



Title: **Welfare Reform - New Social Fund Responsibilities**

Public Agenda Item: **Yes**

Wards Affected: **All wards in Torbay**

To: **Council** On: **27 September 2012**

Key Decision: **Yes: Ref: I009895**

Change to Budget: **Yes** Change to Policy Framework: **Yes**

Contact Officers: **Linda Owen**

☎ Telephone: **01803 207572**

✉ E.mail: **Linda.owen@torbay.gov.uk**

1. What we are trying to achieve and the impact on our customers

- 1.1 As part of the Welfare Reform Act (2012), the Government is abolishing the current system of discretionary payments from the Social Fund. From April 2013, the support provided to households via Community Care Grants and Crisis Loans for Living Expenses will cease and Local Authorities will receive financial support to enable them to develop and implement “successor models”.
- 1.2 A replacement scheme has been developed by the Council’s Revenues and Benefits service that will provide local welfare assistance for those most in need of emergency provision within the funding transferred by the Department of Work and Pensions. Implementation of the recommendations of this report will enable the Council to continue to provide support to people at local level and deliver the scheme within a cash limited budget.

2. Recommendation(s) for decision

- 2.1 That the transfer of the additional responsibilities to deliver the replacement Social Fund scheme to the Revenues and Benefits service, resulting in; saving administrative costs due to the pooling of resources, consistency in the assessment procedure and a more responsive, integrated service be approved.
- 2.2 That the Council approves an interim scheme in year one as we establish a scheme that promotes the broader objectives of the Council, such as independence and employment.

3. Key points and reasons for recommendations

- 3.1 The Revenues and Benefits service currently manages the Discretionary Housing Payments (DHP) scheme, serving broadly similar client groups to those that claim community care grants, budgeting loans and crisis loans. The DHP scheme has been successfully run by the service since its introduction by the government in 2001 and shares many of the conditions of entitlement with the replacement Social Fund scheme.
- 3.2 The model scheme will require the involvement and buy-in of both Children's and Adult services teams and close links with housing in order to be successful. The Revenues and Benefits service already has close working relationship with these departments as well as voluntary and other independent organisations, such as Hele's Angels, Folks@Home and Shared Lives.
- 3.3 The Revenues and Benefits service has acquired many years experience in designing application forms, where a financial assessment is required and developing publicity material to inform customers of the DHP scheme as well as Housing and Council Tax Benefit changes.
- 3.4 It will be necessary to set up a dispute process to ensure fair and even treatment of all applications. This can be easily modelled on the established Appeals procedure used for the DHP scheme.
- 3.5 The transfer of these responsibilities to the Council presents a number of opportunities that will influence the final policy and scheme design.
 - Council Services – we can ensure applicants receive the appropriate level of support from the welfare system by ensuring that all cases receive an appropriate welfare rights assessment. This will maximise individual's income and potentially act as a means of reducing future demand for some of these payments. In addition, by utilising the skills that already exist in Revenues and Benefits the scheme can be delivered in a more cost effective manner.
 - Voluntary Sector – where applicants are seeking goods (e.g. furniture or domestic appliances) there is the opportunity to source these through organisations such as furniture recycling charities with which it already has operational relationships.
 - Statutory Agencies – the Council is well placed to be able to signpost applicants either to more appropriate sources of assistance, or additional forms of assistance depending upon the circumstances.

All of these opportunities offer something different from the service currently offered by DWP and provide a service which deals sympathetically with individuals in difficult circumstances.

For more detailed information on this proposal please refer to the supporting information attached.

**Paul Looby
Executive Head of Finance**

Supporting information

A1. Introduction and history

A1.1 The Social Fund is currently part of the benefits system administered by the Department of Work and Pensions (DWP). The fund consists of a number of different payment streams, some discretionary and some (maternity and funeral grants) mandatory; its primary objective is to act as a means of dealing with immediate hardship or unusual and large one off costs.

The proposed reforms to the welfare system and the introduction of Universal Credit require a reassessment of the operation of the Social Fund. Some elements of the fund such as advances of benefit can be easily accommodated within the Universal Credit system and are inextricably linked with the mainstream benefits system. However, two particular discretionary streams do not easily fit with the mainstream benefits system. These become the responsibility of upper and single tier local authorities from 1st April 2013:

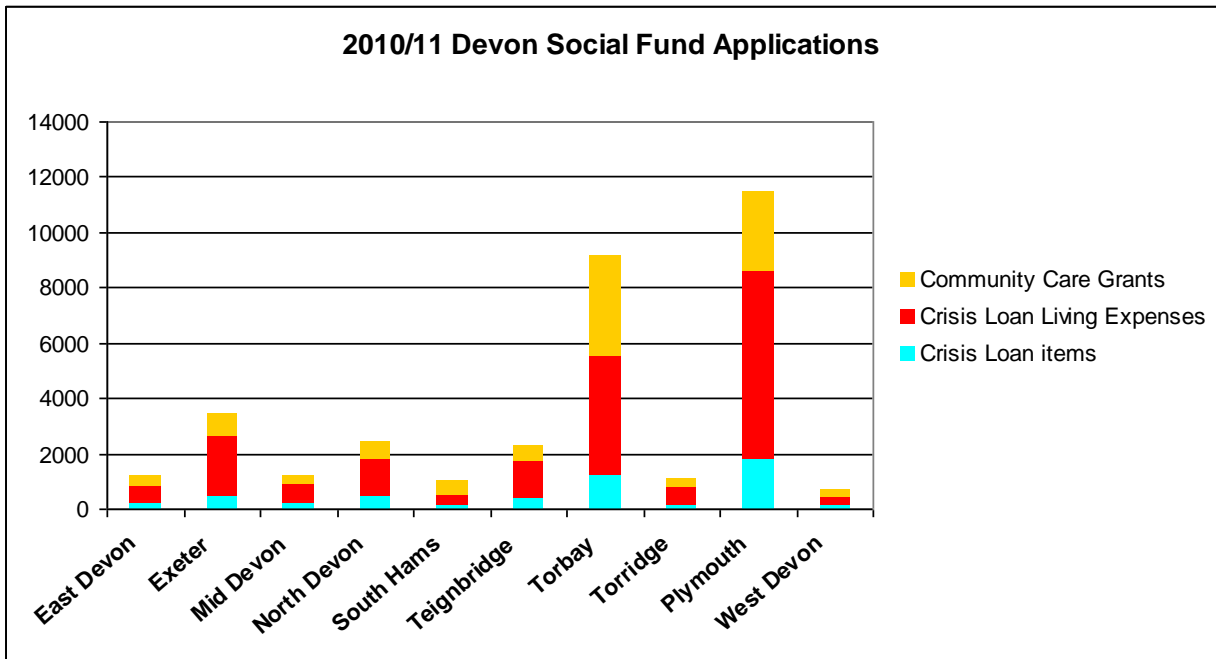
- Community Care Grants, which are payments to enable vulnerable people to live in the community and are, in the current system, conditional upon receipt of a means tested benefit.
- Crisis Loans, which are to meet immediate needs such as general living expenses or items needed after a disaster and entitlement is not dependant upon receipt of a benefit.

The government see a range of synergies with the work of local authority benefit, housing and social care functions which will in many cases already be dealing with the recipients of these payments.

The current system operates through cash limited budgets allocated to local DWP managers and DWP have for some time been exerting downward pressure on the costs of the elements of the scheme that will transfer to local authorities.

Scale of Current Activity

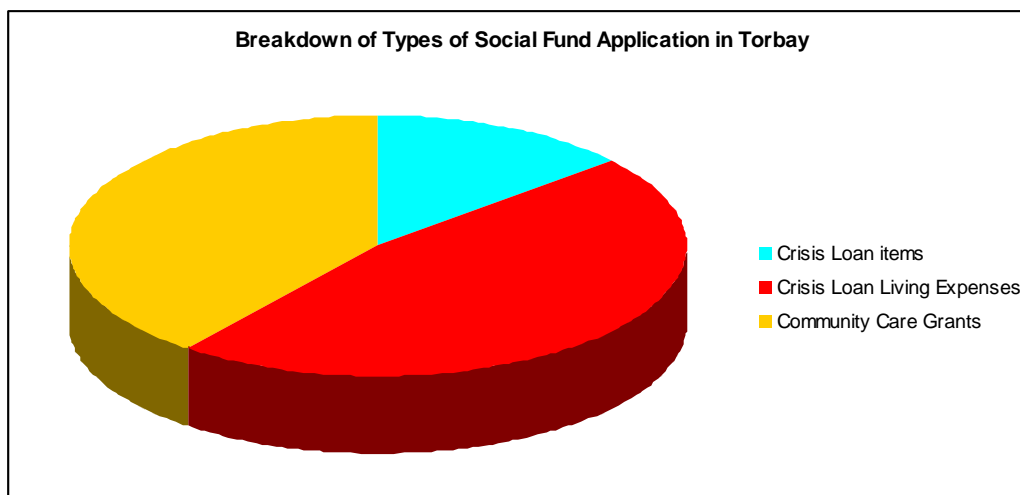
A1.2 DWP have provided data for 2010/11 which indicates the following volumes of activity across Devon:



This amounts to just over 34,000 applications in Devon, which is just over 14% increase on the previous year. The more deprived areas of the county have significantly greater levels of applications than less deprived areas, particularly for crisis payments.

Applicants are from a wide range of backgrounds and circumstances, but a significant proportion are young men with chaotic lifestyles, who are less likely to already be engaged with other services, than for example a family in a crisis situation.

The graph below shows the breakdown of the type of assistance being sought by applicants in Torbay in 2010/11, where 9,160 applications were received with expenditure totaling £635,700.



Overall, there is a requirement to make a large number of relatively small payments to large numbers of individuals; a very significant proportion of whom (single males) may not be in contact with other Council services. Payments must also be made swiftly to avoid situations in which applicants find themselves becoming worse because of delay.

Implications for Torbay Council

- A1.3 The Government proposes to give local authorities broad discretion in terms of how to construct a scheme, although it is expected that the new assistance will be aligned with existing council services. However, a major consideration is where the administration of these grants and loans should sit within the authority and how any funding arrangements will work. Government funding of local support will need to cover the costs of set up, on-going administration, appeals, managing referral routes and co-ordinating all available support to residents requiring support.

The DWP have recognised that their administration of the scheme was not to the highest standards and suggests that, in localising the scheme, local authorities do not simply replicate their model.

The Revenues and Benefits Service has been leading a cross-departmental working group to develop a replacement scheme, identify the challenges for delivery and ways in which the stakeholders present can work together within Torbay.

To develop the replacement scheme it has been necessary to consider the following:

Policy – the principles behind the scheme, the decision making process and the process for reviewing decisions. There will need to be consultation on this element with relevant stakeholders and in addition a full equality impact assessment will be required. In order to provide certainty for the other elements of the scheme it is proposed that the Executive Head for Finance

will, in consultation with the Mayor and the Executive Lead for Finance agree the final scheme in January 2013, thus providing a three month period to allow the new service to become properly established prior to the new arrangements coming into force.

Organisation – the organisational arrangements necessary to deliver this service. In particular this will include the means of dealing with applications. Currently the DWP deal with most applications by phone and certainly the most cost effective route for handling the bulk of these transactions would seem to be through building on existing investment in the contact centre. However, this is likely to need additional resource to handle requests for decisions to be reviewed and to deal with applicants with particular needs face to face.

The scheme will be administered within the Revenues and Benefits service alongside the existing discretionary payment scheme, with the aim to have the new service in place no later than February 2013 to ensure staff can be properly trained prior to the new arrangements coming into force.

IT Systems – the database required to record, process and monitor expenditure. A new accounting and information system will be required in order that applicants can receive access to their award promptly and ensure there is consistency in decision making. This is currently being developed by Civica, an established integrated software company that also provides the Revenues and Benefits system as well as a number of other key systems to the Council.

Financial Implications

- A1.4 Funding will be based on the Social Fund spend for the 2012-2013 year and paid to the Council as a fixed grant covering a two year period only. The amount is calculated by taking the legitimate demand for those aspects of the Social Fund being abolished in each LA area and applying it as a percentage of the Department's allocated £178.2 million. For Torbay the indicative allocation is £552,980 in year one and the same in year two.

As the scheme is wholly demand led it has been necessary to include spending controls within the draft policy so that expenditure can be contained within the cash limit transferred from Government.

The DWP will also provide the funding to administer the scheme, which has been calculated at 20% of the transferred programme spend, which is £116,849 in year one and £107,105 for year two.

The set up costs have yet to be finalised, though we are anticipating software costs to be in the region of £10k to £20k, with an ongoing annual maintenance fee of 20% of the initial outlay.

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

A2.1.1 There are a number of key risks that the Council will need to consider when establishing the new scheme that include:

Failure to adopt a replacement scheme – a draft model has been developed and following consultation and impact assessment with stakeholders the final scheme and policy will need political approval in January 2013.

Failure to deliver IT system on time - Civica is aware of the specification requirements and development is underway. In the event that the software is not available within the required timescale the contingency will consist of manually recording application data and expenditure using standard software packages, such as Microsoft Excel.

The inability to accurately predict demand - It is difficult to predict the real levels of demand in each local authority under the present system – the current data suggest a mismatch between predicted levels of need and expenditure.

Reputational risk from turning people down - The reduced level of funding means that local authorities will inevitably be turning down claimants who would previously have been eligible for support.

Postcode lotteries - An integrated approach is required across Devon authorities to ensure that local connection rules or their absence do not create a situation in which residents who cannot prove a local connection (eg, if they are moving because of domestic violence) become concentrated in those areas which have not imposed such rules.

Dealing with emergencies - It is not yet clear how local authorities would deal with a large scale emergency (eg, riots or floods) which may significantly increase the demand for emergency support.

Out of hours provision - The amount of funding available will determine the level of service which local authorities will be able to provide at the assessment and application stage, although there should be benefits from an integrated assessment process across council departments. However, based on current statistics from the DWP the expectation is that demand will be extremely low, as they have dealt with seven cases from April to August in 2012/2013.

A2.2 Remaining risks

A2.2.1 The primary drivers for the level of social fund demand are economic; the number of people who are on a low income in the Torbay area and the costs they face. However, there are a number of factors that may increase demand on the fund.

- The impact of the Welfare Reform Act, where around 55% of cuts to financial support have not yet adversely affected families
- Changes to disability benefits, where some residents will lose access to contributory employment and support allowance and some will lose support when Personal Independence Payment (PIP) replaces Disability Living Allowance for adults. Around 30% of total Community Care Grant expenditure and 20% of expenditure on Crisis Loans is paid to disabled people.
- The introduction of Universal Credit in October 2013, where any problems may place pressure on discretionary funds and have an impact on demand for the Social Fund. We know that the implementation and IT for universal credit have been carefully planned. Nevertheless, we think that the government needs to make clear contingency plans, and to share these with local authorities well before the initial roll out of universal credit in October 2013.

The only other significant risk is that the replacement scheme is not monitored or reviewed during year one.

A3. Other Options

A3.1 None.

A4. Summary of resource implications

A4.1 To manage this new service additional resource will be required, which has been estimated at 3 FTE's. Job descriptions for these posts are currently being developed and once finalised referred to HR for evaluation.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 The policy proposed by this report is expected to have positive impacts and provide better outcomes for Torbay residents

A6. Consultation and Customer Focus

A6.1 Before final approval a consultation process with stakeholders on the principles of scheme design and delivery will take place. Stakeholders would include, neighbouring councils, advice agencies, local Job Centre Plus Managers, Mental Health Teams, Probation, Hostel Providers, Domestic Violence Organisations, and other key providers such as the YMCA and Salvation Army.

A7. Are there any implications for other Business Units?

A7.1 There would be implications here for Information Services, Children, Schools and Communities, Adult Services and Business Services. All business units mentioned here would be required to contribute to the development and implementation of the replacement scheme and policy.

A8 Appendices

Appendix 1 – Summary update of Welfare Reform
Appendix 2 – Summary update of Torbay economy
Appendix 3 – System Requirements Overview

A9 Background Papers:

A9.1 The following documents were used to compile this report:

1. Welfare Reform Bill – February 2011
2. DWP Social Fund Guide
3. Local Support to Replace Community Care Grants and Crisis Loans
4. Localisation Issues in Welfare Reform
5. Torbay Social Fund Draft Scheme
6. Torbay Business Case to Administer Social Fund
7. Torbay Economic Strategy 2010

Appendices

Appendix 1 – Summary update of Welfare Reform

The main changes to welfare as a result of the Act are:

Universal Credit

The introduction of Universal Credit, with effect from October 2013, which is a single benefit to be paid on a monthly basis that replaces Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit, and Working Tax Credit.

Reforming Council Tax Support

The Act replaces centralised support for Council Tax Benefit with a localised support mechanism, with funding coming from un-ringfenced grants paid directly to local authorities. There will be 10% less Government funding available in the localised scheme, which in Torbay equates to an estimated reduction in grant of £1.6m in 2013/14.

Benefit Cap

The Act empowers the government to put a cap on the total benefits to which an individual or couple is entitled. This cap will be introduced in April 2013, and will be set at a working household's average net earnings – currently expected to be £26,000 a year (a maximum of £500 per week) for lone parents and couples with or without children; and around £18,000 a year (a maximum of £350 per week) for single people without children or whose children for whom they have responsibility do not live with them. The cap will apply to the combined income from out of work benefits, Housing Benefit, Child Benefit and Child Tax Credit, Universal Credit from October 2013 and other benefits such as Carer's allowance and Maternity Allowance.

Housing Benefit - Social Sector Size Criteria

Changes to Housing Benefit will require social-sector houses to have a size criterion applied, with any working-age household deemed to be under-occupying their home to have part of their Housing Benefit removed. the maximum applicable rent used for Housing Benefit purposes, will be reduced depending on how many bedrooms the household is considered not to require. If the household has one extra bedroom, rent eligible for Housing Benefit will be reduced by 14%; if the claimant has an additional two bedrooms, benefit will be assessed on 25% of eligible rent.

Employment and Support Allowance

The amount of time that people can receive contribution-based Employment Support Allowance (ESA) will be limited to 365 days for those claimants in a Work Related Activity Group or in the assessment phase.

Disability Benefits

Disability Living Allowance (DLA) is to be replaced for all working-age claimants by a Personal Independence Payment.

Single Fraud Investigation Service

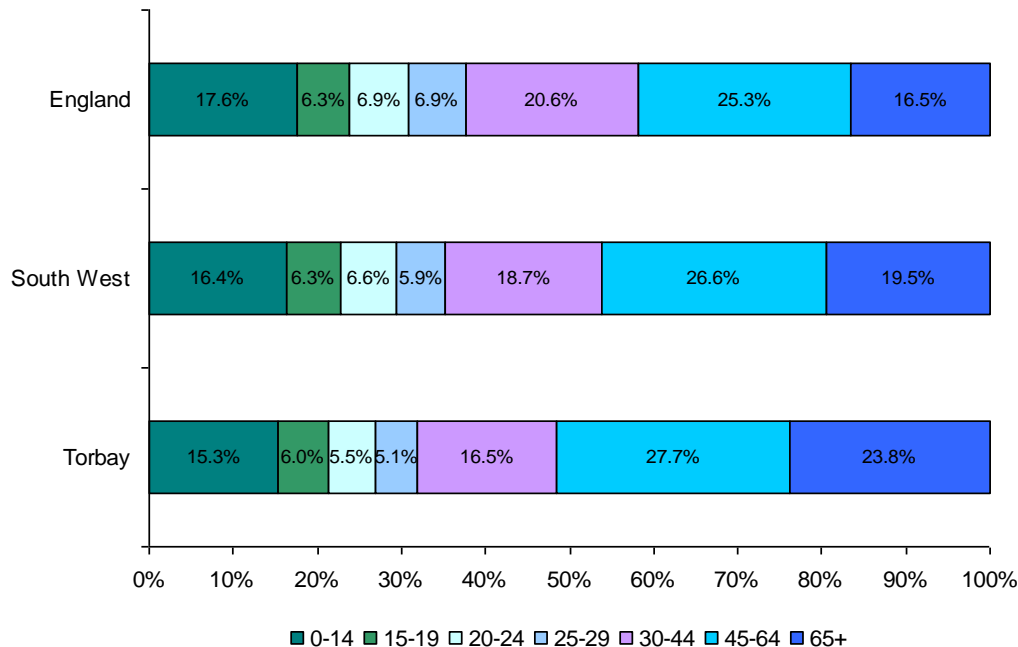
New powers in the Welfare Reform Act will enable joint investigations between DWP, HMRC and local authorities - information supplied by HMRC and DWP may be used for other purposes relating to the administration of Council Tax by billing authorities, for example, to determine whether a person is entitled to an existing council tax discount. To support this a Single Fraud Investigation Service, comprising of resources from the three organisations, will be formed from April 2013

Appendix 2 – Summary update of Torbay economy

Demography & Geography

The population of Torbay is currently 134,300 people, with 52% aged 45 and over. This is significantly above the national (42%) and regional (46%) averages and has an impact on income levels.

Age breakdown



Productivity

The value of goods and services produced (Gross Value Added level) in Torbay is £12,589 per head, which is the 4th lowest in England and only 61% of the UK average. It is worth noting that this headline figure does not take into account commuting, or the impact the Bay's large older population has on productivity.

A more reflective calculation which factors this in is the value of goods and services produced per hour worked. Under this measure Torbay comes in 76% of the UK average, which although an improvement still ranks the Bay's productivity as 4th lowest in England.

Sectoral Reliance

The Torbay economy is heavy reliant on tourism and the public sector for employment. This makes the area particularly vulnerable to current public sector cuts, as well as making employment seasonal. It is also a contributing factor to the below average productivity levels.

Wage Levels

Heavy sectoral reliance on generally low paid sectors such as retail and hospitality is a contributing factor to wage levels in Torbay being the second lowest in the Country, averaging at only £370 per week.

Worklessness

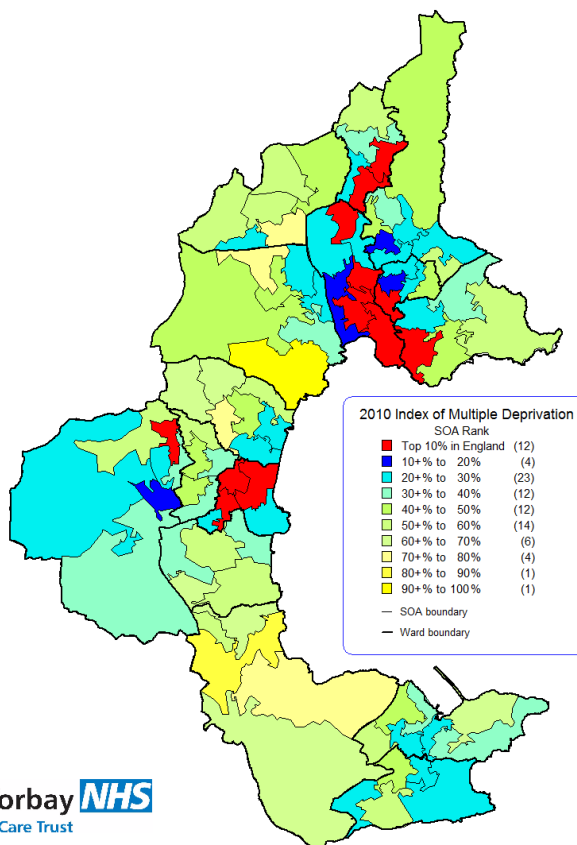
Unemployment and benefit claimant levels in Torbay are a significantly above average. In August 2011 4.2% of working age adults in Torbay were claiming job seekers allowance, compared to 2.6% in the South West and 3.8% in England. 9% of those claimants are aged between 18-24.

In total nearly 20% (as of Feb 2011) of working age adults in Torbay are claiming key out of work benefits. 9% of those are claiming employment support allowance, meaning this remains a key issue to address.

Deprivation

Although located in a rural county Torbay suffers from many of the deprivation problems normally associated with big cities. The indices of deprivation (2010) map set out below also highlights the inequalities between different wards in the Bay.

THE ENGLISH INDICES OF DEPRIVATION 2010 RANK OF INDEX OF MULTIPLE DEPRIVATION



Source: Department for Communities and Local Government

An estimated 21,000 (15%) residents live in areas considered in the top 10% most deprived in England, compared to an estimated 15,500 (11%) in 2007.

It appears that the populations in Torbay mostly living in areas in the top 10% most deprived in England are young families. 1 in 5 of Torbay's 20 to 29 population live in areas in the top 10% most deprived in England.

Appendix 3 – System Requirements Overview

The overriding factor is flexibility to cater for different ways in which authorities may wish to operate their local schemes, coupled with the fact that no authority as yet has properly determined what type of scheme/s are going to be operated.

General Scheme Types

The module will need to be capable of being run in a stand-alone state so be capable of being used by local authorities who do not currently have the OPENRevenues product. This configuration will utilise existing aspects of the system, such as functions, security, audit, person, place etc., the new Welfare Assistance module, with potential links to items such as payment processing, creditors as necessary.

Claims

For each claim there will be a place reference which will in the majority of cases be within the LA boundary and occasionally outside the area where the claimant is being housed elsewhere but maintains responsibility for the claimant. This equates to the current use of internal and external core property records.

Each claim will be recorded separately with a unique reference or application number and the claim will have a top level claim type that will equate to Award, Loan, Discretionary Housing Payment, Council Tax Support etc.

Claim Process

LA's expressed a desire to have electronic claim forms that could be available via the Internet for self service or used by third parties for assisted service. Due to the nature of the customers there will be a need to have paper forms as well.

Notification Letters

Notifications to claimants will utilise Microsoft Word mail merge templates which will be held in the system parameter table.

Financial Controls

Financial controls will be similar to the current Discretionary Housing Payments controls where there will be a headline budget figure and commitments as awards are made.

Management Information Requirements

A range of management information, control reports and performance monitoring will be required.

Appeals

There will be the requirement for an appeals element to the module where appeals can be recorded and monitored for responses and outcomes. Management statistics from appeals cover total number, subject of appeal, reasons for appeal, appeal outcome and time taken to respond.