

**Customer and Communities Overview and
Scrutiny Panel Task and Finish report on the
Social Fund replacement scheme**



SOCIAL FUND REPLACEMENT

Customers and Communities Overview and Scrutiny Panel Task and Finish Group

November 2012.

CONTENTS

1. Introduction
2. Scrutiny Approach
3. Findings
4. Conclusions
5. Recommendations

Appendices

- I Witness Evidence Summaries
 - Ia Martine Collins (Revenues and Benefits Services Manager),
Plymouth City Council
 - Ib Dave Saunders (Strategic Manager – Customer Services),
Plymouth City Council
 - Ic Maria Schingen (Product Portfolio Manager),
Plymouth City Council
 - Id Eunice Halliday (Co-ordinator) and Brenda Carter (Volunteer),
Plymouth Foodbank
 - Ie Betty Gray (Founder and Co-ordinator) and Paul Williams
(Manager), Plymouth Credit Union
 - If Andrew Richards and Lynden Gibbs, Salvation Army
- 2 Timeline of benefit changes relating to Welfare Reform
(pre and post)
- 3 Discretionary Housing Payments

I. INTRODUCTION

- I.1 The Social Fund provides a safety net for people who cannot afford essential daily living. In April 2013 it is going to be abolished and the Department for Work and Pensions (DWP) will hand partial funding to Local Authorities to design and deliver a localised welfare assistance scheme. With rising living costs and reductions in income to some families in Plymouth as a result of Welfare Reform, together with a shift in Government policy on

welfare distribution; this council will be forced to make tough decisions on how increases in demand, on an already stretched service, will be managed.

1.2 There are several types of funding pots available within the Social Fund but only two of those will transfer to Local Authorities:

- Community Care Grants
- Crisis Loans

1.3 At a meeting of the Customers and Communities Overview and Scrutiny Panel on 20 June 2012, the Cabinet Member for Cooperatives and Community Development sought members' assistance in helping to shape the proposals for the Social Fund Replacement by undertaking pre-decision scrutiny on the matter. Focussing on the eight principles identified as essential to support the development of an equitable welfare assistance scheme, this report summarises the findings of the task and finish group review and makes a number of recommendations to Cabinet about how this money could be administered and spent.

2. SCRUTINY APPROACH

2.1 The Overview and Scrutiny Management Board approved the establishment of a task and finish group to review the Social Fund Replacement scheme at its meeting on 25 July 2012.

2.2 Task and Finish Group Objectives

2.2.1 The group was asked to advise the Council on the delivery options for the new scheme.

2.3 Task and Finish Group Membership

2.3.1 The task and finish group had cross party membership comprising the following Councillors –

- Councillor Tuffin (Chair)
- Councillor Ball
- Councillor Damarell
- Councillor Philippa Davey

2.3.2 In addition, in order to broaden and enhance the group's knowledge and experience, a co-opted representative was appointed from the Citizens Advice Bureau –

- Steve Meakin

2.3.3 For the purposes of the review, the Task and Finish Group was supported by -

- Lisa Woodman, Business Support Officer (Quality Assurance and Customer Services)
- Katey Johns, Democratic Support Officer

2.4 Task and Finish Group Methodology

2.4.1 The Task and Finish Group convened over three half-day sessions to review the documentation submitted as evidence and to hear from a number of witnesses.

2.4.2 Witnesses invited:

- Peter Aley (Head of Safer Communities), Plymouth City Council
- Jo Hambly (Financial and Social Inclusion Officer), Plymouth City Council
- Councillor Penberthy, Cabinet Member for Cooperatives and Community Development
- Martine Collins (Revenues and Benefits Services Manager), Plymouth City Council
- Dave Saunders (Strategic Manager – Customer Services), Plymouth City Council
- Maria Schingen (Product Portfolio Manager), Plymouth City Council
- Eunice Halliday (Co-ordinator) and Brenda Carter (Volunteer), Plymouth Foodbank
- Betty Gray (Founder and Co-ordinator) and Paul Williams, City of Plymouth Credit Union
- Andrew Richards and Lynden Gibbs (Salvation Army).

2.4.3 Full details of the evidence provided by each witness are attached at Appendix I to this report.

2.4.4 In order to assist with its deliberations, the task and finish group were provided with the following documentation and background information:

- Project Initiation Document
- Briefing Paper outlining the Social Fund Replacement Principles
- Consultation response to Social Fund Replacement Principles
- A presentation on Localising the Social Fund in Plymouth
- Soft Market Test Results – Social Fund (Confidential)
- Timeline of Welfare Reform Changes (attached at Appendix 2 to this report)
- Discretionary Housing Payments (attached as Appendix 3 to this report)

3. FINDINGS

3.1 Social Fund

3.1.1 In order to set the scene and bring the task and finish group up to date with the current arrangements and the changes to be implemented, members received a detailed presentation from the Council's Head of Safer Communities and Financial and Social Inclusion Officer, accompanied by the Cabinet Member for Cooperatives and Community Development. A copy of this presentation is included in the agenda pack for this review but can be viewed by clicking on the following link:

<http://www.plymouth.gov.uk/mgInternet/documents/s41352/Presentation%20Handout.pdf>

3.1.2 The Social Fund currently comprises various funding pots, two of which will transfer to Local Authorities in April 2013; Community Care Grants and Crisis Loans. In 2010/11 the DWP spent a total of £1.2 million on Community Care Grants and Crisis Loans in Plymouth; £581,700 on Community Care Grants and £642,000 on Crisis Loans.

3.1.3 Community Care Grants

- (a) Community Care Grants are non-repayable grants awarded to cover a range of expenses, including household equipment. They are intended to support vulnerable people to return to or remain in the community and to ease exceptional pressure on families;
- (b) the average award of Community Care Grants in Plymouth during 2010/11 was £458.57;
- (c) reasons for applications during the period April to September 2011 include –
- Families under exceptional pressure
 - Helping people to stay in the community
 - Moving out of residential/institutional care
 - Planned resettlement
 - Travel expenses
- (d) examples of items awarded nationally include –
- | | |
|--------------------|-------------------|
| • beds/bedding | • clothing |
| • kitchen utensils | • cooker |
| • carpet/curtains | • washing machine |
| • seating | • moving |
| • fridges | |

3.1.4 Crisis Loans

- (a) Crisis Loans 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, usually for food, utilities, essential furniture/white goods. Repayments are taken by the DWP directly from people on benefits;
- (b) the average award of Crisis Loans in Plymouth during 2010/11 was £67.51;
- (c) reasons for applications during the period April to September 2011 include –
 - benefit spent – living expenses
 - lost or stolen money/giro
 - capital not realisable
 - JSA sanctions imposed on customer
 - homelessness – securing accommodation
 - reconnect fuel supply
 - leaving care – not entitled to benefit/rent in advance

3.1.5 Very little information has been released by the DWP to local authorities about who applies for and is awarded money under the social fund at a local level. The National Social Fund Project Team at the DWP has set up some web pages which are aimed specifically at Local Authorities and this is the only detail being made available to Local Authorities across the county. This information can be viewed at by visiting -

<http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/>

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

3.1.6 Only two years of funding had been guaranteed by the DWP. For 2013/14 funding has been confirmed as £878,428, plus £185,618 administrative costs and for 2014/15 £878,428 plus £170,139 administrative. The Government has not ring-fenced the funding and there is no duty placed on Local Authorities to deliver any specific type of service.

3.1.7 The task and finish group were disappointed that the DWP declined their invitation to participate in the review.

3.2 **The Principals**

3.2.1 In preparation of the handover of this funding, the City Council has undertaken a public consultation exercise focussing on some critical decisions, identified as essential to support the development of an equitable welfare assistance scheme, they are:

- Principal 1 – Shared Services
- Principal 2 – Delivery Model
- Principal 3 – Funding Amounts
- Principal 4 – Eligibility
- Principal 5 – Type of Assistance
- Principal 6 – Administrative Costs
- Principal 7 – Benefits Offered
- Principal 8 – Limiting Awards

3.2.2 The task and finish group took into account the evidence it heard from witnesses when considering its recommendations and used that information to assist in forming an opinion against each of them and the options contained therein –

Principal 1 – Shared Services

Option a – develop a scheme limited to Plymouth

Option b – develop a shared scheme with other Local Authorities

Whilst no direct evidence was heard in relation to this Principal, members were aware that Plymouth has higher deprivation scores than its neighbouring Local Authorities and has uniquely urban financial exclusion problems to address. They therefore agreed with the recommendation in the officer's report that it would therefore be very challenging to deliver a shared scheme within the time available and could limit delivery options.

Principal 2 – Delivery Model

Option a – all options delivered in-house

Option b – all options commissioned out to partners to deliver

Option c – split and combine delivery options across the local authority

The task and finish group heard that the Council's Revenues and Benefits Service has staff who are experienced in assessing and administering discretionary funds and who are trained in dealing with difficult customers. In addition, the department already has access to relevant customer data and this can be used to provide a more efficient service to customers, including signposting, whilst keeping administration costs down. Changes to the Council Tax Benefit scheme will mean that resources are freed up within the service and release capacity for staff to administer Social Fund claims. The Council's First Stop Reception area is already set up to deal with customers in challenging circumstances and has cubicles where private conversations can be held without compromising staff safety.

Many of the types of assistance accessed via the current Social Fund are services that Plymouth City Council is not set up to provide. If it were to look to partner agencies to

deliver those elements it would need to consider their capabilities. In respect of the Plymouth Foodbank, members heard concerns that –

- there is a real danger that some of their donors will cease to provide support if they think the Government is using their donations as an excuse for cutting back on a decent welfare system;
- their priority is to remain committed to feeding the hungry and they did not wish to compromise their core values or be seen as becoming a contractual arm of the welfare state;
- they already have a well-established criteria for distributing food parcels;
- there is a danger that demand could exceed capacity and with limited available storage they only have the capacity to provide a maximum of 60 extra food parcels a week;
- depending on the criteria adopted by the City Council for issuing crisis loans, it is possible that some people may be left with a food parcel if you get a crisis loan and a food parcel if you don't.

The task and finish group heard evidence from the Plymouth Credit Union to the effect that, if given the funding, they did have the capability to administer the Social Fund with the creation of two and a half jobs. In support of this members were advised that Plymouth Credit Union -

- were well-established in funding and administering loans as well as providing an advice service to customers on managing their household budgets and encouraging them to save;
- already has a contract with a supplier to provide goods required and customers can then repay the cost of the goods provided via a low interest rate;
- has an arrangement in place with the DWP for any unpaid debts to be recovered from benefit payments;
- is developing proposals with the Local Authority and landlords/housing associations for housing benefit payments to be paid direct to the credit union who will then pay the tenant's rent on their behalf.

Taking the above into account, members were of the view that, whilst the Plymouth Credit Union was in a position to work with the Council to deliver the Social Fund, given the time constraints involved (the service needs to be operational by April 2013) it would be more practical for all options to be delivered in-house for the first 12 months but that consideration should be given to the Plymouth Credit Union taking on part of the responsibility at some point in the future. They therefore disagreed with 2c, the option recommended in the officer's report and propose option 2a as an alternative.

Principal 3 – Funding Amounts

Option a – spend the same level of funding from Government

Option b – spend less than the level of funding from Government

Option c – spend more than the level of funding from Government

Having heard of the funding levels planned for Plymouth for 2013/14 and 2014/15 and that the DWP spend in Plymouth during 2010/11 had been £1.2m, it was established that there will be a deficit in funding of £322,000 (27%). In view of mounting pressures on Council services and fewer resources to deliver them it will not be possible to consider spending more than the level of funding from Government. Given that demand on the Social Fund will rise as a result of other welfare reform changes and having heard evidence from the Plymouth Credit Union, Plymouth Foodbank and the Salvation Army of the increasing demand on their services, members of the task and finish group were of the opinion that the spend should not be less than the level of funding from Government. In addition, having heard that the Revenues and Benefits Service are looking at a service provision model with minimal cost to the authority and that the simplification of council tax benefit will free up resources and release capacity for the staff currently processing Discretionary Housing Payments to also administer Social Fund claims, members were confident that keeping the spend level the same was deliverable. They therefore agreed with 3a, the option recommended in the officer's report.

Principal 4 – Eligibility

Option a – maintain current eligibility criteria

Option b – create new 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.

Whilst developing a set of new criteria would enable the Council to target specifically designated groups and set local policy, Members were advised that there would be extensive time, costs and capacity involved in developing, testing and implementing any new eligibility criteria. In addition, with limited data available from the DWP it will be difficult to know whether the criteria help prevent escalation of the crisis and it would therefore make sense to maintain the current criteria whilst monitoring/evaluating the situation and undertaking a review in twelve months' time. The task and finish group were therefore supportive of the recommendation in the officer's report, option 4a.

Principal 5 – Type of Assistance

Option a – deliver a single type of welfare assistance

Option b – split crisis and care support to provide two types of welfare assistance to those in need

The current assistance provided by the Social Fund is in cash. However, the panel is aware that this system is open to abuse with some clients spending the money on cigarettes and alcohol and making repeat applications. Members heard evidence supporting –

- a voucher scheme to provide food;
- direct purchase of essential white goods;
- prepaid utility key cards;
- prepaid debit card facility;
- direct payment of rent;

many of which are already offered by the voluntary agencies talked to as part of this review.

The task and finish group were of a consensus that the Social Fund Replacement Scheme should be about providing a pathway to support as opposed to a pathway to cash and that any assistance offered should be monitored to ensure that the right people are accessing the right support for them whilst being encouraged at every opportunity to take responsibility for their situation to avoid repeated claims for assistance in the future. Members therefore agreed with option 5b, that splitting crisis and care support to provide two types of welfare assistance was the right way forward in helping people to help themselves.

Principal 6 – Administrative Costs

Option a – combining efficiencies and limiting administration to the amount provided by Government for this purpose

Option b – Increase or decrease funding used to administrate scheme

The DWP has allocated funding of £185,000 (equivalent to approximately 20% of the Social Fund) for the administration of the scheme. In order to pursue either an increase or decrease in administration costs the Council will require clear information on the cost of administration and this is something that is currently available. It is clear from all those involved in this review, including early indications from the consultation results, that administration costs should be kept to a minimum. Limiting administration costs means that maximum benefit can be gained from the monies in the pot to support those who are most vulnerable and in need.

As previously detailed under Principal 2 (above), the task and finish group heard that the Council's Revenues and Benefits Service has staff who are experienced in assessing and administering discretionary fund and have access to relevant customer data which can be used to provide a more efficient service to customers (including signposting) whilst keeping administration costs down). In addition, changes to the Council Tax Benefit scheme will

mean that resources are freed up within the service and release capacity for staff to administer Social Fund claims.

Bearing the above in mind, members are of the opinion that combining efficiencies and limiting administration is the right option and are therefore supportive of the recommendation put forward in the officer's report, option 6a.

Principal 7 – Benefits Offered

Option a – cash and loans only

Option b – goods and services only

Option c – combination of cash, loans, goods and services

As previously considered under Principal 5, the current system relies upon the customer having the financial capability and skill to help themselves and ensure the money is spent on what is needed. Loans require administration and the cost of this combined with the cost of collection is likely to generate high expenditure for low return. The DWP currently claims back 82% of Social Fund loans direct from benefits, an option which will not be open to the Council. The Plymouth Credit Union is able to offer low interest loans which can be reclaimed through benefit payments and has a contract with a supplier to provide electrical goods which the customer can pay for via a low interest rate loan.

With the merits of cash discounted due to it being open to abuse and the availability of low-cost loans through the Credit Union, members share the view that provision of goods and services only is the right way forward – option 7b. However, in giving thought to the types of assistance highlighted at Principle 5, the benefits of providing new goods established in exploring Principal 2, and considering the evidence they have received in respect of Discretionary Housing Payments (DHP), members are of the opinion that any model developed to deliver this option should include -

- any advances for rent should, if eligible, be referred in the first instance to the DHP fund;
- cheapest new goods be supplied as standard (due to the time limits involved), subject to review of the second hand reuse network's capacity to supply and deliver;
- the Council developing the capability to charge utility pre-payment keys/cards;
- provision of vouchers for food at a selection of retailers with restrictions imposed on their use so as to exclude the purchase of alcohol and tobacco.

Principal 8 – Limiting Awards

Option a – no limits

Option b – apply limits to the number of awards

The average award in Plymouth during 2010/11 was £67.51 for a Crisis Loan and £458.57 for a Community Care Grant. The current arrangement allows for three crisis loan awards whilst there are no restrictions in respect of Community Care Grants. With demand expected to increase by approximately 30%, applying limits to the number of awards is the Council's only realistic option as offering up a scheme with no limits will soon allow demand to outstrip supply.

Given that Community Care Grants are non-repayable grants awarded to cover a range of expenses, including household equipment, to enable vulnerable people to return to or remain in the community and to ease exceptional pressure on families, it is reasonable to expect people to move no more than once a year and, if they do move, any household equipment already supplied could be moved with them. In addition, the task and finish group heard evidence that there are other sources of assistance available within the community who can provide small household items, clothing and toys such as the Salvation Army.

With regard to Crisis Loans, members were of the opinion that a crisis loan is something that most people should require only once and, with the emphasis on support for clients finding themselves in this situation being the promotion of personal financial responsibility and resilience, and in order to prevent abuse of the system, the task and finish group support option 8b. They are, however, aware that there will always be exceptions which will need to be considered on their own merits and to this end they propose that –

- the limit is set at one claim in any 12 month period;
- applicants can appeal for a review of the decision to be undertaken by a senior council officer during the first 12 months of operation (this review process to include a representative from the third sector in the longer term once the process has become established).

3.2.3 In addition to the consultation exercise on the principles, a soft market test was carried out in order to establish what level of interest would be generated in providing the furniture/equipment required to deliver this service. Despite over 7,000 organisations being contacted, only nine companies expressed an initial interest in contracting for this service.

3.2.4 The panel would like to have explored the option of second hand goods provision further through discussion with the Furniture Reuse Project. Unfortunately however, despite best efforts, no one was available to attend and, due to the time constraints on this review, this avenue of exploration was lost.

4. CONCLUSIONS

4.1 In reviewing the evidence and analysing all of the data provided, the panel concluded that -

- (a) if the funding is not ringfenced there is a risk of it being absorbed into the Council's General Fund and used in the provision of other service areas;

- (b) those who require food or electricity will have different needs to those who require rent in advance or a cooker or items of clothing such as school uniform and are likely to use different services to access support. By delivering the Social Fund Replacement Scheme in-house through the Council's existing social care and revenues and benefits services it will have greater control over spend, budget and the more discretionary elements of awarding. Whilst not discounting the ability of the Plymouth Credit Union to deliver this service, the fact that the Council is under pressure to have the service operational by April 2013 leaves little time to explore the possibilities of entering into any contract arrangement;
- (c) the change over from the current system to the new one needs to be as smooth as possible in order to avoid unnecessary delays in processing applications. Members welcome the fact that the Revenues and Benefits Service are looking at the training requirements needed to equip staff with the necessary skills to manage the change and are already working closely with the DWP in order to ensure that the needs of vulnerable customers are not overlooked during transition;
- (d) with ever decreasing funding and increasing demands on services, the Council is going to be faced with making extremely difficult decisions. Members are confident that by –
- establishing an in-house delivery model;
 - maximising use of existing resources within the Revenues and Benefits Service and keeping administration costs to a minimum;
 - adopting (as least for the first year of operation) the current eligibility criteria;
 - limiting the number of awards;

the existing spending level can be maintained;

- (e) due to the low level of interest expressed during the soft market test for the supply of goods, whilst not discounting entirely the merit of second hand goods, it would be difficult to ensure supply could match demand or that robust contracts could be put in place before the implementation date. In addition, the benefit of new goods is that they come with guarantees and can be delivered and installed, albeit at extra cost whilst second hand goods are bought on trust with no guarantee on how long they will last. The benefits of supplying new goods therefore far outweigh the benefits of supplying second hand;
- (f) without the generosity and goodwill of the countless volunteers providing support to all of the agencies who participated in this review, there would be many more demands on the Council's already stretched services. Members offered their heartfelt thanks for the outstanding services they provide to the City and particularly to those in need.

5. RECOMMENDATIONS

The task and finish group recommend to Cabinet –

R1		that both the fund and the administration element be ringfenced to Plymouth City Council;
R2		that principle one, three, four, five and six be adopted as presented in the consultation;
R3		that principle two be adopted as follows – <ul style="list-style-type: none"> • Option a – All options be delivered in-house with Plymouth City Council holding the funding and administering the service through Revenues and Benefits, subject to capacity being reviewed; • consideration to be given to a credit union taking part of the responsibility at a future date;
R4		that principle seven be adopted as follows – <ul style="list-style-type: none"> • rent advances be applied for out of discretionary housing payment fund; • cheapest new goods be supplied as standard due to the time limits involved, subject to a review of the second hand reuse network’s capacity to supply and deliver; • the council developing capability to charge utility pre-payment keys/cards; provision of vouchers for food at a selection of retailers, with restrictions imposed on their use so as to exclude the purchase of alcohol and tobacco;
R5		that principle eight be adopted as follows – <ul style="list-style-type: none"> • that the limit for crisis loans be set at one claim in a 12-month period with any subsequent applications being considered in exceptional circumstances only and on a case by case basis; • appeals to be considered by a senior officer from within the authority from the outset, with a view to including representatives from the third sector in the longer term;
R6		that adequate assessment and support plans are developed to ensure that the service acts as a holistic pathway to support;
R7		that a six-month progress report be presented to the Customers and Communities Overview and Scrutiny Panel with any major variances to the fund being reported back sooner.

