaving care - rent in advance	-	-	£ -
Disaster e.g. fire, flood, explosion, chemical leaks etc	20	20	£900
Emergency travelling expenses	-	-	£ -
Lost or stolen money/giro	250	180	£10,600
Alignment	1,050	980	£66,000
Capital not realisable	290	250	£14,600
Reconnection of fuel supply	10	10	£600
Homelessness - securing accommodation	20	10	£7,800
Benefit spent - living expenses required	900	750	£36,900
JSA disallowance imposed on customer	150	70	£11,500
JSA sanction imposed on customer	-	-	£ -
Item needs replacement	30	30	£3,800
<b>Total</b>	<b>2,730</b>	<b>2,310</b>	<b>£153,200</b>