

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

DATE 6th SEPTEMBER, 2012

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/KEY DECISION

Access and Communities – Lead Cabinet Member – Councillor David Coleman

SOCIAL FUND LOCALISATION

1. Summary

This report outlines the Government's plans to localise elements of the Department of Work and Pension's administered Social Fund to local authorities from April 2013 and proposes an approach for the design and delivery of a local scheme for the borough. The elements that are transferring across to local authorities are Crisis Loans for living expenses and items (in an emergency) and Community Care Grants.

2. Recommendations

- a) That the social fund delivery be commissioned from the third sector on the basis of a 15 month pilot.
- b) That access to the scheme be based upon need and largely follow the same eligibility criteria as the existing Social Fund scheme.
- c) That the design principles outlined in the report be approved.
- d) That the consultation and communication approach be noted

3. Reasons for the Recommendations/Decision(s)

There is a lack of robust data around demand, client groups, usage across the borough, what the loans/grants are used for coupled with tight timescales for developing provision. Running a pilot scheme for the first 15 months would allow time to gather intelligence to inform and refine any local scheme for the Borough going forward. The pilot would need to start by January 2013 to give the opportunity to set up and test the system before it becomes operational in April, 2013. There is stronger experience of running discretionary schemes and the capacity within the voluntary sector in the borough to do so than there is within the local authority.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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SOCIAL FUND LOCALISATION

SUMMARY

This report outlines the Government's plans to localise elements of the Department of Work and Pension's administered Social Fund to local authorities from April 2013 and proposes an approach for the design and delivery of a local scheme for the borough.

RECOMMENDATIONS

- a) That the social fund delivery be commissioned from the third sector on the basis of a 15 month pilot.
- b) That access to the scheme be based upon need and largely follow the same eligibility criteria as the existing Social Fund scheme.
- c) That the consultation and communication approach be noted

DETAIL

1. In August 2011 the Department for Work and Pensions (DWP) announced its decision to localise responsibility for elements of the Social Fund to local authorities (LA) by April 2013. The Social Fund is currently divided into 3 broad forms of support and the DWP has differing proposals for the future of each element as outlined below:
 - i. Community Care Grants (discretionary – to be provided through LA social fund)
 - ii. Crisis Loans
 - Items/Living Expenses (discretionary – to be provided through LA social fund)
 - Rent in Advance (discretionary – to be provided through LA Discretionary Housing Payments)
 - Alignment Payments (non-discretionary – to be provided by DWP Budgeting Advances)

- iii. Budgeting Loans (non-discretionary – to be provided by DWP Budgeting Advances) Payments for large one off expenses that are difficult to budget for when on low income

Funding

2. The anticipated settlement letter from the Department of Work and Pensions arrived on 6th August, 2012 giving indicative figures for the Borough’s funding programme plus additional set up and administration funding to cover the authority’s costs for a local scheme. The table below gives a breakdown:-

Stockton Borough indicative funding (based on April-Sept social fund crisis loans and community care grants spend 2011/12 figures)	
2012/13 Set up funding	£7,432
2013/14 Programme funding Administrative	£743,244 £157,053
2014/15 Programme funding Administrative	£743,244 £143,956

3. The final allocations will be based on the discretionary Social Fund in our area for 2012/13. Although local authorities are not required to replicate the existing Community Care Grants and Crisis Loan schemes the letter does remind LAs of their purpose and that the funding is for a new local provision.
4. In terms of the demand for those elements of the Social fund that are transferring to the local authority and the awards that are made the latest figures that are available are for April- Sept 2011/12 if these are doubled to reflect approximate figures for the year it looks like this:-

Table 1 – Localised Data

2011/2012 (Predicted Year Figures)	Applications	Awards
Crisis Loan Items	620	340
Crisis Loan Living Expenses	5,840	4,260
Community Care Grants	2,620	1,240
Total	9080	5800

5. Clearly as the fund is demand led it creates a financial risk if sufficient resources are not transferred from central government. The impact of Welfare Reforms in particular may have a significant impact on claimant levels. The social fund monies will be for 2013/14 and 2014/15 after which any further allocations and continuation would be subject to the Government’s Comprehensive Spending Review.

Analysis of the current Social Fund - DWP data

Demand

6. Based on the data for 2011/12 there will be approximately 9,080 applications from Stockton residents to the elements of the Social Fund transferring across to the LA and it is anticipated that around £834k will have been awarded in the form of cash grants or loans. The difference between this figure and the indicative allocation for 2013/14 may reflect some adjustment to remove some alignment spend out of the pot as DWP will continue to operate alignment loans. The DWP has provided 'items awarded data' for Community Care Grants (CCG) only and this is limited to data at national rather than local level. A graph at **Appendix 1** outlines the items CCGs are most often awarded for nationally.

Profile of applicants

7. The DWP have provided very limited profiling data at local authority level on the type of applicants for the Social Fund. Analysis of this data shows that the majority of applicants in the borough for Crisis Loans (CL) are single, aged between 18-34 and have no children under the age of 16. Community Care Grants (CCG) shows similar usage but the majority are single females 18-34 but with a slightly higher number of applicants who are lone parents or couples. Take up amongst older people is low with national figures showing pensioners accessing only 8.4% of community care grants and 1.3% of crisis loans as shown in the 2011/12 annual report by the Secretary of State for Work and Pensions on the Social Fund.
8. The DWP have indicated that data on applicants of the current service will be available at postcode level after the service is transferred across to the local authority next year.

Social Fund Localisation Delivery

Options Appraisal

9. The voluntary and community sector in Stockton has a strong network linked to financial inclusion activity, engagement and experience amongst those in the community who are, or are at risk of being, financially excluded. For these reasons the initial view was to explore third sector delivery for the Stockton scheme. However an options appraisal has been conducted that includes giving due consideration to in-house delivery.
10. In summary the options that were considered for delivery of a pilot of the local Social Fund scheme included:-
 - In- House
 - Commissioning a service from the voluntary and community sector (VCS)
11. In looking at delivering in-house consideration was given to where the service would sit in the organisational structure. Consideration was given to links to existing services in social services, in particular section 17 payments, however these services are for a specific client group whilst the social fund client group and purpose is wider. These existing services will continue to provide their core purpose for their client group. The two possible areas that had closer links identified with the social fund were Housing Benefits and Housing Options. However neither are a natural fit for Stockton when compared with delivery by the voluntary and community sector against criteria which included grants/loans experience, engagement with the social fund client group, staff capacity, system infrastructure and sustainability. The Options Appraisal is attached at **Appendix 2**.

Designing Local Provision

Pilot Scheme

12. In view of the lack of robust data around demand, client groups, usage across the borough, and what the loans are used for, added to the tight timescales for developing provision, it is proposed to run a pilot scheme for the first 15 months to gather intelligence to inform and refine any local scheme for the Borough going forward. The pilot would need to start by January 2013 to give the opportunity to set up and test the system before it becomes operational in April, 2013.

13. Based on the analysis of the current scheme the following key principles have been identified to underpin the design of the local provision and will form the basis of any procurement exercise to deliver the scheme :-

- Strategic fit- It will support relevant key themes in the Sustainable Community Strategy and be closely aligned with other work underway across the authority and with partners around responding to the impact of the national agenda for welfare reform. This will include strong links to the Family Poverty Framework and supporting Action Plans to aid early intervention and prevention to reduce demand for high cost specialist services.
- Eligibility would largely be in keeping with the existing scheme which is a similar approach to that being taken across the Tees Valley.
- It is intended that our local scheme would continue to act as a fund of last resort, providing emergency support for those in financial crisis who slip through the gaps in local service provision.
- It is proposed that the Localised Social Fund will differ in a number of significant ways from the current Fund in that:
 - It will aim to be highly integrated with other local services including those of other public sector agencies and third sector deliverers, ensuring that all applicants will have a clearly identified need, that cannot be met by other providers and that those with underlying support needs will be referred to the appropriate local service provider for support by the deliverer.
 - It will operate both on a referral basis and a self referral one with the deliverer liaising with other agencies as appropriate to avoid duplication of provision with for example section 17 monies and other emergency funding support such as Teesside Emergency Relief Fund.
- The scheme to be available to any resident of Stockton-on-Tees in financial crisis and requiring support and will be based on thresholds of need.
- Clear thresholds of need with fairness in decisions.
- A clear appeals mechanism that addresses issues of consistency and transparency.
- High level of accountability and control of budget
- Flexibility
 - Ability to respond to future changes in local need and funding/policy from Central Government

- Ability to change service provision and eligibility criteria based on the insight gained from managing the pilot localised scheme.

Contract Management and pilot evaluation

14. Should the pilot be commissioned then the usual procedures will apply in terms of contract management. In addition as this is a pilot of a new service the following safeguards would be built into the specification and contract:-

- Monthly reporting of spend against budget profile, which will be shared with the Cabinet portfolio holder
- Monthly review and reporting involving the contract manager of random sample of application decisions to assess consistency of decision making.
- Reports to Cabinet after the first 6 months with an early evaluation of the pilot to Cabinet after the 9 months milestone.

Consultation

15. Information on existing clients of the Social Fund will not be transferred across from the DWP until after April 2013 so consultation on the local scheme is focussing on:-

- Members- through drop in sessions
 - Consultation has already taken place with members through two drop in sessions. Issues arising from these sessions are addressed in this report.
- The Infinity Group, which includes the main VCS organisations involved in financial inclusion in the borough
 - Early discussions have taken place with key players from the group, including Stockton District Advice and Information Services around the existing DWP scheme and areas for improvement/links with existing services. Further consultation is planned around the general principles of the new scheme.

16. This approach is in keeping with what is happening across the rest of the Tees Valley on consultation.

Communication

17. With a demand led discretionary fund it is important that front line providers, across the public sector and the third sector, including Job Centre Plus and ward councillors have the information that they need to signpost people to the service whilst recognising that wider communication may prompt further demand on an already stretched budget. For that reason the approach will be to communicate the details around the pathways into the local scheme with the above in consultation with the deliverer of the pilot.

18. Timescales

Commissioning	October to December 2012
Development & testing of systems	January to March 2013
Local scheme operational	April 2013
Cabinet 6 month reporting	June 2013
Cabinet interim evaluation of scheme	October 2013

FINANCIAL IMPLICATIONS

19. The local scheme will be funded through a funding allocation from the Government. The settlement letter outlines indicative funding of :-

2012/13 Set up funding	£7,432
2013/14 Programme funding	£743,244
Administrative/contract management funding	£157,053
2014/15 Programme funding	£743,244
Administrative/contract management funding	£143,956

20. Any further funding allocations would be subject to the Government’s Comprehensive Spending Review and would be paid as part of the Council’s general settlement.

LEGAL IMPLICATIONS

21. There is no statutory obligation to provide a service.

RISK ASSESSMENT

22. This localised social fund scheme is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

23. The scheme will contribute to delivery across the majority of the Sustainable Community Strategy themes, particularly the Financial Inclusion ambitions within the Stronger Communities theme.:-

- Economic Regeneration and Transport**
- Safer Communities**
- Children and Young People**
- Healthier Communities and Adults**
- Environment and Housing**

Supporting Themes:-

- Stronger Communities**
- Older Adults**
- Arts Leisure and Culture**

EQUALITIES IMPACT ASSESSMENT

24. This report is not subject to an Equality Impact Assessment as it covers the delivery mechanism for the scheme. This discretionary scheme will be open to all residents of the Borough in financial need, and equality of access into the scheme and pathways will form part of the tender specification and evaluation criteria in selecting a deliverer.

CONSULTATION INCLUDING WARD/COUNCILLORS

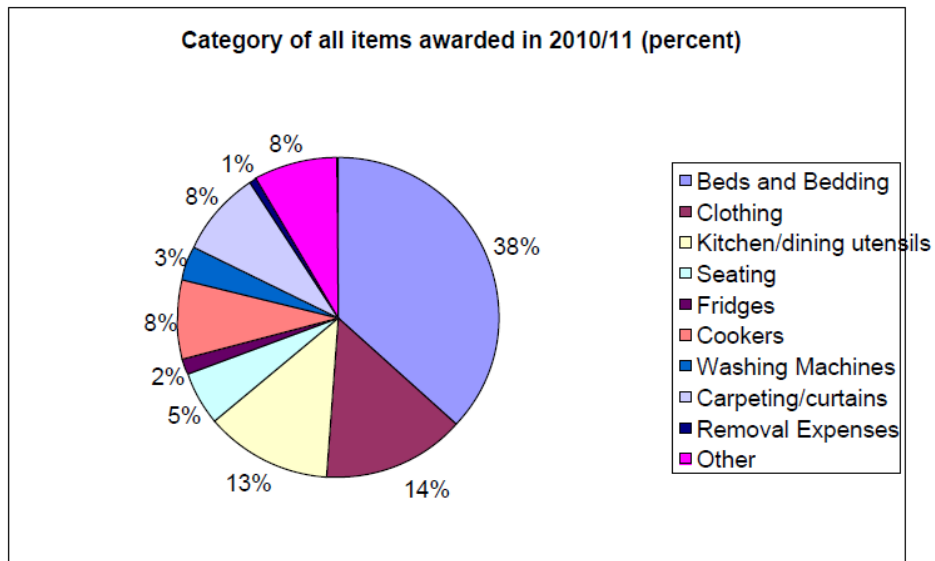
25. The service will be available to residents across the borough. Consultation has been carried out with councillors through scheduled drop in sessions

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Education related? No
Background Papers No
Ward(s) and Ward Councillors: Borough wide
Property None

Graph 1 – Community Care Grant items



There is no national or local data on how the volume of Crisis Loan awards is split by category but the DWP has outlined the broad award categories used. These are:

- Living expenses (food and clothing)
- Rent in advance to secure new accommodation
- Charges for board and lodging accommodation and residential charges for hostels
- Emergency travel expenses when applicant is stranded away from home
- Repaying emergency credit on a pre-payment meter so the supply of fuel can be restored

Social Fund Localisation Delivery- Options Appraisal

Options Summary

1. The options that were considered for delivery of a pilot of the local Social Fund scheme included:-
 - In-house
 - Commissioning a service from the voluntary and community sector (VCS)
2. In looking at delivering in-house consideration was given to where it could sit- in which department and which team. Consideration was given to links to existing services in social services, in particular section 17 payments, however these services are for a specific client group whilst the social fund client group and purpose is wider. These existing services will continue to provide their core purpose for their client group. The two possible areas that had closer links identified with the social fund were Housing Benefits and Housing Options. However neither are a natural fit for Stockton when compared with delivery by the voluntary and community sector against criteria which included grants/loans experience, engagement with the social fund client group, staff capacity, system infrastructure and sustainability. A breakdown comparison is set out below at **table 1**.
3. In order to assess the market and capacity for delivery of the local social fund scheme within the voluntary and community sector a workshop was held on 25th July, 2012. The invitation to attend went out via Catalyst to the sector. Four organisations attended. The outcome was strong interest in delivery by the sector with one organisation feeding back that they had the experience, capacity and systems in place to deliver a scheme
4. There is experience of and expertise in the borough within the voluntary and community sector of administering both grants and loans (some £10M plus). The VCS have the ability to put in place recovery mechanisms- the DWP Eligible Lenders Deduction Scheme- that are not open to the public or private sector, which opens up the option of running loans. This could make the local Social Fund scheme more sustainable in the long run as at present there is only two years of guaranteed government funding. Within the VCS a number of organisations involved in financial inclusion already have Financial Services Agency trained staff who will already be engaging with the client group.
5. Housing Benefits largely operate a high volume processing operation which is application based and generally does not involve face to face contact with applicants. To deliver the scheme Housing Benefits would need to recruit staff and ideally FSA train them- all of which takes time and would incur additional cost. The local scheme needs to be operational by 1st April, 2013. The VCS have greater capacity to engage with clients in a more holistic way signposting to other support that they both operate and are aware of within the sector and other agencies.
6. Whilst Housing Options do operate some discretionary funds the scale of applications and awards is significantly lower at around 116 awards a year than the 9,000 plus applications and approx 6,000 awards a year coming through on the Social Fund loans and grants.
7. At present decision making on the Social Fund is with Job Centre Plus with local agencies and ward councillors often having a positive sign posting and client advocacy role for their constituents. This relationship would continue with an external third sector deliverer with 'clear blue water' between the ward councillor and the decision. If the service is delivered in-house the council would be making the decision which may make with the relationship between the constituent and the ward councillor a more conflicted one. Refusal of an application could increase the approaches to ward councillors for advocacy impacting upon

capacity and potentially have a negative affect on the trust and relationships that ward councillors have with their constituents.

8. The existing scheme which is administered by JobCentre Plus does include some low profile out of hours provision. However the cost of providing this at a local level would be prohibitive and no-one in the Tees Valley is looking to replicate this. Based upon the data that DWP have provided the majority of the clients for the Social Fund Crisis Loans and Community Care Grants do not have children under 16 years. For those that do and vulnerable people a safety net is already in place through the Emergency Duty Team- which provides cover for the Tees Valley Local Authorities.
9. In proposing commissioning a delivery pilot from the VCS, for the borough's social fund scheme, it is on the understanding that the contract specification will include the need for some provision for client access points across the borough (for vulnerable applicants), although the majority of the access will be remote via telephone or on-line application. The deliverer as part of the application eligibility criteria would be required to take account of any other grants and loans that the applicant had received. In addition the allocation of Social Fund monies will be a finite sum so careful management including profiling and reporting will be required and this would be built into any tender specification and contract monitoring arrangements. This would include the deliverer reporting monthly spend against profiles as part of the council's contract monitoring and six monthly monitoring reports into Cabinet with an early evaluation report at the contract 9 month milestone to inform the future delivery and operation of the scheme. To promote consistency of decision making a monthly random sample of applications and decisions will be assessed and reviewed for consistency and reported as part of the contract monitoring arrangements.

Table 1

Social Fund Administration-Capacity	VCS	Housing Benefits	Housing Options
Grants and/or Loans Experience			
Ability to recover loans from DWP benefits-Eligible deduction scheme	✓	✗	✗
Operating a loans fund	✓	✗	✗
Discretionary funds	✓	✗	✓
Operating a grant fund	✓	✗	✗
Managing a finite budget-profiling spend	✓	✗	✓
Already working with client group	✓	✗	partially
Staff capacity			
• FSA trained	✓	✗	✗
• Credit checking	✓	✗	✗
• Staff in place	✓	✗	✗
System infrastructure			
IT platform for loans/grants	✓	✗	✗
Call centre	✓	✗	✓
Mechanisms for making payments	✓	✗	✗
Cash offices	?	✗	✗
Geographical access points	Potential deliverers would be required	✗	✗

	to outline how this would be provided in any tender		
Experience of handling high volumes of applications	✓	✓	✗
Integrated signposting/links to other financial inclusion support	✓	✗	✗
Arrangements with goods suppliers	✓	✗	✗
Fitting/installation service for goods	✓	✗	✗
Appeals mechanisms	Potential deliverers would be required to outline how this would be provided in any tender	Housing Benefits Tribunal	
Sustainability			
Capacity to lever in other funds	✓	✗	✗
Capacity to recover and recycle the money	✓	✗	✗

Table explanation

Grants and/or Loans

VCS- There are organisations already administering discretionary loans and grants. VCS lenders can, subject to meeting Department of Work and Pensions criteria around responsible lending, register to be part of the DWP Eligible Deductions Scheme. This can allow recovery direct from benefits of payments on loans, when all other reasonable attempts have been made to recover the money. DWP pays the money into the lenders bank account. The Public and Private sector are not eligible to join the scheme. Client group- VCS organisations in the borough already engage with clients who apply for Social Fund loans.

Housing Benefits- Engage mostly with a different client group. The Social Fund client group are generally non householders and are mostly single and aged 18-34 with no children under 16. The recovery costs for operating a loans scheme would be prohibitive for the Local Authority as the average value of a crisis loan is £50.

Staff Capacity

VCS- Already have Financial Services Agency (FSA) trained staff in place administering loans. Credit assessments are carried out as part of responsible lending criteria.

Housing- Do not have staff in place administering loans and would need to recruit staff if the pilot was delivered in-house. Staff are not FSA trained.

System Infrastructure-

VCS- Already operate loans/grants so systems will be in place.

Housing- Would need to purchase an IT module.

Sustainability-

The government has committed funding for 2013/14 and 2014/15 after which funding would be subject to CSR.

VCS- Could operate a loans scheme which gives money out and brings money. This may make the scheme more sustainable in the longer term cushioning the scheme against potential government cuts to the funding in the future.

There is organisational capacity in the VCS already with existing FSA staff in place- the council would need to recruit.