

## PLYMOUTH CITY COUNCIL

**Subject:** Social Fund Replacement Principles  
**Committee:** Customer & Communities Overview & Scrutiny Task & Finish Group  
**Date:** 24 September 2012  
**Cabinet Member:** Councillor Penberthy  
**CMT Member:** Carol Burgoyne  
**Author:** Jo Hambly, Financial and Social Inclusion Officer  
**Contact:** Tel: 01752 304319  
e-mail: jo.hambly@plymouth.gov.uk  
**Ref:**  
**Key Decision:** N/A  
**Part:** N/A

---

### **Purpose of the report:**

To support the Task & Finish Group to scrutinise principles for the development of a localised welfare assistance scheme to replace the Social Fund in April 2013.

---

### **Corporate Plan 2012-2015:**

Reducing inequality – by responding to those in crisis in order to meet their immediate needs  
Value for communities – by providing a value for money scheme that meets the objectives of supporting vulnerable people in crisis in the most effective way  
Co-operative Council – by providing support in a way that encourages individual and citywide resilience.

---

### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

Department of Work & Pension's spend in Plymouth on Social Fund crisis loans and community care grants in 2010/11 was £1.2 million and we will have £878,000 (plus administration expenses of £185,000) transferred for 2013/14 to run a replacement scheme. This leaves a shortfall of £322,000.

---

### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:**

- Child Poverty - likely impact on child poverty as parents apply to the current fund under crisis circumstances
- Community Safety - potential impact as resources are limited when compared to current scheme and any lack of support may lead to an increase in criminality
- Health and Safety – the crisis element of the current scheme is to prevent escalation of health and safety issues for vulnerable customers who are experiencing a crisis
- Risk Management – prevention of people escalating to front line service (Adult Social Care, Children's Social Care, homelessness)

- Equality, Diversion and Community Cohesion – EIA to be undertaken by end of September.

---

**Recommendations & Reasons for recommended action:**

This report is for information – the recommendations shown in section five are initial thoughts which are out for consultation.

---

**Alternative options considered and reasons for recommended action:**

The report outlines a number of alternatives, with pros and cons, and it is open to the Task & Finish group to identify further alternatives.

---

**Background papers:**

Social Fund Principles report (attached)

---

**Sign off:**

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Stuart Palmer											
Have you consulted the Cabinet Member(s) named on the report? Yes											

## Social Fund Principles

### 1. Introduction

1.1 In April 2013 the Social Fund (SF) is going to be abolished when the Department for Work and Pensions (DWP) will hand partial funding to Local Authorities (LAs) to design and deliver a localised welfare assistance scheme. Funding offered to LAs is not ring-fenced and the DWP will be handing down less funding than we spent last year. DWP's spend in Plymouth on Social Fund crisis loans and community care grants in 2010/11 was £1.2 million and we will have £878,000 (plus administration expenses of £185,000) transferred for 2013/14. This leaves a shortfall of £322,000.

1.2 This paper introduces the SF as is, presents options and identifies key principles that are currently our for consultation. Effective consultation and scrutiny is essential to help ensure Plymouth City Council (PCC) delivers an effective local welfare assistance scheme when the SF ceases to exist in April 2013. This will be kept under review with opportunities to revise the scheme after a year of operation with minor adjustments e.g. widening providers of goods and services in the first year.

### 2. Background

2.1 The [SF](#) provides a safety net for people who can not afford essential daily living. There are several types of funding pots available within the SF but only two of these will transfer to LAs:

- Crisis Loans for living expenses (e.g. for white goods or due to loss of money) and
- Community Care Grants (e.g. costs of moving from care to the community).

In 2010-11 Plymouth residents made a total of 11,460 applications and were awarded 8,170 (71%) to the value of £1.2 million. Both funds aim to respond to the needs of the most vulnerable in our community.

2.2 DWP will retain control over Alignment Crisis Loans that are needed if there are delays in benefit payments.

### 3. Social Fund As Is

3.1 Community Care Grants (CCG) are non-repayable grants awarded for a range of expenses including household equipment. They are intended to support vulnerable people to return to, or remain in, the community or to ease exceptional pressure on families. LAs will decide locally how any replacement will operate and consideration will need to be given to LA responsibilities for vulnerable people under the following:

- Child Poverty Act 2010
- Disabled Persons Act 1986 and Chronically Sick and Disabled Act 1970
- Housing Act 1996
- Equality Act 2010 (section 149)
- National Assistance Act 1948

3.2 In the financial year 2010/11 DWP spent a total of £1.2million on CCG's and CL's in the Plymouth postcode area. 6,770 CL's were awarded to the value of £581,700 and 1,400 CCG's were awarded to the value of £642,000. In total 59% of the overall spend went on CL's and 41% on CCG's. The average amount of a CL in 2010/11 was £67.50, whilst CCG average awards were much higher at £459.00. Our confirmed funding from DWP in 2012/13 is £878,428 which means we will be working with a deficit of £322,000 from 2010/11 spending levels. Local financial data from 2011/12 will be available later in the year.

### 3.3 Reasons for CCG application/awards (data for April-Sept 2011 for Plymouth):

	Number of applications	Number of awards	Amount	Average amount per award
Families under exceptional pressure	320	250	£166,100	£644.40
Helping people to stay in the community	200	150	£91,470	£609.80
Moving out of residential/institutional accommodation	110	90	£25,600	£284.44
Planned resettlement	50	40	£29,570	£739.25
Travel expenses	30	30	£5,080	£169.33
Not awarded	720	0	£0	£0

3.4 Crisis Loan's (CL) are interest free loans currently available to anyone (whether on benefit or not) who cannot meet their immediate short-term needs in an emergency or as a consequence of disaster. The key reason for people applying to the fund is for spent benefit or lost/stolen money. Repayments are taken by DWP directly from people on benefits.

3.5 DWP has developed a calculation based on CL funding levels as they were in 2005-6, a total of £122,000 in Plymouth. 2,970 applications were received in 2005-6 and 2,100 of these were awarded (71%). Since 2006 however, demand has nearly doubled within the 18-45 age group. In 2005-6, 63 CL's were awarded to people under 18 years and 273 to those over 45 years. Older people have a much lower success rate than their younger counterparts.

### 3.6 Reasons for CL applications/awards (data for April-Sept 2011 for Plymouth only):

Reason	Number of applications	Number of awards	Amount	Average amount per award
Benefit spent – living expenses	1820	1490	£71,300	£47.85
Lost or stolen money/giro	850	630	£37,100	£48.89
Capital not realisable	520	460	£24,200	£52.61
JSA – disallowance imposed on customer	260	130	£19,900	£153.08
Homelessness – securing accommodation	50	30	£10,900	£363.33
Disaster – fire, flood, explosion, chemical leaks	40	40	£1,800	£45.00
Items need replacing	40	30	£5,200	£840.00
Leaving care – not entitled to benefit	20	20	£1,100	£55.00
Leaving care – rent in advance	10	10	£1,300	£130.00
Reconnection of fuel supply	10	10	£1,100	£110.00

3.7 What is missing from this data is a clear indication of the numbers of items or services delivered following the reason for award e.g. items need replacing does not tell us what items, in what quantities and for what price under the current scheme. A freedom of information request has been made directly to DWP who have informed us we can not access any further information about previous use of the Social Fund at a local authority level.

## 4. Funding purpose and delivery

4.1 Although there is an expectation that funding will be used for the purpose intended, the Government has not ring-fenced the funding and there is no duty placed on LAs to deliver any specific type of service. The reform will also abolish the Office of the SF Commissioner who processes high levels of appeals and reviews.

4.2 The DWP carried out research with over 50 LAs in July 2011 in which LAs identified 3 broad delivery models:

- creating a new service
- aligning and combining the budget to existing services and
- contracting with new/existing external partners.

Most LAs were clear that emergency provision should not be in the form of cash payment but through the delivery of goods and services.

## 5. Consultation

5.1 In late August, the council launched an eight-week on-line consultation on SF replacement and during September, undertook focus groups with stakeholders (internal and external). This consultation focuses on some critical decisions, identified as essential to support the development of an equitable welfare assistance scheme; they are:

1. Shared services – do we join across LA boundaries or design and deliver within our unitary boundaries?
2. Delivery model – delivered in-house by LA, by commissioned partners, or a combination?
3. Funding amounts – spend the same, more or less?
4. Eligibility – keep current eligibility criteria or develop new criteria?
5. Type of assistance – crisis and care as a single funded service or split into separate funds?
6. Administrative costs – what is the maximum we would want taken from the funding to develop/administer the programme?
7. Benefits offered – should these be all or some of cash, loans, goods and services?
8. Principles for awarding – if demand outstrips supply how do we decide who can/can not receive assistance?

The decisions taken about these options will shape our welfare assistance scheme and Scrutiny has a valuable role to play in this. To encourage discussion and get the most out of consultation, some initial recommendations have been developed and included in consultation exercises. These are based on Co-operative Council principles, encouraging individual and city-wide resilience by seeking to address underlying issues and not just presenting problems, and encouraging the community and voluntary sector to be involved in the delivery of the scheme. The options considered in establishing these recommendations, with alternatives, advantages and disadvantages are outlined below.

### 5.2 Principle 1 – Shared Services

#### 1a) Develop a scheme limited to Plymouth boundaries:

A limited scheme would allow us to meet the needs of our most vulnerable diverse groups and to target specific demographic/geographic groups. Each LA is able to address specific priorities (urban/rural) across the region. By limiting our scheme we can ensure we are meeting our corporate responsibility to our vulnerable customers and encourage a local, evidence based response to a local problem. If our scheme is more generous than our neighbouring LAs we may experience customers migrating across borders to take up Plymouth benefits. We will ensure close communication with our neighbours to ensure our schemes do not encourage cross border migration.

#### 1b) Develop a shared scheme with other LAs

A shared scheme would allow us to ensure that we do not encourage our neighbouring citizens to access different resources across LA borders. A shared scheme has the potential to make efficiencies in several areas including design, development and implementation of any new service. There is also the potential for back-office savings in processing and administration. Concerns about a shared scheme stem from the unique nature of financial issues in Plymouth when compared to the region and differences in our approach e.g. Co-operative Council. Plymouth has higher deprivation scores than our neighbouring LA and has uniquely urban financial exclusion problems to address. It would be very challenging to deliver a shared scheme within the time available and it could limit delivery options.

#### Recommendation

1a) Develop a scheme limited to Plymouth

Officers develop a model based on a scheme limited to Plymouth boundaries. To be reviewed after one year and compared to neighbouring LAs' outputs, outcomes and implementation issues.

### 5.3 Principle 2 – Delivery model

2a) All options delivered in-house

By delivering through our existing social care, housing and/or supporting people services we would have greater control over spend, budgets and the more discretionary elements of awarding. It would be the most direct way of supporting local priorities e.g. diversion from care and homelessness. There is evidence that SF money is used mainly for food, electricity/gas on a key meter, furniture and rent in advance. Whilst PCC may be best placed for some service users to access e.g. housing, we may not be the most accessible for those who are not already in the social care/housing systems who need assistance. Addressing equality of access would be a prime concern in providing an equitable scheme to improve social capital. Careful consideration would need to be given to how service users access the welfare assistance programme as the current provider has a separate screened area away from the general public in which to deliver decisions. Following this model would mean opportunities for the involvement of the community and voluntary sectors and innovation in delivery would be limited.

2b) All options commissioned out to partners to deliver

As previously mentioned many of the types of assistance accessed via the current SF are services that PCC is not set up to provide. Partners in other sectors may be in a much better position to provide these. For example the voluntary sector (e.g. food banks, credit unions) may be better placed and more accessible to those with addiction/dependency issues. The voluntary sector however may not be geared up to provide cash support for things like rent in advance where someone is leaving institutional/residential care. There would be challenges associated with any limitation on payments.

2c) Split and combine delivery options across the local authority, community and voluntary and business sectors as appropriate

Looking at the reasons for customers accessing financial support, it seems clear there is a split in the type of support required and the best way to deliver this to service users. Care elements around rent in advance may be best delivered by an internal department such as Housing or Revenues and Benefits, where support could be tied into a wider package of support. Crisis elements such as needing electricity, gas, food and/or white goods may be best provided by the voluntary and community sector. This offers us the opportunity to strengthen our community and voluntary sector and give them a stake in the delivery of the new scheme. The funding pots may be smaller for each element by dividing the fund but we would be better able to target and monitor the use of the scheme, ensuring outcomes such as individual resilience are achieved. This option has the most flexibility to dovetail with the corporate work underway to improve access for customers.

#### Recommendation

2c) Split and combine delivery across the local authority, community and voluntary and business sectors as appropriate

Officers develop a model based on a scheme that delivers goods/services from the most appropriate place for service users and the most efficient place for the LA. To be reviewed after one year and compared to neighbouring and other LAs' outputs, outcomes and implementation issues.

#### 5.4 Principle 3 – Funding amounts

3a) Spend the same level of funding from Government

Although the budget is not ring-fenced, this is likely to be seen as using an appropriate level of Government funding. The shortfall may indicate that an appropriate level of support can not be provided at this amount. DWP has confirmed that we will receive separate funding for administration of the scheme (plus a small pot of £8,000 for development and implementation). By ring-fencing the funding internally we can ensure that the fund is properly directed to improve individual resilience to crisis and prevent escalation to expensive front line services such as homelessness.

3b) Spend less than the level of funding from Government

Any funding that is not spent delivering welfare assistance would be available for any use and could be subsumed in other funds that support the most vulnerable. Where other budgets are short e.g. Council Tax Support Scheme, this funding could be used to support those most impacted by the welfare reform changes. Supply is likely to outstrip demand as we go forward and people are impacted by the recession and changes in welfare. However a shortfall in the funding available to applicants in crisis and facing acute need is likely to increase vulnerability and impact on our other services who deal with personal crisis situations such as homelessness, mental health services and social care, increasing the cost to these services.

3c) Spend more than the level of funding from Government

No budget allocation has been made in the Medium Term Financial plan for this. There is little evidence that more money would resolve more issues because recipients of the current SF make multiple applications implying that their needs are not being met in a sustainable or efficient way. Any extra funding would need to be allocated from an existing budget and would therefore detract from other assistance we are able to offer in times of need. This added to the extra pressure of finding funding in time to deliver a scheme in April 2013 makes this option problematic.

#### Recommendation

3a) Spend the same level as funding from Government

Officers develop a model based on a scheme that operates on the same levels of funding as will be handed to PCC by DWP. To be reviewed after one year using monitoring/evaluation information and compared to neighbouring and other LAs' outputs, outcomes and implementation issues.

#### 5.5 Principle 4 – Eligibility

4a) Maintain current eligibility criteria

The current criteria are based on the receipt of benefits, low income and responding to unavoidable crises. These are well established and understood across the city by those who have contact with the most vulnerable members of our communities. The DWP worked extensively on defining the criteria to ensure those most at risk/in need have access to it. Maintaining the existing criteria would save time, money and capacity compared to developing new criteria. However, there is a risk that the criteria will be too broad (taking the funding reduction into account). We will need to ensure that the new scheme promotes individual responsibility for finances and that there is a strong link to supporting vulnerable customers to increase their social capital via e.g. financial inclusion services and Credit Union promotion.

Testing the fit of the existing criteria in responding to current need should be built into the monitoring/evaluation of any new scheme to ensure it is fit for purpose.

#### 4b) Create new eligibility criteria

By developing our own eligibility criteria we can target specifically designated groups and set local policy/criteria. It is likely that demand will outstrip supply in coming years and whilst difficult, this would maximise flexibility in managing the scheme nb regulating costs. There would be extensive time, costs and capacity involved in developing, testing and implementing any new eligibility criteria.

#### Recommendation

##### 4a) Maintain current eligibility criteria

Officers develop a model based on a scheme that broadly maintains current eligibility criteria. To be reviewed after one year using monitoring/evaluation from this service and other front line services to gauge success of the scheme in preventing escalation of crisis.

### 5.6 Principle 5 - Type of assistance

#### 5a) Deliver a single type of welfare assistance

As previously noted, the current assistance provided by the SF is in cash and relies upon the customer having financial capability skills to ensure the money is spent on what is needed to avert crisis. There are several types of assistance that are paid for under the scheme including care cash elements (rent, furniture) and crisis cash (usually for food, electricity, gas etc). Whilst delivering a cash only service has the potential to improve financial capability and confidence when delivered alongside the right support services, the evidence suggests this is not the case with many applicants making repeat applications.

#### 5b) Split crisis and care support to provide two types of welfare assistance

By providing a distinction between care and crisis support we can provide the scheme at the right time and in the right place for those most in need. Those who require food or electricity have different needs to those who require rent in advance or a cooker and are likely to use different services to access support. In order to promote resilience and responsibility certain 'self help' requirements could be attached to offers of support, aimed at resolution of the crisis in the medium as well as the short term. This may impact negatively on administration costs (although not necessarily) i.e. if two schemes are administered.

#### Recommendation

##### 5b) Split crisis and care support to provide two types of welfare assistance to those in need

Officers develop a model based on a scheme that splits crisis and care elements ensuring the right people access the right assistance, and that sustainable outcomes are being met. To be reviewed after one year using monitoring/evaluation from this service and other front line services to gauge success of the scheme in e.g. preventing escalation of crisis.

### 5.7 Principle 6 – Administrative costs

#### 6a) Combining efficiencies and limiting administration to the amount provided by Government for this purpose

DWP has allocated funding of £185,000 (equivalent to approximately 20% of the SF) for the administration of the scheme. By spending no more than this on administration we would endeavour to minimise costs with any surplus being put back into the fund to respond to vulnerable people's needs. We currently administer several discretionary pots within the LA, including Discretionary Housing Payments, Hardship Payments and Section 17 Payments and therefore have existing structures and capacity at hand. Making efficiencies by combining administration would give us a holistic picture of who is applying for and successfully receiving discretionary funding to support them. This would allow us to



identify when further intervention (e.g. financial management training) would be useful. There is a risk that the most vulnerable and excluded will not come to the LA when they are in need and we therefore do not deliver this money to those most in need. Careful consideration would need to be given to partnership/procurement arrangements if we are to administer the scheme but not deliver the associated support.

#### 6b) Increase or decrease funding used to administrate scheme

Any new scheme will require up-front costs to be met, including research, development, ICT systems, staff training etc. To pursue an option of increasing or decreasing administration costs at this stage we would need clear information on the cost of administration, something we do not currently have. For example if we were to decide to continue a system based on loans, the cost of administration is likely to be extremely high as we chase payments. Increasing administration costs would impact on funding to support the most vulnerable and reducing it would be a high risk before we are clear about costs. Should any services/goods be delivered by an external organisation having a clear limit on the management/administration costs will enable planning around service capacity and will influence any principles for limiting awards.

#### Recommendation

##### 6a) Combining efficiencies and limiting administration to the amount provided by Government for this purpose

Officers develop a model based on a scheme that is overseen (and potentially administered) by the LA to ensure strategic use of discretionary pots for those in need and maximisation of efficiencies; any un-used administration funds are to be redirected into the SF. To be reviewed after one year using monitoring/evaluation to ensure low cost service delivery and the strategically effective administration alongside other discretionary funds.

### 5.8 Principle 7 – Benefits offered

#### 7a) Cash and loans only

The current assistance provided by the SF is in cash and relies upon the customer having the financial capability and skills to help themselves to ensure the money is spent on what is needed to avert crisis. There are several types of assistance that are paid for under the scheme including care cash elements (rent, furniture) and crisis cash (usually for food, electricity, gas etc). Whilst delivering a cash only service has the potential to improve financial capability and confidence if delivered alongside financial inclusion services, the evidence suggests this is not the case with repeat applications often made by applicants who appear to go from crisis to crisis. By providing goods and services (potentially through other agencies) we can ensure that the need for e.g. a new cooker is met by providing a second hand cooker direct to the customer. This removes the temptation to spend on other, less urgent, needs e.g. drugs/alcohol/cigarettes and promotes the notion of personal responsibility and longer term resilience. The cost of administering and collecting loan payments is likely to generate high expenditure for low returns; DWP claim back 82% of SF loans direct from benefits, an option we will not have.

#### 7b) Goods and Services only

By providing the goods and services required by the applicant rather than cash for them to buy their own goods/services we could ensure that the money is spent on what is needed (e.g. electricity) rather than what is wanted (e.g. alcohol). Goods/services would remove the need to give customers cash, instead a voucher or charge card (alike to those used for Direct Payments in Adult Social Care) would ensure the funds are being used for their intended outcome. Checks carried out to ensure the goods/services have been received could prevent multiple applications and potential abuse of the scheme. Criteria for eligibility for a direct-payment type service would be aligned with eligibility criteria for existing scheme such as Direct Payments and Discretionary Housing Payments. This approach would also ensure that those without financial capability and confidence skills have an equal opportunity to resolve the need for

which they have been assessed. Further financial inclusion services could be provided as a preventative measure for the future. We could face criticism that we are providing help which previously had to be repaid (i.e. loans); however this will be a new scheme. If this principle is adopted it is anticipated that we will require a cash contingency fund, especially in the first year, for unanticipated or exceptional requests from customers in crisis, this will allow ultimate flexibility. Referrals to our local Credit Union could potentially be used where non-urgent cash is required by a customer in need, and Credit Unions may also be able to assist with e.g. white goods provision.

#### 7c) A combination of any of cash, loans, goods and services

A combination of money, goods and services would cover every eventuality for those in need. A scheme set up around this many options on such a small budget is likely to be complex and difficult to monitor outcomes. There are various other discretionary schemes available that can support with cash in a crisis.

#### Recommendation

##### 7b) Goods and Services only

Officers develop a model based on a scheme that provides direct payments (e.g. housing deposit), goods (e.g. food) and services (e.g. electricity key charging), with a small provision for a cash contingency fund for exceptional requests. To be reviewed after one year using monitoring/evaluation to ensure applicants' needs were met and prevented further intervention.

### 5.9 Principle 8 – Limiting awards

#### 8a) No limits

This will be a needs led budget for which demand is likely to outstrip supply as we go forward. However any limitation could impact on the most vulnerable.

#### 8b) Apply limits to the number of awards

There are a number of options for limiting awards e.g. no more than 3 per individual during a year and/or require financial capability training as a condition of awards above a certain amount. This type of approach would encourage personal responsibility and resilience and ensure the fund can be used for the common good of people in crisis situations rather than servicing the same cohort repeatedly. Although this could mean turning away vulnerable people, it could help limit repeat claims, ensure better budget management and instil a sense of personal financial responsibility. By ensuring people are linked to the necessary support services we can strengthen referrals that will assist people in times of crisis.

#### Recommendation

##### 8b) Apply limits to number of awards

Officers develop a model based on conditions to limit awards, minimise repeat claims and promote personal financial responsibility and resilience. To be followed up after one year to evidence successful targeting of awards to those most in need (considering e.g. complaints, appeals, referrals to other services) and minimising repeat claims.

## 6. Scrutiny

6.1 The Task & finish Group is invited to consider the principles recommended and associated issues for establishment of our welfare assistance scheme and make recommendations to inform the decision-making process (see timetable below).

## 7. Timetable

- Soft market test (Aug 2012)
- Consultation period (31 Aug – 26 Oct)

- Equality Impact Assessment (Sept 2012)
- Scrutiny Task and Finish (mid Sept 2012)
- Working up proposals (Sept-Oct 2012)
- Potential commissioning activity (TBC Oct-Dec 2012)
- Decision to Cabinet (15 Jan 2013)
- Staff training and other preparation (Jan-Apr 2013)
- Implementation (1 Apr 2013)