

Event report

# Localisation of the Social Fund: The first six months

24.10.2013

An event jointly with:

**CHILD  
POVERTY  
ACTION  
GROUP**



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VENUE

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This note reports on a meeting to discuss the first six months of the localisation of the Social Fund held with representatives of benevolent organisations and local authorities on 24 October. The meeting was organised by London Funders with the Association of Charitable Organisations and Child Poverty Action Group, and kindly hosted by UBS.

### Context

From April 2013, the discretionary elements of the Social Fund, Community Care Grants and Crisis Loans, ceased to operate at a national level. Funding to provide a replacement scheme was devolved to local authority level. While the Social Fund represents a small part in financial terms of the challenges faced by local authorities in managing a wide range of welfare reforms, the localisation of the Social Fund contained some of the highest risks for authorities, acting as it does as the 'place of last resort' for those facing an emergency, or unable to meet essential costs.

We have held two meetings previous to this to discuss the potential design of new schemes:

June 2012 – this meeting called for an approach that sought to ensure an integrated approach to both signposting people to the scheme, and ensuring that once they had accessed the scheme they were made aware of other sources of help and support (the report published by CPAG and launched at that event is [here](#))

February 2013 – the aim of this event was to build links between local authorities and benevolent organisations, developing a shared perspective on how they might work together in order to help people in need. (The event report is [here](#))

This meeting was for boroughs and other funders supporting individuals in need and any funders that address poverty and disadvantage to discuss the first six months' experience of the localised arrangements and whether the former Social Fund's safety net has been adequately replaced. The meeting heard about boroughs' efforts to offer residents welfare schemes and how these are interacting with charitable funders' support.

**“The meeting heard about boroughs' efforts to offer residents welfare schemes and how these are interacting with charitable funders' support”**

### Patrick Butler, The Guardian: Introduction

Dickens satires the Poor Law but have we re-created the parish welfare system?

- In kind support instead of cash
- Donated food built into state welfare provision
- A quarter of councils no longer offer support to working households
- Needs arising due to DWP's sanctioning of benefits
- Some loans conditional on certain behaviours

### Ben Dixon, London Councils

- The Social Fund hasn't been localised but abolished. There has been a transfer of power and responsibility from central to local government but there are no legal requirements, no duties and no ringfencing of funds. However, local authorities do realise that there's critical demand for a scheme.

- When the schemes started, local authorities were unsure of the demographic of the population who would require help, the scale of help needed, what claimants would require and what the outcomes would be.
- All local authorities in London have set up a scheme. There are on average 200 applications per borough per month. Around 60% are successful.
- Many people seek help from Local Welfare Assistance schemes because of problems with DWP-administered benefits:
  - sanctions
  - processing delays
  - adverse ESA decisions (including mandatory re-consideration before appeal)
  - reluctance to award Budgeting Loans or Short Term Benefit Advances

**“In effect, local government is picking up on gaps in central government provision”**

In effect, local government is picking up on gaps in central government provision, but the cost of not doing so would be even greater as people in crisis would otherwise put extra pressure on child protection and homelessness departments.

#### **Katy Briggs, Lambeth Council Emergency Support Scheme**

- Characteristics of Lambeth’s scheme
  - In-kind support – partnership working with Emmaus and Age UK, vouchers, travel warrants
  - Credit Union for emergency loans
  - Tighter eligibility criteria than DWP
  - Assessors decide support method
  - Online and telephone applications only
  - Lambeth accept Housing Benefit for the ESS scheme, as well as those claiming Child Tax Credit or Working Tax Credit
- Reasons creating the scheme in this way:
  - Allocated 24% less funding than DWP spend in 2010/11
  - Concern around projected increased demand (benefit cap, bedroom tax, council tax benefit abolished, inflation rising out of step with wages, fuel bills increasing)
  - Some concern around levels of fraud
  - Wanted to ensure support reached those in most need
- Experience from the first six months:
  - Much lower levels of demand than anticipated
    - Not widely publicised
    - In kind support only
    - Online and phone applications only
    - DWP overspend in previous years?
  - Better understanding of applicants, such as data to ward level and the certain groups in the community likely to need to claim.

**“Much lower levels of demand than anticipated”**

- Initial difficulties with DWP, where JC+ staff were sending people to Lambeth instead of offering them a STBA or Budgeting Loan.
- Equalities information to help support a diverse borough
- Changes made after three months:
  - Eligibility criteria widened to include contribution-based benefit claimants (but not those claiming only HB or DLA/PIP)
  - Support for people starting work
  - Payment of credit union bank account charges
  - Development of Financial Resilience projects (budgeting support, opening bank accounts) in order to intervene before crisis is reached
- Future plans:
  - Looking at other avenues of support (debt advice, digital inclusion, bank account support)
  - Expansion of Emmaus
  - Closer relationships between assessors, applicants and support agencies
- Future of the scheme
  - Contractor performance
  - Comparison to other schemes – could Lambeth, Lewisham and Southwark work jointly?
  - Getting support to the right people?
  - How can the scheme be improved?

**Looking at closer relationships between assessors, applicants and support agencies**

### **Allyson Broadhurst, Charis**

- Charis is contracted to administer local welfare assistance schemes on behalf of Cambridgeshire County Council and North Yorkshire County Council.
- Both have similar aims and scheme design:
  - food parcels
  - new household goods
  - Paypoint payments for emergency energy provision
  - rent deposit/removal costs
  - Some essential repairs
- All applications made online. Authorised Agents (eg Children's Centre workers, probation officers) in the community make applications on behalf of clients, see documentary evidence, and understand individual needs.
- Telephone and email communication direct with Charis staff
- Cross-referrals to other schemes administered by Charis (eg. British Gas Energy Trust)
- At first, there was an underspend on both schemes. Charis ran training sessions for Authorised Agents and this improved take up.
- Outcomes at six months:
  - 300 – 330 calls each month: families under exceptional pressure, the homeless, those with physical disabilities. The

working poor, single men and older carers are heavily represented.

- Majority of callers are eligible for the scheme and seeking goods that can be provided
- Ineligible claimants: 2% out of area, 10% cash or loans only, 15% benefit advance (DWP), 2.5% financial advice (e.g. debt issues), travel expenses (0.9%) and removal costs (0.8%)

### **Damon Gibbons, Centre for Responsible Credit**

- The main problem is that the poor don't have enough money to live on. The Social Fund wasn't a good system. It was based on discretion rather than a right to a basic standard of living. It was bureaucratic and intrusive. Payday lenders and Brighthouse are far less so and they continue to expand.
- Local authorities got short notice and little data when the responsibility was devolved. They panicked because they thought they would be overrun with applications. Six months in and it's time to reflect on what's happened and look more strategically about what we're trying to achieve.
- Need to address the relationship with DWP, especially the use of welfare schemes for benefit delays when a claimant ought to have been issued with a Short Term Benefit Advance (STBA).
- Need to consider the introduction of Universal Credit (UC). Rent arrears ought to trigger a direct payment of the housing costs component of UC directly to the landlord.
- Repayment terms for local welfare assistance loans are often very short compared to payday lenders. This makes them less attractive overall, despite being cheaper.
- Different local connection tests in neighbouring boroughs
- Need to consider regional arrangements in order to take advantage of economies of scale
- Consider the role of credit. The Social Fund loan scheme recycled money but offering a loan to someone who cannot afford their basic outgoings is not a good idea.
- Why are people moving into unfurnished flats? Landlords could be required to furnish.
- 'Flex rents' could reflect changes in fuel bills through the seasons.
- Are charities mopping up people in crisis who are not served by a poor local statutory scheme? The worse the local scheme the greater the pressure on local charities.
- Crisis assistance provided through a local welfare scheme saves the local authority money elsewhere (eg. homelessness duty). Research is needed to support this.

### **Alison Garnham, Child Poverty Action Group**

#### Context - incomes falling and rising child poverty

- Families face stagnating wages, rising prices and high unemployment - now improving, but not yet enough
- Cost of a child research (with JRF) found costs up 4%, average wages by 1.5%, NMW by 1.8%, while benefits rose by 1% and CB did not rise at all! (and childcare up by 5.9%)

**“The Social Fund wasn't a good system. It was based on discretion rather than a right to a basic standard of living. It was bureaucratic and intrusive. Payday lenders and Brighthouse are far less so and they continue to expand.”**

**“The Social Fund loan scheme recycled money but offering a loan to someone who cannot afford their basic outgoings is not a good idea.”**

- A couple on NMW both working full-time only have enough to cover 83% of these costs, (lone parents only 87%)
- Out of work families receive only 58% of the income to cover minimum costs, (lone parents only 61%)
- The results of this is now visible – huge increase in demand at food banks
- People are being hit by cuts right now and more to come
- The poorest families now face £22 billion of cuts to benefits and tax credits each year
- More people today are working for their poverty
- 66% poor children now live with a working parent – twice as many as non-working
- Partly because pensioners have been protected, 70% of cuts are hitting families with children
- Children are now more than twice as likely to be poor than pensioners

#### The ‘monstering’ of benefit claimants

- People receiving benefits are just like us. Many UK families have to rely on benefits and tax credits to top up low pay, provide a lifeline during tough times or manage unexpected life changes like disability or illness. They are not ‘troubled families’
- Almost half of individuals in Britain find themselves poor at some point over a 9 year period – and over a third over a 4-year period
- Be careful that concerns about fraud and payment insecurity are not actually based on stereotypes

#### Seven specific issues with local authority provision in London

These are gathered from evidence collected by advice agencies around London and on CPAG’s advice line.

##### 1. *Discretion or rules?*

- Schemes are supposed to be discretionary but claimants are finding there are black and white eligibility rules. Presenting schemes as having such rules is probably unlawful.

##### 2. *Danger that some rules are unlawful*

###### a. Residence rules

Many London local authorities have residence rules stating that an applicant must have been continuously resident for six months. There are some exceptions (eg domestic violence) but a person moving between boroughs may not be eligible for crisis support for a year.

###### b. Restriction by benefit receipt

Many local authorities are limiting access to schemes to people in receipt of means-tested benefits. However, this removes access from working people in crisis (eg. if employer does not pay wages) and people on low incomes made up of other benefits.

###### c. Restricting the number of applications that can be made

Publishing hard and fast rules on this may also be unlawful.

##### 3. *Poor publicity of schemes*

**“Almost half of individuals in Britain find themselves poor at some point over a 9 year period”**

**“Local authorities need to advertise their schemes and make available guidance on how to apply”**

- Local authorities need to advertise their schemes and make available guidance on how to apply, conditions of entitlement and what to do in the event of a dispute. Some local authorities have not responded to FOI requests for details of the rules of their schemes.

#### 4. *Poor accessibility of schemes*

- Some local authorities only provide a single method for applying for help. This may discriminate against people with disabilities (eg. a deaf person who cannot use the phone).
- Other local authorities have applications where if certain boxes are ticked on an online form the applicant is told automatically they will be refused. This 'pre-application screening' means that there is no consideration of whether someone should still be entitled despite the fact that normal conditions are not met. A potential claimant may not even get as far as making a claim.

#### 5. *Timeliness of decision making*

- This is emergency support so asking applicants to wait five days is not appropriate.
- Many local authorities haven't published a timeframe at all.

#### 6. *Underspending of schemes – causes and consequences*

- Anecdotal evidence suggests that London local authorities are not spending the allocation from central government on crisis support at the volumes that one would expect if the whole allocation was to be spent by end of financial year.
- Some local authorities may be using this money for other purposes (eg. to give Discretionary Housing Payment in bedroom tax or benefit cap cases)
- There is a risk that if the budget is not spent for crisis support then local authorities can expect a reduction in their allocation next year in line with that.

#### 7. *Short term benefit advances (STBAs) not being met by DWP and local authorities are making up the gap. What should London authorities be doing about this?*

- Part of the budget for Social Fund was previously used for "alignment payment" crisis loans (ie crisis loans due to delay in deciding a benefit claim or making a payment). This budget has not been passed to local authorities.
- Instead, retained by DWP - takes the form of "short term advances" of benefit payment, provided certain conditions are met.
- All of the evidence suggests that short term benefit advances (STBAs) are not being considered as often as they should be  
For example:
  - Jan- Mar 2013 - total number of crisis loan awards made for alignment purposes was 225,800.
  - Apr-Jun 2013 - total number of short term advances made – 18,781

Some of that difference may be explainable because the DWP have a preference for actually determining the whole claim

**“support for people where there is benefit delay is simply not being effectively met by DWP”**

when a request for an STBA is made and then making a same day payment. However, this cannot be the whole answer; that is revealed when we look at the figures for STBA applications and compare them to crisis loan applications for alignment purposes (GB, excl. NI):

- Jan–Mar 2013 - total number of applications for crisis loans made for alignment purposes: 268,300
- Apr-Jun 2013- total number of STBA applications: 82,801

These figures show that:

- The number of STBA applications is well down on the crisis loan for alignment purposes volume of applications.
- The refusal rate for STBAs is far higher

We can only conclude that support for people where there is benefit delay is simply not being effectively met by DWP

- Local authorities in London should be experiencing high levels of demand for crisis support from people who are in crisis due to benefit problems (delay etc) but cannot access a short term benefit advance. Is this the case? If so, what steps should London local authorities be taking collectively to take this up with the DWP? After all, local authorities are being asked to meet a gap in provision caused by DWP not meeting its role.

#### Local action needed

- People are losing their homes and massive change on the way with Universal Credit
- Despite this advice centres are closing or losing specialists as local authority and legal aid cuts kick-in
- Local authorities have a key role to play in mitigating the negative effects of welfare reform

#### Broader policy issues

1. *How do local schemes fit in with local child poverty strategies?*
2. *Does early experience tell us anything about what future social fund policy should look like?*
  - A local, poorly funded safety net, or something more substantial?
  - What representations should be made to central government?
3. *Are we any closer to having a unified scheme for London?*
  - Like the Scottish Welfare Fund
  - This would be a good idea
4. *What should the next Government child poverty strategy, due in 2014, say about local schemes?*
  - Anything?
  - What representations should we make?
5. *What is fiscal austerity doing to the local economy?*

**“what steps should London local authorities be taking collectively?”**

Cash increases for low income families have a very high economic multiplier. By cutting spending power through social security safety nets, is the coalition impeding recovery and just ripping money out of local economies?

The Coalition will leave a legacy of rising child poverty? What will local schemes contribute?

## Discussion

### Why are local welfare schemes under-spending?

- Local authorities were panicked into designing schemes with very tight criteria. There are often exceptions to the stated criteria but these are not clear so potential applicants are put off even making a claim.
- Poor publicity
  - Local authorities have done little to publicise schemes so people in crisis may not know that they exist.
  - There is a low level of knowledge amongst professionals, especially in healthcare.
  - There are no links to local schemes on the government's website [www.gov.uk](http://www.gov.uk)
- Crisis Loans were used to cover benefit delays so the former budget was artificially high in order to mask the true cost of benefit delay.
- The Buttle Trust has seen an 18% increase in applications. People are turning to Buttle when they have been unsuccessful in getting help from a local welfare fund. The biggest rise is in applications made by single people as they can no longer claim a Crisis Loan and have been pushed out of the local welfare schemes. The Buttle Trust is happy to share data. There is a risk that charitable trusts will reward bad practice by filling the gap left by inadequate statutory local welfare provision.
- Cuts to advice services mean there's no help for people to navigate the system
- Crises haven't disappeared, but people are turning to crime and prostitution instead of getting help legally.
- Many people are falling through the net of local welfare provision. There are hidden and vulnerable groups such as recently released prisoners from abroad. What happens to people who are turned away? There's a huge increase in the use of foodbanks.

**“People are turning to Buttle when they have been unsuccessful in getting help from a local welfare fund. ”**

### A single gateway?

- Various schemes (DHPs, LWF) could have one access point and the funding arrangements worked out behind the scenes. It would be simpler to advertise a single support service. A local authority could use other assessments (eg. housing allocation) to identify vulnerability.

### Grants v loans

- Credit unions are part of a long term solution to stop loan sharks. However, they are tiny in comparison to the scale of the problem. There are inevitably high default rates when lending for emergencies.

- Grants at point of crisis then interest free loans for the longer term?
- Low value loans are unviable as they are so expensive to administer
- Funding for Crisis Loans used to come partly from recycled loan repayments. More funding is required for grants but the government has only guaranteed the scheme for a short period.

#### Cash v payments in kind

- An FOI request was made to every local authority in April 2013. It found that most local authorities would provide cash only in exceptional circumstances. Only a small number of local authorities would routinely offer cash payments.
- There's a huge reluctance to offer cash. There is a suspicion that people will spend the cash on things that are not the payment's stated purpose. But equally, there's always the risk that people might sell white goods on.
- Some people might prefer to receive white goods so that they are chosen, delivered and installed quickly and without the need to visit shops or make decisions.
- The move away from providing cash is at odds with the ethos in the rest of the social security system. The housing element of UC will be paid to the claimant in cash and they will be responsible for paying their landlord.

**“The move away from providing cash is at odds with the ethos in the rest of the social security system”**

#### End of this period of funding

- We need to think about what happens after the current funding term.
  - Will the allocation to each local authority be reduced due to this year's underspend?
  - Will the success of schemes be evaluated in a way that takes into account the savings made by other areas of local and national government?

#### **Next steps**

The three groups will review in early 2014 if there is a need for another meeting to bring funders together about reviewing how the local schemes are running, and develop ways of working together.

**Participants**

Allyson	Broadhurst	Charis <b>(Speaker)</b>
Patrick	Butler	The Guardian <b>(Chair)</b>
Benjamin	Dixon	London Councils <b>(Speaker)</b>
Daniel	Elser	British Legion
Dominic	Fox	Association Of Charitable Organisations
Alison	Garnham	Child Poverty Action Group <b>(Speaker)</b>
Damon	Gibbons	Centre For Responsible Credit <b>(Speaker)</b>
Theresa	Gilson	Prisoners Abroad
Kristina	Glenn	Cripplegate Foundation
Sarah	Hughes	Thomas Pocklington Trust
Rosalind	Jeffrey	London Borough of Lewisham
Katie	Briggs	London Borough of Lambeth <b>(Speaker)</b>
Pat	Lacroix	Independent Age
Chris	Lobb	London Borough of Islington
Robin	Lomas	Friends Of The Elderly
Sara	Masters	Richard Cloudesley's Charity
Maeve	McGoldrick	Community Links
Dorothy	Newton	Richard Cloudesley's Charity
Alan	Porter	London Borough of Camden
Paul	Rickard	Cripplegate Foundation
Sam	Royston	The Children's Society
Kelly	Smith	Child Poverty Action Group
Yvonne	Smith	London Borough of Lewisham
Anya	Stern	London Community Foundation
Rachael	Takens-Milne	Trust for London
Jason	Tetley	Glasspool Charity Trust
Jackie	Tominey	CARITAS Diocese of Westminster
Rob	Trotman	Prisoners Abroad
Sara Franziska	Wilk	Save the Children
Paul	Woolley	Foundations Independent Living Trust
Muna	Yassin	Fair Finance
Donna	Yay	London Community Foundation

**In attendance**

Becky	Green	London Funders
David	Warner	London Funders

**With thanks to UBS for their support in hosting this meeting and Kelly Smith, Child Poverty Action Group for writing this report.**

