

## **Scrutiny Panel A Draft Interim Recommendations of the Welfare Reforms**

### **Inquiry: Social Fund**

#### **Introduction**

1. Discretionary elements of the Social Fund will be abolished by the Welfare Reform Act (2012) in April 2013. This was previously allocated to the Department for Work and Pensions (DWP) to support Crisis Loans and Community Care Grants. In future, the DWP will be signposting people who need emergency financial assistance to local authorities. The DWP will continue to manage payment in advance for first-time claimants where required.
2. Southampton City Council's funding for the Social Fund to local welfare provision will be in the form of a non-ringfenced grant for a 2 year transition period. The allocation for 2013/14 is £654,232, and the indicative amount for 2014/15 is £644,232. Funding beyond this is subject to the next spending review.

*Background information on the Social Fund transition is detailed in the Scrutiny Panel A Report Pack 10/1/2013, Item 6 sections 4-11 and Appendix 1.*

<http://www.southampton.gov.uk/modernGov/documents/g2568/Public%20reports%20pack%2010th-Jan-2013%2016.00%20Scrutiny%20Panel%20A.pdf?T=10>

#### **Background**

3. The Social Fund, centrally administrated by the DWP, provided a significant 'safety net' for people in crisis or under exceptional financial pressure. It has enabled residents to independently access timely support to prevent or deal with crisis and avoid increasing debt. Access to grants and loans to support people in and to avoid crisis have reduced the need for more costly and longer term intervention by local authorities.
4. Locally, the demand for help via the Social Fund has been high, with over 7,420 applications in 2011/12. Government has agreed to raise benefits by less than inflation and this, combined with increasing living costs for fuel, food and travel, means the need for financial support to people in an emergency is unlikely to diminish.
5. The abolition of the Social Fund takes place within the context of the introduction of a range of Welfare Reforms e.g. Localisation of Council Tax Support, Under-occupancy/Bedroom Tax, and from October, the introduction of the Benefit Cap. In addition, the roll out of Universal Credit in the next few years.
6. These Welfare Reforms will dramatically change the way benefits are administered for all claimants and are likely to reduce the amount of benefit paid to a large number of residents. Coupled with a challenging economic climate, they may put those people with limited capacity to increase their income or manage the changes to their benefits at risk of falling into debt, particularly in the transition period. If there is no alternative system in place, people experiencing financial crisis could make increased use of loan sharks / pay day loans or have to choose to heat or eat, resulting in situations where children may go to school hungry.
7. The Panel heard evidence from both voluntary services representatives providing crisis support and advice, and internal Council services including Families Matter, Adult Health and Social Care and Housing. They raised concerns that if mechanisms are not put in place to support those in financial crisis there will be an increased pressure for their services that they are unlikely to have the capacity to deal with.

8. It is essential that the Social Fund grant is fully utilised for its purpose to ensure that a sustainable approach to supporting people and encouraging them to be more self-reliant is developed whilst continuing to help people in a financial crisis.

**Developing a Local Response:**

9. A local response must be developed as from April 2013 the Government will be referring people who need emergency financial assistance to local authorities. There is no requirement to replicate the existing scheme, giving flexibility to design local welfare provision which meets local needs.
10. Although it is important to design a scheme which is based on actual demand, it is difficult to gauge the public response to the Welfare Reforms and the demand for financial crisis support before the local welfare provision is in place. It is also difficult to accurately project if and when the intended economic growth that supports 'making work pay' and increased employment opportunities will be realised. However, it is clear that the continued need for financial crisis support is likely to be in flux for some time, particularly during the 2 year transition period.
11. A sustainable response to the abolition of Social Fund needs to be set within the broader agenda of the Welfare Reforms to achieve the following outcomes:
  - Enable people to become more self-reliant at dealing with emergency situations
  - Maximise existing funding streams to develop holistic solutions
  - Ensure the local response is embedded in a strategic approach to the Welfare Reforms and their impact
12. Given the need for a flexible approach based on demand and the many internal services and external agencies that are involved in financial crisis support, it is essential that any scheme is coordinated centrally to ensure the delivery of a holistic approach.
13. Coordinated provision would enable a more strategic focus, bringing together key partners and other discretionary funds for a city-wide solution. It will ensure that the scheme can be monitored and developed centrally to adapt where necessary to meet changing demand. This should also enable longer term sustainable provision to encourage businesses to develop their corporate social responsibility. A coordinated approach would require development / administration funding to achieve these outcomes.
14. The Panel considered who is best placed to coordinate the provision for such a fundamentally important issue that affects a significant number of residents and services in the City. The scheme could be coordinated by the Council or by a third party such as Southampton Connect, Anti-Poverty Network or Southampton Voluntary Services.
15. The Panel agreed co-ordination should be with the City Council, with identified accountability for the local response delegated to a council officer. An overarching body will be established, involving members, and supported by recommendations from a multi-agency, advisory group.
16. The Panel identified a number of key principles that should underpin the Council's approach in designing a sustainable local welfare support scheme:

- a. **A mixed model of support with a combination of in-house and external provision** will ensure a citywide response, maximising support pathways for residents and utilise existing providers of anti-poverty services (See Appendix 2). As there will be increased demand on providers, a proportion of the funding should be set aside to develop capacity within key anti-poverty services.
  - b. **Support to be led by agency referral with mechanisms in place for direct access.** There should be clear pathways to support. Access via agencies is the agreed preferred route to ensure appropriate referral and engagement with additional support. However, it was recognised that there should be an element of self-referral within the scheme to enable claimants to be maintain control and avoid the potential stigma of seeking emergency support.
  - c. **In-kind support with limited cash provision in emergencies** reduces potential misuse and ensures the applicant receives additional support to meet their needs. It was recognised that there may be circumstances where cash support would be required; however, emergency cash provision should be considered in exceptional circumstances only and administered by the Council.
  - d. **Where small cash payments are provided this will usually be in the form of affordable loans.** Concerns were expressed about increased use of loan sharks and payday loan companies, once Crisis Loans are abolished. The Panel agreed that loan payments would encourage greater self-reliance and should normally be provided alongside money advice and debt management support to break the cycle of financial crisis.
  - e. **A contingency fund of £100k is set aside and used to respond to unpredicted gaps in provision.** It is difficult to predict the public response to the Welfare Reforms and future demand for financial crisis support. As need is likely to be in a state of flux for a few years whilst the reforms are implemented a contingency fund will allow flexibility in the system to adapt as needed. This fund would sit with the Council with decisions on any changes made by the overarching body, involving Members, following recommendations from made by a multi-agency advisory group.
  - f. **The delivery model should minimise central administration costs** to ensure the funding for local welfare provision is used to maximum effect to support individuals and develop services capacity to respond.
17. The Panel agreed a four-tiered approach to local welfare provision. This aims to provide sufficient crisis support in the early transition period of Welfare Reforms whilst building a long term sustainable scheme. The tiers would include:
- Tier 1 – Information and self-help guidance for the public
  - Tier 2 – Practitioners information / guidance to establish a referral process
  - Tier 3 – Crisis emergency support i.e. food vouchers for food banks
  - Tier 4 – Crisis prevention to increase self reliance and independent living i.e. household items, money management and removal costs etc.
- Appendix 2 outlines the key elements of a tiered local welfare support scheme.
18. The Panel agreed a phased approach to local welfare provision given that the DWP will be directing people in financial crisis to the Council from April 2013. As funding may be time-limited, there will need to be a balance between effective transition arrangements in the short term and achieving sustainability in the longer term. Provision would be phased into the following timescales:

- Short-term: Emergency provision established to respond to the Welfare Reforms from April – September 2013. This will need to be complemented by starting some capacity development where there is a gap in provision. During this period an approach would be developed based on demand, with a contingency fund to support changing needs.
- Transition Period (1-2 years): Expand the capacity development of the local voluntary sector provision, working to reduce the need for financial crisis support.
- Long-term Vision: A sustainable mixed model of local welfare provision with reduced demand for crisis support by encouraging self-reliance and personal money management.

### **The Role of the Voluntary Sector**

19. The Council has a long history of working in partnership with voluntary organisations to reduce poverty in the City. The Panel heard evidence on the services provided by voluntary organisations that support the potential challenging impacts of the Welfare Reforms on poverty levels and turn around life chances for people and make work pay.
20. The Panel recognised that voluntary organisations have a key role to play in the success of the local welfare provision. However, when the Welfare Reforms are introduced from April 2013, including the abolition of Community Care Grants and Crisis Loans, these organisations expect to see a significant increase in demand for services, adding considerable pressure on their budgets and reducing their capacity to manage the changing need. This impact is likely to continue over the next few years whilst the reforms are rolled out and if the current challenging economic climate does not improve.
21. The Panel felt that voluntary organisations offering financial advice, guidance and signposting to further help are essential to prevent the most vulnerable residents from falling into debt. Given the plethora and complexity of changes in the Welfare Reforms, an increasing number of claimants will be at risk and are likely to seek increasing access to free and independent financial advice and support over the next two years.
22. The Panel also heard from voluntary organisations supporting people to prepare for employment, especially for those who have been on long-term benefits. There is no quick fix; these organisations are offering long-term support to the most vulnerable people to improve their life chances and 'make work pay'. Voluntary organisations giving people the confidence, skills and support needed to find and stay in work, where it is available, are crucial to ensure individuals are ready when a more stable economic climate returns to come off benefits and become more self-reliant.
23. The Panel agreed that priority should be given and additional funding sought to build capacity in voluntary organisations which provide advice and information and/or help people on long-term benefits to improve their chances of getting a job.
24. Additional funding for the next two years should lead to a more sustainable local welfare model, which is working to both manage and reduce the demand for future services by increasing capacity in the voluntary sector and help people to become more self-reliant.
25. This short term funding for the voluntary sector could also avoid future increased costs to the Council by reducing demand on key services such as homelessness, Families Matter and housing income.

**26. To address the issues raised above the Panel agreed the following recommendations:**

**RECOMMENDATION 1:**

That the amount transferred to the Council for the transition of the Social Fund for 2013/14 and 2014/15 is allocated solely for the use of developing local welfare provision.

And if Recommendation 1 is approved:

**RECOMMENDATION 2:**

- i) To delegate authority to the Senior Manager, Communities, Change and Partnership, following consultation with the Cabinet Member for Communities, the Cabinet Member for Resources and the Chair of Scrutiny Panel A, to develop and implement a sustainable and holistic mixed model approach to local welfare provision. The scheme should harness existing provision to enable residents vulnerable to financial crisis to become more self-reliant whilst building the capacity of the voluntary sector.
- ii) The local welfare scheme for Southampton should be a phased and tiered approach, co-ordinated by the city council, supported by a multi-agency, advisory group and include the following principles:
  - A mixed model of support will be established, with a combination of in-house and external provision.
  - Support to be led by agency referral with mechanisms in place for direct access.
  - In-kind support will be the main mechanism for help with limited cash provision in emergencies.
  - Where small cash payments are provided this will usually be in the form of affordable loans.
  - A contingency fund of £100k is set aside and used to respond to unpredicted gaps in provision.
  - The delivery model should minimise central administration costs.

**RECOMMENDATION 3**

That a Welfare Reforms overarching body, involving Members, is established for the 2 year transition period to:

- Monitor the impacts of the Welfare Reforms to ensure that the local welfare model continues to support those in financial crisis
- Consider and agree changes to the local welfare provision, including allocation of any contingency fund approved, following recommendations from a multi-agency advisory group

**RECOMMENDATION 4**

That Cabinet, in considering the Council's budget for 2013/14 give priority, at least for the next two years whilst the Welfare Reform changes are implemented and to allow time for the economic climate to improve, to provide additional funding to increase capacity in voluntary organisations offering:

- a) Financial advice, budgeting and support
- b) Vulnerable residents, especially those on long-term benefits, opportunities to improve their chances of getting a job

## APPENDIX 2

### Southampton Local Welfare Provision – A Tiered Approach

Support	Activities	Links
<b>Tier 1: Information to the public</b>		
Information to the public about where to get help, advice and information to deal with a crisis and emergency.	<ul style="list-style-type: none"> <li>• Webpage with advice on crisis and emergency</li> <li>• Local printed Information eg Moneytree</li> <li>• Work to co-ordinate communicating change.</li> </ul>	Communication to be co-ordinated with local Welfare Reforms Communication Plan.
<b>Tier 2: Information to agencies</b>		
Information to frontline staff /practitioners on emergency / crisis support in the city and how to access it.	<ul style="list-style-type: none"> <li>• Guidance / 'toolkit' developed to guide services to Local Welfare Provision</li> <li>• Development of referral and signposting networks.</li> </ul>	Updates via Southampton Anti-Poverty Network.
<b>Tier 3 : Crisis Emergency Support ( to replace Crisis Loans)</b>		
<b>Food</b>		
Provision of food vouchers to those in exceptional hardship.	<ul style="list-style-type: none"> <li>• Set up local Fareshare scheme</li> <li>• Increase food bank access / provision</li> <li>• Work with supermarkets / stakeholders to increase future provision</li> <li>• Ensure local food bank vouchers available to referral agencies</li> <li>• Introduce supermarket vouchers for emergency access to food/goods (when food bank closed).</li> </ul>	Southampton City Mission runs several food banks in the city.
<b>Financial Support</b>		
Increased access to affordable credit for vulnerable residents.	<ul style="list-style-type: none"> <li>• Work with credit unions to be first step for financial crisis support (loan/grant scheme)</li> <li>• Provide for an element of cash provision alongside 'in-kind' support (for use for example for travel costs, electric/ gas).</li> </ul>	Work is underway with Solent Credit Union and USAL
<b>Tier 4: Crisis Prevention (to replace Community Care Grants)</b>		
<b>Household Items</b>		
Provision of furniture and white goods.	<ul style="list-style-type: none"> <li>• Extend local furniture project to enable increased collection and distribution of furniture and household items</li> <li>• Develop a local white goods scheme.</li> <li>• Work with local businesses and services to increase future provision</li> <li>• Ensure services ready to refer for Furniture and Household Packages</li> <li>• Ensure services are able to access removals</li> <li>• Commission to enable access to items not available from local projects.</li> </ul>	SCRATCH currently run a furniture project and previously ran a white goods project.
<b>Financial Support</b>		
Increased access to affordable credit for vulnerable residents.	<ul style="list-style-type: none"> <li>• Work with local credit unions to extend and increase membership to offer money management alongside financial crisis support</li> <li>• Support local advice services to provide welfare and benefit advice.</li> </ul>	
<b>Development Costs</b>		
	<ul style="list-style-type: none"> <li>• Align with other discretionary support</li> <li>• Contingency budget</li> <li>• Administration costs.</li> </ul>	