

## **Welfare Reform Update**

### **Purpose**

For discussion.

### **Summary**

This report updates Members on the latest developments on welfare reform including the Local Welfare Assistance fund, housing benefit administration subsidy and discretionary housing payment and the recent announcements around the roll out programme for Universal Credit.

### **Recommendation**

That the Finance Panel note the update and offer any further steer on the issues covered.

### **Action**

Officers to take forward in line with Members' direction.

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## **Welfare Reform Update**

### **Local Welfare Assistance**

1. The Social Fund was administered nationally by the Department for Work and Pensions (DWP) until 2012. Crisis loans and community support grants were localised from 2012/13 as the Local Welfare Assistance fund. This transfer was accompanied by a 10 per cent cut in funding and DWP retained responsibility for loans and advances in relation to delays or errors in payment of benefits. County and unitary councils were given a share of £347 million for two years from 2013/14.
2. In 2015/16 the fund is being withdrawn as a distinct grant and although Ministers take the view it is being rolled into core council funding, it forms part of an overall envelope which will be cut by 8.2 per cent in cash terms,<sup>1</sup> and so funding for the scheme has in effect been abolished. The Chairman of the LGA wrote to the Department for Work and Pensions (DCLG) and DWP Ministers in February and March respectively to raise concerns about its removal and proposed monitoring of its spending.

#### **Government review and consultation**

3. The Government committed to a review of local schemes before any future funding decisions were taken. However, the decision to withdraw funding was taken ahead of the review. As a result a consortium including Islington Council and the Child Poverty Action Group legally challenged the government on the process that led to this decision. The challenge was recently settled on the basis that the government conducts a full consultation and reconsiders the funding of local welfare assistance for 2015/16.
4. The consultation is expected to run this autumn and concluded in time to inform the Local Government Settlement 2015/16 announcement in December.
5. The originally planned review – conducted by DWP - is expected to be published this autumn during the consultation and will outline the support councils have provided and how they have spent the funding.

#### **LGA case study report and survey**

6. The LGA has published a report 'Delivering Local Welfare' that provides a narrative and set of examples of the local welfare schemes and assistance councils have delivered. The report outlines the set-up processes and challenges councils faced; how the schemes were managed; their outcomes and the impact of the removal of separately identifiable funding from 2015/16. It shows how local management of the fund has led to innovation, better targeting, and effective prevention and demand management (see [Appendix A](#) for the report executive summary).
7. To accompany the report the LGA carried out a one question survey to understand what impact the withdrawal of funding would have on council local welfare schemes. The survey has a 57 per cent response rate from top tier and unitary councils. It found

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<sup>1</sup> Between 2014/15 and 2015/16

that nearly three quarters (74 per cent) of councils expected to scale back or scrap their schemes completely as a result of the withdrawal of separately identifiable funding. This included 15 per cent of councils whose schemes would be cancelled altogether (see Appendix for full survey results).

**Next steps**

8. The case study report and survey findings will together form the basis of our consultation response to push for councils to continue to receive separately identifiable local welfare funding from 2015/15 onwards.

**Housing benefit administration subsidy update**

9. The DWP have now confirmed that there will be no reduction in funding for the 2015/16 Housing Benefit administration subsidy as a result of the current Universal Credit delivery plans, other than the agreed £12 million reduction for the transfer of fraud responsibilities to the Single Fraud Investigation Service. The funding will however include a reduction in line with the DWP departmental reduction in 2015/16. Overall, this represents a positive outcome to LGA lobbying in the face of potentially much greater reductions.
10. A new methodology has been provisionally agreed for allocating the subsidy in 2015/16 and future years based on caseload data, labour and accommodation cost weights. This will allow DWP to calculate the subsidy in advance rather than retrospectively as is currently the case, which will make the migration of housing benefit claims to Universal Credit more straightforward.
11. The allocation process for each council using the new methodology will be discussed between DWP and the LGA and other UK local government associations this autumn. The process will include a netting and capping process where the local government associations will ensure the allocation process is fair and does not lead to any significant winners or losers.

**Discretionary Housing Payment update**

12. The Discretionary Housing Payment provides funding to mitigate the impact of the welfare reforms including changes to Local Housing Allowance, the benefit cap and spare room subsidy. In 2014/15 it totalled £165 million which was made up on the following basis:
  - 12.1. Local Housing Allowance (LHA) reforms - £60 million.
  - 12.2. Removal of the Spare Room Subsidy - £60 million.
  - 12.3. Benefit Cap - £45 million.
13. For 2015/16 only £60 million (in relation to Removal of the Spare Room Subsidy) has so far been committed with no announcement on support in relation to the other elements.
14. While many claimants have been helped into work there remain a significant number that are still affected by the benefit cap many of whom have to be housed in temporary accommodation until cheaper alternative arrangements can be put in place.

15. The LGA has sought clarification from DWP about the allocation for 2015/16 and has called for a wholesale review of the use of DHP so that allocations match changing demand for support.

### **Universal Credit**

#### **National roll out plans**

16. DWP have recently announced a significant expansion in the roll out plans for Universal Credit (UC). UC is currently available in over 50 Jobcentres in England, Scotland and Wales covering 26 different Local Authorities. By Christmas nearly 100 Jobcentres across Great Britain will offer UC to single people and couples. On 29 September the Work and Pensions Secretary, Ian Duncan Smith announced that UC will be rolled out to all Jobcentres and Local Authorities across the country from early next year. This marks a significant acceleration in the delivery of this policy, which will have a direct effect on local government.
17. National expansion of UC will commence from February 2015 for single claimants previously eligible for Jobseekers Allowance. This means that a number of new councils will be going live with UC from as soon as February 2015. Lord Freud has been liaising with Cllr Sparks to keep him informed about the expansion plans. The LGA has been lobbying the DWP to ensure that this expansion doesn't put unnecessary pressure on local authorities.
18. It has been agreed with DWP that this national expansion will be accompanied by Delivery Partnership Agreements between Jobcentre Plus and Local Authorities to make available funded support for those who need extra help. Funding for these arrangements will be negotiated individually, and will not directly affect the figure agreed to administer Housing Benefit during the 2015/16.
19. The LGA has also been keen to ensure that DWP will use the February 2015 roll out to further test out key principles for Universal Support (formerly known as the Local Support services Framework). Emphasis has been placed on greater focus around co-location, integration, data and skills sharing as part of the roll out. The LGA will continue to work with the DWP to work out further details of the roll out programme.

#### **Universal Credit Trial Sites**

20. On 1 September trials began in eleven partnerships across Great Britain to test out further aspects of Universal Support. These trials build upon the work originally done by the LA Led pilots in 2013. The 11 partnerships will involve local councils and their JCP partners. They will be trialling aspects of local support such as co-location, data sharing and complex claimants. These trials are due to last for 12 months with a 6 month review point from September.
21. The successful English councils which will be involved in the partnerships are:
- 21.1. Westminster City Council and The Royal Borough of Kensington and Chelsea;
  - 21.2. Lambeth Council / Lewisham Council / Southwark Council;

- 21.3. West Lindsey District Council in partnership with City of Lincoln Council, North Kesteven District Council and Lincolnshire County Council;
  - 21.4. Northumberland County Council and South Tyneside Council;
  - 21.5. South Staffordshire Council;
  - 21.6. Derby City Council; and
  - 21.7. Islington Council.
22. In Wales, Carmarthenshire County Council and Blaenau Gwent County Borough Council were successful, and in Scotland Argyll and Bute Council and Dundee City Council.

## Appendix A

### 1. LGA Local Welfare Assistance survey - results

Response rate – 57 per cent of all upper tier and unitary councils

<b>To what extent, if at all, will the removal of separately identified funding for local welfare assistance from 2015 impact on support provided by your local welfare assistance scheme?</b>		
<b>Answer</b>	<b>Respondents</b>	<b>Per cent</b>
<b>Not at all – the scheme will carry on as it is currently</b>	7	7.95%
<b>To a small extent – the scheme will continue but be subject to minor scaling back</b>	6	6.82%
<b>To a moderate extent – the scheme will continue but be subject to a fair amount of scaling back</b>	11	12.50%
<b>To a great extent – the scheme will be significantly scaled back</b>	34	38.64%
<b>The scheme is likely to be cancelled altogether</b>	13	14.77%
<b>Don't know</b>	17	19.32%
<b>Total</b>	<b>88</b>	<b>100.00%</b>

### 2. LGA Local Welfare Assistance report - Executive Summary

In April 2013, the Department for Work and Pensions ('DWP') abolished the Crisis Loan and Community Care Grant elements of the Social Fund and transferred the funding previously used to support these to upper tier local authorities in England. This move followed a period in which Government's expenditure on Crisis Loans and Community Care Grants had grown significantly. In an attempt to contain spending, DWP introduced a number of restrictions on eligibility and reduced the maximum level of award for Crisis Loans in 2012. However, it remained concerned that its system of cash payments was open to abuse and was failing to meet the underlying needs of applicants, some of whom applied repeatedly to the scheme for help.

Although local authorities were not placed under any statutory obligations with regard to the use of the funds, DWP indicated that it expected them to use these to meet local priorities and provide help to those in greatest need. The intention was for local authorities to deliver a 'flexible response to unavoidable need, perhaps through a mix of cash and goods and aligning with the wider range of local support local authorities already offer'.

The transfer of funding to local authorities was welcomed in principle. Local authorities provide a range of vital support to people in crisis situations or who have community care needs, and the transfer presented an opportunity to bring financial and non-financial forms of support together to better address their underlying problems and reduce the number of repeat applications.

However, DWP were unable to share details of how the Social Fund schemes had operated in 2012/13 so authorities had no real idea about the level of demand that they would face.

They were also given a very short timescale for the introduction of their schemes – which also coincided with a review of Council Tax Support and the implementation of a number of other major welfare reforms.

This study examined how ten local authorities responded to the challenge of creating Local Welfare Schemes in this context and how they have managed to provide effective, joined-up, support to vulnerable groups and deliver considerable efficiencies. This has been achieved in a number of ways:

- All of the local authorities in the study have moved away from cash payments towards 'in-kind' support, using payment cards or vouchers to meet crisis needs and directly purchasing essential items for those with community care requirements. This has reduced the potential for people to abuse the system, with councils reporting that people have withdrawn applications when they were informed that there were no cash payments available;
- Local authorities have also been able to negotiate bulk purchasing deals with suppliers and in some cases use local providers, including recycling projects, to both keep the cost of items low and improve the level of service. Whilst establishing these fulfilment mechanisms was initially time consuming, the arrangements are now working well and there is evidence that these are more cost-effective than was the case for Social Fund provision.
- Local authorities in the study also made great efforts to ensure that they are managing demand effectively. This initially led some to be cautious in respect of the eligibility criteria and levels of award available from their schemes, although these are still evolving in the light of experience with six of the authorities in the study either having already made changes or proposing to do so.

The targeting of provision to those in greatest need, combined with efficiencies in fulfilment has allowed authorities to move resources into more preventative work, and to do more to meet the underlying needs of applicants. For example:

- Solihull MBC identified that young people leaving local authority care were often eligible for Community Care Grants from the Social Fund so have devolved an element of the funding for Local Welfare Assistance to their Children's Services team. They have also ensured that the Community Care aspects of their scheme are closely aligned with needs identified by their homeless team to assist priority homeless cases to move from temporary into settled accommodation.
- Cumbria County Council has embarked on a review of support services and is in the process of bringing together the Local Welfare Assistance Team, Supporting People, School Uniform and School Meals, generic advocacy contracts, money and advice contracts, and the Local Area Coordination service. The review will look at improving pathways for people and create a single point of access to this support.

Local authorities provided individual case studies demonstrating how their schemes have enabled provision to become more joined-up to meet the complex needs of applicants and reduce repeat demand. This has included working with applicants to help improve money management skills and move them closer to the labour market, and is in line with DWP's stated objectives for the Local Support Services Framework for Universal Credit

Local Welfare Schemes are now at risk as the Department for Communities and Local Government ('DCLG') has indicated that there will be no separately identified funding to support these in the financial settlement for local authorities in 2015/16.

Councils have managed the available budget effectively; reduced the potential for abuse, and created schemes which better meet the underlying needs of applicants and reduce repeat demand. This has enabled them to provide vital, timely support to some of their most vulnerable and deprived residents, many of whom have also been impacted by the consequences of the Government's wider programme of welfare reform.

It is clear from the experiences of all of the local authorities in this study that there will always be a need for some form of crisis and community care support to be made available. Whilst local authorities may be able to make further efficiencies moving forwards, for example by sharing back office and fulfilment functions with neighbouring authorities, Government needs to recognise that there is a need to continue to provide them with a specific and identifiable pot of funding to meet these types of needs in their localities on an ongoing basis. In the absence of this, the early indications are that local authorities are likely to reduce investment in preventative work, which may lead to greater social and financial costs in the longer term.