LOCAL GOVERNMENT ASSOCIATION RESPONSE TO DWP PAPER - LOCALLY BASED EMERGENCY FINANCIAL ASSISTANCE

The Welfare Reform Bill abolishes the Social Fund and proposes replacing crisis loans and community care grants with locally based emergency financial assistance schemes.

This has a number of impacts:

- local government would be put in the position of managing the volume of emergency hardship cases resulting from people's interaction with the benefits system– there were 2.7 million crisis loan awards in 2009-10 (a 26% increase from 2008-09 to 2009-10). This creates a significant financial risk to local government at a time when the benefits system is in major transition – in the short term as the government's reductions to welfare spending take effect, in the medium term as universal credit is introduced;

- this risk is exacerbated if government moves to monthly payments in the introduction of universal credit, which the department's research suggests many current claimants feel they will have difficulty budgeting for;

- it exposes local government to risk on any future welfare policy decisions about benefit levels, conditionality and financial sanctions;

- demand for crisis loans is spiralling (tripling since 2006) and in its 2010 report on community care grants Job Centre Plus said it could only meet 32% of legitimate demand , there is evidence of unmet demand (from pensioners, who made up only 2.9% of awards in 2009-10) and high levels of refusals (nearly a million crisis loan refusals in 2009-10), while localisation would remove the loan recovery mechanism through the benefits systems which currently provides a significant element of the funding;

- there is a separate issue about the transfer of the loan book or capital equivalent which provides the vast majority of the funding.

The current localisation proposal possibly creates a practical problem since it wrongly assumes that the responsibility can be bolted onto adult social services. The LGA has asked DWP for the data to show that the recipients of the community care grants and crisis loans are in touch with council social services. This has not been forthcoming yet but we do know that nearly 70% of crisis loans are to people who are able bodied and of working age. In practice, we think the clients of social services departments have higher level of needs that distinguish them from benefit claimants in short-term financial difficulty. Refusing loans (and not helping people) could create tension that disengages people from social service support.

The refusal of crisis loans and community care grants has in the past created a physical threat to staff that have led DWP to regionalise delivery arrangements distancing officers from the immediacy of taking a tough decision.

There is a potential solution which involves nesting the localisation of the social fund in the delivery arrangements for handling the face-to-face delivery aspects of the universal credit. Many UC claims will require face-to-face contact – some people will not be able to claim online or through a call centre. There is open question about how to provide this support.

Many local people see the councils as the natural place to go for the personal help (which councils provide or commission from the private or voluntary sectors) – with a wide range of problems, and there are strong arguments for bringing services together to provide this personalised support.

It makes no sense to have a separate agency or agencies that provide face-to-face contact for state financial support – for citizens and government, there is a strong logic in bringing together practical assistance with benefit claims with the help on the practical issues – housing, health, childcare etc - that prevent them working.

At this stage, it is important that local delivery of face-to-face contact - and within it the localisation of community care grants and crisis loans - are considered together. If government decides against a local delivery model, it would pose a major question about the case for a locally administered emergency assistance.

If the government is to proceed with a local emergency financial system it needs to be fully funded into the medium term.

This means opening the books to local government so that councils can fully understand how the current funding model meets the demand on the system – including administrative costs and how AME, DEL and the stock of loans (and loan recovery) contribute to the cost (in 2009-10 loan recoveries provided 82% of the funds needed to meet gross loans expenditure).

There would also need to be:

- a mechanism that provides re-assurance on local government's exposure to risk on future caseload increases that could result from economic fluctuations and welfare policy decisions;

- an equitable distribution of the funding between local authorities which could be difficult given that DWP does not have data on current grants and loans at local authority level.

Contact: Phillip Mind 0207 66 3243 philip.mind@lga.gov.uk