



Where now for local welfare schemes?

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1. Introduction

- 1.1 As part of its programme of welfare reforms the Department for Work and Pensions (DWP) took the decision to abolish the Community Care Grant¹ and Crisis Loan² elements of the Discretionary Social Fund in April 2013. Since that date the funding previously used to support this provision has been allocated to upper-tier local authorities in England and to the devolved administrations in Scotland and Wales.
- 1.2 Government explained³ its rationale for this reform as follows:
- “...the Social Fund scheme was not working as intended. It had become complex to administer, was poorly targeted and open to abuse. The Government believes that local authorities, with their existing social care strategies and duties, are better placed to determine the support needs of local vulnerable people than the old central and remote Social Fund system.”*
- 1.3 The funding allocation of £176 million per year in England for 2013/14 and 2014/15 was intended to support the provision of new local schemes (referred to by DWP as ‘local welfare provision’). There were no statutory obligations placed on local authorities and the devolved administrations in this respect and the budget was not ring-fenced. However, the funding was identified separately from

¹ Prior to April 2013, **Community Care Grants** were made available to people in receipt of qualifying benefits who faced ‘exceptional’ financial pressures or who needed help to meet expenses in order to prevent them from going into residential or institutional care. Grants could also be awarded to people who were not in receipt of benefits but who were due to leave residential or institutional care within the following six weeks; to help families cope with the expense of caring for a prisoner or young offender who is on home leave; to help people set up home as part of a planned resettlement programme (e.g. where someone has previously been homeless), and to meet essential travel costs in certain circumstances.

² **Crisis Loans** were interest free loans of up to £1500 available to anyone over 16 years old who did not have “sufficient resources to meet the immediate short term needs” of themselves and/or their family. It was not necessary for applicants for crisis loans to be in receipt of qualifying benefits although they must have been likely to be able to repay the loan. Crisis loans were made to cover expenses arising in an emergency or following a disaster. Eligible expenses were living expenses; rent in advance (but not deposits) to secure non local authority accommodation; charges for board and lodging; travel expenses when stranded away from home, and repaying emergency credit on a pre-payment fuel meter. In the case of a disaster such as a fire or a flood a crisis loan could also be provided to meet other expenses, for example to replace household items and clothing. A crisis loan for rent in advance could also be made despite the absence of an emergency or disaster provided that the applicant has also been awarded a Community Care Grant to re-establish themselves in the community following a stay in residential or institutional care. Finally crisis loans could also be made as “interim” or “alignment payments” to cover the period between a new claim and receipt of the first benefit payment.

³ HM Government (October 2014). ‘Local Welfare Provision in 2015/16: A consultation document.’

the Revenue Support Grant and DWP's settlement letter to local authorities made it clear that it expected these to use the money to ensure⁴:

"...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."

- 1.4 This report reviews the performance of local authorities in England in meeting the ambitions of Government and looks at how well vulnerable people are currently having their needs met by the local welfare schemes that have been put in place.
- 1.5 The report is published at a time when Government is considering the future of the arrangements to support local schemes. In its provisional local government funding settlement for England for 2015 to 2016, published on 18th December 2014, Government indicates that an amount of £129.6 million has been identified within the proposed local government Revenue Support Grant for spending on local welfare provision. This is 26 percent less than was allocated for the previous two years and Government has stated that it is not minded to ring-fence this or place authorities under any "new duties, expectations or monitoring requirements" concerning its use. Local authorities may or may not choose to maintain their schemes depending on their local priorities. Consultation on this proposal is now taking place through to the 15th January.
- 1.6 Whether local authorities will continue to maintain their local welfare schemes beyond March 2015 is now a major concern. Indeed, the Local Government Association ('LGA') argues that⁵:

"The abolition of local welfare assistance as a distinct grant and its notional inclusion in 2015-16 within a formula grant total that is 13 per cent or £3.13 billion lower, year-on-year, will have a significant impact on local provision. A LGA survey demonstrates that nearly three quarters of councils would have to scale back their schemes with 15 per cent expecting to have to scrap provision completely."

⁴ <http://www.dwp.gov.uk/docs/discretionary-social-fund-settlement-letter-2012.pdf>

⁵ LGA response to the Government consultation on local welfare provision, November 2014

- 1.7 This report therefore also looks at the likely implications of a cut in funding for local welfare schemes, not only for those groups of people that are benefitting from existing schemes but also for Government, local authorities, and those voluntary sector organisations who are on the front-line in providing help to vulnerable people. In so doing, the report highlights areas of good practice which we hope will encourage both national and local Government to improve support for households in financial difficulties moving forwards.

Methodology

- 1.8 The report is based upon:

A freedom of information request sent to local authorities in England in April 2014. This was used to obtain information concerning the design of local schemes; the level of spend against allocation; the types of needs that were being met and the numbers of people benefitting from assistance. We also sought to obtain information concerning future plans and development of the schemes;

Supplementary information, only recently provided by Government, concerning levels of spend at the local authority level in England. Our freedom of information request resulted in 69 sufficiently detailed responses for inclusion in the study. This represents a sample size of 46 percent of the 150 authorities that were provided with funding for local welfare schemes in England. This forms the *core sample* for our analysis of the number of people assisted in 2013/14 and the reasons for variations in performance between local authorities. However, we have now also analysed the results from a recent Government survey of spending against funding allocations for the last financial year. This was published in November 2014, and provided information on expenditure levels from 106 authorities⁶. Cross referencing this with the information obtained from our request we found that we had details of the financial out-turn for an additional 21 authorities that did not respond to the Government's survey. The analysis of spending patterns presented in this report is therefore based on information gleaned from 127 local authorities, representing 85 per cent of those that received

⁶ <https://www.gov.uk/government/publications/local-welfare-provision-review>

an allocation. It is therefore the most comprehensive analysis that has been published to date;

Comparison with data on the performance of the Scottish Welfare Fund.

Unlike in England, the Scottish Government put in place a national scheme, with consistent eligibility criteria for use by all Scottish local authorities. It also created a national system for monitoring performance, with a report on the first year of operation published in July 2014. The Scottish Government has also committed to placing its Fund on a statutory basis. We have therefore compared the performance of English local authorities against the Scottish scheme;

More detailed consideration of the operation of schemes in four case study areas⁷.

This has included the review of further published information relating to their provision and the conduct of twelve qualitative interviews with front-line agencies in October and November this year. This has allowed us to gain an insight into the effectiveness of different delivery approaches as well as to look at how local authority practice has changed in these areas between 2013/14 and the current financial year;

In addition to the above, we have also **reviewed published reports** concerning the operation of local schemes, including local evaluation studies and those recently produced by Government and the LGA.

Structure of the report

1.9 The remainder of this report is set out as follows:

Chapter two places the report in context by looking at the broader impact of welfare reform and the financial pressures on lower income households. It also reviews the landscape of national provision and the overall budget for local welfare schemes, and sets out the key research questions used to inform our research;

Chapter three presents the findings from our freedom of information request and our analysis of additional information provided by Government concerning the spending on local welfare schemes by English local authorities;

⁷ These are: Hertfordshire County Council; London Borough of Islington; London Borough of Lambeth; Newcastle City Council and Portsmouth City Council.

Chapter four sets out details of the Scottish Welfare Fund and reviews published reports concerning its performance to provide a comparison with the English experience;

Chapter five reports on the further analysis of the operation of schemes in the four case study areas;

Chapter six presents our conclusions and recommendations.

2. Background to the report

The financial pressures faced by low income households

- 2.1 The decision to abolish the Community Care Grant and Crisis Loan elements of the Discretionary Social Fund forms part of Government's wider welfare reform programme. This has the stated aims of making the benefit system fairer and more affordable; reducing poverty, worklessness and welfare dependency; and reducing levels of fraud and error⁸. However, a clear objective has also been to make savings to the welfare budget, as part of the Government's overarching strategy to reduce the national debt.
- 2.2 The expected cumulative impact of welfare reforms in progress was assessed in August 2013 by the Centre for Economic and Social Inclusion (*Inclusion*)⁹. This indicated that since coming to power in 2010, the Coalition Government has proposed measures that are intended to make savings of £11.8 billion from the welfare budget by 2015/16. The *Inclusion* analysis indicates that the income of households claiming benefit will be on average lower by £1,615 a year – or £31 a week – in real terms in 2015/16 as a result of welfare reforms¹⁰. This is equivalent to around one seventh of total income for affected households. Whilst this figure excludes the impact of Universal Credit, *Inclusion* expects that this will only offset the losses by a very modest amount: equivalent to just £190 per year on average (£4 per week).
- 2.3 The *Inclusion* analysis was commissioned by the LGA and considered the impact of welfare reforms at a local authority level for England. It found that the impacts will be relatively evenly spread – with all regions except London seeing average losses per claimant household between £1,500 and £1,650 per year. This is because the individual impacts of the various reforms largely balance each other

⁸ <https://www.gov.uk/government/policies/simplifying-the-welfare-system-and-making-sure-work-pays>

⁹ Wilson, T., Morgan, G., Rahman, A., & Vaid, L. (2013). The local impacts of welfare reform: an assessment of the cumulative impacts and mitigations. Centre for Economic and Social Inclusion.

¹⁰ It is important to note that this does not represent an average cash loss of £1,615 a year – as in some cases households will move on and off benefit, and about one fifth of savings are a result of increasing benefits by less than inflation in the future (meaning spending will not fall in cash terms, but will fall in its real value). Rather, the average impact represents the loss in income compared with what benefits would have been in the absence of reform.

out across the country. There are larger impacts due to reforms affecting people who are either out of work or in low paid employment in the North, but in the South people are more greatly affected by changes to Housing Benefits because of higher housing costs in that part of the country. The exception to this general pattern is London, which has large numbers of people who are either out of work or in low paid employment, *and* who also have high housing costs. These factors combine to give very large impacts per household. On average welfare reforms mean that claimant household incomes are lower in real terms in London by £1,965 per year in 2015/16.

2.4 Aside from the direct reductions in income caused by many of the welfare reforms, there have also been major changes to the eligibility criteria and claims processes for several benefits; as well as the imposition of greater conditionality requirements, and a harsher sanctions regime. These have created significant financial problems for many people. For example:

- Citizens Advice reported in July of this year¹¹ that the process of re-assessing Incapacity Benefit claimants to determine their eligibility for Employment and Support Allowance ('ESA') is causing major problems. People appealing against decisions to refuse ESA were initially able to receive the benefit at the 'assessment rate'. However, in October 2013 DWP introduced a requirement that the claimant request a 'mandatory reconsideration' of adverse decisions prior to proceeding to appeal. ESA is not payable during this period. According to Citizens Advice, it is taking DWP between five and twelve weeks to conduct its mandatory reconsiderations. This is causing "significant emotional and financial pressure", and resulting in "referrals to food banks, [and people] borrowing money from family and friends and selling possessions to raise money" as well as a decline in mental health;
- In June 2014, the Public Accounts Committee reported on the process for claiming the new Personal Independence Payment ('PIP')¹². The Committee found that many claims were delayed by more than six months, with some

¹¹ Citizens Advice (2014). 'The cost of a second opinion'.

¹² <http://www.theguardian.com/society/2014/jun/20/watchdog-attacks-atos-disability-payouts-fiasco>

claimants taken to hospital due to the stress of the process and being unable to afford medically prescribed diets;

- More stringent conditionality requirements and a harsher sanctions regime have been introduced for both Jobseekers Allowance ('JSA') and ESA claimants. Since 2012, benefit payments can be suspended for a minimum of four weeks and for up to three years where a claimant fails to take sufficient steps to search for work; prepare themselves for the labour market, or where they turn down an offer of employment or leave a job voluntarily. The numbers of people sanctioned have increased dramatically as a result¹³. Although hardship payments may be available to provide for a minimum level of income in these cases, a review of the impact of sanctions in Coventry¹⁴ identified that those receiving a sanction were often left without money for rent, food or utilities and that this led to debt and mental health problems. In many ways the sanction was also counter-productive, making it harder for claimants to look for work because they now lacked money to pay for telephone or travel costs and because the increased stress and necessity to find money to pay for essential reduced the time that people could devote to job search.

2.5 In addition to dealing with the impact of welfare reforms, claimant households have also been affected by recent, and significant, increases in the costs of living. Chief amongst these are housing costs. Working age lower income households are concentrated in the social and private rented sectors, and rents in both of these are rising. According to Oxford Economics research for the National Housing Federation private rents are set to rise by about 6 percent per year. In the social housing sector, the Government's 'Affordable Homes' policy provides for new supply (and a proportion of existing stock which comes up for re-letting) to be let at up to 80 percent of market rents. The policy has been criticised as creating social housing that is anything but affordable, particularly in London and the South East. Writing for the Guardian, Colin Miles¹⁵ has pointed out that an 80 percent market rent for a two-bedroom flat in Southwark would require the tenants to have an

¹³ <http://www.theguardian.com/society/2013/nov/06/benefits-sanctions-jobseekers-allowance>

¹⁴ 'The impact of benefit sanctions on people in Coventry'. Coventry Law Centre, 2014

¹⁵ <http://www.theguardian.com/housing-network/2014/feb/03/affordable-housing-meaning-rent-social-housing>

income of almost £44,000, and that “even if rents were set at 65% of market levels, which is the average amount expected, residents still would need to earn more than £35,000”. As a result an increasing number of social housing properties will become unaffordable from earnings moving forwards, creating further pressure on the Housing Benefit budget.

- 2.6 Food and fuel prices have also been rising. Adams et al (2014) note that whilst the CPI measure of inflation increased by twenty percent between 2008 and 2013, the cost of food and energy increased much more quickly: by thirty percent and sixty percent respectively. This has a disproportionate impact on the poorest households because these spend a larger proportion of their overall budget on food and fuel than is the case for better off households.
- 2.7 For working parents there have also been significant increases in the cost of childcare. Research by the Family and Childcare Trust (2013) indicates that a nursery place for a two year old were 77 per cent more expensive in 2013 than it was in 2003, and after-school clubs were 88 per cent more expensive¹⁶.
- 2.8 Earnings growth has been inadequate to offset these rising costs of living. Wages have failed to keep pace with inflation for most of the past six years¹⁷ and a recent study by the TUC reports¹⁸ that despite falling unemployment 3.4 million people remain ‘underemployed’ (that is, working part-time because they cannot find full-

¹⁶ The Government is undertaking a major reform of the system for providing parents with help towards the costs of childcare. This includes the introduction, in autumn next year, of a Tax Free Childcare (“TFC”) scheme which will cover 20 per cent of costs up to £2,000 per child per year. However, to claim this all parents in the household must be working and they cannot be receiving any help through the Tax Credits system or Universal Credit. For lower-paid parents, the support currently provided through Tax Credits and Housing Benefit will be replaced by a Universal Credit childcare component. This will cover 85 per cent of costs, provided that all parents are earning above the income tax threshold. However, households with parents earning below this amount will only qualify for help to cover 70 per cent of their childcare costs. At the moment many of these households also receive help with childcare costs through Housing Benefit, which together with the support through Tax Credits can mean that up to 90 per cent of their childcare costs are met. Following the roll out of Universal Credit many of these are therefore likely to be worse off.

¹⁷ <http://www.bbc.co.uk/news/business-27406084>

¹⁸ <http://www.tuc.org.uk/economic-issues/labour-market/record-number-people-are-looking-extra-hours-top-their-wages>

time jobs). In addition, 15 per cent of all workers are now doing so on a self employed basis. This is the highest proportion in 40 years, with some 732,000 people moving into employment since the first quarter of 2008. Much of this is low paying work, with the average income from self employment just £207 per week. This less than half of the average weekly earnings for employees (£450 per week, excluding bonuses).

- 2.9 Finally, there has also been a significant increase in the number of people who are employed using very insecure contracts. According to the Office of National Statistics ('ONS') the number of people employed on 'zero hours contracts' has increased three-fold since 2010 and now stands at approximately 600,000. These contracts carry no guarantee of work and employees are only paid for the work that they carry out in any given week. On average people on these contracts work only 21 hours per week. However, the amount of work they get from one week to the next can vary widely which creates enormous difficulties in managing the household budget.

- 2.10 **The combined effect of welfare reforms; higher living costs, low levels of wage growth and an increase in part-time and temporary work has been to heap pressure on the already fragile finances of low income households.** More people are using credit to 'make ends meet' and to purchase essential household items; have had to turn for help from the growing network of food banks; or are defaulting on rent, Council Tax and utility bills. It has also caused some of the poorest households to cut back on the amount they spend on food and fuel. We now consider each of these aspects in turn before reviewing what has been put in place since the abolition of the Discretionary Social Fund to provide help to the most vulnerable households.

Using credit to make ends meet and purchase essential items

- 2.11 The increased demand for credit to 'make ends meet' has been especially apparent as the driver behind the expansion of payday lending. The number of people borrowing from payday lenders is estimated to have increased more than five-fold in the past seven years (from approximately 0.3 million in 2006 to 1.6 million in

2013¹⁹). According to the Competition and Markets Authority ('CMA'), just over half (53 percent) of payday borrowers use their loans to meet essential requirements (such as paying for food and to cover the cost of utilities); 10 percent use the money to meet the cost of running a car or other vehicle, and 7 percent use it to fund the purchase of clothes or household items. When asked why they needed to take out a payday loan, 52 percent of customers said that the loan was linked to an unexpected increase in expenses or outgoings and 19 percent said the need was due to an unexpected decrease in income. These needs arise on a repeated basis. Over 10 million payday loans were issued in 2013, and the CMA has found that, on average, each borrower takes out around six loans per year.

2.12 Whilst payday loans are marketed as a way of helping people to meet short-term cash-flow needs they are a very expensive form of borrowing. The typical payday loan is for £260 and is taken out for between 14 and 30 days. A 30 day loan for this amount carries interest of around £83²⁰. However, the cost of borrowing can escalate further if people are unable to pay back their loan within the initial period and 'rollover' or extend the duration of the loan. When this is done, the borrower pays the interest charge on the loan but defers repayment of the principal to the following month. Two such 'rollovers' are permitted by the Financial Conduct Authority ('FCA'). If these are required then the interest on a loan of £260 would rise from £83 to £249. According to the CMA one in every five loans in 2012 needed to be 'rolled over' and this practice accounted for 29 per cent of all online payday lender revenue and 36 per cent of revenues for store based operators.

2.13 Default levels are also high and often lead to the charging of significant additional interest and fees. According to the CMA, 14 percent of loans issued in 2012 had still not been repaid in full by October the following year.

2.14 Although the FCA has recently introduced a cap on payday loan prices, this will not significantly lower the cost of borrowing. The initial interest on a typical loan of £260 over 30 days will be capped at £62.40 but two rollovers will still be

¹⁹ The estimate for 2006 comes from Burton, M. (2010) 'Keeping the plates spinning'. Consumer Focus. The estimate for 2013 is from the Financial Conduct Authority.

²⁰ Based on the median cost of £32 per £100 borrowed as identified in the Competition and Markets Authority inquiry into payday lending.

permitted as will a default fee of £15 and the continued charging of interest on default. Total charges will only be capped by the FCA at 100 percent of the initial amount borrowed: allowing a typical loan to attract interest and other charges amounting to £260. This is a significantly weaker price cap than is in place in other jurisdictions, particularly in Canada and the United States. Those jurisdictions also often prohibit rollover lending and the use of one payday loan to repay another. They also have much more stringent limits on default fees and interest²¹.

2.15 As payday lending has expanded so has the number of people reporting that they are in financial difficulties as a result. The number of people approaching the debt advice charity StepChange for help with payday loans has increased fifteen fold since 2009. In the first half of 2014 they reported dealing with nearly 44,000 cases of payday borrowers.

2.16 In addition to finding more people turning to them for help with payday loans StepChange has also reported that the average level of payday debt has increased over time and provided details of the worst affected cities. Between 2011 and 2012, StepChange noted that the average level of payday debt held by people seeking advice in London increased by £563 to stand at £1,859. There were also significant increases (of approximately £400) in Liverpool, Leicester and Birmingham.

2.17 It is important to recognise that people do not use payday loans in isolation of other forms of credit. StepChange report that 60 percent of payday borrowers seeking their help also have credit card debts; 62 percent have overdraft debts, and 45 percent have personal loan debts. As their Chief Executive, Mike O'Connor²², put it recently:

"This shows that the majority of people who end up in difficulty with payday loans have cycled through mainstream credit options before resorting to high cost credit."

2.18 Because people tend to exhaust other borrowing options before turning to payday lenders the scale of their expansion, albeit significant, is likely to represent only a

²¹ For further details see CfRC's response to the FCA's payday price cap at <http://t.co/qcyZ7DLr0g>

²² <http://www.stepchange.org/Mediacentre/Pressreleases/MikeOConnorspeechtoFCastaff.aspx>

small indication of the extent to which people are increasingly using credit to make ends meet. According to the Bank of England the total amount of outstanding consumer credit owed by individuals (excluding student loans) has increased by £8.6 billion to £165 billion in the past two years. 70 percent of this growth in borrowing has taken place since January 2014²³.

- 2.19 Aside from payday lending, one of the most rapidly growing areas of the consumer credit market has been Rent to Own ('RTO'). This is focused on very low income households who are in need of essential household items including beds, furniture and white goods. The largest lender in this sector is Brighthouse, which provides for these items to be bought on hire purchase agreements running over three years. Weekly repayments are low but the total cost of the items is considerable due to high interest charges and the length of the agreement. For example, the cheapest washing machine sold by Brighthouse is a Beko 9kg load, with 1400 rpm²⁴. The basic ('cash') price is £568.96. Interest is charged at 64.7 percent APR and borrowers are also often sold an extended warranty. This takes the weekly repayments to £7 per week for 156 weeks, giving a total cost of £1092. By contrast the same machine is sold by Co-op Electricals with a cash price of £295. Including delivery and installation and the extended warranty this rises to £395. If the purchase were financed using a loan from a credit union at the maximum allowable rate of 42.6 percent APR over one year then the total cost would be just £471.12, although the weekly repayments would be just over £9 per week.
- 2.20 Brighthouse has been engaged on an ambitious programme to increase its high street presence, opening well over 100 new stores since 2006/07 to take its total number to 286. Customer numbers have more than doubled over the same period and stood at 270,700 in 2013/14²⁵. In the past two years alone, the number of stores has increased by 33 and the number of customers by 19 per cent.
- 2.21 Brighthouse's expansion strategy has been based on building stores less than three miles away from concentrations of its target customer. These are typically women aged between 25 and 45 years, with children, and with household incomes of less than £18,000. Many of these customers are acknowledged by Brighthouse

²³ Bank of England, Lending to Individuals, October 2014

²⁴ <http://www.brighthouse.co.uk/washers-and-dryers/beko-9kg-washing-machine-white/>

²⁵ Brighthouse website 29/07/2014

as being wholly or partially reliant on state benefits, and are likely to be lone parents²⁶.

- 2.22 It is notable that the recent growth at Brighthouse has not come at the expense of its main competitor, PerfectHome, which has also expanded its operations in recent years. This indicates that the market as a whole is expanding rapidly.

Turning to Food banks

- 2.23 Using credit is not the only means of dealing with a financial crisis and recent years have seen a dramatic increase in the number of people turning to food banks for help. The main provider of food banks, the Trussell Trust, reports that nearly one million people benefitted from their support in 2013/14. This is up from fewer than 150,000 people in 2011/12. According to the Trust, the main reason for this increase lies with delays in the payment of benefits (31 per cent of referrals). A further 20 percent of referrals are a result of low income and 17 percent as a result of benefit changes. Around 8 percent of referrals arise as a consequence of debt problems²⁷.
- 2.24 There has been a considerable debate as to whether or not Government's programme of welfare reform, including greater conditionality requirements and use of benefit sanctions, has contributed to the increased demand for help from food banks. In December 2013, the Secretary of State for Work and Pensions accused the Trussell Trust of "scaremongering" about the impact of welfare reform on food bank use and the Department stated that there was "no robust evidence that welfare reforms are linked to increased use of food banks²⁸."
- 2.25 However, subsequent research indicates that there is likely to be a causal link between welfare reform and the demand for food aid:

²⁶ Leo McKee interview with Credit Today, 2008 cited in Alexander, N. & Grimes, A. (2013). The Store: A confidential report and recommendations on the first year of trading activity of The Store, a rent-to-own service in County Durham

²⁷ In some cases, the collection practices of payday lenders are a cause of financial crisis which leaves people with no other alternative. For example, in November 2013 a Citizens Advice Scotland briefing ('Mayday Payday') highlighted the case of a client who had previously taken a payday loan to pay for food shopping. The loan repayment was subsequently collected by Continuous Payment Authority from her bank account, leaving her with the choice of either borrowing again to pay for food or seeking help from the local food bank.

²⁸ <http://www.independent.co.uk/news/uk/politics/ian-duncan-smith-accuses-food-bank-charity-the-trussell-trust-of-scaremongering-9021150.html>

- A study conducted by Heriot Watt University for the Scottish Government²⁹, which involved semi-structured interviews with food aid providers, found that welfare reform, benefit delays, benefit sanctions and falling incomes have been the main factors driving the recent trend of increased demand for food aid. The study notes that the findings suggest that Trussell Trust data on the chief reasons for referrals are largely representative of what has been happening nationally for other food parcel providers;
- Research by the University of Sheffield's Political Economy Research Institute ('SPERI') found that welfare reforms were driving demand for food banks in a number of ways. Firstly, some reforms (e.g. the 'bedroom tax' and extending the length of benefit sanctions) directly reduced the level of income that people had available. Secondly, the implementation of other reforms (e.g. the transition of people from Incapacity Benefits to Employment Support Allowance) was poor, leading to benefit payments being delayed or stopped altogether. Thirdly, the abolition of the Discretionary Social Fund, and the creation of local welfare schemes, had created confusion as to what other support people could access. A number of local authorities have also built in referrals to food banks as part of their local welfare provision and directed elements of their funding allocation to the sector. We report further on this later in this report;
- The YMCA has reported³⁰ that it referred nearly 5,000 vulnerable young people to food banks last year. The majority of these lived in special supported accommodation having left local authority care or having had to leave home due to abuse or family breakdown. Benefit sanctions were cited as the main reason for their need to use food banks;
- Most recently, an All Party Parliamentary Inquiry into food hunger again highlighted the impact of poor benefits administration and delays in providing people with discretionary assistance following a sanction as two of the main drivers behind the increased use of food banks. It also noted that local welfare schemes needed to be protected in order to provide people with emergency

²⁹ <http://www.scotland.gov.uk/Resource/0044/00440458.pdf>

³⁰ <http://www.theguardian.com/society/2014/nov/13/welfare-sanctions-make-vulnerable-young-reliant-food-banks-ymca>

support and recommended that Government protect levels of local welfare funding whilst also monitoring the take-up rates within local authority areas and working with those Councils where this is “uncharacteristically low”³¹.

Defaulting on household bills and ‘going without’

2.26 The evidence concerning the use of food banks clearly indicates that these are a ‘last resort’, and it is clear that many people default on other household bills and/or cut back on food and fuel consumption prior to seeking help:

- In February 2014, the Department for Environment, Food & Rural Affairs (‘DEFRA’) published the findings from a rapid evidence assessment of food aid commissioned from the Food Ethics Council and University of Warwick. This included consideration of international evidence concerning the coping strategies of people in food poverty, which highlighted that delayed payment of household bills, and the ‘termination of telephone and other services’ was ‘relatively common’. These coping strategies ‘compound the vulnerability of food-insecure families by causing them to incur debts, risk eviction, exhaust social networks and become more socially isolated’³²;
- In December 2013, the Money Advice Trust reported³³ that rent arrears were the ‘fastest growing debt problem in the UK’. In the first nine months of the year its National Debtline helpline received nearly 20,000 calls from people behind with their rent: an increase of over 37 percent compared to 2011;
- In May 2014, Citizens Advice reported³⁴ that the number of people seeking help with Council Tax arrears ‘had rocketed’. It attributed this to the replacement of Council Tax Benefit by less generous, localised, Council Tax Support schemes in April 2013. In the first three months of the year 27,000 people with a council tax arrears problem got help from Citizens Advice - a 17 per cent increase on the same period last year;

³¹ All Party Parliamentary Inquiry into Hunger in the United Kingdom (2014), ‘Feeding Britain’, p.45

³² Lambie-Mumford et al (2014, p. 32) citing Kirkpatrick & Tarasuk (2009, p. 138)

³³ <http://www.bbc.co.uk/news/business-25338243>

³⁴ http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_office-newpage-20140526.htm

- A survey of 1,000 private tenants commissioned by the campaign group Generation Rent earlier this year found that two in five had cut back on heating, while a third have 'skimped on food' to cut costs. Similar findings have been reported for other groups affected by welfare reform by Shelter, the National Housing Federation, and Which? over the course of the past three years.

2.27 Whether or not people elect to use credit, default on household bills, or go without, there are significant social costs. These include rising homelessness³⁵; physical³⁶ and mental³⁷ health problems; an increase in relationship breakdown³⁸; greater barriers to job seeking for the unemployed³⁹, and negative impacts on the welfare of children⁴⁰.

What has happened to the Discretionary Social Fund?

2.28 Although far from perfect, the Discretionary Social Fund played a critical role in helping low income households to deal with cash flow problems and obtain essential items through the provision of interest free loans or, in respect of the most vulnerable, by making grants. The Fund was particularly used by unemployed people, lone parents, and people with disabilities:

- According to DWP, unemployed working age claimants accounted for around one fifth (21.4 percent) of Community Care Grant spending and 61.7 percent of total expenditure on Crisis Loans in 2011/12;
- Lone parents accounted for nearly a third of expenditure on Community Care Grants and around fifteen percent of spending on Crisis Loans;
- People with disabilities accounted for 30 percent of spending on Community Care Grants and twelve percent on Crisis Loans.

³⁵ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., & Watts, B (2013). 'The homelessness monitor: England 2013'. Crisis.

³⁶ Gibbons, D., & Singler, R. (2008). 'Cold comfort: a review of the coping strategies of households in fuel poverty'. Energywatch

³⁷ Fitch, C., Simpson, A., Collard, S., & Teasdale, A (2007). 'Mental health and debt: challenges for knowledge, practice and identity'. Journal of Psychiatric and Mental Health Nursing 14 (2), 128 -133.

³⁸ Legal Services Research Centre, *Assessing the Impact of Advice for People with Debt Problems*, December 2007, p. 3

³⁹ Gibbons, D. (2010). 'Out of work and out of money'. Centre for Responsible Credit.

⁴⁰ StepChange & The Children's Society (2014), 'The debt trap: exposing the impact of problem debt on children.'

- 2.29 Previous research (Policis, 2006) suggests that the Social Fund was often the ‘first port of call’ for these groups of people for both small sum loans to avoid crisis situations and for help to obtain essential household items, including white goods.
- 2.30 Whilst subsequent chapters in this report are focused on the local welfare schemes that have been brought in following the abolition of Community Care Grants and Crisis Loans, it is important to note that a national system of Budgeting Loans remains in place, although this is subject to some reform. In addition, Government has introduced a system of Short Term Budgeting Advances designed to help people who are making new benefit claims and who encounter a period of financial need prior to receiving their first payment. We briefly consider these national arrangements before looking at the overall funding of local welfare provision and setting out the research questions used to guide the remainder of this study.

Budgeting Loans and Budgeting Advances

- 2.31 **Budgeting Loans** are interest free loans of between £100 and £1500 available to people who have been in receipt of qualifying benefits for 26 weeks or more, to enable them to purchase essential items such as clothing, furniture, and household goods. Budgeting loans can also be used to pay for rent in advance to a landlord, removal costs, and to cover the costs associated with starting a new job as well as to pay off hire purchase or other debts: provided these were incurred in order to pay for eligible expenses. Repayments are collected direct from future benefit payments by DWP, with the maximum period for repayment set at 104 weeks. In 2012/13, total expenditure on Budgeting Loans amounted to £455.3 million⁴¹.
- 2.32 Budgeting loans will continue to be available to claimants of qualifying benefits pending the roll out of Universal Credit. Universal Credit claimants will then be able to access a new system of **Budgeting Advances**. These will be available to Universal Credit claimants with have earned incomes of less than £2,600 (single people) or £3,600 (couples) in the six months prior to an application. However, claimants will not be allowed to have more than one Budgeting Advance outstanding at any one time (unlike Budgeting Loans, where multiple loans can be

⁴¹ <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140507/text/140507w0003.htm>

taken out), and the repayment period will be much shorter (typically 52 weeks, although this can be extended to 78 in exceptional circumstances).

- 2.33 Despite the fact that Universal Credit has not yet been fully rolled out, the amount of spending on Budgeting Loans fell by 8.6 per in the past financial year⁴². Reductions have occurred in all English regions and also in Scotland and Wales (see table 1, below).

Table 1: Budgeting loan expenditure by GB region, £millions

	2012/13	2013/14	Percentage change
East of England	30	27.6	8.0
East Midlands	34.2	30.5	10.8
London	54	47.7	11.7
North East	33.8	31.2	7.7
North West	69	62.8	9.0
Scotland	49.2	44.5	9.6
South East	37.7	33.7	10.6
South West	23.3	21.3	8.6
Wales	28.3	26.9	4.9
West Midlands	48.7	45.3	7.0
Yorkshire and the Humber	47.1	44.7	5.1
Total	455.3	416.2	8.6

- 2.34 The reductions in Budgeting Loan expenditure have been highest in London, the East Midlands and the South East and lowest in Wales and Yorkshire and the Humber. However, the North West accounts for a higher proportion of total spend than any other (at roughly 15 percent). Further to this, it is important to note that the total expenditure on Budgeting Loans for 2013/14 was under spent by £44 million, with DWP's allocated budget for the year amounting to £460 million⁴³. That budget is made up entirely of repayments made by claimants on prior loans and does not require any Annually Managed Expenditure from Government. No

⁴² This information was provided by DWP in response to a Parliamentary Question from Stephen Timms MP on 7th May 2014 -

<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140507/text/140507w0003.htm>

⁴³ The allocated budget is made up entirely of recoveries of prior Budgeting Loans and Crisis Loans, and is set out at para 7.6 of the Annual Report of the Secretary of State for Work and Pensions on the Social Fund for 2012/13.

statement has yet been made by DWP as to how this under-spend will be utilised moving forwards.

- 2.35 Unfortunately there is a very limited amount of information available to explain the cause of this under-spend. In a written answer to a Parliamentary Question asked by Emma Lewell-Buck MP on 3rd November 2014, DWP indicated that applications for Budgeting Loans had fallen by 12.5 percent from 1.6 million in 2012 to 1.4 million in 2013⁴⁴. However, the refusal rate in both years has held constant at roughly 24 percent. No information concerning the average amounts awarded in either of the two years is available, although variations in this respect could also have a bearing on the level of expenditure.

Short Term Budgeting Advances

- 2.36 In addition to retaining a national scheme to provide interest free loans to benefit claimants, the Government also retained a system of **Short Term Budgeting Advances** to help people who are making new benefit claims and who encounter a period of financial need prior to receiving their first payment. Advances can also be made to claimants who have experienced a change of circumstances which significantly increases the amount of benefit to which they are entitled.
- 2.37 The system of Short Term Advances replaced the similar type of help that was previously made available as ‘interim payments’ of benefit and Crisis Loans for ‘alignment purposes’. They are available to claimants of any contributory or income-related social security benefit, including Universal Credit. To be eligible for an advance, the claimant must be able to demonstrate that they are in financial need, which is defined in regulations as a “serious risk of damage to the health or safety of the claimant, or any member of their family.” Short Term Budgeting Advances are repayable from future benefit payments, with recovery rates agreed with the claimant at the time the Advance is made.
- 2.38 Because Government retained the system of Short Term Advances its prior spending on Crisis Loans for alignment payments was not included within the allocations made to local government and the devolved administrations to support

⁴⁴ The figures relate to calendar years. <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-11-03/213137/>

the provision of local welfare schemes. In 2011/12 the amount expended on Crisis Loans for alignment purposes amounted to £59 million. However, there are no figures currently available concerning expenditure in the form of Short Term Budgeting Advances.

The budget for Local Welfare Provision

2.39 From April 2013 the budget for the Crisis Loan and Community Care Grant elements of the former Social Fund was allocated to 150 English upper tier authorities and to the devolved administrations in Scotland and Wales. Table 2, below sets out the allocations by nation and breaks this down into three components relating to set up costs, administration, and programme funding.

Table 2: Local welfare allocations by nation and component (2013/14, £millions)

	Set up	Admin	Programme	Total
England	1.4	30.5	144.1	176
Scotland	0.24	5	23.8	29.04
Wales	0.1	2.1	10.2	12.4
GB Total	1.74	37.6	178.1	217.44

2.40 In total an amount of £217.4 million was allocated across Great Britain in 2013/14. A small amount of this (£1.74 million) was allocated as a one-off payment to cover the set up of new schemes. The remaining budget of £215.7 million was then divided between administration (£37.6 million) and programme funding (£178.1 million). The same allocations for programme and administrative funding were also made in 2014/15. However, it should also be noted that the Scottish Government supplemented its scheme with a further £9.2 million, taking the value of its annual programme budget to £33 million.

2.41 Government has argued that there was no cut in funding at the point at which these allocations were made. Indeed, in its review of local welfare provision, published in November, (HM Government, 2014, p.6) it states:

“There has been no reduction in the money available to support vulnerable people.”

2.42 In our view this statement is misleading, but the extent of the reduction that has occurred depends on your point of reference. As we pointed out in a previous

report published in March 2013⁴⁵, there was a considerable cut in the amount spent on Crisis Loans and Community Care Grants in 2010/11 and the amount of money devolved to support local welfare schemes in 2013/14.

2.43 Excluding Crisis Loans for alignment payments (the budget for which was retained to support Short Term Budget Advances) DWP awarded £293.9 million in Crisis Loans and Community Care Grants in 2010/11. This was money expended on individuals and did not include the administrative costs of provision. Compared to this figure, the programme budget for local welfare schemes was 39 percent lower.

2.44 However, a reduction in Social Fund expenditure subsequently resulted from the introduction of four restrictions put in place in 2011/12. These involved:

- Reducing the maximum amount of crisis loans for general living expenses from 75 per cent to 60 per cent of the claimant's personal allowance;
- Capping the number of crisis loan awards that could be made to an applicant in any rolling 12 month period to three;
- Only making crisis loans for the replacement of items following a disaster such as flooding, fire, or gas explosion and not, as previously, where there were other reasons to make an award on the grounds of a serious risk to health and safety; and
- Refusing to allow repeat applications for either Crisis Loans or Community Care Grants if these were for the same expense as previously claimed within the past 12 months, unless there had been a change of circumstances.

2.45 These restrictions had the effect of reducing spend in 2011/12 to £215.3 million (again excluding Crisis Loans for alignment purposes). Excluding the one off costs to support the set up of local welfare schemes in 2013/14, this is very close to the amount that was devolved (£215.7 million). This appears to be the basis of Government's statement that there has been no reduction in funding.

2.46 However, the funding that was devolved was expected to cover *both* the administration costs associated with running local schemes and the programme

⁴⁵ Gibbons, D (2013). 'Local welfare provision, low income households and third sector financial services provision'. Centre for Responsible Credit

funding available for payments to applicants in need. Prior statements about expenditure reflected only the direct spending on people in need. In effect, Government has looked to local authorities to the administration of their schemes by reducing the level of help being provided directly to households compared to previous years. In making its allocations it estimated that they would need to do so by £37.6 million. This represents a 17.6 percent reduction in the amount of money available to support vulnerable people compared to 2011/12.

2.47 The picture is even more complicated when comparison is made between the budgets for local welfare provision and the level of spend on Crisis Loans and Community Care Grants in 2012/13, the year immediately prior to localisation of funding. A further reduction in the level of support available for some Crisis Loan applicants was introduced in April 2012, when the maximum amount of loan for living expenses was reduced to 30 per cent of their benefit personal allowance rate for applicants who live with relatives or friends. Total expenditure on Crisis Loans (excluding alignment payments) and Community Care Grants subsequently reduced to £192.6 million. The programme budget for local welfare schemes is 7.5 percent lower than this figure.

2.48 It should also be noted that this cut was not distributed evenly across local authorities. In determining the allocations for programme funding, DWP used a formula based on the level of Crisis Loan expenditure in 2005/06 plus Community Care Grant expenditure for 2011/12. It's decision to use Crisis Loan expenditure from 2005/06 was based on the view that this represented 'legitimate demand', as this was prior to the introduction of a simpler, phone based application process, which DWP argued had led to a significant increase in applications but was not based on higher need. A Child Poverty Action Group ('CPAG') report, published in August 2012 commented on this as follows:

"Since 2005/06 there has been a large increase in applications to the Social Fund. The DWP believes that demand has been artificially inflated by the introduction of the telephone service, so the replacement scheme is being funded at pre-telephone application 2005/06 levels. Whether telephone applications artificially inflated demand, or the increase reflects a greater local need, is unknown."

2.49 In the absence of any evidence that accepting telephone applications artificially inflates demand, we consider that the appropriate comparator for spending on local welfare schemes is 2010/11. We therefore compare current provision to this year when examining the case study authorities in chapter five. However, it is accepted that provision has been reduced incrementally over the intervening period.

The implementation of local welfare schemes

2.50 In addition to the reduction in funding, the process of establishing local welfare schemes posed a number of challenges for local authorities. According to the recent LGA review of schemes in ten case study areas⁴⁶ these included:

“...a short, nine month, timescale for implementation; limitations with the data provided by DWP; and the fact that the amount of funding allocated to local authorities was significantly reduced compared to the previous year’s expenditure on Crisis Loans and Community Care Grants. For areas with responsibilities for collection of Council Tax, the implementation timescale coincided with a major review of Council Tax Support. For two tier authorities the set-up of schemes required consultation, and often detailed negotiation concerning the allocation of funding, with District authorities. For all authorities there was a need to consider how their schemes could best contribute to their wider strategic response to welfare reform.”

2.51 However, it is clear that these challenges were common to all local authorities, and do not explain the high degree of variation in the schemes that have subsequently been put in place and, as we report in the following chapter, the levels of expenditure that have taken place; the numbers assisted; and the amount of support being provided.

⁴⁶ ‘Delivering local welfare: how councils are meeting local crisis and community care needs’. LGA, September 2014.

Research Questions

2.52 The remainder of this report examines what English local authorities did with their funding allocations in 2013/14 and in particular:

- What types of schemes have been put in place and how have these been delivered to realise Government's stated objectives of administrative efficiency; improved targeting of vulnerable households; lower levels of abuse, and greater flexibility of provision, including alignment with other local support services to better meet underlying needs?
- What level of expenditure has taken place and what are the reasons for variation at the local level?
- What good practice can be identified and what could be done to ensure that this informs future service delivery?
- What would the impacts of a loss or significant scaling back of funding be on the groups currently receiving support?
- How would a loss of funding impact on public and voluntary sector agencies?

3. Local Welfare Schemes in England

3.1 This chapter looks at what local authorities in England provided by way of local welfare provision in 2013/14. It is primarily based on the responses to a freedom of information request that was used to gather:

- Basic details of the types of schemes that have been put in place;
- The financial out-turn;
- Number of people applying for assistance; the numbers receiving help and information concerning the needs of these applicants, the level of awards, and how awards were fulfilled (e.g. in cash or in-kind);
- How local authorities were meeting the underlying needs of applicants, for example whether they had aligned their schemes with other forms of assistance (e.g. Discretionary Housing Payments or debt and benefits advice services)

3.2 We received 69 responses that were sufficiently detailed to include in our analysis. This is our *core sample* on which the majority of findings presented in this chapter are based. It represents 46 per cent of the 150 local authorities that were allocated funding. Taken together these authorities account for just over £76 million of the total funding allocation for England (43 percent).

3.3 However, we have been able to improve on this sample size when analysing the level of 2013/14 expenditure by local authority area. On 5th November 2014, Government released the results from its own survey of spending against funding allocations for the last financial year. That survey obtained information on expenditure levels from 106 authorities⁴⁷. Cross referencing this with the information obtained by our freedom of information request we found that we had information concerning the financial out-turn for an additional 21 authorities⁴⁸ that did not respond to the Government's survey. We have therefore brought this information together with that available from Government to provide an analysis

⁴⁷ <https://www.gov.uk/government/publications/local-welfare-provision-review> .

⁴⁸ These are Barnsley, Bristol, Bury, Cornwall, Cumbria, Enfield, Lancashire, Norfolk, North East Lincolnshire, North Lincolnshire, Northamptonshire, Northumberland, Portsmouth, Reading, Redcar and Cleveland, Richmond upon Thames, Stockton on Tees, Suffolk, Wakefield, Wandsworth, and Warwickshire.

of spending patterns across 127 local authorities⁴⁹, representing 85 per cent of those that received an allocation. This is therefore the most comprehensive analysis of the financial out-turn for 2013/14 that has been published to date.

What types of scheme have been put in place?

3.4 Our freedom of information request gathered basic details of the types of scheme that local authorities put in place. It revealed that **all of the local authorities in our core sample had established schemes that were similar in scope to the prior Discretionary Social Fund**, with two main elements of support in order to:

- Help households in financial crisis, who would otherwise be at risk of danger to their health and safety; and
- Meet ‘community care type’ needs, for example to assist people to obtain essential household items when resettling the community following a stay in care, or as a preventative measure to alleviate ‘exceptional pressures’.

3.5 The general focus of schemes on these two elements of support is unsurprising given that local authorities had a keen interest in both of these prior to the devolution of funding. As the recent LGA report has pointed out:

“Local authorities are a major source of assistance to people in crisis situations, including, for example, to the homeless. They also have statutory responsibilities to provide services to many of the groups of people that were previously able to obtain Community Care Grants. This includes vulnerable adults and children who would otherwise be at risk of needing to be taken into institutional care. Indeed, local authority staff often supported service users to apply for these as part of their work to help them stay out of care or resettle them in the community. The transfer of funding therefore provided an opportunity to co-ordinate financial and non-financial forms of help to better meet the needs of vulnerable people and also complemented their role in providing support by way of Discretionary Housing Payments and/or payments made by virtue of powers contained in the Children Act 1989.”

⁴⁹ The full list of authorities and their financial out-turns for 2013/14 are provided in Appendix 1. It should be noted that the tri-borough partnership of Kensington & Chelsea, Hammersmith & Fulham and Westminster is reported as a single authority within that list.

3.6 However, we also found that the level of priority given to each of the two elements of support varies between councils. For example:

- In **Cumbria**, the scheme appears to focus more on providing support for people in 'severe hardship' as a result of a financial crisis than on how help to reduce the need for people to go into care or assist those who are resettling into the community. A central Community Support Team has been created to take calls and refer people to existing support services, including food banks and providers of recycled furniture. It can, however, also provide direct financial assistance and does so in the majority of cases. The service received 2,863 calls in 2013/14. Around half of the people calling have needed to obtain food, with one in three having no money to pay for gas or electricity. Approximately ten percent called with a need for furniture or white goods;
- In **Newcastle**, the local authority appears to have prioritised the community care aspects of its scheme. Although the scheme has both a crisis and community care element, the Council made specific funding allocations at the start of the year for each of these. A total of £222,900 was allocated for crisis support and just over £1 million for community care support.

3.7 Further to this, and **with particular regard to crisis support, we found that the vast majority of local authorities have moved away from the provision of loans and towards grants.** Only ten local authorities (approximately 14 percent) reported that they had retained a loans function and in the majority of these cases the number of loans being issued (either directly or through a partnership with a local credit union or community development finance institution) was very low. We report in greater detail on operation of loan schemes in the section concerning fulfilment mechanisms later in this chapter.

3.8 Similarly, **the majority of authorities have also moved away from the making of cash payments and towards 'in-kind' support.** However, cash payments continue to be made by around one-third of authorities. This includes those local authorities who, although not issuing cash directly themselves, make awards using pre-paid cards or via SMS notification to the Post Office, as both of these mechanisms allow the beneficiary to obtain cash. In contrast, two thirds of

authorities used vouchers (or similar mechanisms) which beneficiaries can only exchange for specific items or services (usually food or fuel).

3.9 Although there were instances (e.g. North East Lincolnshire) of some authorities retaining cash only schemes for both crisis and community care support, the overwhelming majority of those retaining cash payments did so in order to meet the needs of people in a financial crisis, and had moved to 'in-kind' support in respect of community care requirements.

3.10 In this respect, **'in-kind' assistance** encompasses a wide range of fulfilment mechanisms, including the direct purchase of goods on behalf of applicants; the funding of furniture or other recycling projects; or the use of other third parties (e.g. Family Fund Trading) to arrange for the fulfilment of needs through their arrangements with retailers. Again, we report in more detail on the fulfilment mechanisms that have been put in place later in this chapter.

3.11 In addition to providing direct financial assistance through their local welfare scheme, many authorities also reported that they had used at least some of their funding to:

- Increase the budgets for other forms of direct financial support to individuals, including Council Tax Support and Discretionary Housing Payments;
- Boost funding for the agencies providing in-kind support in their areas, notably food banks and furniture/ white goods recycling projects. Just over half of the local authorities in our core sample (36) reported that they had used an element of their funding to provide grants to extend food bank provision in their areas, although there were large variations in the level of grants being made. For example, Harrow reported that they made investment of just 0.6 percent of their total allocation (equivalent to £4,000), whilst Lincolnshire invested 12 percent (£216,000), and Kirklees 22 percent (£315,000).
- Increase the capacity of a wide range of support services, including welfare rights, debt advice agencies, and credit unions to help address the **'underlying needs'** of applicants. As we report in the following section, this investment has more often than not been funded by utilising under-spends from the first year

of operation, although there are instances where it has formed part of the initial plan for the implementation of local welfare schemes.

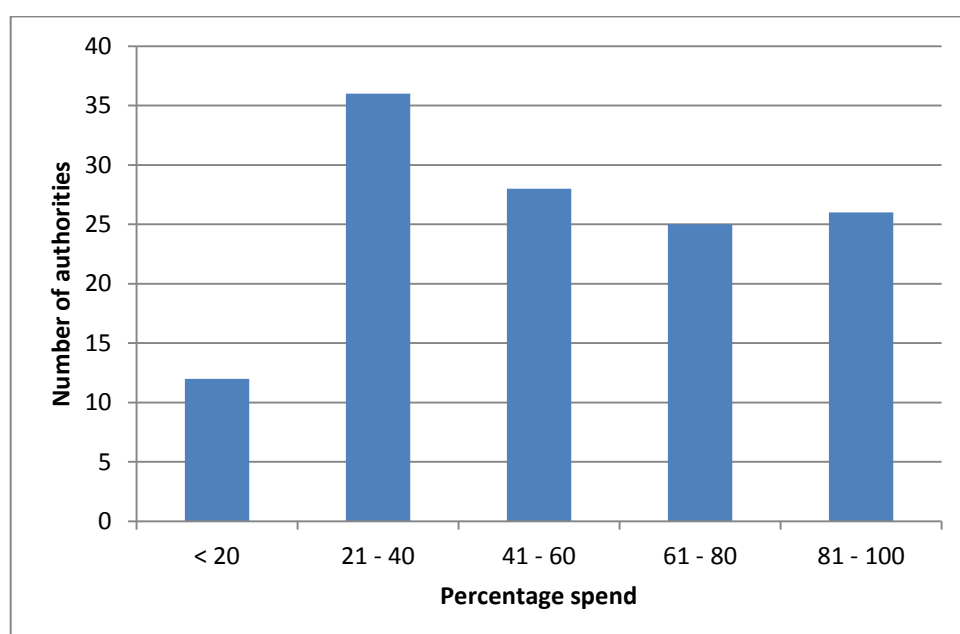
3.12 We comment further on efforts to address ‘underlying needs’ in the final section of this chapter.

The financial out-turn for 2013/14

3.13 The 127 local authorities for whom we have information accounted for £148.5 million of the programme and administrative allocations for England in 2013/14, representing 85 percent of those budgets. However, our analysis reveals that the vast majority of local authorities failed to spend these allocations within the financial year. **Taken as a whole, the 127 local authorities spent just over half (52.8 percent) of the allocations provided to them.**

3.14 Further to this, the degree of variation in spending between different local authorities has been considerable. Figure 1, below, illustrates this by charting the number of authorities according to the proportion of their spending against allocation in 20 percent intervals (‘quintiles’).

Figure 1: Distribution of spend, English local authorities 2013/14



3.15 Twelve authorities⁵⁰ reported spending 20 percent or less of their allocations whilst twenty six authorities⁵¹ reported that they had spent in excess of 80 percent. The median level of spend reported was 47.5 per cent.

3.16 The remainder of this chapter proceeds to consider the following possible reasons for this wide variation in spending levels:

- Inconsistencies in reporting;
- Variations in the level of demand;
- Variations in the way that schemes are provided. We found that there were significant differences in:
 - Access arrangements, and efforts to promote awareness of local schemes;
 - Eligibility criteria and subsequent refusal rates;
 - Levels of award;
 - The types of need being reported and the efficiency of local fulfilment mechanisms in meeting these; and
 - The approaches being followed to meet the underlying needs of applicants.

Inconsistencies in reporting

3.17 At the time of allocating funding to local authorities Government did not place any restrictions on how this was to be used. Neither were any monitoring requirements put in place for local authorities to report on the level of spend or on the number of people applying to, and subsequently assisted by, their schemes. As a consequence there is considerable scope for different interpretations to be placed on requests for information in these respects.

⁵⁰ The lowest spending authorities are Kingston Upon Thames, Merton, North Tyneside, Reading, Lewisham, Wokingham, Stoke on Trent, Hartlepool, Northamptonshire, Brent, Haringey, and Redcar and Cleveland

⁵¹ The highest spending authorities are Middlesbrough, Gloucestershire, Bath and North East Somerset, Cambridgeshire, Derby, Kingston Upon Hull, Leicester, Trafford, Croydon, Calderdale, Telford and Wrekin, Lincolnshire, West Sussex, Bolton, Islington, Wigan, Plymouth, Peterborough, Nottinghamshire, Blackpool, Bournemouth, Devon, Oxfordshire, Worcestershire, and Leicestershire.

- 3.18 This potential problem was raised during a Communities and Local Government Committee inquiry into the implementation of welfare reform by local authorities held in 2012/13⁵². Giving evidence to the Committee, Citizens Advice pointed out that because of the number of different ways the money could be spent it would be difficult to assess where, and how effectively, it was being used alongside other budgets such as funding for the voluntary sector. Taking this up, the Committee recommended that Government should require local authorities to make information about how they spent their local welfare allocations available in a format that was simple for the public to understand. At the national level, the Committee recommended that Government should use this information to assess “how local authorities are deploying their resources and whether any vulnerable residents are falling between the gaps in provision”.
- 3.19 Unfortunately, these recommendations were not acted upon and the resultant picture as to how councils have used their resources is extremely confused.
- 3.20 For example, Middlesbrough’s response to our freedom of information request indicated that that they had spent a total of £780,360 in 2013/14. This represented 67.5 percent of their budget allocation. They provided a breakdown of this amount as set out in table, 3, below.

Table 3: Breakdown of Middlesbrough's Local Welfare Spend, 2013/14

Additional help through Discretionary Housing Payment scheme	£37,396
Assistance to provide help with affordable white goods / furniture	£140,000
Provide funding for credit union post for one year	£32,000
Payments towards children in emergency, crisis situations	£140,000
Homeless initiatives	£40,000
Provide assistance with Council Tax payments for working age customers in receipt of Council Tax Support	£390,964
Total	£780,360

- 3.21 This breakdown reveals that over half of Middlesbrough’s allocation (£390,964) was used to subsidise its local Council Tax Support scheme. A further £109,396 was spent on a combination of ‘homeless initiatives’, support for the local credit union, and on Discretionary Housing Payments. In fact, only £280,000 (24.2

⁵² Para 78 -79 in <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/833/83302.htm>

percent of its allocation) was spent on direct assistance for people in financial crisis or in need of obtaining essential items.

3.22 There was nothing to prevent Middlesbrough using its funding in this way, and its spending may well reflect local priorities. However, many other authorities initially ring-fenced their allocations for direct financial assistance, under-spent on these, and then made grants to the third sector or used the under-spend to support other local authority services. They therefore reported much lower levels of spend in response to our freedom of information request although many have since reallocated this into similar types of initiative as was done at an earlier stage in Middlesbrough.

3.23 For example, Redcar and Cleveland reported a low spend of just 20 percent of its allocation. This was largely the result of it initially putting in place restrictive eligibility criteria, which resulted in 90 percent of its 2,100 applicants in 2013/14 being refused assistance. However, in April 2014 it set out a number of detailed proposals to utilise the under-spend to improve the take-up and operation of its 'Social Fund' scheme moving forwards. These include:

- Removing the requirement that applicants be in receipt of out of work benefits;
- Investing £20,000 in the provision of targeted sessions with carers and disabled people;
- Providing £37,500 of funding to support a Financial Capability Officer, based within Citizens Advice, to take referrals from the Social Fund team at the Council;
- Awarding a grant of £75,000 to the local credit union in order to provide it with high street premises. The Council is also requiring that all Social Fund payments for household goods be made in the form of loans and repaid through the credit union, with the credit union retaining 25 percent of the loans that are recovered in this way;
- Incorporating Section 17 payments for children in need into the scheme in order to reduce duplication of awards and ensure that applicants are directed to the appropriate sources of additional help.

- 3.24 The funding commitments set out above increase Redcar and Cleveland's spend against its 2013/14 budget from 20 percent to 37.3 percent. The Council has also indicated that the remaining under-spend will be rolled forwards into future years so that it can continue to provide small grants in crisis situations and interest free loans for the purchase of household items.
- 3.25 These variations in the way that local authorities have managed their allocations mean that the levels of spend in 2013/14 set out in Appendix 1 to this report should be treated with some caution. Seemingly high spending authorities may have used a large part of their local welfare allocation to support other areas of their overall budget. This may or may not be effective in meeting the needs of the most vulnerable households. Other authorities identified as lower spending may have done the same, but have simply been slower to do so; whilst others still may now be providing much improved schemes. As such, the reported levels of spend in 2013/14 should not, in themselves, be taken as an indicator of success or failure to provide effective schemes.
- 3.26 This problem of interpretation is particularly apparent in respect of Oxfordshire and Nottinghamshire. In April 2014, the Guardian reported that both of these authorities had taken a decision to end the direct provision of assistance through their local welfare schemes following considerable under-spends⁵³. However, having since re-allocated their funding to support other services they are both now reported by Government as having spent 100 percent of their local welfare budgets. The Government's failure to establish a consistent monitoring and reporting framework means that it is not possible to determine how effective the use of funding in Oxfordshire and Nottinghamshire has been in comparison to other authorities.
- 3.27 Finally, we found that there are also some discrepancies in the level of spending reported to ourselves and those set out by Government in its recent review. Again, using Middlesbrough as an example, the Government review indicates that this authority spent £941,832 of its 2013/14 allocation of £1.15 million. This would

⁵³ <http://www.theguardian.com/politics/datablog/2014/apr/20/the-crisis-in-local-welfare-assistance-explained>

represent spending against budget of 81.5 percent⁵⁴ compared to the 67.5 percent reported to ourselves. This could be the result of time lag as our request was made in April 2014, close to financial year end. The Government survey was presumably conducted later than this, although the date is not specified in their report. Where these discrepancies have been identified we have amended our records to include the level of spending reported to Government.

Variations in the level of demand

3.28 Notwithstanding issues concerning the lack of consistent reporting on spend for 2013/14 it is clear that there are wide variations in the amount of help being provided by England's local authorities.

3.29 We consider this from two angles. This section looks at variations in the level of demand (applications received), and subsequent sections in this chapter then consider differences in the way that assistance is provided.

3.30 Our freedom of information request obtained details concerning the number of applications made in 68 local authority areas. Together, these received a total of 276,000 requests for help. However, there were dramatic differences between different local authorities.

3.31 The fewest applications in the year were reported by Southampton City Council, which reported that only 128 people had sought assistance from its scheme by the end of March 2013. In its return the Council indicated that this was because:

"...we took a phased approach and provided support to existing services to enable them to respond to additional demand (furniture project, rent deposit scheme, food bank and fuel poverty project). We launched our Local Welfare Provision 'Referral Hub', in mid January and had received 128 referrals by 31st March 2014."

3.32 At the other end of the scale, some 19,000 people had approached the scheme in Hertfordshire. The mean number of applications received was a little over 4,000.

3.33 However, simply using the number of applications per local authority ignores differences in population size and the pattern of prior demand for Community

⁵⁴ It is notable that the recent Government review calculates variance from budget by dividing spend by the programme budget only. Our calculations use the total budget (administration and programme spend).

Care Grants and Crisis Loans across England. As these two factors were reflected in the allocations made to each local authority area we therefore constructed a measure based on the number of applications received per £1,000 of funding and ranked authorities accordingly. The exercise revealed a generally very low level of applications by authorities in England in 2013/14: on average this was just 3.6 applications for every £1,000 of funding allocated.

- 3.34 Extrapolating our results to the overall budget allocation for England **we estimate that total applications in the year were in the region of 650,000. This is a dramatic reduction (of around 75 percent) in the number of applications made to local welfare schemes as compared to the number of applications made for Community Care Grants and Crisis Loans in the final year of the Discretionary Social Fund (2012/13 saw 540,000 applications for Community Care Grants, and 2.3 million applications for Crisis Loans⁵⁵).**
- 3.35 Table 4, below, provides details of the ten authorities in our sample receiving the fewest applications relative to their overall funding.

Table 4: Authorities receiving the fewest applications per £1,000 of funding, 2013/14

Southampton	0.2
Northamptonshire	0.4
Lewisham	1.2
Wakefield	1.2
North Lincolnshire	1.2
Enfield	1.3
Havering	1.3
Leicester	1.3
Wandsworth	1.4
Richmond upon Thames	1.5

⁵⁵ See Annex 1 in DWP (2013). 'Annual Report on the Social Fund', available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209379/DWP_Annual_Report_on_the_Social_fund.pdf

- 3.36 It is clear to us that the number of applications for local support in these areas bears little relationship to levels of need. We used the Index of Multiple Deprivation ('IMD')⁵⁶ as a proxy for need. According to this index, Lewisham is ranked as the 16th most deprived local authority district in the country; Leicester the 22nd, and Wakefield the 77th. We would therefore expect the number of applications in these areas to be much higher. However, some authorities in the list are ranked as having relatively low levels of deprivation by the IMD. In particular, Havering and Richmond upon Thames are ranked on the IMD at 177th and 286th respectively. In these cases, we should perhaps not be surprised by the low number of applications that they received.
- 3.37 Looking at the opposite end of the range, table 5, below, lists the ten authority areas receiving the most applications relative to their funding allocations. Again there is no clear relationship between those receiving the most applications and their IMD rankings. Whilst Tameside, Kirklees, and Bournemouth rank 34th, 95th and 96th on the IMD respectively, Bedford (which reports the second largest number of applications received per £1,000 of funding) is ranked 305th.

Table 5: Authorities receiving the most applications per £1,000 of funding, 2013/14

Lincolnshire	6.5
Tameside	7.5
York	7.7
Kirklees	7.8
Buckinghamshire	7.8
Sefton	7.9
Hertfordshire	8.9
Rutland	9.4
Bedford	11.2
Bournemouth	16.0

⁵⁶ Index of Multiple Deprivation, 2010 scores, rank of average rank across all indicators.

Variations in the way that help is provided

3.38 It is clear that the widespread variation in the numbers of people seeking help from local welfare schemes cannot be convincingly explained by differences in the relative deprivation of authorities. A range of other factors therefore need to be considered.

Publicity and promotion

3.39 Only around one quarter (26 percent) of the authorities included in our core sample could provide an indication of the amount that they had spent on the publicity and promotion of their schemes.

3.40 Even where a specific level of spend on publicity and promotion was identified, this was invariably very limited and in virtually all cases equated to less than one percent of the amounts allocated for the administration of schemes. The exception to this was Bristol, where £7,000 was allocated to publicity. However, this still only equated to 2.3 percent of the funding provided to it for the administration of its scheme.

3.41 Regardless of whether or not specific amounts of spending could be identified for publicity and promotion, authorities told us that they had focused their efforts on the production of posters and flyers raising awareness of their schemes; the development of information on websites, and the provision of awareness raising sessions for front-line workers in the statutory and voluntary sectors.

3.42 There is also evidence from other sources that some authorities have made efforts to reach out directly into low income communities. For example, a recent report from the LGA⁵⁷ noted that Cumbria had undertaken a series of 'road-shows' in deprived areas of the county.

3.43 Given the general lack of information concerning the resources devoted to publicity and promotional activity it is not possible to determine the impact that variance in this respect has had on the number of applications received by different local authorities.

⁵⁷ http://www.local.gov.uk/finance/-/journal_content/56/10180/6031824/ARTICLE

3.44 Nevertheless, the recent LGA report, which was based on ten case studies of provision, indicated that the authorities contributing to that report “...universally accepted that more could have been done last year to promote their schemes”.

Access arrangements

3.45 Our freedom of information request identified that local authorities have put in place a number of different access arrangements. There are a number of different channels of delivery (on-line, telephone, face to face, postal applications, and referrals from advice and support agencies), and considerable variation in the combinations of these which are available in different areas.

3.46 Table 6, below, provides details of the five authorities in our core sample which reported the highest number of applications per £1,000 of funding. With the exception of Rutland, the authorities in the table all provide a combination of on-line and phone access. Where a breakdown of access by each of these channels is available (Bedford and Bournemouth), this indicates that initial contact tends to be made in greater numbers by phone. It is also notable that Bournemouth provides assistance either over the phone or in person to people who need help to make on-line applications.

Table 6: Applications and access, 'top five' by applications per £1,000 of funding

Local authority	Further details of application numbers and access arrangements
Sefton	9,117 applications were received. Applications can be made on-line, by phone or on a printed form. The Council provide assistance for people to make an application in their Customer Service Centre.
Hertfordshire	19,000 applications were received. Applications can be made online or by phone and are made to HertsHelp, which is run by POHWER. This is an independent not for profit agency which co-ordinates a network of over 300 advice and support services across the county. There is a centralised call centre which operates a 0300 (local call rate) line.
Rutland	Rutland is the smallest unitary authority in England in terms of population (approx. 37,000). Its total funding allocation was just £28,000. Nevertheless, it received 263 applications. These were received by paper application, with assistance often given to

	people by their local Citizens Advice Bureau.
Bedford	Bedford received 5,447 applications. Crisis grants are applied for by phone; Home in the Community Grants require an application form which can be downloaded from the council website. 5,109 phone applications made for crisis grants, and 380 applications were received for Home in the Community Grants
Bournemouth	A total of 9,607 applications were received. All applications are made online but assistance is provided in person and over the phone. Initial contact (other than by direct application online) was 8,442 over the phone and 5,418 in person.

3.47 Whilst the use of both phone and on-line channels (with some in person support) appears to represent good practice, we found that a number of authorities restricted access to a very limited number of channels. This may have the effect of limiting the number of applications. From the responses to our freedom of information request we identified that:

- Three authorities (Southampton, Suffolk, and West Sussex) accepted applications from referring agencies only. The delays reported by Southampton in establishing their referral network have previously been mentioned. However, Suffolk received 4,297 applications (resulting in a slightly below average score of 3.2 on our measure of applications per £1,000 of funding) and West Sussex received 6,382: leading to a slightly higher than average score of 5.1.
- Four authorities (Enfield, Northamptonshire, Wandsworth and Tameside) stated that they accepted on-line applications only. Three of these scored very badly on our measure.
 - Enfield, which ranks as the 63rd most deprived local authority area on the IMD, received only 1,414 applications and scored just 1.3 on our measure.
 - Northamptonshire, which contains the district of Corby (ranking 51st on the IMD) received even fewer applications (789) and scored second lowest of all authorities on our measure with just 0.4.
 - Wandsworth (ranking 102nd on the IMD) performed in a similar way to Enfield, receiving 1,580 applications and scored only 1.4

However, Tameside returned a score of 7.5 on our measure, having received 8,167 applications. On further investigation, it appears that Tameside do provide people with assistance to make an on-line application:

"We have a Computer Hub in our Customer Service Centre which can be used by applicants who do not have access to a PC. The Hub is staffed by volunteers from Citizens Advice Bureau which is co-located in our Customer Service Centre. The volunteers assist customers with their applications if they require it."

Unfortunately, the number of people using this service was not reported so it is not possible to determine how significant an impact this made on the overall number of applications.

- Six authorities (Cumbria, Kirklees, Lincolnshire, North Tyneside, Rotherham and Warwickshire) required all applications to be made by phone.

The results for these authorities were mixed, with Cumbria and North Tyneside scoring below average on our measure (2.1 and 2.9 respectively), whilst Warwickshire (4.2), Lincolnshire (6.5), Rotherham (6.5), and Kirklees, which received in excess of 11,700 applications and scored 7.8 on our measure, were all above average.

3.48 We are therefore unable to find a clear correlation between the types of access arrangements in place and the number of applications, although we consider it likely that:

- The performance of 'referral only' arrangements is heavily dependent on the capacity of front-line agencies. In Southampton's case the need to develop this was clearly the cause of the low number of applications in 2013/14. Authorities should therefore be cautious about using referral only arrangements until they are confident that capacity is sufficient to support these;
- Wider digital strategies need to consider whether or not support needs to be targeted to groups most at risk of financial crisis and/or the groups of people most likely to have community care needs. Assisted on-line access in customer service centres and other locations (e.g. libraries and health settings) is likely to be required.

- Telephone and ‘in person’ access arrangements appear particularly well-suited to delivering services to people experiencing a financial crisis.

3.49 However, providing for phone applications does not ensure a high number of applications. This is borne out in the case of North Lincolnshire, which allows applications to be made via the telephone for crisis support and by form for community care type needs. They received a total of 6,880 calls to their crisis line, but only 670 applications to their scheme. The low number of applications is due to the eligibility criteria for their scheme rather than their access arrangements. In their response to us they said that:

“The majority of these (crisis calls) are filtered out as not meeting our eligible criteria of suffering a crisis before an application is made.”

Eligibility criteria and refusal rates

3.50 Because the distinction between enquiries and applications is not always clear it is necessary to treat reported refusal rates with some caution. Again, using North Lincolnshire as an example, the authority reported that 262 *applications* were subsequently refused. This represents 39 percent of the 670 applications that were received. Looking at the information provided another way: only 408 people received help out of nearly 7,000 enquiries: a ‘success rate’ of just six percent. In our exercise, we have used the actual number of applications received (as opposed to enquiries) as the basis for our calculations but this is likely to significantly under-estimate the number of people that have sought help and been unable to obtain it. In addition, there is likely to be some inconsistency in the way that authorities themselves have reported the information to us.

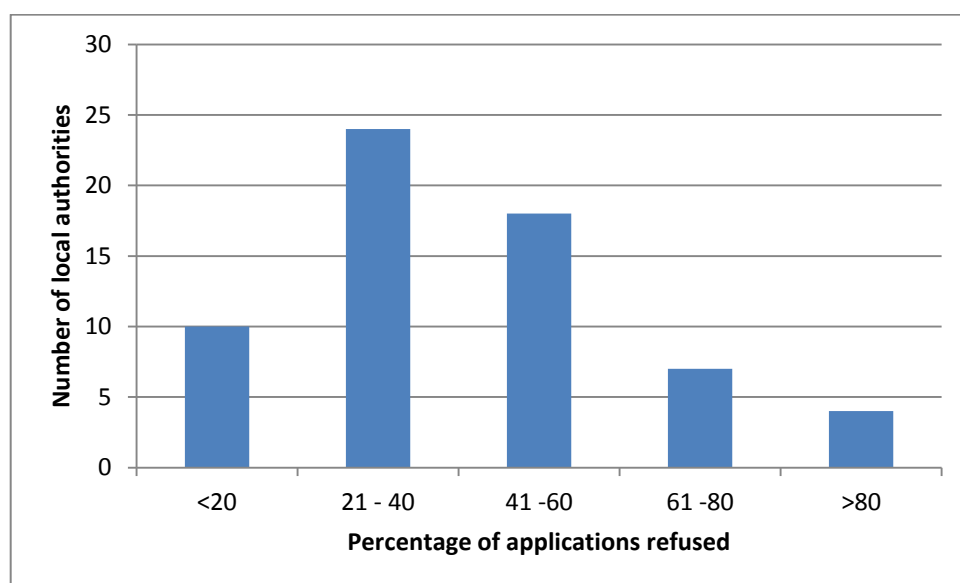
3.51 We received a total of 63 returns from local authorities which provided information concerning the number of people applying but being refused assistance. Where this was not provided, this was usually because the authority could not retrieve the information from their systems quickly and would incur additional costs (in terms of staff time) to do so. For example, Hertfordshire told us that it would take at least two hours for them to retrieve this information from their systems, whilst Kent informed us that:

“To provide you with the requested information would require staff to manually check all applications made under the service (approximately 11,000 applications).”

3.52 Nevertheless, based on the 63 returns that we did receive, we found that the average refusal rate was high, at 40 percent of all applications made. Given our previous estimate for the total number of applications made in England in 2013/14 of 650,000, this would indicate that only 390,000 of these were successful. This is a dramatic reduction on the year prior to the abolition of Community Care Grant and Crisis Loans, when over 1.5 million such awards were made in England⁵⁸.

3.53 Once again, there are extremely high levels of variation in refusal rates across our sample. These ranged from just 0.4 percent in Suffolk to 90.7 percent in Redcar and Cleveland. Figure 2, below, provides the number of authorities in each quintile.

Figure 2: Distribution of local authority refusal rates, 2013/14



3.54 The remainder of this section looks in further detail at the reasons for this variance and particularly considers which eligibility criteria are having the greatest impact.

⁵⁸ Figures for Community Care Grant and Crisis Loan awards in England obtained from Annex 4, Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2012/13. DWP

3.55 However, it is also necessary to consider the degree to which schemes are being ‘gate-kept’ (i.e. whether access arrangements restrict the number of applications, resulting in a low number of people obtaining help but also a low refusal rate). There are pros and cons to gate-kept schemes. They may ensure that more of the people proceeding to application stage receive an award, but they may also limit applicants to those groups of people who are most able to access (and are most comfortable using) local advice and support services. As a consequence, the different refusal rates of authorities needed to be treated with some caution and need to be considered alongside the access arrangements that authorities have in place.

3.56 These issues become apparent when looking at the authorities with the lowest refusal rates in more detail. Table 7 provides further information concerning these.

Table 7: The authorities with the lowest refusal rates

Local Authority	Refusal rate (%)	Further details
Suffolk	0.4	Suffolk’s referrals only scheme has kept the number of applications low, but virtually all of them are successful. This suggests that the referral network is ‘gate-keeping’ access. Council guidance states that all other sources of help should be explored prior to an application proceeding. This includes Budgeting loans, seeking help from family and friends, and applying to charities. However, in urgent cases local agencies can issue food and fuel vouchers
North Yorkshire	0.6	This scheme is gate-kept in respect of community care type applications, which must be made through an ‘authorised agency’, but phone applications can be made directly for crisis support. Decisions are made by Charis Grants, which the Council has contracted with. The scheme does not require people to be in receipt of qualifying benefits, but annual household income must be below £16,010.
Northamptonshire	2.4	The scheme is split into two parts. Emergency assistance is provided by food banks and the Community Law Service can issue vouchers for fuel. The Council operates a Sustaining Independent Living Scheme (‘SILS’) which is gate-kept by local agencies. All applications for SILS are through that route. The scheme is restricted to people in receipt of qualifying benefits and is focused on clothing, white goods, and basic furniture for people leaving, or at risk of entering care, or families under exceptional pressures.
West Sussex	3.9	Applications are made to agencies in the ‘Local Assistance Network’ which support people to obtain food from food-banks, access furniture recycling schemes, or provide vouchers to get personal and household goods such as nappies, cooking equipment, clothes or help with transport and fuel costs. People need to be in receipt of qualifying benefits.

Southampton	6.3	Applications must be made through agencies in the local network. The eligibility criteria for help to obtain white goods restrict help to people with medical needs and households with young children. If food, clothing, furniture, utilities top-up or cash payment is required and then these elements can be fulfilled if the applicant has a 'priority need'.
Wiltshire	11.6	Applications can be made in person at the Council, in person at local advice agencies or via the phone. There appears to be little 'gate-keeping' of the scheme but refusals are low. This may be because Wiltshire does not require people to be in receipt of qualifying benefits. Unfortunately the Council did not monitor the most common reasons for refusal.
South Gloucestershire	12.3	Applications can be made online, in person, or by phone. As in Wiltshire there is no gate-keeping of the scheme but refusals are low. South Gloucestershire does not require applicants to be in receipt of qualifying benefits. The most common reasons for refusal were: (i) income too high; (ii) already <i>applied</i> (not necessarily received assistance) twice within 12 month period and (iii) applied for excluded items.
Swindon	16.6	Applications can be made by phone or a paper application form can be downloaded from the Council website and posted. There is no gate-keeping for the scheme. There is no requirement that people are in receipt of qualifying benefits, but household income must be less than £15k. However, one of the most common reasons for refusal is that people are subject to a benefit sanction ⁵⁹ .

3.57 As can be seen from the table, the five authorities with the lowest refusal rates all have a system of gate-keeping in place. This limits the numbers of applications, but ensures that those which are submitted have a very high chance of success. Importantly, this should not be taken as indicating that the schemes are generous. In fact, the guidance given to local agencies in Suffolk is very restrictive and indicates that agencies should support people to make applications to charitable sources in preference to submitting an application to the local welfare scheme.

3.58 However, three other authorities (Wiltshire, South Gloucestershire, and Swindon) with very low refusal rates are included in the table which do not have 'gate-kept' schemes. These appear to have kept refusal rates low by permitting people on low incomes to qualify for assistance despite the fact that they are not in receipt of means tested benefits. The refusal rates do, however, appear to rise once the level of qualifying income is tightened and/or other restrictions such as limits on the number of applications or the disqualification of people who are subject to benefit sanctions are applied.

⁵⁹ It should, however, be noted that the Swindon scheme was amended in July 2014 to allow awards to be made where people had received a benefit sanction.

3.59 We now focus on those authorities with the highest refusal rates. Further details of these are provided in table 8, on the following page.

3.60 The table provides summary information relating to the schemes that are in place in these authorities. Many of these are highly restrictive. Looking in further detail at their policies, we identified the following common features:

- Requirements for people to be in receipt of qualifying benefits;
- Limits on the maximum number of awards to only 1 or 2 in any 12 month period;
- For the local welfare scheme to be seen as the 'last port of call', and for people to consider using credit as an alternative;
- A focus on ensuring that people have exhausted options to get help from DWP through Budgeting Loans and Short Term Budgeting Advances;
- Restrictive interpretations of 'health needs' and 'emergency' or 'crisis';
- Residence conditions and the exclusion of people subject to 'immigration control'.

Table 8: Authorities with the highest refusal rates, 2013/14

Local Authority	Refusal rate (%)	Further details
York	65.3	Applications can be made on-line, by phone or in person. The scheme requires applicants to be in receipt of qualifying benefit but these include Housing and/or Council Tax Benefit. Crisis support is limited to 3 payments in any 12 month period.
Enfield	66.4	Enfield requires applications to be made on-line. The scheme is highly restrictive. People need to be in receipt of qualifying benefits, 'not have access to personal loans that could meet needs', 'not be eligible for a Budgeting loan or short term benefit advance', 'not have received an emergency payment in the past six months, or have received a Local Assistance Grant within the last 12 months', 'not be subject to immigration control', and people applying for crisis support must also be willing to attend a money management course at Citizens Advice.
Rotherham	66.4	All applications are received by phone. There are very few details of the scheme's criteria available on the Council website, which may explain the large number of subsequent rejections. The Council states that the main reasons for refusal are qualifying benefit conditions; residence requirements; and restrictions to one loan per year.

Lewisham	66.7	Lewisham takes applications on-line or over the phone. It provides loans in crisis situations and grants for community care needs. People have to be in receipt of qualifying benefits. Emergency support is not available if people are eligible for a Budgeting Loan. This condition does not apply to people applying for community care type grants. However, only one grant is possible in any 12 month period. A large number of refusals were made because DWP had referred people to the scheme when they should have been considered for Budgeting Loans or Short Term Benefit Awards. However, the most common reason for refusal is failure to repay a previous loan.
Portsmouth	67.9	Portsmouth takes applications online, over the phone, or via local advice agencies. It requires that people are in receipt of qualifying benefits for community care assistance, but not for crisis support. However, it also requires that the fund is a 'last port of call' and that includes considering whether or not have access to credit as well as Budgeting loans and Short Term Budgeting Awards. There is a limit on the number of awards to 2 in any 12 month period.
Calderdale	78.2	Calderdale takes applications for crisis support by phone and for community care needs via printed forms. Awards for crisis support are not made to people who are subject to benefit sanctions and only two awards are allowed in a 12 month period. Awards for community care needs are only available to people leaving care or in receipt of qualifying benefits. Alternative sources of assistance, including Budgeting Loans, must be explored first.
Bedford	86.8	Applications are made by phone for crisis support or by form for community care needs. There is a maximum of two crisis awards and one community care award in any 12 month period. Awards can only be made where people demonstrate there is no alternative, including in respect of DWP support, 'reasonable form of credit' and from family and friends. The main reasons for refusal are: not experienced a one off emergency/crisis, other funding is available elsewhere, not being on a means tested benefit.
Redcar and Cleveland	90.7	Applications are received online or by phone. No more than 2 awards are possible in any 12 month period. Referrals are made to the Financial Support Team who consider the application and consider the level of priority. Ability to obtain help from other sources is likely to lead to a refusal. The Council states that one of the most common reasons for rejection is a failure to have claimed a short term advance payment from DWP whilst awaiting a benefit award

3.61 Drawing on the above, we consider that there is a balance to be struck between targeting groups of vulnerable people for support through front-line agencies, and providing more open forms of access to the general public. Whilst the former ensures that targeting is improved (one of Government's objectives for the devolution of funding), it ignores the fact that, given wider changes in the labour market and the more general reduction in welfare support available to people, a financial crisis can be experienced by people who may not have had previous contact with advice services and across a wide range of the population.

3.62 Several authorities have clearly grappled with this issue and have taken a ‘mixed approach’ opting for gate-kept schemes in respect of community care type needs whilst retaining open access for crisis type applications. This appears to be sensible. However, it invariably means that a large number of people may apply for crisis support. As we now proceed to report, this has required local authorities to consider a trade off between their eligibility criteria (for example how they interpret ‘crisis’ or ‘exceptional need’ or by restricting the number of times that people can obtain support) and the level of award made in each case.

Levels of award

3.63 Not only have many authorities put in place more restrictive eligibility criteria than was the case for Crisis Loans and Community Care Grants, but the level of award that can be made has also been reduced, particularly in relation to assistance in a crisis.

3.64 Fifty six authorities in our sample were able to provide details of the average level of award, although only 35 of these were able to provide a further breakdown of this across the crisis and community care elements of their schemes. The remainder of this section is therefore based on those 35 returns.

3.65 **The average level of award provided to people needing assistance as a result of a crisis ranged from just under £20 in Bournemouth, Bedford, Brighton and Hove, and Warwickshire to around £100 in Greenwich, Gloucestershire and Rotherham. The median level of award was £53.**

3.66 However, Cornwall stands out as spending considerably more than any other authority in our sample, with its average award for crisis help reported as £524. The reasons for this high level of crisis award are not clear from the freedom of information request, however Cornwall’s policy allows for crisis payments of up to £1500, which is significantly greater than many others. For example, Bedford’s policy states that crisis awards will not generally exceed £200, although this can be increased to £500 in exceptional circumstances. Cornwall was also subject to considerable **flooding** in January 2014, which may have increased both the

demand for crisis payments and the value of awards. The floods also impacted on the operation of Kent's scheme, which was revised to waive other eligibility criteria for people affected by these in December 2013. The authority then made a standard award of £100 to people displaced by the floods⁶⁰. In this respect, it is notable that the transfer of funding for crisis type assistance from national to local government has also involved a transfer of risk for dealing with large scale disasters such as flooding.

3.67 Turning to payments to meet community care type needs, the average award levels ranged from £55 in Bournemouth to over £1,000 in Newcastle. The median was £470.

3.68 It is notable that Bournemouth reported particularly low levels of average award for both crisis and community care needs. The authority received the most applications per £1,000 of funding and accepted over three-quarters of these. It also reported that it had spent 100 percent of its allocation in 2013/14. The average award levels therefore appear to indicate that Bournemouth has designed a scheme which requires it to spread funding thinly across a large number of eligible people. However, it does restrict the amount of times that people can apply to the scheme: generally only once in any 12 month period for crisis help and only once every two years for help to obtain household items. **It should therefore be noted that direct financial assistance in a crisis in Bournemouth amounts, on average, to just one payment of approximately £20 per year.**

3.69 In contrast, Islington, which also spent virtually all of its funding, received far fewer applications both in absolute terms (2,393) and in relation to the amount of its allocation. This appears to be due to the fact that applications can only be made to its scheme following a referral from the council's statutory services or via a 'trusted partner' or other referral agency. However, these arrangements ensure a high level of success (75 percent of those applying are helped) and allow it to be much more generous to those that qualify: it provided a roughly average award in respect of crisis type needs (£47) and the third highest level of award for community care (£970). We report in further detail on Islington's scheme in chapter five.

⁶⁰ Changes to eligibility criteria in response to flooding were also reported to us by North Lincolnshire.

3.70 The information provided to us indicates that authorities have had to make a number of ‘trade-offs’ when designing their schemes. The main trade-off is between the number of people that the scheme intends to help and the extent of help that is provided. Similarly, authorities have also had to consider the relative balance between the provision of crisis and community care type support. The numbers of people experiencing a crisis appear to be high compared with those seeking help with community care support, but the values of awards in relation to the latter group are much greater. Meeting community care needs also appears to fit much more closely with local authorities statutory responsibilities (notably in respect of homelessness and social care), although failing to help people in a financial crisis could result in the need for people to use these services at a later point in time.

Fulfilment mechanisms

3.71 As stated previously, we found that local authorities had taken a variety of approaches to the fulfilment of awards, with the most generally occurring measures comprising:

- The move away from providing loans to non-repayable awards;
- Reduced use of cash payments;
- The increased use of ‘direct purchasing arrangements’ for the provision of ‘in-kind’ support when meeting ‘community care type’ needs.

3.72 We now consider the potential impacts of these measures on expenditure levels in 2013/14 in turn.

The use of loan schemes

3.73 Although over half of all Crisis Loan provision prior to April 2013 was funded through the repayment of loans, approximately 85 percent of local authorities responding to us indicated that they had chosen not to make loans available as part of their local welfare schemes and to provide assistance by making non-repayable awards instead. The factors involved in deciding whether or not to make loans available have included:

- The administrative cost of making loans for small amounts as are particularly awarded to applicants in financial crisis;
- The absence of a simple mechanism to recover payments from ongoing benefit entitlements as was the case for Crisis Loans, with the consequent potential for a high level of default;
- The lack of expertise within local authorities to make loans directly, and the need to negotiate partnerships with other agencies, notably credit unions and community development finance institutions (which may or may not have the capacity to take on this function depending on the specific locality concerned);
- The fact that loans may not be affordable and appropriate to people in financial crisis, especially if these are interest bearing.

3.74 Despite these issues, we found that loan schemes have been retained as part of local welfare schemes by approximately 15 percent of local authorities in our core sample. The main reason for this is that loan schemes provide a means of recycling funding for future use. This can be used to enable more people to be assisted than would be the case with a scheme based on non-repayable awards; provide for higher value awards to be made; or a combination of the two.

3.75 In addition, making a loan through a local credit union or community development finance institution can also link people to the wider financial inclusion programmes and provision that these offer and help to provide a longer term solution to their underlying needs.

3.76 Our information request revealed ten loan schemes in operation⁶¹, but these perform a range of different functions:

- In Barnsley, East Riding, Rutland, and Lewisham loans are the main means of responding to crisis applications but non-repayable awards are provided to meet community care needs;

⁶¹ These were in Barnsley, Bolton, East Riding, Hertfordshire, Havering, Redcar and Cleveland, Rotherham, Rutland, Stockton on Tees, and Lewisham. A small number of authorities (e.g. Isle of Wight) reported that they had supported a very small number of loans in 2013/14 but that these were exceptional events and not a significant part of their scheme.

- In Bolton, Stockton on Tees, and Redcar and Cleveland the position is reversed with loans only provided in respect of community care type needs. It should also be noted that the decision as to whether or not to provide assistance by way of a loan (as opposed to a non-repayable award) in Bolton and in Stockton on Tees is taken on a case by case basis;
- In Hertfordshire, Havering, and Rotherham loans can be provided for a mixture of crisis and community care type needs:
 - In Hertfordshire, both loans and grants are available to help purchase white goods, but only loans are available to assist people to pay gas, electricity, and water bills. Other needs including for food, furniture, and clothing are met through a voucher scheme;
 - In Havering, loans are available if people require help exceeding £50 and this cannot be met through the provision of vouchers for food or furniture or other in-kind assistance. Where a loan is required for more than £250 the application must be supported by a professional;
 - In Rotherham, 94 percent of all awards are made in the form of loans. These cover both crisis and community care type needs but are restricted to a maximum value of £250. The remaining five percent of awards are fulfilled by an in-house 'furniture solutions' team.

3.77 Eight of the above loan schemes operated through a partnership arrangement with the local credit union. The exceptions to this were:

- Stockton on Tees, which operates through Five Lamps. This is a social enterprise which provides a wide range of services including in respect of employment support and which is itself a registered community development finance initiative; and
- Rutland, which provides loans directly from the council.

3.78 The average amount of loan provided reflected the function being performed by the scheme. Where loans were restricted to meeting crisis needs, the average amounts were very low (between £50 and £82). In contrast, where loans were only being made to meet community care needs, the average amounts rose were much higher (between £490 and £1,500). Where loans were being used to meet

both crisis and community care needs the average amount reflected the relative number of awards being made in respect of each. For example, in Hertfordshire the average loan was just £60. In Havering the average loan was £176.

3.79 The number of loans made in the year also varied widely and was again affected by the function being performed. In East Riding over 3,000 crisis loans were issued, and in Rotherham we estimate that approximately 1,000 were made. However, in Bolton there were only six.

3.80 In all but two cases the loans were made on an interest free basis. The exceptions to this were Hertfordshire and Lewisham where rates of 1 percent and 2 percent per month respectively were being applied. Maximum loan durations were set at either 26 or 52 weeks in the majority of cases.

3.81 Unfortunately, we did not obtain information concerning the performance of the loan book from all authorities operating loan schemes, despite this being requested. In most cases this appeared to be because monitoring of the loan book was not being conducted directly by the local authority. However, it does appear that those authorities with the largest loan books are experiencing a high level of arrears. For example, Rotherham reported that “repayments are [only] being made in 40 percent of cases” and Barnsley that 11 percent of loans had been referred for enforcement action either by using bailiffs or applying for a deduction from benefits. In the recent LGA report, Manchester (which provides loans in response to a crisis but not for community care type needs) was also cited as an authority experiencing problems with the repayment of loans, with only around £6,000 repaid on a loan book of £31,000.

3.82 Looking forwards, a more detailed analysis of the performance of loan schemes is required. In our view this should consider whether or not it is cost-effective to make very small sum loans in response to crisis applications, especially because of the apparently high default rate. We are also concerned that for some people their very first experience of credit unions will be a negative one as they will have incurred a debt that they cannot afford to repay. This is likely to be off-putting as regards future use.

- 3.83 Further to this, problems can arise where loans are the main option of responding to crisis applications and repayment is a condition for access to future assistance. This is the case in Lewisham, which reported a very low level of total spend against its budget in 2013/14; and a high level of refusals (66.7 percent of applicants). In its return to us it stated that the main reason for refusal was because of a failure to repay a previous loan.
- 3.84 It may, therefore, be better to focus loans on helping to meet community care type needs, perhaps in conjunction with an element of non-repayable award. According to the LGA report, Lambeth has refocused its loan scheme from 1st July this year on non-urgent items rather than for crisis needs and the impact of this change is being monitored.
- 3.85 More innovative approaches to incentivising repayment are also being developed and need to be evaluated. For example, Southampton has introduced a 'Household Budgeting Loan' element to their local welfare scheme, which provides for loans through Solent Credit Union. These are interest bearing loans at the Credit Union maximum rate of 3 percent per month. However, on successful repayment of the loan an equivalent sum is then deposited in the borrower's credit union savings account.

The move away from cash payments

- 3.86 **As mentioned, around two-thirds of authorities have chosen not to make cash payments part of their local welfare schemes.** This has two main benefits for local authorities. It is easier, and safer, to arrange for non-cash awards in the majority of cases, and it also provides them with reassurance that their funding is being spent on the items that have been applied for. However, the lack of cash payments could restrict the level of choice available to those who receive an award, and where vouchers are provided this may also be off-putting to potential applicants for fear that they will be identified as beneficiaries of local schemes.
- 3.87 It is important to note that the move away from cash may be over-stated as we found a number of authorities have provided alternative means of payment which allow beneficiaries to obtain cash from other sources. These include the use of pre-paid cards and arrangements with Post Offices for cash to be issued at their

counters. These types of payment arrangements may have been under-reported in response to our freedom of information request as the term 'cash payment' was not defined.

3.88 Nevertheless, it is clear that many authorities have moved to voucher only systems – for example in respect of food, clothing, fuel and furniture – whether these are paper vouchers or cards that can only be used in certain stores. To avoid stigma and provide some choice for beneficiaries many of the card based systems in particular are based on general gift card platforms and can be used in a variety of retail outlets.

3.89 In reality a range of options are available to local authorities in this respect. For example, in Stockton on Tees fulfilment of awards can be completed through the use of Smarterbuys (an on-line retailer of discounted white goods), local furniture recycling centres; ASDA shopping vouchers; Love to Shop vouchers (which is accepted in a wide range of high street stores) or through direct purchasing arrangements (see following section).

3.90 Some authorities have indicated that the absence of cash payments has contributed to a reduction in the numbers of people applying to local welfare schemes compared to the prior Social Fund scheme. For example, in its recent report the LGA cite evidence from Warwickshire and Solihull:

“Warwickshire County Council reports that some people withdrew their applications when they were informed that there were no cash payments available. Likewise, Solihull reports that they initially saw some people who appeared to be used to making repeat applications to the Social Fund for crisis loans, but who turned down the offer of a food parcel from the Local Welfare scheme.”

3.91 The LGA considers that the move away from cash payments has therefore reduced the potential for people to abuse the system (one of Government's stated objectives behind the devolution of funding). However, it may also be the case that statements such as 'we do not provide cash' on websites providing details of local welfare schemes have been off-putting to some potential applicants in need because they *perceive* that fulfilment arrangements will be stigmatizing. Further research is required to establish whether this is the case.

Direct purchasing arrangements

- 3.92 In addition to providing for the fulfilment of awards through voucher schemes just under half (43 percent) of the respondents to our freedom of information request indicated that they had also entered into direct purchasing arrangements, particularly in respect of white goods and furniture. For example, Cornwall told us that they use a combination of spot purchasing from national and local retailers as well as a partnership with Re:source. This is a social enterprise subsidiary of the drug and alcohol charity Addaction, which recycles furniture and appliances and in so doing provides a range of volunteering and work experience opportunities for people with addiction problems.
- 3.93 The social and environmental value of using local welfare schemes to direct purchasing through social enterprises such as Re:source should not be underestimated. The Furniture Reuse Network indicates that the sector diverts 110,000 tonnes of waste from landfill every year and that it provides volunteering and training opportunities for approximately 15,000 people.
- 3.94 However, there are also direct financial benefits from direct purchasing for local authorities. The first of these relates to the lower headline cost of second hand goods compared to new, although we recognise that this provision may not be appropriate in all circumstances as new items may be more energy efficient and less likely to break down. This is a particularly important issue if local schemes have placed restrictions on the number of repeat applications that can be accepted within a given period.
- 3.95 The second is not contingent on utilising recycled goods, and relates to the VAT status of local authorities. Local authorities purchasing goods and services directly on behalf of local welfare applicants are exempt from VAT. This therefore delivers a twenty percent up-lift in the value of funding that is spent through direct purchasing arrangements compared to the making of cash grants to individuals as was the case in the prior Social Fund scheme.
- 3.96 Finally, local authorities may also be able to obtain discounts from retailers with whom they have entered into direct purchasing arrangements because of the volume of business which they are now doing. Although we did not specifically

request information from authorities in this regard it is apparent that they have long had central purchasing teams to negotiate deals on non-specialist equipment and that these are capable of taking on the same function in respect of items required for local welfare applicants. There is also evidence from the Government's recent review that local authorities have been conscious of the need to make savings through this mechanism, with one local authority cited as saying:

"White goods and beds are most commonly requested so looking to buy in bulk to save costs..."

3.97 Importantly, another authority responding to the same review indicated that they had extended this approach to their voucher schemes:

"Pre-paid food gift cards with Tesco and Sainsbury's are provided, we have agreed a 7% discount on the cash face value of the cards."

3.98 We therefore consider that the approaches being used by some authorities in this respect are likely to be much more cost-efficient than those in place for the delivery of the Social Fund. However, there is a need to ensure that the best practice is rolled out across local authorities, and there may be further gains to be made if authorities worked collaboratively to negotiate the best deals.

Meeting 'underlying needs'

3.99 All of the local authorities responding to our freedom of information request indicated that they took steps to ensure that people were directed to services capable of addressing the underlying needs for their application. The list of services referred to was extremely broad, but included:

- Debt / budgeting advice/ financial education projects
- Benefits maximisation/assistance to claim state benefit or to appeal against a decision
- Credit Union membership giving access to affordable credit and savings start up
- Discretionary Housing Payments

- Assistance with identifying other entitlements/grant availability – e.g. energy supplier switching/ energy company hardship schemes
- Social services for both children and adult services support
- Housing advice / housing enforcement (including negotiating with landlords, assistance to secure and move to alternative accommodation, property repair/improvements)
- Care and repair services
- Environmental services (e.g. waste removal, pest control)

3.100 Importantly, the vast majority of local authorities are directing people to these types of support service even if the applicant is not eligible for direct financial assistance from the local welfare scheme. However, in the main this is done by signposting rather than through structured referral mechanisms and there is little monitoring of outcomes being undertaken. This is the case whether people have received direct financial assistance or not.

3.101 There are some exceptions to this general finding. For example:

- Cumbria has established a 'Ways to Welfare' scheme which directs people to relevant services across the county and which records both the reasons for contact and the service to which they were referred. Information provided to us indicates that approximately one in every six people contacting the service in 2013/14 did so because of a benefit sanction;
- Some authorities (for example, Cornwall) have made direct financial assistance conditional on the applicant agreeing to engage with wider support services. This implies that monitoring of the progress being made to address underlying needs is taking place. However, we are not aware of any published evaluations of the effectiveness of this 'mandatory' approach.

3.102 Although little monitoring of the outcomes from signposting and referrals to wider support has been taking place, we do have a good sense of the main 'underlying needs' that people are presenting with. In particular, benefit problems were reported as a widespread 'underlying need' by most authorities. In Reading over 40 percent of all people progressing to an appointment for a local welfare

assessment cited benefit delays as the reason for their application. Whilst Devon has estimated that 35 percent of all applications were originated as a result of benefit problems (including sanctions, and a failure by DWP to advise claimants about the availability of hardship payments).

3.103 The hardship caused by benefit problems has prompted some changes to schemes since their initial implementation. For example:

- Hammersmith and Fulham and Croydon both changed the eligibility criteria for their scheme in the middle of 2013/14 to allow these to provide help for people affected by adverse ESA decisions;
- Leicester changed its criteria to allow it to provide support to people subject to a benefit sanction where no other assistance was available. Camden also provides support where sanctions have been imposed by DWP but, similar to Cornwall, this is conditional on the beneficiary taking up advice to resolve the underlying issue.

3.104 Despite the widespread nature of benefit problems and their role in driving demand for local assistance, these are not referred to in the Government's recent review. However, they not only have implications in terms of demand for local welfare schemes but for other local authority services too. For example, an independent review of Devon's scheme points out the link between benefit problems and the local authority's child protection duties where families cannot feed their children or heat their homes adequately.

3.105 The link between local welfare provision and the 'community care' responsibilities of councils has also been apparent in both the recent LGA report and the Government's own review. For example:

- The LGA report cites Solihull which identified that young people leaving local authority care were often eligible for Community Care Grants from the Social Fund. This has led them to devolve an element of their local welfare funding to their Children's Services team. Social workers are now able to make payments in accordance with the needs identified in leaving care plans;

- The Government’s review identifies that some authorities have “made the link to other areas of their core business, for example, preventing and reducing homelessness by utilising the provision for rent in advance, as well as speeding up tenancies by being able to provide household goods.” This latter point was emphasised to us by Blackpool, which noted that void times had been reduced because the administration of their scheme was much faster than the old Community Care Grant system;
- Authorities also reported to us that they were able to see a direct link between local welfare provision and a reduction in the need for people to move into or remain in institutional care. For example, individual case studies were provided to us showing how a man with a terminal illness had been maintained in the community with the support of his relatives rather than enter into a hospice; whilst in another case a child was now able to come out of care and live with her father.

3.106 Making these types of connection between direct financial assistance and non-financial support was an explicit objective of Government in devolving the funding, as was providing authorities with the opportunity to bring their local welfare support together with other forms of financial assistance, including Discretionary Housing Payments (‘DHPs’) and Section 17 payments available from social services. Our information request indicates that some local authorities have responded positively to this. For example:

- Blackpool told us that they had commissioned an upgrade to their IT system which will enable their Discretionary Awards Team and Children’s Services teams to determine which fund is most appropriate and identify cases where clients may meet the criteria for more than one funding stream. This system was due to be implemented in 2014/15;
- Brighton and Hove also told us that although DHPs and Section 17 payments are currently administered through different systems, the team that administers their local welfare scheme also administers DHP and will assist customers in making joint applications where appropriate.

3.107 However, these were the exceptions rather than the rule, and the vast majority of authorities indicated that the administration of local welfare schemes was done separately from DHP or Section 17 payments. It is important to bear in mind that

not all local authorities are responsible for all types of payment, with DHPs the preserve of District Councils (and section 17 the preserve of County authorities) in those areas which have two tier arrangements. The task of joining up sources of direct financial assistance is therefore harder in these areas.

3.108 Aside from dealing with benefit problems and meeting ‘community care needs’ linked to their statutory responsibilities, local authorities also frequently reported that their provision was focused on tackling the underlying needs of high heating costs and cash flow problems at particular times of the year. For example:

- Bolton and Buckingham both introduced ‘fuel top up’ grants in the winter months to help with increased heating costs at that time of year and Gloucestershire and Telford and Wrekin both increased the level of their awards for fuel costs in the winter. Richmond also used some of their local welfare funding to establish a temporary fuel grant scheme to help with the cost of central heating, boiler replacements and insulation. The scheme received 700 applications in 2013/14 (of which 99 percent were successful);
- Leicester has been helping to ease cash flow problems for households with children during the summer months by targeting people who qualify for free school meals with additional support during the school holidays.

3.109 We also found some evidence of local authorities using their local welfare schemes to support people to move into employment. For example, in Croydon, the scheme was amended in the middle of 2013/14 to meet travel to work costs as the Flexible Support Fund⁶² at Jobcentre Plus had been exhausted and many authorities also reported that awards from their schemes reduced levels of stress and depression which was affecting job seeking behaviour.

⁶² In April 2011, the Coalition Government put in place a new ‘Jobcentre Plus Offer’ designed to provide personal advisers with greater flexibility to address claimant’s barriers to employment following investigation into their needs at New Jobseekers Interviews and during fortnightly reviews. The new support offer was accompanied by the creation of a ‘Flexible Support Fund’ (FSF), which could be used by advisers to help meet a wide range of needs including, for example, travel to training and interview, and childcare costs for lone parents to participate in voluntary work or work trials. The FSF also includes a grant funding mechanism through which Jobcentre Plus District Managers can purchase services from local partnerships to address barriers to work. However, there remains a lack of transparency concerning the use of the FSF⁶², and research into the role of personal advisers (Coulter et al, 2012) has indicated that the diagnosis of claimant needs is ‘fairly unstructured’.

3.110 Supporting people to move closer to the labour market and deal with the move on and off benefits was also a key reason for authorities using their schemes to link people to the provision of debt advice, credit unions, and financial education projects. There are indications that some authorities will seek to utilise their under-spends to continue this work beyond March 2015. For example, Calderdale report that they are investing £16,000 of their under-spend to support a small loan scheme and ‘managed account’ service through the local credit union “to help vulnerable people cope with changing personal finances such as new ways of being paid benefits”. A further £99,000 will be invested in “evidence based” financial inclusion projects to “address the “root causes of personal financial crisis and debt.” This provision therefore holds the potential to make a significant contribution towards Government’s objective of helping claimant households to manage their money effectively and will be particularly important once Universal Credit, which is paid monthly and in arrears, has been fully rolled out.

4. The Scottish Welfare Fund

- 4.1 The Scottish approach to develop and implement local welfare provision has differed from that taken in England, with the Scottish Government taking responsibility for the development and implementation of a national scheme – the “Scottish Welfare Fund”. The Fund comprises the DWP allocation to Scotland for 2013/14, which was just over £29 million, of which £23.8 million was programme funding. However, the Scottish Government added £9.2 million to this to take the total available Fund for direct financial assistance to £33 million.
- 4.2 The Scottish Welfare Fund is *delivered* through local authorities but these are expected to apply consistent, national, eligibility criteria and are also required to complete monitoring returns concerning the use of the Fund. The Scottish Government has also provided guidance to local authorities; standard application forms and model documentation; a national training programme, and funding for a dedicated Development Officer in order to promote consistency and support implementation. It has also provided posters and leaflets for local authorities to publicise the Fund.
- 4.3 Although the Fund was initially established on an ‘interim basis’ through to the end of March 2015, the Scottish Government intends to put this on a statutory footing and in June 2014 introduced the Welfare Funds (Scotland) Bill to the Scottish Parliament for this purpose.
- 4.4 The Scottish Government has also published an analysis of the monitoring data for 2013/14 and a report by the Institute of Housing and Urban Real Estate Research at Heriot Watt University (Sosenko et al, 2014) which is based on qualitative research with third sector agencies and applicants to the Fund.
- 4.5 This chapter now proceeds by setting out the basic details of the Fund; reviews the published sources in order to compare its performance to the English experience and comments on the process being followed in order to develop a statutory scheme.

Basic details of the Scottish Welfare Fund

- 4.6 Similar to many schemes in England, the Scottish Welfare Fund has two elements: Crisis Grants, and Community Care Grants. Crisis Grants are intended to prevent serious damage or risk to health and safety of the applicant or a member of their family, and Community Care Grants are generally provided in order to help people establish themselves in the community following a period of care, or maintain independent living. Community Care Grants are also provided to help families facing exceptional pressures to obtain essential household items and there is a specific provision for Grants to be made available to help people care for a prisoner or young offender on temporary release.
- 4.7 Also similar to the majority of English schemes, the Scottish Welfare Fund does not provide loans and the thirty two Scottish local authorities are provided with a funding allocation and are able to determine how best to meet needs, for example by providing vouchers or directly purchasing items for applicants. They are also expected to link applicants to other services to meet their underlying needs. In its guidance to local authorities, the Scottish Government indicates that:
- “Community Care Grants align well with the overall approach of early intervention, through targeting transitions which increase risks of adverse outcomes, such as leaving prison, moving out of care, or taking on a tenancy. They also support specific Scottish Government policies such as care in the community, tackling child poverty and reducing homelessness. Crisis Grants do not fit the early intervention approach but have a role in preventing further harm, reducing the longer term impact on other services.”*
- 4.8 Scottish local authorities are also provided with flexibility concerning their access arrangements, although over half of these (19) provide the full range of channels (face to face, phone, post and on-line) and a further ten take applications by phone, post or on-line.
- 4.9 The Scottish Welfare Fund is also less restrictive than the majority of English schemes in a number of important respects:

- There is no requirement for people to be in receipt of qualifying benefits, although they do have to be on a low income;
- There is more possibility for repeat awards, although Community Care Grants cannot be made for the same items as previously requested in the last 28 days unless there has been a change of circumstance. There is also a 'usual' limit of three Crisis Grants in a 12 month period, (although there is flexibility to provide more in exceptional circumstances);
- There are no requirements that people first apply for a Budgeting Loan and people who have been sanctioned by DWP can also receive assistance. However, where someone is waiting for a payment of benefit following the making of a new claim they will be expected to apply for a Short Term Budgeting Advance;
- There are also no requirements that people exhaust other options of taking out credit or applying to charities as are in place in some English authorities.

Review of the first year monitoring data

4.10 The Scottish Government published its review of the first year's monitoring data in July 2014. This highlights that the overall financial out-turn for the Scottish Welfare Fund in 2013/14 was significantly higher than for England, with a total of £29 million spent on direct financial assistance. This constituted 88 percent of the programme budget and 75 percent of the total budget. This compares to our estimate of spend in England of 52.8 percent of total budget.

4.11 The level of variation in spending across Scottish local authorities has also been less pronounced than in England, with all Scottish authorities reporting that they had spent at least 40 percent of their allocations, and more than half reporting that they had spent 80 percent or more.

4.12 This higher level of overall spend is underpinned by three key factors:

- The Scottish Welfare Fund has received a generally higher level of applications than English schemes. There were 167,000 applications to the Scottish Welfare Fund in 2013/14, which equates to 4.36 applications per £1,000 of funding

allocated to the scheme. This compares with our estimated English average of 3.6;

- Refusal rates in Scotland are roughly ten percent lower than in England (30 percent compared to an estimated English average of 40 percent); and
- Award levels are generally higher. The average Crisis Grant in Scotland was for £71 (£53 in England) and the average Community Care Grant was £640 (£470 in England).

4.13 Due to the national monitoring framework that is in place it is also possible to determine the types of household applying for assistance in Scotland. According to the Scottish Government:

- Around 55% of households applying to the Scottish Welfare Fund were single person households with no children. Around one third of households contained children;
- Across all Scottish Welfare Fund applications, around a third of applicants live in the social rented sector. Around one in ten applicants live in the private rented sector;
- Around one in five applicants to the Scottish Welfare Fund have an identified vulnerability. For those applying for a Crisis Grant, mental health impairments feature most commonly followed closely by being a lone parent. For Community Care Grants, being a lone parent, mental health impairments, physical disabilities and homelessness feature commonly;
- Around half of all expenditure in 2013/14 went to households living in the twenty percent 'most deprived data zones' in Scotland.

4.14 It is not possible to conduct a systematic assessment as to how these characteristics compare to those of households accessing English schemes as many of the authorities that responded to our freedom of information request did not monitor these. However, the basic profile appears to be similar to those that did report to us. For example, Islington reported 57 percent of applicants to their scheme were single, and a further 32 percent were lone parents. Slightly less than 25 percent of applicants were homeless or at risk of homelessness, whilst 15

percent had mental health problems and 22 percent had either a physical disability or a long term health problem.

- 4.15 The Scottish Government also reports that the Fund is delivering the same types of assistance as in England. Community Care Grants were most commonly used to meet the need for floor coverings, washing machines, cookers, fridge freezers and beds and that the majority of expenditure on Crisis Grants was on food, essential heating costs, and other daily living expenses.
- 4.16 The most common fulfilment mechanisms used for Community Care Grants were the direct provision of new goods and the payment of monies into bank accounts, whilst it is notable that for Crisis Grants the most common means was payment of cash.
- 4.17 However, the report notes that there remain significant variations in the refusal rate and the award levels between different Scottish local authorities. Concerning the award levels for Community Care Grants it indicates that this may be due to the specific procurement arrangements that have been put in place, as “some local authorities may be able to procure goods more cheaply than others”. However, this does not explain similarly high levels of variation in the refusal rate and award levels for Crisis Grants. The report indicates that further work is being undertaken to examine the reasons for this.

Findings from the qualitative research

- 4.18 The qualitative research conducted into the operation of the Scottish Welfare Fund was conducted by a research team from Heriot Watt University and comprised of interviews with 77 applicants and the representatives of 15 third sector organisations. The research was carried out between October 2013 and March 2014 and the report presents findings and recommendations for improvement in respect of:
- The publicity and promotion of schemes;
 - Access arrangements and application processes;
 - Eligibility criteria and decision making; and

- Joint working to address underlying needs

4.19 The remainder of this chapter briefly summarises these in turn.

Publicity and promotion

4.20 Applications to the Community Care Grant element of the Scottish Welfare Fund tended to be generated by front-line workers in third sector organisations, which encouraged their service users to make applications. This was particularly the case in respect of housing support and social workers and welfare rights officers. Efforts to promote the scheme to front-line workers in these agencies were therefore welcomed, and requests were made for information and training resources to be made available on-line for this purpose. However, it was also recognised that there could be an over-reliance on people accessing these support services, and that not everyone with a community care need would necessarily have experience of using them. The research highlighted that wider marketing and promotional activities could be useful to reach out to those people who may not have existing contact with these agencies.

4.21 In contrast, enquiries concerning Crisis Grants were most likely to have been generated as a result of signposting by Jobcentre Plus staff. Whilst this signposting was generally working well, there were some concerns from front-line agencies that the specific roles of the Fund and Jobcentre Plus provision needed further clarification.

Access arrangements and application processes

4.22 Community Care Grant applicants in the study were “fairly evenly split between those who had submitted applications by telephone and by postal forms, with fewer using online application and just a handful applying face-to-face”. By contrast, the vast majority of Crisis Grant applicants had done so by phone.

4.23 Access arrangements were generally viewed as effective, with a mixture of preferences evident. For example, some people appreciated being able to speak to someone on the phone although others found this uncomfortable and preferred the less personal approach of making an on-line application. Some also raised

issues about waiting times to speak to staff by telephone; the cost of telephone calls; and not being able to understand paper-based questions.

- 4.24 As a consequence, the research indicates that authorities should provide a mix of access channels, and highlighted the best practices of providing free phone or local call rate lines, and monitoring waiting times to inform appropriate staffing levels.

Eligibility criteria and decision-making

- 4.25 Whilst most applicants to the Fund indicated that they found the eligibility criteria to be clear, some felt that the resultant decisions seemed “unfair”, and third sector agencies in the study reported that there was a danger that people were being discouraged from applying due to misinterpretation of eligibility criteria and a lack of awareness of poverty issues by decision makers, some of whom were not used to exercising discretion.
- 4.26 For example, some third sector agencies reported that in a number of instances decision makers had indicated that people wishing to apply to the scheme could use credit to deal with their financial crisis instead. This was not a requirement of the scheme, and was considered unacceptable as it frustrated efforts to address wider debt problems.
- 4.27 Similarly, one of the applicant’s participating in the study said that he had not been judged to be in receipt of the correct qualifying benefit for a long enough time to warrant a Grant. This does not reflect the Guidance, so may indicate an error in the assessment of this case or a misinterpretation or lack of understanding.
- 4.28 As a result, the report recommended that training be provided to decision-makers and that all enquiries – whether proceeding to a full application or not – needed to be recorded on the system and advice given on other potential sources of help where an application was refused.
- 4.29 The report also highlighted the need for third sector agencies to be kept informed of the outcome of decisions (with the applicant’s consent) so that they could take these into account when determining how best to provide ongoing support. Similarly, where people had applied for a Crisis Grant, it was felt that the outcome of the application should be notified to them by telephone as well as by letter and,

where the application had been refused, that people were given advice by phone as to where they could get alternative sources of assistance.

Joint working to address underlying needs

- 4.30 Although the design of the scheme was intended to ensure that local authorities directed applicants to local ‘wrap around’ support services, the research found little evidence that this was being done. Less than a third of Community Care Grant applicants were signposted to support organisations when the decision was communicated to them, and only one in seven Crisis Grant applicants was signposted at this stage. Further to this, the report noted that:

“While in most cases the signposting was genuinely tailored to the applicant’s needs, in some cases it was limited to a standard mention of Citizens Advice. Similarly, even in areas where charitable organisations are well present, usually only one alternative source of support was mentioned.”

- 4.31 The quality of signposting varied between local areas, with some third sector agencies suggesting that Scottish Welfare Fund decision-makers needed to have a better understanding of the landscape of provision in their areas because signposting only seemed to take place to the local food bank.
- 4.32 There also appeared to be a tendency for decision-makers not to signpost people to other sources of support when the applicant had received a ‘full award’. This appears to result from the belief that once a full award has been made the need has been addressed. However, this runs contrary to the overarching aim of the scheme which is to address longer-term underlying needs to avoid the need for repeat applications.
- 4.33 There were particular concerns raised that there was a lack of joined up working within local authorities themselves, with some people referred forwards and backwards between social workers and the Social Welfare Fund, and a number of front-line agencies reported that teams responsible for community care, hospital discharge, and housing support did not seem aware of the help that could be obtained from the Fund and were not pro-active in promoting it.

- 4.34 However, a number of third sector agencies considered that the local delivery of the Fund had also led to improvements in services in some respects, because they had been able to build a strong working relationship with the Scottish Welfare Fund team in their area and were able to discuss individual cases in more detail than had been the case with the prior Social Fund system. This improved access to decision-makers also meant that their clients got faster decisions and the third sector was notified of the outcomes of applications quickly.
- 4.35 Finally, some potential unintended consequences of local delivery were also identified by the research. Specifically, there was a concern that some people may be deterred from applying for assistance if they owed the local authority money for rent or Council Tax arrears, or in the case of a disabled people, they were worried that contact with the authority would lead to a care package being re-assessed. Similar concerns can also be identified for parents whose children have been identified as 'at risk' and who may fear that they will be taken into care.

Towards a statutory scheme

- 4.36 As previously mentioned the Scottish Government has committed to placing the Scottish Welfare Fund on a statutory footing and introduced the Welfare Funds (Scotland) Bill to the Scottish Parliament for this purpose in June 2014. Following the introduction of the Bill the Parliament's Welfare Reform Committee issued a call for written evidence which ran from 25th June 2014 until 28th August 2014. A total of 48 submissions were made, 18 from local authorities and the Convention of Scottish Local Authorities ('COSLA'), 25 from third sector groups, 2 from the NHS and 3 from ombudsman and tribunal services. The Committee also conducted four oral evidence sessions between 30th September and 4th November 2014, and has now recently published (8th December) its initial report.

- 4.37 The Committee's report has at its heart the recognition that:

"The Scottish Welfare Fund can be considered as a preventative tool that can play a role in preventing future, potentially more costly, demands falling on public services."

- 4.38 Further to this, the Committee reports that local authorities told them that:

“...providing them with a statutory duty to maintain a welfare fund would give local authorities greater assurance and the ability to retain staff members, expertise and knowledge. It was also suggested this statutory duty would help to secure local authority funding and resources on an on-going basis.”

- 4.39 However, the Committee also noted that it had received a “strong message” that funding provided for the administration of the Fund was inadequate. For example, East Dunbartonshire received £43,970 to meet administration costs. However, its running costs in the last year were over five times as expensive at £224,232. To inform future funding arrangements, the Convention of Scottish Local Authorities (‘COSLA’) is currently conducting a benchmarking exercise in this respect.
- 4.40 COSLA and the Scottish Government are also now undertaking work to better understand the needs of local areas, especially in the light of ongoing welfare reform. Whilst the interim scheme allocated its programme funding to local authorities on the basis of prior Social Fund expenditure, the allocations under the statutory scheme are intended to be based on current patterns of need. However, the Committee indicated that it would also like to see indications of unmet need reported by local authorities, and has requested that COSLA seek to include these within its benchmarking exercise.
- 4.41 In part, this was also a response to concerns from voluntary sector agencies that some local authorities were ‘gate-keeping’ their schemes by filtering out a large number of enquirers rather than accepting applications from them. The Committee has therefore recommended that the Scottish Government consider ways in which local authorities can better record all successful and unsuccessful enquiries to ensure that the situation can be monitored.
- 4.42 The Committee also expressed views regarding the use of cash payments, which may need to be retained in some areas in order to prevent people from being deterred from applying. It was also recognised that cash provides people with greater choice of supplier and that this can be cost effective for them. However, the benefits of direct purchasing and ensuring that people received the items for which they had applied were also recognised. The Committee therefore recommended that discretion continue to be given to local authorities in this regard.

- 4.43 Whilst discretion was also generally supported in respect of other operational issues of concern, the report also expressed the view that more needed to be done to ensure greater consistency across local authorities in respect of promotion and publicity of the Fund; access arrangements; refusal rates and award levels; and work to ensure that people were signposted to sources of help that could address their underlying needs.
- 4.44 However, the Committee was clear that in terms of eligibility criteria there was a need for a standard national approach. There were also concerns that current eligibility criteria were too restrictive. For example the Committee cited Child Poverty Action Group's the use of the term "exceptional pressures" in the current scheme is outdated because people were facing extreme financial pressure, not as a result of crisis, but because their everyday lives were characterised by rising costs, poor quality employment, and reduced welfare support. The Committee therefore recommended that the Scottish Government seek to ensure that the wording of the final criteria be broad enough to ensure that local authorities could assist all those with a "legitimate need".
- 4.45 The Committee was also clear that it did not consider loan schemes to be an appropriate part of the Social Welfare Fund itself. In fact, this view was supported by the Scottish League of Credit Unions, which stated that loans can only be extended if the customer has established existing savings with their credit union:

"There was a concern expressed that it was perceived as being a 'poor man's bank'. This was seen as damaging to credit unions long term sustainability. Low interest loans can only be extended to vulnerable customers if the union has a broad membership of savers from all walks of life who can service those loans."

Whilst the Committee does not appear to have considered the use of guarantee funds to offset some of the risk of lending to low income groups, the representatives of the credit unions themselves stated unequivocally that:

"It would be wrong to give the impression that credit unions can help in all circumstances; they can help only when the member has the capacity to self-help. That involves the capacity to save and, in the event of borrowing, the capacity to repay."

A brief note concerning reviews and appeals

- 4.1 Finally, it should be noted that the interim Scottish Welfare Fund provides for a system of reviews. If an applicant disagrees with the decision made on their application they can ask for a 'first tier review' which is carried out by another member of the Scottish Welfare Fund team within the local authority. If this review decision is still unsatisfactory to the applicant then a 'second tier review' can be requested, which is carried out by an impartial panel made up of local authority staff, separate from the Scottish Welfare Fund team.
- 4.2 For 2013/14 the Scottish Government reported that:
- There were 2,093 tier 1 reviews for Community Care Grants and the original decision was revised in 59% of cases. There were 120 tier 2 reviews, of which 54% were successful; and
 - There were 627 tier 1 reviews for Crisis Grants, of which 51% resulted in a change in decision. There were only 24 tier 2 reviews for Crisis Grant but the outcomes from these have not been published.
- 4.3 Taken together the number of tier 1 reviews represents approximately just five percent of all refusals. This led to the Scottish Council for Voluntary Organisations ('SCVO') requesting for further work to be done to explore the reasons for this low level, especially given the high proportion of decisions which were subsequently revised in favour of the applicant.
- 4.4 Whilst we have not conducted a systematic analysis of review procedures in place in England we were provided with some information in this respect in response to our freedom of information request. This indicated that some authorities did not provide any review process at all (e.g. Northumberland) whilst others provided one tier (e.g. Barnsley) and others had two (e.g. Blackpool). However, even where two tier procedures existed, these appeared to provide for the initial tier to be conducted by a colleague of the initial decision-maker and the second tier to be conducted by a senior manager.

- 4.5 Where review procedures were in place the number of applicants using these also appeared to be very low. For example, Barnsley rejected over 1,400 applications in 2013/14 but received no requests at all for these decisions to be reviewed. In Bedford over 4,000 applications were rejected but only seven review requests were received and only two of those resulted in a new decision being made in favour of the applicant.
- 4.6 As in England, the fact that decisions are made by local authorities provides applicants with the potential recourse of complaining to an Ombudsman service. In England this is the Local Government Ombudsman, and in Scotland the Scottish Public Services Ombudsman ('SPSO'). These services can consider whether people have suffered injustice or hardship as a result of maladministration or service failure. However, as part of the Welfare Funds (Scotland) Bill, the Scottish Government is proposing to provide the SPSO with new powers which make it responsible for the conduct of second tier reviews: allowing it to consider whether the decision regarding the award of a Scottish Welfare Fund grant is one that should have been made, and to direct the council to put in place an alternative decision or reconsider their original decision, where appropriate.

5. English case studies

5.1 This chapter provides further detail of four English local authority approaches to the delivery of local welfare schemes. Our approach to developing these case studies has been to:

- Provide basic details of the local authority and the levels of need in its area;
- Place the authorities in context concerning their overall spend and performance in respect of 2013/14;
- Review further published information relating to their provision and any reviews or evaluations which have taken place;
- Report on interviews with non-local authority front-line services conducted in October and November 2014 in order to provide qualitative evidence concerning the performance of schemes.

5.2 This has allowed us to gain an insight into the effectiveness of different delivery approaches as well as to look at how local authority practice has changed in these areas between 2013/14 and the current financial year. Our overall intention is to highlight areas of good practice.

Which authorities and why?

5.3 The four local authorities featured in this chapter are Hertfordshire County Council; London Borough of Islington; Newcastle City Council and Portsmouth City Council. In selecting these authorities we were conscious of the need to provide some balance concerning the political control of authorities, urban and rural areas and unitary and two tier authorities. However, our main ambition has been to illustrate the breadth of approaches being taken to the delivery of local welfare schemes in order to enable us to reflect on the relative pros and cons of these.

A. Hertfordshire County Council

- 5.4 Hertfordshire is a Conservative controlled county council located immediately to the north of Greater London and part of the Eastern region. The county is “often perceived as a pretty, mainly rural, prosperous county, used as a commuter base for many working in London⁶³.” It has a population of approximately 1.1 million people and is subject to the traditional ‘two tier’ model of local government. It contains ten district authorities⁶⁴, none of which are ranked in the fifty percent most deprived areas by the IMD. However, the districts of Stevenage, Watford and Broxbourne all contain lower Super Output Areas (‘SOA’s’) with levels of deprivation ‘that are higher than the national average.
- 5.5 Table 9, below, provides details of Crisis Loan⁶⁵ and Community Care Grant provision in Hertfordshire in 2010/11, this being the year prior to the current Government introducing significant restrictions on eligibility and award levels.

Table 9: Crisis Loan and Community Care Grant provision, Hertfordshire 2010/11

	Crisis Loans	Community Care Grants	Total
Applications	17,900	5,220	23,120
Expenditure	£1,272,900	£1,251,700	£2,524,600
Awards	13,100	2,190	15,290
Average award	£97.16	£571.55	£165.11

- 5.6 The total level of expenditure on Crisis Loans and Community Care Grants in 2010/11 was just over £2.5 million. This compares with a programme funding allocation for the county for local welfare provision of £1.765 million in 2013/14. There has, therefore, been a cut of around 30 percent in the amount of money available to support vulnerable individuals in the county over the period.
- 5.7 The local welfare scheme that was put in place in Hertfordshire (the ‘Hertfordshire Local Welfare Assistance Scheme’) “provides one off emergency

⁶³ The Hidden Need: Overcoming Social Deprivation in Hertfordshire, Hertfordshire Community Foundation

⁶⁴ Broxbourne, Dacorum, East Herts, Hertsmere, North Herts, St Albans, Stevenage, Three Rivers, Watford and Welwyn Hatfield.

⁶⁵ To ensure comparability with funding allocations and the local welfare scheme we have excluded Crisis Loans made for alignment purposes in this table. Source: Department of Work and Pensions from webarchive at <http://webarchive.nationalarchives.gov.uk/20130513091402/http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/localisation-data/>

support to residents who are facing exceptional and unexpected pressures and who are in financial crisis". Eligibility is generally restricted to people in receipt of means tested benefits, and where people have been in receipt of these for 26 weeks or more then the policy states that they are likely to be referred to DWP to make a Budgeting Loan application.

- 5.8 However, the scheme also includes local Council Tax Support, Housing Benefit and Tax Credits as qualifying benefits as well as Income based JSA, ESA and Pension Credit and does provide for assistance to be given to people who are not in receipt of benefits in "very exceptional circumstances".
- 5.9 The scheme is part of a wider 'HertsHelp' service which provides people with a single point of access to a wide range of voluntary sector organisations and services across the county. This service is delivered by POhWER: a charity and membership organisation providing information, advice, support and advocacy to people who experience disability, vulnerability, distress and social exclusion. POhWER was established in 1996 and now operates in 60 local authority areas in England. In Hertfordshire, POhWER also co-ordinates a "HertsHelp network" of support agencies to ensure that participating organisations work closely together to provide a "seamless service" for people in need. Funding of £140,000 was provided to POhWER to run the local welfare assistance scheme in 2013/14.
- 5.10 Contact to the HertsHelp service is possible by phone, minicom, text or e-mail and the service as a whole received 19,000 enquiries in 2013/14. The number of enquiries was therefore around 4,000 fewer than the number of Crisis Loan and Community Care Grant applications made by county residents to DWP in 2010/11.
- 5.11 As previously mentioned in this report, the distinction between enquiries and applications is sometimes difficult to distinguish. In Hertfordshire's case we do not know how many of the 19,000 enquiries resulted in a formal application for assistance from the welfare scheme. We do, however, know that approximately 3,000 of these enquiries resulted in financial or in-kind assistance (notably the purchase of white goods) being provided. This is roughly one fifth of the number of Crisis Loan and Community Care Grant awards made in 2010/11. In this respect it should be noted that only one application for assistance can be made in any 12 month period, which is significant restriction on crisis assistance as even

DWP allowed three such applications in a 12 month period following its 2011/12 reforms.

5.12 Further to this the scheme states that applicants will be awarded vouchers for food banks, clothing banks or furniture schemes, but will be directed to local credit unions for loans if help is needed to meet the cost of fuel and water bills. To facilitate this approach £5,000 was provided to each of the ten districts to support their local food banks, and a total of £89,000 was split between St Albans credit union and HertSavers credit union for the administration of crisis loans. In addition, £100,000 was provided to Hertfordshire Citizens Advice to provide a finance and budgeting advice service.

5.13 The maximum loan amount provided was initially £60 (which was a third lower than the average awarded for Crisis Loans in 2010/11) but this was increased to £100 in December 2013. It should be noted that these are interest bearing loans, albeit at just one percent per month. Loans are provided over a maximum duration of 26 weeks. It is not possible to report with accuracy on the number of loans provided or on the performance of these as the council does not appear to be monitoring these aspects. However, an indication of loan numbers is available from the St Albans Credit Union annual report published in March 2014. This states that:

"In March 2013, we contracted with the County Council to manage their crisis fund for 12 months and in that time to provide 250 loans. By the end of this March we will have easily exceeded this figure and as a result of our services, Herts CC has extended the contract for a further 12 months."

5.14 Even though the target to make 250 loans through St Albans credit union was "easily exceeded" and a similar sized contract for provision is held by HertSavers Credit Union it is highly unlikely that provision is anywhere near the 9,800 crisis loans provided in the last year of the Social Fund.

5.15 The total spend reported by the County Council for 2013/14 was just 42.7 percent of their overall allocation. This equates to £913,000, which is just 36 percent of the amount spent on Crisis Loans and Community Care Grants in the county in 2010/11.

5.16 Interviews with front-line agencies revealed that the scheme was viewed as highly restrictive. For example, one agency reported that there had been particular problems with the general requirement that people be advised to pursue a Budgeting Loan application prior to qualifying for assistance from the scheme:

“When it started we had enormous problems. One of the criteria was if they were in receipt of benefits for more than six months they automatically weren’t eligible. They had to have been on benefits for less than six months. But 95% of [our clients] have been on benefit for more than six months. It caused a big issue for us. Almost all the applications we did were coming back refused. We did address that with the Council. I attended a meeting the Council held and I raised it there and since then things improved slightly, but it seems to depend on who looks at the application.”

5.17 They also told us that there was a lack of consistency concerning whether or not people got an award and how this was fulfilled:

“There doesn’t seem to be any pattern to it. The majority of our clients have children and are in the same level of need – yet what they are given seems to vary enormously. For example, one woman got £250 in Argos vouchers but another got a second hand washing machine that didn’t work when it arrived. Quite a few others got nothing and were turned down.”

5.18 However, there was some praise from front-line agencies for the way that the scheme operated in terms of the access arrangements and speed of decision-making:

“It’s a simple form and easily accessible. Phone calls are a bit more difficult because the line is always busy, so I often don’t do that. Also it’s a quick response time from application. They contact the client the very next day.”

5.19 It therefore appears that the county scheme has performed well as regards accessibility and service but quite badly concerning the level of assistance actually being provided. The high number of enquiries but relatively low level of awards indicates to us that a less restrictive scheme could have been implemented with the available budget. In particular, allowing more than one claim per year and

providing grants rather than loans for those in crisis situations appear to be measures that would be particularly helpful.

5.20 We were also unable to find any evidence that ‘underlying’ needs were being addressed. Although HertsHelp is able to direct people to a wide range of advice and support agencies, there does not appear to be any monitoring taking place regarding the outcomes from this signposting.

5.21 Despite these shortcomings the front-line agencies we spoke to were clear that any further reduction in provision would not only impact on people in real need but would also increase the strain on their own provision and on charitable sources of help:

“Last year we exceeded the amount of people we aim to help by 70% ... that is the level of need we are seeing. The impact [of reduced provision] on clients in our opinion would be catastrophic. Because so many people are in real crisis with complex problems and complex needs. In terms of our organisation, we would struggle to meet the underlying causes of the problem. We don’t turn anyone away but we wouldn’t spend as much time with each person, so we wouldn’t have the means to meet the underlying problem. We would be treating the symptom and not the cause, which in the end costs money.”

5.22 Concerning the current under-spend we were not aware of a coherent plan to address this, or whether or not the council had evaluated the scheme and made a decision concerning possible roll forwards into future years. However, an internet search reveals that the council is using at least some of the under-spend to fund a ‘Building Community Resilience Programme’. The programme invites local community organisations to apply for funding of up to £10,000 for projects which are in line with the “ethos of the Hertfordshire Welfare Assistance Scheme; to support people and families in extraordinary times.”

5.23 Priority is being given to projects which provide information and support for individuals, families and children; deliver clothing schemes, furniture schemes and small household goods; enable sharing of toys and equipment; provide training and support to help people become ‘financially secure’; and projects which improve people’s chances of gaining employment.

5.24 The programme closed for applications very recently (on 12th December) and the outcomes of the exercise are awaited.

B. London Borough of Islington

5.25 The London Borough of Islington is a unitary authority under Labour control. It serves a population of approximately 200,000 and is ranked by the IMD as the sixth most deprived local authority district.

5.26 Table 10, below provides details of Crisis Loan and Community Care Grant provision in 2010/11.

Table 10: Crisis Loan and Community Care Grant provision, Islington 2010/11

	Crisis Loans	Community Care Grants	Total
Applications	6,020	3,530	9,550
Expenditure	£449,700	£1,147,400	£1,597,100
Awards	4,460	1,740	6,200
Average Award	£100.82	£659.42	£257.59

5.27 The total expenditure on Crisis Loan and Community Care Grant provision in 2010/11 was just under £1.6 million. This compares to a programme budget for local welfare provision in 2013/14 of a little more than £1.2 million. There has therefore been a cut to the budget of approximately one quarter over the period.

5.28 Islington's local welfare scheme ('Residents Support Scheme') has been particularly innovative in bringing together the budget for local welfare support with other discretionary funding sources including Discretionary Housing Payments, the Council's welfare provision for council tax relief in exceptional circumstances, and grant making programmes from the Cripplegate Foundation and the St Sepulchre (Finsbury) United Charities.

5.29 A single application to the Residents Support Scheme therefore provides access to all of these discretionary sources of help. In addition, the scheme is focused on providing non financial sources of assistance in respect of:

- Money and income. Everyone accessing the scheme is offered an automatic benefits check and applicants are also provided with money advice and specialist help with fuel debts;

- Employment and training. If relevant to their circumstances residents are, for example, provided with advice on courses, volunteering opportunities, and CV preparation;
- Social well being. Again, where relevant, support is provided to help reduce social isolation, enable community involvement, and build residents' capabilities.

5.30 The Residents Support Scheme focuses on people who are 'at risk' and identifies four categories of this:

- Homelessness including tenancy at risk
- Breakdown of family cohesion / stability (including domestic violence)
- Health or independent living at risk
- Employment at risk

5.31 In addition, the scheme is targeted to people who have an 'underlying vulnerability'. These are identified as:

- Old age;
- Physical disability;
- Long term limiting health condition;
- Mental health;
- Learning disability;
- Responsibility for dependent children or pregnant;
- Domestic violence;
- Substance/Alcohol Misuse;
- Single young people establishing themselves including care leavers.

5.32 Although the scheme brings together a range of funding to help meet the needs of these vulnerable groups there is a single, 'universal', set of eligibility criteria. To receive assistance, an applicant must usually be:

- Resident in the Borough, or placed in accommodation outside of the Borough by the council. People performing services on behalf of the Borough (e.g. foster carers) can also be supported even if they are not resident in the Borough itself;
- Ineligible for support from DWP in respect of a Budgeting Loan or Short Term Benefit Advance;
- On a low income. This is usually shown by receipt of means-tested benefits, although these include tax credits. To access Discretionary Housing Payments the applicant must be in receipt of Housing Benefit or Local Housing Allowance; and
- Have an immigration status that allows recourse to public funds.

5.33 However, there is a set of exceptions to these general rules that provide greater flexibility in some situations. For example, the residency condition can be waived if someone is fleeing domestic violence and assistance can be given to people who do not have an underlying vulnerability if they are in receipt of Council Tax Support and are facing exceptional hardship. The scheme also allows for funding to be directed to help people affected by the bedroom tax move into smaller properties by providing Discretionary Housing Payments until an exchange has been made.

5.34 The scheme provides for help in a crisis and to meet community care, housing, employment and Council Tax needs. Help in a crisis is generally provided in the form of grocery vouchers, although assistance can also be given to reconnect fuel supplies, and in exceptional circumstances such as following a fire, to replace clothing. Community care needs are met through the provision of basic household items and other support available includes help with employment costs where this is linked to a Discretionary Housing payment and help with rent and Council Tax payments.

5.35 It should, however, be noted that there is a general rule that people will only receive one award from the Residents Support Scheme in any 12 month period. Again, there are some exceptions to this. For example, it is possible to extend an award of Discretionary Housing Payment over a number of months, and if a person is expected to then establish themselves in a new property and needs basic

items then assistance to obtain those can be provided. In these types of situations the scheme provides for considerable flexibility and decisions are made on a case by case basis.

- 5.36 The Islington scheme is an example of 'gate-kept' provision, with applications only accepted via referring agencies. These include the council's statutory services, designated trusted partners and designated referral agencies. Importantly, the statutory services and trusted partner agencies all receive a notional allocation of the funding available which they manage and from which they make recommendations of spend on behalf of a service user to the Resident Support Team. The statutory services and trusted partners, which, for example, include a local Women's Aid project, make a recommendation using an online form. The Resident Support team will then verify and process the recommendation and make a payment. A wider layer of referral agencies, including advice providers such as Citizens Advice, do not receive a notional budget but can assist people to make applications using an on-line form.
- 5.37 Monitoring procedures for the scheme are extensive and management reports indicate that there were a total of 5,678 applications to the scheme in 2013/14. This is roughly 40 percent lower than the total number of applications for Crisis Loans (excluding alignment payments) and Community Care Grants than were applied for in 2010/11. However, further examination of management information indicates that 3,213 applications in 2013/14 related to Discretionary Housing Payments and 54 applications to Council Tax welfare support. The actual numbers of applications made for crisis and community care support were therefore much lower than in 2012/13, at 711 and 1,700 respectively.
- 5.38 The considerably lower number of crisis applications in the year may be due to the fact that Discretionary Housing Payments have averted the need for these for many people. Taken together the overall success rate for both Discretionary Housing Payments and crisis applications was 88 percent. This is significantly higher than was the case for Crisis Loans in the Borough in 2010/11, when the success rate was 74 percent.
- 5.39 Awards for Discretionary Housing Payments have also been much higher than was the case for Crisis Loans. In 2012/13 the average Discretionary Housing Payment

made the Islington scheme was £581, compared to an average Crisis Loan award in 2010/11 of just over £100. However, crisis *payments* from the new local scheme are now much lower, averaging just £47. This is roughly the average amount awarded for crisis assistance across the core sample of English authorities in our study.

5.40 It is also notable that the number of community care applications has fallen dramatically (by 48 percent) in Islington since 2010/11, although the success rate for applicants has increased to 85 percent: compared to just 49 percent under the Social Fund. Further to this the average award amount has also increased from just over £650 to £970.

5.41 Despite the comparatively low level of applications for both crisis and community care support, the high success rates and award levels for community care grants have ensured that Islington spent its full allocation of the localised budget. £1.4 million was spent on community care type awards in 2013/14 but only £15,600 on meeting crisis needs.

5.42 The indications are that the focus on Discretionary Housing Payments and community care awards means that the scheme is very well targeted to the council's statutory priorities with applicants being identified as homeless or at risk of homelessness in nearly one quarter (23 percent) of all cases. A further 21 percent of applicants had a physical disability or long term limiting health condition, whilst 17 percent were responsible for dependent children or were pregnant and 15 percent reported mental health problems.

5.43 We found that front-line agencies had mixed feelings about the operation of the scheme. For example, an advice agency praised the fact that decision making was much quicker than the prior Social Fund and that home visits were now also possible:

"The turn-around is very quick – it's within 24hrs. The Resident Support Scheme also visits clients. That didn't happen under the DWP scheme."

5.44 Another agency also emphasised the speed and ease of decision making:

"We're a preferred referrer. Islington have allocated a certain amount of the budget that we can apply to use for our families. Our manager looks at the

applications and checks that we aren't putting in anything too crazy. We put a covering letter together – so that justifies the spend. It's really easy to contact the team as well, before we had to go through a real rigmarole."

- 5.45 There was also praise for the efforts that the council had made to promote the scheme:

"Very high promotion – there is a very good Communications Team at Islington. Information is on the website, in the Customer Services Centre and Children's Centres, locally in communities, in all the partner referral agencies. So there is lots of publicity and information."

- 5.46 However, one agency expressed the view that the requirement for applications to be made through referral agencies posed a problem in some cases:

"With DWP it was a much more straightforward system. Now you have to go to a third party to make the application...DWP had all your info from your benefits claims. If you have just moved into a property, now you have to go elsewhere and there is cost of the bus fare, and the time to see someone and you have to be assessed. It's just lengthening the process...it's also off putting having to go somewhere else."

- 5.47 There were also concerns that there was insufficient joint working between the Residents Support Scheme and Jobcentre Plus. This caused particular problems because the advice agency knew that it was pointless making an application to the Residents Support Scheme if the person was entitled to have a Short Term Budgeting Advance from DWP:

"We don't submit an application if someone doesn't meet the criteria. We find that the Short Term Advance very rarely gets awarded. If someone's benefit isn't received Jobcentre Plus say 'we didn't get all the documents'. We say we have sent the forms but Jobcentre Plus just say the person has to apply to the Resident Support Scheme, because they haven't got to it yet on their system."

- 5.48 Another agency told us that there was also a problem when people had been sanctioned by Jobcentre Plus:

“There is a problem – when people have been sanctioned and have no money – they should get an emergency payment. Between DWP and the Scheme there has been confusion about where people should go and people being sent back and forth between the two.”

5.49 Finally, although the scheme was generally held to be very good, some improvements were suggested. For example, one agency thought that the limit on the number of applications to the scheme should be replaced by a limit on the overall value of assistance so that people could apply as needs arose over the course of the year:

“Sometimes we have problems with people needing to apply more than once in a year as there is a limit on the amount of help that they can give. If people need only one item then sometimes they don’t want to apply as that could be their only application for the year. But then they don’t really want to wait until they need multiple items either. It might be best if there was a limit on the value of items that they can apply for in a year rather than the number of applications that they can make.”

5.50 Another agency pointed to the need for a simpler application form and greater choice for people, as well as problems with the limits on the number of times that Discretionary Housing Payments could be obtained:

“In terms of way Scheme is run, it is one of the best in London I’ve experienced. But there are some problems. If someone is referred whether for crisis of community care part, the application process is too long winded and could be cut down a bit. It’s also very limited. The food voucher is only for Sainsbury’s or the food bank - nothing else. The furniture package is for Argos and there are no options to buy second hand furniture. I understand that people are tempted to spend cash but people need an option where they shop. Regarding Discretionary Housing Payments: at the moment if they get these twice in one year then that is it. If the Council say they are running out of funds, it’s not anyone’s fault – people are on waiting lists to downsize but there isn’t sufficient housing. So it’s wrong the people are being denied the right to stay in their homes.”

5.51 However, it appears that the council has taken steps to provide people with an option to obtain second hand furniture this as a third agency told us:

“They deal with ‘Bright Sparks’ who refurbish goods and give white goods and people can go there with a voucher. And they arrange installation now. Islington Council Resident Support Scheme takes a very holistic approach to ensure it all goes smoothly. When the money was depleting they reviewed the criteria and looked at all different packages to ensure everyone was helped who needed it, different ways of helping people in setting up their home.”

C. Newcastle City Council

5.52 Newcastle City Council is a unitary authority serving approximately 280,000 people under Labour control. It ranks as the 66th most deprived local authority area on the IMD. Table, 11, below provides details of Crisis Loan and Community Care Grant provision in the city in 2010/11.

Table 11: Crisis Loan and Community Care Grant provision, Newcastle 2010/11

	Crisis Loans	Community Care Grants	Total
Applications	12,440	4,860	17,300
Expenditure	£941,900	£861,100	£1,803,000
Awards	8,880	2520	11,400
Average Award	£106.06	£341.70	£158.15

5.53 The total expenditure on Crisis Loan and Community Care Grant provision in 2010/11 was just over £1.8 million. This compares to a programme budget for local welfare provision of £1.26 million. There has therefore been a reduction in the amount of money available to support vulnerable individuals of around 30 percent over the period.

5.54 Newcastle has put in place two distinct schemes: a Crisis Support Scheme and a Supporting Independence Scheme. A total of £222,900 was allocated for Crisis Support and just over £1 million for the Supporting Independence Scheme at the start of 2013/14. We report on each of these in turn.

The Crisis Support Scheme

- 5.55 Newcastle's Crisis Support Scheme is administered by its Revenues and Benefits service and provides help to people who have experienced a disaster or crisis where there is a risk to their health and safety (or that of a member of their family) and they are unable to secure funding from any other source. Applicants must be aged over 16 and residents of the city and be in receipt of qualifying benefits. These are Income Support, Jobseekers Allowance, Employment Support Allowance, Pension Credit and Universal Credit.
- 5.56 The scheme is explicit that applicants will not be provided with help where a Short Term Budgeting Advance or Budgeting Loan would be more appropriate and there are also a wide range of exclusions, including rent in advance payments which would have previously been eligible for a Crisis Loan payment. The number of times that Crisis Support can be provided is also limited to three in any 12 month period.
- 5.57 Applications are made on-line, although a phone service is available for people who need help to do this, and assistance is provided for food, clothing, fuel and expenses for emergency travel. There are no cash payments available, and the awards are made in the form of shopping packages which are ordered on-line and delivered directly to the beneficiary and in vouchers for clothing, fuel and travel.
- 5.58 The level of assistance is low, and food allowances are limited to £6 per day for single people; £10 for couples, and an additional £3 for every dependant. Award levels for clothing, fuel and travel are not pre-determined but are considered on a case by case basis.
- 5.59 A total of 3,201 applications were made for Crisis Support in 2013/14, which equates to around one quarter of the number of applications made for Crisis Loans in 2010/11. However, the success rate was low, with only 908 awards made (28 percent). This compares to a success rate for Crisis Loan applications in 2010/11 of 71 percent. The average award Crisis Support award was also much lower at just £87 (compared to £106 in 2010/11).
- 5.60 However, in addition to responding to applications for Crisis Support, the council also used some of its budget to undertake 'pro-active' measures designed to prevent a crisis. These comprised:

- **Support for households with children in the school holidays.** Qualification for help was automatic if the household contained children up to the age of 16 who would normally receive free school meals during term time *and* their housing benefit had been reduced because of the benefit cap or bedroom tax *and* they were paying Council Tax for the first time because of the cuts to Council Tax Support. A total of 1,493 such awards were made over the three holiday periods of Easter, summer and Christmas at a cost of £66,530. The average award was £44.56;
- **A back to work package** to help those securing employment with travel, food and utility bills until their first pay is received. The typical package includes a Tyne & Wear travel pass for up to one month, an Asda food delivery and a gas and electric voucher. This helps those that may not have taken employment due to having no money available and not being able to afford to travel to work. 108 such awards were made in 2013/14 at a cost of £14,903. The average value was therefore £138; and
- **Employment incentives.** An Asda food card was given as an incentive to those who engaged in various employability events in the year. A total of 102 awards of £10 each were made.

5.61 Finally, a significant amount of funding (£53,075) was directed to 65 applicants who needed help to pay their Council Tax either because they were starting apprenticeships or because they were in exceptional hardship. The average award in these cases was £816.

5.62 By adopting these pro-active measures and directing some of the funding towards helping people with Council Tax payments, the council spent £214,000 of its £222,000 allocation for Crisis Support in the year. The small under-spend was rolled forward into 2014/15.

The Supporting Independence Scheme

5.63 Newcastle's Supporting Independence Scheme is focused on the traditional community care priorities of helping people on low incomes to resettle in the community following a stay in an institution; remain in the community rather than enter an institution; set up home in the community, as part of a planned

resettlement programme or, in the case of families, to maintain their independence.

- 5.64 The scheme provides for a wide range of furniture, white goods and essential household items to be obtained for people with these needs. However, applications are only possible via designated referring agencies and these are expected to “work with the Council to maximise the value of the fund by minimising transaction costs (for example through only making appropriate referrals), exploring alternative options to goods and items, and taking collective responsibility for securing optimum value from the cash limited budget”.
- 5.65 The intention in Newcastle has been to ensure that direct financial assistance through the Supported Independence Scheme is linked to non-financial support in order to reduce the need for repeat applications. In this respect, applications are monitored by the ‘Active Inclusion Newcastle Unit’ which also works with referral agencies to address the needs of complex cases via a “preventative support programme aimed at developing a consistent response to financial crisis across the sector”.
- 5.66 In line with the findings from other ‘gate-kept’ schemes the number of applications was relatively low, although the success rates were high. The scheme received a total of 721 applications in 2013/14: only 14 percent of the level of Community Care Grant applications made in the city in 2010/11. However, over 80 percent of applications to the local scheme were approved as compared to just 51 percent of Community Care Grant applications. Further to this, the average award from the local scheme was significantly higher: £1,060 compared to £341.70.
- 5.67 Despite high success rates and high value awards, the scheme was not able to spend all of its allocation in 2013/14. In fact only 61 percent was spent, although the council rolled forward the under-spend into 2014/15.
- 5.68 Whilst the low number of applications and level of under-spend are clearly of concern, the scheme does appear to operate efficiently. In particular, the council has entered into a purchasing arrangement with its ALMO, ‘Your Home Newcastle’,

to ensure the bulk purchase of furniture and goods and the scheme has links to its wider financial inclusion agenda.

Comments from front-line agencies

5.69 Our interviews revealed general praise for the scheme, particularly in respect of the speed of decision-making for crisis applications and the high success rate for people applying for to the Sustained Independence Scheme, although one agency noted that the scheme had stopped providing help for people to obtain carpets and that they could now only obtain rugs.

5.70 One agency also expressed the view that the council was doing the best that it could with limited resources but that the scale of the task was overwhelming:

“The council is in a difficult position. There isn’t enough money in the pot. They have tried to ration it to people in emergencies. It is supposed to be a one off but people are getting dependent on food vouchers. Access to the scheme is fair considering the resources the council have got. They would be the first to say it is over-stretched. The biggest problem is benefit sanctions – this week we had a 24yr old mum who was sanctioned because she didn’t appear for interview four days after giving birth. Sanctions are not being administered fairly. The woman was referred to the Scheme and we helped her.”

5.71 Whilst another told us:

“They are doing a great job and no evidence otherwise but it all depends on the funding and they can only do it with more money.... we’ve seen massive increase of referrals and people accessing the service and also the number of issues that each person has. Whereas before, a person had a problem with one thing, now it’s two to four problems per person that needs some case work. There is lots of under-occupation in Newcastle, so the bedroom tax has had a massive impact.”

5.72 They also referred to the need to ensure that people moving onto Universal Credit were supported and were looking to the Local Support Services Framework (now rebadged as ‘Universal Credit – delivering locally’) to provide resources to help with this:

“We are busy planning how we can make use of the Local Support Services Framework to deal with the effects of Universal Credit because that will impact on the number of people who will need help.”

D. Portsmouth City Council

5.73 Portsmouth City Council is a unitary authority in Hampshire. It serves a population of approximately 210,000 and ranks as the 76th most deprived local authority area on the IMD. The authority was under Liberal Democrat control following the election results in 2012, which gave the party the largest number of councillors. However, in June this year the administration was ousted following the annual general meeting which put the Conservative party in control with the support of Labour and UKIP.

5.74 Table 12, below, provides details of Crisis Loan and Community Care Grant provision in the city in 2010/11.

Table 12: Crisis Loan and Community Care Provision, Portsmouth 2010/11

	Crisis Loans	Community Care Grants	Total
Applications	9,660	2,020	11,680
Expenditure	£555,700	£369,400	£925,100
Awards	7,270	1,020	8,290
Average Award	£76.43	£362.15	£111.59

5.75 The total expenditure on Crisis Loan and Community Care Grant provision in 2010/11 was just over £900,000. This compares to a programme budget for local welfare provision in 2013/14 of just under £600,000. There has therefore been a cut to the budget of one third over the period.

5.76 The Local Welfare Assistance Scheme in Portsmouth is fairly typical of those in place in England, in that it provides for help for people following a disaster or crisis and in respect of community care type needs. In respect of its crisis assistance, there is no need for people to be in receipt of a qualifying benefit, although people seeking help with community care requirements do need to be in receipt of Income Support, Income based Jobseekers Allowance, Income related Employment Support Allowance, Pension Credit or Housing Benefit – or have received a payment on account of one these benefits following a new claim.

- 5.77 Crisis support is provided in respect of daily living costs, including food, fuel and travel, whilst community care support is focused on furniture, white goods and essential household items.
- 5.78 However, the Portsmouth scheme has a number of specific restrictions. The maximum number of awards is two in any 12 month period, and there are maximum amounts for both crisis (£250) and community care (£1,400). It is also notable that the scheme specifically states that the scheme is the 'last port of call' and that consideration should be given to whether or not the applicant can access Short Term Budgeting Advances, Budgeting Loans and "any sources of credit such as cash cards, store cards, credit cards, cheque cards, cheque accounts, overdraft facilities, and loan arrangements".
- 5.79 Applications to the scheme are made on-line or by phone, and if successful, awards are made in the form of vouchers, rather than cash. Cash awards are only made in very exceptional circumstances. Vouchers are available for white goods (through Euronics), for furniture/household items (through Argos and Homebase) and through Park Clothing (for clothes).
- 5.80 The Portsmouth scheme is administered on the council's behalf by Northgate Public Services, a private company.
- 5.81 The number of applications to Portsmouth's scheme received in 2013/14 totalled just 2,271: only one fifth of the number of Crisis Loan and Community Care Grant applications made in the city in 2010/11. Further to this, the refusal rate was high, with only 706 awards made (just 31 percent of all applications). This compares to a 70 percent success rate in 2010/11.
- 5.82 Nevertheless, the overall level of spend was relatively high compared to other local authorities. In 2013/14, the city spent three quarters of its allocation for local welfare, with £440,000 spent on crisis and community awards and a further £27,000 allocated to food banks.
- 5.83 This appears to be due to the high level of awards provided. Although we are unable to break down the awards between crisis and community care types, the overall average was over £600. This compares to an overall average of £111 in

2010/11, and is significantly above the average level of Community Care Grants that year (£362).

- 5.84 The council also reports that usage of its scheme has also contributed to its ability to perform its statutory functions as nearly one third of expenditure (30.4 percent) went on people who were resettling in the community following a stay in care. A further 40 percent of spend was directed towards people with a high level of vulnerability, including people with mental health problems, and 38 percent of beneficiaries had a disability.
- 5.85 Reviewing the operation of its scheme in July 2014, the council noted that a loss of provision would be likely to “drive up costs across a range of public services (for example through increased demand at services such as mental health, children's social care, temporary accommodation provision, and debt advice services)” and that “living without the basic essentials also limits people's ability to seek and sustain employment in order to improve their own circumstances, trapping them in a cycle of deprivation”.
- 5.86 Case studies were used to support these states, which attempted to monetise the likely impact on the authority had provision not been available.
- 5.87 For example, the report noted the case of a single mother, who had been the victim of domestic violence and was living in overcrowded housing. She was assisted to apply for accommodation by the council's Housing Options service, which resulted in an offer of an unfurnished property. However, on moving in her mental health started to deteriorate due to the pressure of living without beds and without any means of storing and cooking food. She and her children were all sleeping on one sofa bed in the living room and eating sandwiches and take-aways, which increased their financial hardship. Miss A was awarded beds, a cooker and fridge freezer from the Local Welfare Assistance Scheme. Miss A had no other way of affording these essential items.
- 5.88 Monetising the possible impacts on the authority had this assistance not been made available, the report notes that the cost of treating depression for adult mental health services is in the region of £1,355 and that the cost of safeguarding

interventions including the possible removal of the children are estimated at between £1,600 and £3,000 per month.

5.89 In other examples, the Council indicates that local welfare provision has been particularly important in respect of preventing tenancy breakdown and voids (estimated at saving the authority £6,880 per eviction and subsequent re-letting) and reducing the need for temporary housing (which costs in the region of £250 per week).

5.90 At the time of its review the council therefore considered how it would be able to continue its scheme beyond 2015/16 if Government went ahead and cut the funding for provision. In this respect, the council considered three options:

- **Doing nothing:** in which case the report indicated that “costs will be driven up across the council and our wider partners in dealing with the fall out of not providing this assistance.”
- **Identify pathways of support, maximising voluntary sector provision but without additional council funding.** However, the report noted that this was likely to give rise to significant unmet need as there was often no choice but to provide financial assistance in order to address or prevent crisis situations or facilitate independent living. It considered that this would also therefore increase the costs to the council in the longer term and would impose a greater burden on front-line agencies.
- **Provide funding to a specific organisation to meet unmet needs.** The report identified that this approach was being followed in Southampton and referred to the 'Scratch' Project which takes in second hand furniture and refurbishes it for people coming out of hostels/institutions etc. “The second hand furniture provision has been very cost effective (they are able to provide an entire package of second hand furniture to kit out a property for approx. £130). White goods are bought new but at a discounted rate due to bulk purchase. The project also provides employment, training and volunteering opportunities and so represents a more sustainable model with other clear benefits in relation to helping people off benefits and back into work, thus

reducing wider poverty.” A sum of £250,000 per year was suggested as the level of funding required.

5.91 The Council decided therefore decided to use its forecast under-spend in 2014/15 as match funding for a bid by a local voluntary sector agency to the Big Lottery in order to develop the service outlined in the last bullet point above. In addition to utilising the under-spend the Council also identified potential in-kind matched funding by providing warehousing space and releasing white goods recovered from void properties. The result of this application is not known to us at the time of writing.

5.92 Despite the local authority recognising the value of its provision, the front-line agencies that we spoke to were reticent about the local scheme. For example, one advice agency told us that there was a lack of consistency concerning decisions:

“It’s been difficult to know which clients will get help. The criteria are well publicised on the local authority website and in their information that they have given us. But in the times we’ve been involved with it, it can be difficult to determine whether the client who we think is in most need will actually gets the assistance.”

5.93 They also told us that the requirement for the local scheme to be the last port of call had led to people being bounced between the council and Jobcentre Plus:

“...when we approach the Local Authority for help with a client, they point us to Jobcentre Plus and then Jobcentre Plus point us back to the Local Authority – so you end up in a bit of a loop!”

5.94 Another agency told us that the scheme was good, but just needed to be bigger and that it should try to help people to get out of debt:

“The scheme should be bigger – it needs more money, and it should help with things that people increasingly need. It should help with debts, including by paying them off. We currently look to benevolent charities to pay off small debts or a specific bill, such as for fuel. But the scheme should help with that.”

5.95 Finally, one agency told us that the council was being pro-active and exploring other options to meet the underlying needs of people on low incomes by trying to find ways of reducing their food costs:

"The council have talked about setting up a 'social supermarket': an extension of a food bank. We access food banks a lot for our clients - increasingly so, so this could be a good thing."

6. Conclusions and Recommendations

- 6.1 This study has examined the performance of local authorities in England in delivering local welfare schemes following the abolition of Community Care Grants and Crisis Loans by the Department for Work and Pensions in April 2013. It has also provided a comparison of the English experience with the operation of the Scottish Welfare Fund.
- 6.2 Government's stated aims for the creation of local welfare schemes were to reduce administrative complexity, improve the targeting of support to vulnerable people and prevent abuse. The policy was also expected to result in a more flexible approach to unavoidable need and better alignment with other forms of support offered by local authorities.
- 6.3 However, our analysis indicates that there have been major problems in England with the implementation of local welfare schemes, and that provision varies considerably across the country.
- 6.4 Overall, there can be no doubt that there has been a significant reduction in the amount of financial help being made available to vulnerable people since the Coalition Government came to power in May 2010. This was initiated through the imposition of restrictions on eligibility and award levels when Community Care Grants and Crisis Loans were still in place prior to April 2013, and has been continued as a result of pursuing the policy of devolving funding to local authorities without placing them under any statutory requirement to provide effective local welfare schemes or ring-fencing the budget for these.
- In 2013/14 just under half of the total allocation for local welfare provision went unspent;
 - We estimate that one-third of local authorities performed particularly badly, spending less than 40 percent of their total allocation in 2013/14 on direct financial assistance to vulnerable people;
 - We estimate that there were only 400,000 awards made in 2013/14: a 75 percent fall compared to the final year of Community Care Grants and Crisis Loans;

- The value of awards also fell in many areas, and this has also been combined with restrictions on the number of awards that can be made in any 12 month period. As a consequence, the ability of low income households to access emergency financial assistance on a repeat basis, which was a feature of the prior Crisis Loan scheme, has been virtually lost in many areas of England. In some areas, as little as £20 per year is now available for this purpose.

- 6.5 This reduction in the overall level of provision has occurred at a time when the financial pressures on low income households have increased. Government's own programme of welfare reform has contributed to this, with a large proportion of applications for crisis assistance fuelled by problems with the administration of key benefits. Up to 40 percent of all applications for assistance from local welfare schemes arise as a direct result of benefit problems, including the imposition of sanctions and a failure by DWP to advise claimants about the availability of hardship payments.
- 6.6 It is also a particular concern that we do not have sufficient information from DWP concerning the operation of Short Term Budgeting Advances to comment on the effectiveness or otherwise of these in meeting the immediate needs of people who are putting in new claims. Authorities have reported some instances of people being sent from Jobcentre Plus to make applications to the local welfare scheme when a Short Term Advance would have been more appropriate, and there is clearly a need for greater consistency in this respect.
- 6.7 In addition, the fact that there has been a reduction in spending on Budgeting Loans by DWP at the same time as local welfare provision has reduced appears paradoxical. Many local authorities are now requiring that people apply for a Budgeting Loan prior to receiving help from the local welfare scheme, yet expenditure on Budgeting Loans in 2013/14 fell by 8.6 percent compared to the previous year and DWP reported that the budget was under spent by £44 million. This appears to have been driven by a fall in the number of applications but further research is needed into the reasons for this. As the budget is made up of prior loan repayments and does not require any Annually Managed Expenditure from Government we consider that DWP should also set out how it intends to use

this under-spend to meet the needs of benefit claimants for assistance with the purchase of basic household items.

- 6.8 Whilst the overall picture is depressing this disguises some very good practice in some areas of the country. We estimate that effective local welfare schemes have been put in place by approximately one fifth of English local authorities. These authorities were those which spent 80 percent or more of their allocations on the types of support originally envisaged by Government and which have clearly been able to identify how their schemes are supporting vulnerable people with crisis and community care type needs.
- 6.9 The considerable variation in performance across the country is not a result of differences in the level of need between local areas, but is a product of how local schemes have been designed and implemented. Although the level of spend is not a perfect measure of success (and there are inconsistencies in reporting), it does reflect how well schemes are operating in the majority of cases. The exceptions to this are those authorities which have moved away from providing direct financial assistance of any kind and spent their entire allocation on other types of provision.
- 6.10 Nevertheless, most of the local authorities with high levels of spend against their allocations appear to have achieved this because they have schemes in place with effective access arrangements; have not placed unduly tight restrictions on their eligibility criteria, and have reasonable award levels. Some savings against the budget, which allows the available funding to go further, are also apparent where local authorities have put in place efficient fulfilment mechanisms, particularly in respect of collective purchasing arrangements.
- 6.11 In our view, effective local schemes are those which:
- **Provide for help with *both* crisis and community care type needs.** There is a clear need for vulnerable, low income, households to be provided with support to both help manage cash-flow crises and purchase essential household items. This is especially so in the current economic climate which is placing low income households under great financial pressure. Those local authorities with effective schemes have recognised that acting early to meet these needs should reduce the need for higher cost interventions later. This point has also been

recognised in Scotland, where COSLA has supported the Scottish Government's move to put the Scottish Welfare Fund on a statutory footing;

- **Target the most vulnerable through a combination of structured referral arrangements for people with community care type needs but also have open access channels, including by phone, for people in a financial crisis.** Where local authorities have put in place arrangements for front-line services to act as 'gate-keepers' (notably in respect of community care applications) there is a need for them to consider the capacity of agencies to undertake this role and ensure that groups which are not already in contact with services are made aware of how they can access this support;
- **Do not place undue restrictions on eligibility criteria and show flexibility with regard to repeat needs.** In our view local authorities should reconsider whether receipt of a qualifying benefit is an appropriate pre-requisite for assistance or whether other 'needs based' criteria would be more suitable. We are also concerned that some local authorities have included a person's ability to access forms of commercial credit as a potential reason for refusing help from their schemes. Whilst appreciating that there is a trade off between the restrictiveness of the eligibility criteria and the ability to maintain a reasonable level of award for successful applicants, some authorities have clearly got this badly wrong, with both extremely high refusal rates and low levels of spend. In our view, the Scottish Welfare Fund's approach of providing consistent national eligibility criteria combined with local flexibility for authorities to fulfil awards and meet underlying needs is a more successful model. If Government is not prepared to take the lead on developing this model in England, then we would encourage groups of neighbouring authorities to work together to develop consistent criteria.
- **Are pro-active in anticipating when needs will arise and how these can be met.** For example, we are particularly supportive of Newcastle's arrangements to provide support for households with children who are entitled to free school meals during school holiday periods and help people back to work. Islington also has an apparently effective means of referring people to employment support. However there is a need for local welfare schemes to consider how

they fit with other forms of employment support available from Jobcentre Plus and where the responsibility for funding lies. We are, for example, extremely concerned that the local welfare scheme in Croydon has to support travel to work costs because the Flexible Support Fund at Jobcentre Plus has been exhausted. In our view, there is a need for local welfare schemes to be considered alongside the development of the local support arrangements for Universal Credit in order to ensure that these are complementary and that local authorities are not made to pick up the bill for a lack of funding for Jobcentre Plus functions;

- **Bring sources of discretionary funding together in order to meet needs.**

We found evidence that some local authorities have taken steps to join up various sources of discretionary funding in order to better meet the needs of applicants. This includes Discretionary Housing Payments and Section 17 payments. In Islington there has also been an alignment with charitable funding provided by Cripplegate Foundation. We consider this to be good practice and other local authorities should enter into discussions with charitable funders in order to ensure that there is consistency in approach and that all available funding is used as efficiently as possible.

- **Have efficient fulfilment mechanisms in place.** The move away from cash payments to 'in-kind' support has provided local authorities with the opportunity to use bulk purchasing arrangements and utilise local recycling projects in order to make their funding stretch further. In our view, bulk purchasing arrangements hold considerable potential and the benefits of these could be expanded to a wider group of low income households. For example, there does not appear to be anything to prevent local authorities from offering all low income households in their area with the opportunity to purchase white goods through a bulk purchase scheme. For the most vulnerable the cost of those purchases would be met by the local welfare scheme, but other residents could at least benefit from lower cash prices and/or be directed to credit unions in order to take out a loan to fund the purchase of items. Similar bulk purchasing approaches may be possible in respect of other essentials, including food and basic household goods and we would encourage local authorities to

work with other local agencies, including hospitals and schools, who already have bulk purchasing arrangements in place for these. There may also be a case for groups of local authorities to align their bulk purchasing arrangements in order to obtain even lower prices and maximise the impact of their schemes.

It is also clear that the move away from cash payments (which has occurred in approximately two thirds of local authority areas) has also reduced the potential for abuse, which was one of Government's stated objectives for local welfare schemes. In chapter three we identified that the move away from cash payments can be done without completely restricting choice for beneficiaries and that the best authorities have ensured that voucher schemes and other non-cash arrangements are non-stigmatizing. We therefore recommend that other authorities adopt these practices.

- **Support front-line services to put together packages of financial and non-financial support to meet underlying needs.** In some cases, this has involved the devolution of elements of the budget for local schemes to front-line agencies in order to help professionals to put together packages of support involving both financial and non-financial assistance to meet underlying needs. However, there is also a need for schemes to improve joint working between agencies in this respect. Utilising elements of the local welfare budget to drive forwards partnerships to meet the needs of applicants, perhaps in the form of a challenge fund, could therefore be useful. We consider that this type of approach has considerable potential to improve outcomes for vulnerable people and reduce the costs of other service provision for local authorities and partner agencies. However, further research is needed to evaluate the impact of approaches to meeting underlying needs and we are concerned that in some areas there is little effective monitoring of referrals to support agencies and the outcomes from these.

6.12 Whilst the study attempted to uncover information in respect of the performance of loan schemes the detail provided to us was limited. In most cases this appears to be because the monitoring of loan books was not being undertaken directly by the local authority. However, on the information provided to us it appears that many loan schemes are subject to high levels of bad debt. We are concerned that

inappropriate use of loans to meet crisis needs may result in default and then be feeding back as the reason for refusing further assistance, as appears to be the case in Lewisham. In our view, it may be more appropriate for crisis needs to be met by grant payments and for loans to be considered as a means of meeting community care type needs. However, even here it is necessary to ensure that people have the ability to repay and it may be more appropriate to consider part loan/ part grant arrangements in some cases. Nevertheless, we consider that the potential role of loan schemes should be more fully assessed as these offer the potential to recycle at least an element of the funding allocation for local welfare schemes. Incentive schemes of the type recently put in place in Southampton are worthy of further study.

Key Recommendations

- 6.13 A fair settlement between national and local government is needed in England, which recognises the importance of maintaining local welfare schemes.** It is clear that the failure to place local authorities under a statutory duty to provide schemes or to ring-fence funding has resulted in a 'postcode lottery' of support. If Government proceeds with the proposal contained in the local government provisional financial settlement, and local authorities further reduce the level of support on offer, then this is likely to lead to a longer term increase the pressure on national agencies including Jobcentre Plus and local public and third sector services. Although there are benefits to local authorities in providing financial support alongside other types of help to support vulnerable people, the extent of any savings to local government in this respect needs to be evaluated prior to making any further reductions in the level of national funding. As a result, we recommend that a ring-fenced grant for £176 million be provided to local authorities in England for 2015/16.
- 6.14 There is also a need for Government, local authorities and the third sector to undertake further action research to determine what works best in the delivery of local welfare schemes.** In our view, Government should fund an action research programme over the course of the next twelve months in order to help determine the future funding arrangements for local welfare schemes and

inform the design and delivery of schemes moving forwards. This research programme should particularly focus on:

- The best ways to meet underlying needs and reduce the need for high cost interventions with vulnerable groups. Monetising the savings for local government should be a priority within this work-stream;
- How local authorities and other agencies can work together to realise greater savings for low income households through, for example, bulk purchasing arrangements or through shared administrative arrangements; and
- The operation of loan schemes in order to determine the most effective ways of providing these, including whether or not part loan/part grant awards would be beneficial in meeting the cost of larger packages of support and help to recycle elements of the budget for future use.

6.15 Government should also take the opportunity to ensure that it is gathering information on the performance of schemes in a consistent way. The Scottish Welfare Fund's monitoring arrangements provide a useful model in this respect, and DWP, DCLG and the LGA should use these as a basis for discussion in order to agree an appropriate reporting framework for English authorities in 2015/16.

6.16 If Government is not prepared to take responsibility for ensuring that local welfare schemes are retained and practice improved, then we urge local authorities themselves to recognise the importance of schemes and maintain these. Although we would prefer it if Government were to take the lead, there remains a strong case for local authorities to continue to provide direct financial assistance through local welfare schemes as this is likely to result in savings elsewhere, particularly in respect of people for whom authorities have other statutory responsibilities. We would therefore urge local authorities to ring-fence and roll forward any under-spends from previous years to maintain provision and use the following 12 months to rigorously evaluate the performance and impact of their schemes. Groups of local authorities should come together for this purpose and pursue the research agenda outlined in para 6.14, above.

