Local welfare provision, low-income households, and third sector financial services provision

Damon Gibbons

March 2013
Acknowledgements

The author is grateful to Friends Provident Foundation for the financial support provided for this project, and especially to Andrew Thompson from the Foundation for his helpful comments and suggestions on early drafts of this report. I would also like to particularly thank Madeleine Thornton and her colleagues from Buttle UK for assisting with the recruitment of individuals for the qualitative interviews, and Simon Lawrence from Leicestershire County Council for the opportunity to participate in discussions and meetings over a six month period concerning the development of the County’s new local welfare scheme. However, the responsibility for any errors or omissions in the report is mine alone, as are the views expressed.
## Contents

Chapter One: Policy Context and Introduction ................................................................. 4

Policy Context .................................................................................................................. 4

About this report .............................................................................................................. 15

Chapter Two: The Discretionary Social Fund and the Budget for Local Welfare Provision ......18

The Policy Objectives ...................................................................................................... 18

Current spend on Community Care Grants and Crisis Loans ........................................ 22

The budgets for local welfare provision ......................................................................... 26

The distribution of the budget at the local level ............................................................ 29

Chapter Three: The Development of Local Welfare Provision ........................................ 36

The Scottish Welfare Fund ............................................................................................ 37

The Welsh Social Fund .................................................................................................. 41

English local authorities ............................................................................................... 42

Chapter four: The implications for low-income households ......................................... 65

Previous research findings ............................................................................................ 65

Qualitative interviews with benefit claimants ............................................................... 71

Chapter Five: The potential role of third sector financial services providers .............. 83

Chapter Six: Conclusions and recommendations ....................................................... 101

Summary of Key Findings ............................................................................................. 101

Recommendations ......................................................................................................... 107

Bibliography .................................................................................................................. 109
Chapter One: Policy Context and Introduction

This report concerns the abolition of the Discretionary Social Fund from April 2013. It is the result of a twelve month long project to assess how local areas are responding to the decision of the Department for Work and Pensions (DWP) to devolve the budgets for Community Care Grants and Crisis Loans for living expenses and create new local welfare schemes to meet the needs of low-income and vulnerable households. The project has been particularly focused on how these changes are being implemented in England, and on the potential role that third sector financial services providers (credit unions and Community Development Finance Institutions) can play in the new landscape of local support.

This chapter begins by setting out the wider policy context for the project and then proceeds to detail the methodologies employed over the course of the past twelve months. It concludes by providing an overview of subsequent chapters.

Policy Context

Since the election of the Coalition Government in 2010, DWP has embarked on a wide ranging programme of welfare reforms with major implications for the living standards of benefit recipients. Although the stated aim of the reforms is to increase financial independence and promote employment whilst supporting the most vulnerable\(^1\), a key objective has also been to make savings to the welfare budget, as part of the Government’s wider austerity programme\(^2\).

Significant reforms already introduced in Great Britain\(^3\) include:

- The migration of Incapacity Benefit claimants to Employment Support Allowance (ESA) and Jobseeker’s Allowance (JSA).

\(^2\) As part of this, Parliament is currently considering proposed changes to the up-rating of welfare benefits, which will limit increases to just 1% for most working age benefits and tax credits in 2014/15 and 2015/16. The measure is expected to generate total savings of £1.9 billion by 2015/16.
\(^3\) It should be noted that the process of welfare reform is different in Northern Ireland, where a Welfare Reform Bill is currently under consideration by the Northern Ireland Assembly. However, the provisions of the Bill mirror those taken forwards in Great Britain. For further details see: [http://www.niassembly.gov.uk/Assembly-Business/Legislation/Primary-Legislation-Current-Bills/Welfare-Reform-Bill/](http://www.niassembly.gov.uk/Assembly-Business/Legislation/Primary-Legislation-Current-Bills/Welfare-Reform-Bill/)
This began in April 2011 and will be completed by March 2014. This involves a new Work Capability Assessment for all existing Incapacity Benefit claimants and places those found capable of work onto JSA. Those who are not capable of work but are capable of ‘work related activity’ are placed into the ESA Work Related Activity Group and required to attend work-focused interviews with Jobcentre Plus advisers. Those incapable of either work or work related activity are placed into the ESA Support Group and not required to attend Jobcentre Plus interviews. The rates of benefit differ for JSA claimants and the two ESA group claimants, with people moving from long term Incapacity Benefit to JSA likely to be worse off, although the extent of this will depend on their specific household circumstances.

- From April 2011, Housing Benefit reforms to non-dependant deductions and reductions in the maximum level of assistance provided to private sector tenants.

  - The amount of non-dependant deductions (applicable where claimants have other adults living with them) has increased. The precise amount of the deduction depends on the level of income of the non-dependant.

  - The maximum local housing allowance (LHA) rates, which are used to underpin the calculation of Housing Benefit for private tenants, were reduced in all areas. In addition, “caps” on Housing Benefit in the private rented sector were introduced – of £250 per week for one bedroom and shared accommodation; £290 per week for two bedroom properties; £340 per week for three bedrooms; and £400 per week for four bed properties. According to Shelter only three out of ten properties for private renting in any area are now affordable for people making a new claim.

- From January 2012 young single people aged between 25 and 34 and living in private, self contained, accommodation have only been entitled to Housing Benefit at the ‘shared accommodation rate’ (i.e. their maximum Housing Benefit is now based on the level of local rents for properties with shared facilities).

However, April 2013 will see the introduction of a further raft of reforms, including:

http://england.shelter.org.uk/get_advice/paying_for_a_home/housing_benefit_and_local_housing_allowance/changes_to_local_housing_allowance
• A total level benefit cap (including JSA, Housing Benefit, Child Benefit and Carer’s Allowance) that a working age household can receive of £26,000 per annum (£500 per week), with single person households capped at £18,200 (£350 per week). The cap will be trialed in four London Boroughs\(^5\) from April, prior to national roll out beginning on 15\(^{th}\) July and full implementation by September.

• Reductions in the maximum Housing Benefit payable for working age tenants living in under-occupied properties in the social rented sector. The changes involve reducing the maximum eligible rent for Housing Benefit purposes by 14 per cent where a property is under-occupied by one bedroom and by 25 per cent where a property is under-occupied by two or more bedrooms. For people claiming prior to April 2011, the reductions are being phased in – with the changes taking place up to nine months from the anniversary of the claim.

• The start of a three year project to replace Disability Living Allowance (‘DLA’) with the Personal Independence Payment (PIP) for people of working age\(^6\). Those already claiming DLA will have their claims reassessed, and the introduction of PIP is expected to reduce benefit expenditure by £2.2 billion over a three year period\(^7\).

• Government is abolishing the Council Tax Benefit regime and requiring local authorities to develop their own local schemes of Council Tax Support. This is expected to deliver a 10 per cent reduction in overall expenditure. However, local authorities have been required to develop their local schemes within a national framework that protects the level of support given to pensioners\(^8\). As a result, local authorities have had to focus reductions in support on working age households, with

---

\(^5\) The four Boroughs are Croydon, Bromley, Enfield, and Haringey

\(^6\) PIP will be introduced for new claims in April in the North West and North East of England. From June it will be introduced for new claims throughout the rest of the country. Existing DLA claimants will start to be transitioned to PIP from October 2013 if they report a change in their health condition, reach the end of an existing DLA award, or for people currently under the age of 16, reach the age of 16. From 2015 onwards DWP will be rolling out the transition to PIP for all other DLA claimants.


\(^8\) The framework also indicates that schemes should focus support on vulnerable households for whom local authorities have statutory responsibilities, including people with disabilities and those affected by child poverty. In addition, there is an expectation that schemes should provide an incentive for people to move off benefits and into work.
the effect that the maximum level of support with Council Tax bills for this group will typically reduce from 100 per cent to around 80 per cent⁹.

- The abolition of the Discretionary Social Fund which currently provides Community Care Grants and Crisis Loans. In its place a £178 million budget will be devolved to the Scottish Government, Welsh Assembly Government and upper tier local authorities in England to allow them to develop their own local welfare schemes.

**Universal Credit**

April will also see the start of the 'pathfinder stage'¹⁰ of the introduction of Universal Credit, although national roll out of this will not begin until October. Universal Credit will combine both in work and out of work benefits for those on low incomes within a single unified model. The amount of Universal Credit that people will receive will depend on income and family circumstances and will be paid to cover households’, instead of individuals’, needs. A key aim is to ensure that people are always better off in work, and are better off for every extra hour that they work. The Government hopes that Universal Credit will increase work incentives through:

- Simplification of the benefits system so that it is easier for people to see that they will be better-off in work;

- Increased earnings disregards, or the amount that can be earned before benefits are withdrawn;

- A single taper for the withdrawal of benefits above the disregard level, so that benefits are withdrawn gradually and consistently as earnings increase.

DWP has also stated that the way in which Universal Credit will be paid will provide them with greater responsibility for their finances – encouraging them to budget in ways which are more closely related to people in employment. In this respect:

- Universal Credit people will be paid monthly, and in arrears; and

---

⁹ For example, in Milton Keynes this will mean that households previously receiving full Council Tax Benefit will now have to pay on average £14 per month.

¹⁰ The ‘pathfinder stage’ involves the live trial of Universal Credit in Tameside, Oldham, Wigan, and Warrington, with an expected 1500 claimants coming on stream in these areas.
• Working age social housing tenants will no longer have their Housing Benefit paid directly to their landlords, but will receive this money as part of their Universal Credit payment.

From October 2013 new claimants will receive in work and out of work benefits this way. Current claimants will be transitioned onto Universal Credit over a four year period between October 2013 and 2017.

There are concerns that the introduction of Universal Credit will be combined with cuts in entitlement for some existing claimants of income related benefits. For example, Citizens Advice has outlined the financial impact Universal Credit will have on different groups of disabled children and adults\(^1\), and in December 2012 the Guardian reported\(^2\) that that some 2.8 million households will be worse off following the reform, claiming that:

- About 800,000 households will see an average loss of £137 a month;
- The 300,000 hardest hit families will lose as much as £300 a month;
- About 200,000 lone parents will also receive lower awards under the new scheme than the current system.

In addition, the proposed change to a monthly payment cycle in arrears and the payment of help with housing costs directly to the tenant have both led to concerns that many low-income households will need budgeting support to make the transition to Universal Credit, and that some tenants, particularly those with rent arrears, may need to be exempted from the direct payment of the housing cost element altogether.

However, DWP have stated that 3 million households will be better off following the introduction of Universal Credit – on average by £168 per month - and that people will have their benefit levels protected when they move onto the new benefit, with no reduction in entitlement occurring unless their circumstances change.

The Department has also been considering the specific arrangements that may be needed to support recipients to manage their finances effectively. This has included testing out the arrangements for social housing tenants in advance of the shift to direct payment of housing

---


\(^2\) [http://www.guardian.co.uk/society/2012/dec/11/universal-credit-more-families-lose-out](http://www.guardian.co.uk/society/2012/dec/11/universal-credit-more-families-lose-out)
benefits to the tenant rather than the landlord. Six demonstration projects have been established for this purpose. Although the precise approach taken in each of the projects has varied, as a group they have been looking at:

- The personal budgeting support needed to help tenants manage their rent accounts effectively;
- Possible exceptions to protect vulnerable claimants;
- The ‘switch back’ mechanism which allows reversion to payment to the landlord in cases where the tenant gets into rent arrears.

A recent interim evidence report released by DWP\(^{13}\) reveals that the majority of tenants in the projects are keeping up with their rent despite the shift to direct payments. Over the first four months, 6,220 tenants were paid their housing benefit directly. Against a total level of rent charged of £7,692,844 over the period, payment collection rates stood at 92%. Across the different areas payment levels varied from 88% to 97% - demonstrating the range of support being tested. However 316 tenants needed to ‘switch back’ to landlord payments - some 5 per cent of the total sample. The pilots are continuing through to June 2013.

Most recently, DWP has also published detailed guidance\(^{14}\) concerning the Personal Budgeting Support that it intends to provide to Universal Credit claimants. This indicates that there will be two elements to the support:

- Money advice to help claimants cope with managing their money on a monthly basis and paying their bills on time, and
- Alternative payment arrangements for some claimants who genuinely cannot manage the standard monthly payment and where there is a risk of financial harm to the claimant or their family. This might include paying the housing cost element of Universal Credit directly to the landlord, or putting in place a more-frequent-than-monthly payment, or a split payment between partners.

DWP has stated that money advice will be offered to all Universal Credit claimants when they make a claim and will be given to those who have a clear need. There will be different levels and types of money advice based on need with some claimants signposted to online

\(^{13}\) [http://www.dwp.gov.uk/docs/direct-payment-demo-figures.pdf](http://www.dwp.gov.uk/docs/direct-payment-demo-figures.pdf)

\(^{14}\) [http://www.dwp.gov.uk/docs/personal-budgeting-support-guidance.pdf](http://www.dwp.gov.uk/docs/personal-budgeting-support-guidance.pdf)
services; some offered a single session over the phone, and others an intensive face to face session with follow up call(s). The advice will be provided by external organisations with relevant expertise and services will be tailored to the claimant’s ability to handle each of the main Universal Credit financial changes – paid monthly, as a single payment to the household, with rent paid directly to the claimant.

However, it is recognised that there will be some claimants, even with the support of a money advice service, who will not be able to cope with the standard payment arrangements for Universal Credit. As a result, DWP is proposing to provide Universal Credit advisers with the flexibility to make alternative payment arrangements, which include paying the housing costs element of Universal Credit directly to the landlord; splitting the payment of Universal Credit between individuals in a single household, and making more frequent payments in order to assist with budgeting.

Alternative payment arrangements can be considered at any point during the Universal Credit claim. They may be identified at the outset when the personal budgeting support is decided, or during the claim e.g. because the claimant is struggling with the standard monthly payment, or moves house which could affect the housing or split payment. They can be triggered by: DWP’s own knowledge of the claimant’s needs, the claimant themselves, their representative, their caseworker, and/or their landlord as a result of the build-up of rent arrears.

Financial Services Provision and Local Support for Universal Credit claimants

DWP has also indicated that it is looking to procure new financial services for benefit claimants that are likely to need help to manage their money effectively and has also recently published details of a proposed Local Support Services Framework, which is intended to provide targeted help to those benefit claimants who are likely to experience difficulties with the transition to Universal Credit.

Financial products

In September 2012 the Department announced that it intends to implement a scheme to subsidise access to bank accounts or alternative financial products with specific budgeting functionalities for up to 2.5 million Universal Credit claimants.
The Prior Information Notice for this tender states that these products should ensure claimants have access to transaction accounts that will enable claimants to manage rent and bill payments more effectively on a monthly basis by offering additional budgeting functionalities, for example by ensuring monies required to meet essential bills and payments are “ring-fenced” within the account and are paid out regularly. The accounts must also:

- Provide outbound notification to support good money management behaviours e.g. text message reminders and balance updates;
- Be able to receive income from work and benefits;
- Be available to all claimants, irrespective of credit history, and enable the claimant to build up a credit rating that will allow them to access further banking facilities and affordable loans over time; and
- Continue to be available to people once they have moved off Universal Credit.

DWP has also indicated that it is willing to look at more complex models, which could include additional divisions of money for savings or debt repayment. It is anticipating providing up to £145 million in subsidy for these accounts, with the individual account subsidy operating for one year following the claimant’s transition onto Universal Credit. At the end of that period, the costs of running the account will then need to be met by the claimant.

Local Support Services Framework

In February 2013, DWP published details of a proposed ‘Local Support Services Framework’¹⁵, which is intended to ensure that those benefit claimants who experience difficulties with the transition to Universal Credit are provided with effective support, including in respect of help with debt problems and money management. Although the Framework will not apply in the initial pathfinder stage of the Universal Credit roll-out, it will be used by DWP and local authorities to plan and develop support from October 2013 onwards. To assist with this DWP is proposing to fund local ‘Delivery Partnerships’ in order

¹⁵ The Local Support Services Framework is subject to consultation through to 15th March 2013. A ‘Mark 2’ Framework will be published before October 2013 and the intention is to refresh this on an annual basis thereafter.
to help them support the claimant journey towards greater self-sufficiency and independence. As the Framework states (p.11):

“The ultimate aim of those providing services under the framework will be the creation of a “single claimant journey” from dependency to self sufficiency and work readiness, as far as is possible, behind which all service providers should be aligned. To this end DWP and delivery partners will identify specific outcomes required by individual claimants to help move them closer to the labour market and financial independence.”

Although the Delivery Partnerships will have the flexibility to design services to meet local requirements, they will be expected to deliver against five high-level outcomes:

- Constructing a service that claimants, agents and intermediaries view as easy to use, easy to understand and easy to access - giving them confidence in the system;
- Helping individuals, especially those who need extra support, to make and manage a claim to Universal Credit;
- Providing a joined up and holistic support service to claimants ensuring minimum hand-offs between different agencies;
- Substantially improving work incentives and the recognition that work pays; and
- Increasing the number of people in employment when compared to the equivalent point of the previous economic cycle.

There are also expectations that the Delivery Partnerships will build on existing joint working arrangements, for example in respect of meeting the complex needs of homeless people, people with addiction problems, and those with mental health difficulties. Further to this, the Framework identifies the potential for new services to be developed, for example to offer triage services and direct people to the most appropriate source of support and help people make and manage their claim on-line. The Framework also specifically refers to the need for further service development for people needing help with debt problems or money management including by:

- Putting in place mechanisms for DWP to identify claimants needing money advice and signposting or referring these to an external provider;
• DWP identifying claimants who will need to be considered for alternative payment arrangements;

• Local partners informing the development of money advice ‘self-help’ support to improve levels of financial capability, and

• Local partnerships including money advice services in order to provide claimants with additional support to become more competent in managing their money.

DWP has also indicated that local delivery partners could have a role in helping to identify cases where exceptions to the normal payment rules should apply, at which point they will be able to refer people to Universal Credit advisers who will consider whether an exception should be put in place. However, the intention will be for local partners to then work with people in order to progress them towards greater financial independence by putting in support that will enable them to move back onto the standard payment arrangements for Universal Credit over time\(^\text{16}\). The Framework also indicates that local partners may need to be involved in mediation between landlords and claimants in order to help claimants to retain their tenancies.

The Framework identifies a number of important outcomes for claimants that are being sought in respect of financial independence, as follows:

• Claimants will be able to manage their money on a monthly basis and no longer need any (or further) payment exceptions;

• Claimants will have the confidence and motivation to manage their finances and be able to complete and maintain a budgeting action plan relevant to their circumstances;

• Claimants will understand the UC financial changes and what they mean to them in terms of managing their money and be able to answer a few questions to check understanding and learning e.g. what are the three key changes (single monthly payment which includes rent where appropriate), what do they mean for your family finances; what would you do differently – a ‘knowledge check’; and

\(^{16}\) The Framework indicates that where alternative payment arrangements are put in place these will be subject to a future review.
• Claimants will know about the types of bank accounts available, what they do, and where they are available locally, and the benefits of each of those bank accounts to help them manage their money; and be able to set up a bank account and submit details to Universal Credit.

The creation of Local Delivery Partnerships

The Framework proposes to create Local Delivery Partnerships by building on what is currently available\(^ {17} \). For example, in Scotland it is likely that the community planning partnerships will be used for this purpose. In England, DWP will work with local authorities to identify current partnerships and review their membership to ensure that these can fulfil the requirements for Delivery Partnerships by making sure they have the required specialist skills (for example, in respect of dealing with drug addiction or homelessness) and have the capability to plan and arrange the delivery of local support services to Universal Credit claimants.

The partnerships will then be expected to agree their terms of reference and draw up a delivery partnership agreement which is expected to involve:

• Planning, monitoring, reviewing and evaluating the provision and delivery of local support services;

• Identifying service providers and bring them together to fulfil the requirements of the delivery partnership agreement;

• Developing a 'local support roadmap' showing patterns of need and service delivery for meeting specific needs within the locality;

• Identifying gaps in service provision or service provider capability or capacity;

• Improving the way services are delivered and co-ordinate, and

• Sharing information about UC and the development of the programme and learning from pilot and pathfinder activity.

The partnership agreement will then inform the level of resources which will be required at each local level, and DWP is currently considering the total level of annual funding that will

\(^{17} \text{Although DWP also does not rule out that in some areas new partnership forums will need to be established.} \)
be needed. However, it is clear that DWP funding will not be able to be used to replace local authority support for existing provision, and that DWP is keen to ensure that funding is based on the delivery of specified outcomes for Universal Credit claimants. Further work is therefore now taking place to define the expected outcomes for each type of local support service and to determine the level of payment that will be made for each outcome.

**About this report**

Although conscious of the wider changes to welfare reform set out above, and of the possible additional financial pressures which will result for low-income households, this report is *particularly focused on the abolition of the Discretionary Social Fund*; seeking to assess the likely impacts of this, and the local welfare schemes that are intended to replace it, on the living standards of low-income households. Further to this, the report is specifically concerned with the potential role of third sector financial services providers (Credit Unions and Community Development Finance Institutions or ‘CDFIs’) in helping to meet the needs of benefit claimants.

It should be noted that the report is also primarily focused on these issues as they relate to English local authorities, although, by way of comparison, we also report on the schemes that have been developed by the Scottish Government and Welsh Assembly Government\(^\text{18}\).

**Methodology**

The research underpinning this report has been undertaken using a variety of methods, including:

- A wide ranging literature review covering:
  - The links between low income and high cost credit use;
  - DWP policy documents concerning the implementation of welfare reform and a review of materials provided to local authorities to assist with the development of their local schemes;
  - Current issues concerning credit union development, including possible further support for this through the DWP’s Credit Union Expansion Project;

---

\(^{18}\) The current Welfare Reform Bill for Northern Ireland proposes to abolish Community Care Grants and Crisis Loans for living expenses from April 2013, but there have as yet been no details published of a possible Northern Irish local welfare scheme to replace these.
• Published plans for local welfare schemes, including those of the Scottish Government and Welsh Assembly Government and 25 English local authorities.

• Statistical analysis of Discretionary Social Fund spend in England for the years 2010/11 and 2011/12 and the settlement figures for 2013/14 and 2014/15

• A ten month long programme of stakeholder engagement, including:
  o An online survey of local authorities and other stakeholders conducted in May/June 2012;
  o Participative research conducted over a six month period with Leicestershire County Council;
  o Individual discussions with officers involved in the development of local welfare provision in Salford City Council, and Solihull Metropolitan Borough Council;
  o The delivery of a stakeholder workshop attended by 15 delegates drawn from local authorities, advice agencies, and academia held in July 2012;
  o Attendance at DWP stakeholder events for local authorities;

• Qualitative interviews with thirteen low-income tenants concerning prior Social Fund use, living standards, and attitudes to welfare reform and credit union services and secondary analysis of interviews with a further eleven low-income households in London who will be subject to the benefit cap;

• The conduct of an on-line survey completed by 35 credit unions in November and December 2012;

• Five telephone interviews with credit unions and CDFIs actively involved in the development of local welfare schemes.

Structure of the report

The remainder of this report is structured as follows.

Chapter two provides an overview of the current Discretionary Social Fund and DWP’s stated policy objectives for its abolition and the devolution of the associated budget. It then sets out details of current spend on Community Care Grants and Crisis Loans, and provides an analysis of the budgets being devolved.

Chapter three then proceeds to summarise the approaches being taken to the delivery of local welfare provision in Scotland, Wales, and in a sample of 25 English local authorities.
Chapter four looks at the some of the implications of the English local authority proposals for very low-income households, drawing on the findings from previously published research and qualitative interviews with benefit claimants.

In chapter five we then examine the potential role of credit unions and CDFIs in delivering local welfare provision, reporting the findings from our engagement with third sector financial services providers over the course of the project and identifying possible opportunities and barriers to their future involvement in local welfare schemes.

Finally, chapter six brings together our key findings and presents our recommendations.
Chapter Two: The Discretionary Social Fund and the Budget for Local Welfare Provision

This chapter provides an overview of the current Discretionary Social Fund and DWP’s stated policy objectives for its abolition and the devolution of the associated budget. It then sets out details of current spend on Community Care Grants and Crisis Loans, including an analysis of the customer groups currently accessing this support, and provides an analysis of the budgets being devolved.

The Policy Objectives

The discretionary aspects of the current Social Fund\(^\text{19}\) provide three forms of support to some of the most vulnerable households in Great Britain. Specifically, these are:

- **Community Care Grants.** These are available to people in receipt of qualifying benefits\(^\text{20}\) who are facing exceptional financial pressures or who need help to meet expenses in order to prevent them from going into residential or institutional care. Grants can also be awarded to people who are not in receipt of benefits but are due to leave residential or institutional care within the following six weeks; to help families cope with the expense of caring for a prisoner or young offender who is on home leave; to help people set up home as part of a planned resettlement programme (e.g. where someone has previously been homeless), and to meet essential travel costs in certain circumstances\(^\text{21}\).

- **Crisis Loans:** These are interest free loans of up to £1500 available to anyone over 16 years old who does not have ‘sufficient resources to meet the immediate short term needs’ of themselves and/or their family. It is not necessary for applicants for crisis loans to be in receipt of qualifying benefits although they must be likely to be able to repay the loan. Crisis loans are made to cover expenses arising in an

---

\(^{19}\) The Social Fund provides for both Discretionary and Regulated payments. The Regulated payments include maternity and funeral grants but these are not subject to localisation and are to be incorporated into Universal Credit.

\(^{20}\) The qualifying benefits are Income Support, Income based Jobseeker’s Allowance, income related Employment and Support Allowance, and Pension Credit. Applicants for a budgeting loan must have been in receipt of one of these benefits for a period of at least 26 weeks although breaks in claim of up to 28 days are ignored.

\(^{21}\) For example to pay for benefit claimants to visit someone who is ill; attend a relative’s funeral; or to move to suitable accommodation.
emergency or following a disaster. Eligible expenses are living expenses\(^\text{22}\); rent in advance (but not deposits) to secure non local authority accommodation; charges for board and lodging; travel expenses when stranded away from home, and repaying emergency credit on a pre-payment fuel meter. In the case of a disaster such as a fire or a flood a crisis loan can also be provided to meet other expenses, for example to replace household items and clothing. A crisis loan for rent in advance can also be made despite the absence of an emergency or disaster provided that the applicant has also been awarded a Community Care Grant to re-establish themselves in the community following a stay in residential or institutional care. Finally crisis loans can also currently be made as ‘interim’ or ‘alignment payments’ to cover the period between a new claim and receipt of the first benefit payment.

- **Budgeting Loans:** These are interest free loans of between £100 and £1500 available to people who have been in receipt of the qualifying benefits for 26 weeks or more, to enable them to purchase essential items such as clothing, furniture, and household goods. Budgeting loans can also be used to pay for rent in advance to a landlord, removal costs, and to cover the costs associated with starting a new job as well as to pay off hire purchase or other debts provided these were incurred in order to pay for eligible expenses. Repayments are collected direct from future benefit payments by DWP with the maximum period for repayment currently set at 104 weeks.

To replace the Discretionary Social Fund from April 2013 onwards DWP has indicated that it will:

- Replace the interim and alignments payment aspects of Crisis Loans with a system of Short Term Advances of benefit, to cover living expenses up to the point of receipt of the first benefits for new claimants. Short Term Advances will be available to all claimants of any contributory or income related benefit from April 2013, provided that the claimant is in ‘financial need’. The draft regulations define this as where there is a ‘serious risk of damage to the health or safety’ of the claimant or a member of their family. Short Term Advances will be repaid by deductions from benefit and the

\(^{22}\) Crisis Loans for living expenses are restricted to 60 per cent of the personal allowance benefit rate. This currently equates to just £33.75 for a single person aged under 25 and for a lone parent aged under 18, rising to £42.60 for single people aged over 25 and lone parents over 18. Couples where at least one member is aged 18 or over can apply for a maximum loan in respect of living expenses of just £66.87 per week.
maximum period for repayment will usually be three months, although this can be extended to six months in ‘exceptional circumstances’.

- Replace Budgeting Loans with ‘Budgeting Advances’ in order to continue to provide a lending facility for those who are least likely to be able to access mainstream sources of credit. Budgeting Advances will become available to Universal Credit claimants from April 2013 onwards (as Universal Credit is itself rolled out). They will ‘reflect existing Budgeting Loan eligibility requirements and available amounts’, therefore requiring most claimants to have been in receipt of Universal Credit or one of the previous qualifying benefits for 26 weeks. However, there will be an exception for people who need a Budgeting Advance in order to meet costs associated with gaining employment or where items are needed in order to retain work. Where people are in employment then Budgeting Advances will only be available to them if their income is low, and DWP will specify a maximum earnings threshold for this purpose. Budgeting Advances will also be expected to be paid back over a shorter period – normally within 52 weeks, although this can be extended to 78 weeks in exceptional circumstances. Further to people will not be able to obtain a Budgeting Advance if they have a previous Budgeting Advance or Budgeting Loan outstanding. Transitional arrangements will be put in place so that Budgeting Loans remain available to benefit claimants who have not been transported onto Universal Credit;

- Devolve a programme budget of just over £178 million in each year for 2013/14 and 2014/15. The programme budgets will be allocated to the Scottish Government, Welsh Assembly Government and upper tier local authorities in England. In addition, DWP has announced that it will allocate additional amounts to support the set up and administration of local schemes.

The devolved budgets are intended to fund new local schemes (referred to by DWP as ‘local welfare provision’). Whilst there are no statutory obligations placed on local authorities and the devolved administrations in this respect, and the budget will not be ring-fenced, DWP has indicated\(^\text{23}\) that:

“…we expect the funding to be concentrated on those facing greatest difficulty in managing their income, and to enable a more flexible response to unavoidable need,

perhaps through a mix of cash or goods and aligning with the wider range of local support local authorities/devolved administrations already offer.

Further to this, DWP has also outlined its intention that:

- Local authorities and the devolved administrations will be free to define their own eligibility criteria for access to their new schemes;
- Local authorities will be free to decide whether or not to open their new schemes to general applications or to restrict access on a ‘referral only’ basis from specified services;
- Nevertheless, DWP has indicated that local welfare provision should be aligned with existing services, for example with adult social services. DWP is also encouraging local authorities to make links with probation services and housing services, as well as advocacy and other support organisations and to consider how food banks and furniture recycling centres can be used in place of cash payments;
- In England, local authorities will be free to collaborate in the provision of schemes across geographical boundaries if this is their preference.

It should be noted that there is no expectation that local authorities will put loan schemes in place, although they may do this if this is their preference. DWP has cautioned that the cost of operating such schemes would need to be taken into account. For example, even with the facility to collect repayments directly from benefit, DWP has noted that the administrative costs for the Social Fund loans scheme are relatively high and in many cases are greater than the value of the loan\textsuperscript{24}. As direct deductions from benefit would not be available to local authorities they would also need to pay for the additional cost of localised collection services.

Whilst it is clear that DWP wishes to provide maximum freedom to local authorities, there are concerns that the budget that is being made available will result in less support than is currently the case and that the resulting local schemes could vary greatly in terms of their effectiveness across Great Britain. The remainder of this chapter therefore looks at levels of current spend, including by providing an assessment of the proportion of this being

\textsuperscript{24} ‘Local support to replace Community Care Grants and Crisis Loans for living expenses in England: Government response to the call for evidence’, DWP, June 2011
accessed by different customer groups, and proceeds to compare this to the budget allocations for local welfare provision.

**Current spend on Community Care Grants and Crisis Loans**

In advance of the devolution of the budget to support local welfare provision, DWP has released a considerable amount of information concerning the existing use of the Discretionary Social Fund. This has included details of the amount of spend by customer group and the reasons for application, awards and refusals.

**Total Expenditure by Customer Group**

Total expenditure on Community Care Grants and Crisis Loans in 2011/12 amounted to just over £270 million and table 1, below, presents a basic overview of this expenditure broken down by customer group in the year.

**Table 1: Gross Expenditure on CCGs and Crisis Loans 2011/12 by claimant group**

| Customer Group | Community Care Grants | | Crisis Loans | |
|----------------|------------------------|------------------|-----------------|
|                | Amount (£m) | % of total | Amount (£m) | % of total |
| Pensioners     | 9.7         | 7       | 0.6        | 0.5       |
| Unemployed     | 29.8        | 21.4    | 82.3       | 61.7      |
| Disabled       | 43.4        | 31.2    | 21.2       | 15.9      |
| Lone Parents   | 41.3        | 29.6    | 17         | 12.8      |
| Others         | 15.1        | 10.8    | 12.1       | 9.1       |
| **Total**      | **139.3**   | 100     | **133.2**  | 100       |

As the table indicates, the extent to which different customer groups access support from the Social Fund varies considerably. For example, pensioners accounted for only 7 per cent of the expenditure on Community Care Grants and only 0.5 per cent of spend on Crisis Loans. In contrast, unemployed working age claimants accounted for around one fifth (21.4 per cent) of expenditure on grants and are by far the largest group when it comes to spend on Crisis Loans (61.7 per cent of total spend). The two other main claimant groups for which information has been supplied are people with disabilities and lone parents. Both of these groups accounts for nearly one third of all expenditure on grants (31.2 per cent and 29.6 per cent respectively) whilst they have much less expended on them by way of Crisis Loans (15.9 per cent and 12.8 per cent).

It should be noted that this picture changes when Crisis Loan alignment payments – the budget for which is not being devolved - are excluded. Although the same breakdown by
claimant groups is not available from DWP in this respect, it is possible to draw some inferences by looking at released data on Crisis Loan awards for general living expenses, which DWP breaks down according to household composition. This indicates that in 2011/12 lone parents accounted for around 20 per cent of awards of Crisis Loans for living expenses and that single men accounted for between 50 and 54 per cent. It is noticeable that couples accounted for only between 7 per cent and 11 per cent. A breakdown by country is provided in the table below.

Table 2: 2011/12 Crisis Loans awards for living expenses, by household indicators and country

<table>
<thead>
<tr>
<th></th>
<th>Lone Parent</th>
<th>No children under 16</th>
<th>Couples</th>
<th>Single Female</th>
<th>Single Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>20%</td>
<td>74%</td>
<td>9%</td>
<td>37%</td>
<td>53%</td>
</tr>
<tr>
<td>Wales</td>
<td>20%</td>
<td>74%</td>
<td>11%</td>
<td>38%</td>
<td>50%</td>
</tr>
<tr>
<td>Scotland</td>
<td>19%</td>
<td>78%</td>
<td>7%</td>
<td>39%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Although there appears to be some overlap in the categorizations – with lone parents also counted in the single female/ single male categories where appropriate – the data indicates that around three quarters of Crisis Loans awarded to help with living expenses are made to people without children, and that over half are made to single men.

The same dataset indicates that this pattern differs for Community Care Grants, with a lower proportion of these being made to households without children and much lower numbers of grants being made to single men (see following table).

Table 3: 2011/12 Community Care Grant Awards, by household indicators and country

<table>
<thead>
<tr>
<th></th>
<th>Lone parent</th>
<th>No children under 16</th>
<th>Couples</th>
<th>Single Female</th>
<th>Single Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>30%</td>
<td>62%</td>
<td>15%</td>
<td>50%</td>
<td>35%</td>
</tr>
<tr>
<td>Wales</td>
<td>28%</td>
<td>65%</td>
<td>16%</td>
<td>48%</td>
<td>35%</td>
</tr>
<tr>
<td>Scotland</td>
<td>27%</td>
<td>68%</td>
<td>14%</td>
<td>51%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Applications, awards, and refusals

DWP data has also been made available concerning the reasons for applications and awards as well as the reasons for applications to be refused.

Table 4, on the following page, sets out details of the awards made in respect of Community Care Grants for England in 2011/12. This includes the reason for the award; number of awards; total spend and the average (mean) level of award provided. In total, just over 201,300 awards were made in the year with a combined value of nearly £109 million.
Table 4: Community Care Grant awards, England, 2011/12

<table>
<thead>
<tr>
<th>Reason for award</th>
<th>Number</th>
<th>Spend</th>
<th>Average award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving out of residential/institutional</td>
<td>28,040</td>
<td>£7,283,800</td>
<td>£260</td>
</tr>
<tr>
<td>accommodation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Helping people to stay in the community</td>
<td>59,400</td>
<td>£31,863,500</td>
<td>£536</td>
</tr>
<tr>
<td>Families under exceptional pressure</td>
<td>95,960</td>
<td>£61,041,200</td>
<td>£636</td>
</tr>
<tr>
<td>Prisoners/offenders on temporary release</td>
<td>450</td>
<td>£112,500</td>
<td>£250</td>
</tr>
<tr>
<td>Planned resettlement</td>
<td>11,250</td>
<td>£7,587,500</td>
<td>£674</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>6,220</td>
<td>£950,300</td>
<td>£153</td>
</tr>
</tbody>
</table>

It is apparent that the majority of Community Care Grant expenditure in England in the year was in respect of people who were already living in the community, with awards to ‘families under exceptional pressure’ and ‘helping people to stay in the community’ together accounting for 85 per cent of the total £109 million spend.

Whilst the overall level of support being provided by way of Community Care Grants is substantial, it should also be noted that over half of all applications were refused in England in 2011/12. DWP data indicates that in the majority of cases this was either because the basic conditions for eligibility were not satisfied or because the application was for travel expenses and these were refused on budgetary grounds. For example, just over 42,000 applications were refused on the basis that the applicant was not in receipt of a qualifying benefit, and a further 146,000 applications were refused on the grounds that Direction 4 – which sets out the purposes for which awards can be made – was not satisfied. However, the Department indicates that around 254,000 eligible applications were received in the year, of which only 201,000 (79 per cent) resulted in an award. This suggests that there is currently a significant level of need which is going unmet.

With respect to Crisis Loans (excluding those for alignment payments), DWP reports that around 1.1 million applications were received in England in the year, and that this gave rise to just over 820,000 awards; indicating that around 75 per cent of applications were successful. Total spend amounted to just over £53 million. The table on the following page provides a breakdown of applications, awards and expenditure by reason for application.
Table 5: Crisis Loan applications, awards and spend by reason (England, 2011/12)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Applications</th>
<th>Awards</th>
<th>Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaving care and not entitled to benefit</td>
<td>4,190</td>
<td>3,710</td>
<td>£239,800</td>
</tr>
<tr>
<td>Leaving care - rent in advance</td>
<td>960</td>
<td>630</td>
<td>£253,300</td>
</tr>
<tr>
<td>Disaster e.g. fire, flood, explosion, chemical leaks etc</td>
<td>7,970</td>
<td>6,090</td>
<td>£378,800</td>
</tr>
<tr>
<td>Emergency travelling expenses</td>
<td>1,120</td>
<td>890</td>
<td>£54,300</td>
</tr>
<tr>
<td>Lost or stolen money/giro</td>
<td>235,160</td>
<td>166,040</td>
<td>£10,188,100</td>
</tr>
<tr>
<td>Capital not realizable</td>
<td>153,130</td>
<td>127,720</td>
<td>£7,297,600</td>
</tr>
<tr>
<td>Reconnection of fuel supply</td>
<td>1,420</td>
<td>1,100</td>
<td>£95,400</td>
</tr>
<tr>
<td>Homelessness - securing accommodation</td>
<td>28,140</td>
<td>11,080</td>
<td>£5,186,500</td>
</tr>
<tr>
<td>Benefit spent - living expenses required</td>
<td>596,510</td>
<td>469,730</td>
<td>£23,229,400</td>
</tr>
<tr>
<td>JSA disallowance/sanction imposed on customer or item needs replacement</td>
<td>76,410</td>
<td>40,870</td>
<td>£6,233,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,105,010</td>
<td>827,860</td>
<td><strong>£53,156,300</strong></td>
</tr>
</tbody>
</table>

As can be seen from the above, the largest single reason for application and subsequent spend was because people had spent their benefits and needed money to meet living expenses. Over half a million such applications were made in 2011/12, and around 78 per cent of these were successful; giving rise to total spend of just over £23 million (indicating an average award of just under £50). The second most likely reason for an application was because money had been lost or stolen – with over a quarter of a million applications. Although the success rate was lower (70 per cent), the average award made was higher at around £60 and total spend was just over £10 million. Taken together these two reasons for applications accounted for 62 per cent of all expenditure on Crisis Loans in the year (after discounting for alignment payments).

When the third most frequent reason (‘capital not realisable’ – meaning that help is required until the applicant can access capital or credit facilities) is taken into account then the proportion of Crisis Loan awards rises to 92 per cent and the proportion of spend to 76.5 per cent.

Concerning the reasons for Crisis Loans to be refused, the vast majority (81 per cent) of these took place because of a finding that there was no ‘serious risk to health and safety’, with refusals next most common (8 per cent) because the applicant was subject to a benefit sanction. A further 2.5 per cent of people were refused loans on the basis that a new loan
would take them over the maximum amount allowed or because they were considered unable to repay; and the same percentage were refused because they exceeded the limit on repeat applications (three within a rolling 12 month period).

**The budgets for local welfare provision**

In contrast to total Community Care Grant and Crisis Loan expenditure of over £270 million in 2011/12, DWP has allocated a programme budget of just £178 million to support the provision of local welfare schemes in 2013/14, although an additional one-off allocation is being made to support the set up of local schemes in 2013/14 and DWP has also provided financial support for administration. The amounts for set up and administration have been calculated by DWP as 1 per cent and 20 per cent of the programme amount respectively 25.

Table 6, below, provides a breakdown of the budget allocations for England, Scotland, and Wales for each of the following two financial years. It should be noted that DWP programme funding allocations were determined by calculating the proportion of spend in each local authority area in the first six months of 2011/12 as a percentage of total discretionary Social Fund in that period, and then applying those proportions to the fixed available budget (set out in the Comprehensive Spending Review) of just over £178 million.

**Table 6: Budget allocations for local welfare provision (£m’s, England, Scotland & Wales)**

<table>
<thead>
<tr>
<th></th>
<th>2013/14</th>
<th></th>
<th>2014/15</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Set up</td>
<td>Admin</td>
<td>Programme</td>
<td>Admin</td>
</tr>
<tr>
<td>England</td>
<td>1.4</td>
<td>30.5</td>
<td>144.1</td>
<td>27.9</td>
</tr>
<tr>
<td>Scotland</td>
<td>0.24</td>
<td>5</td>
<td>23.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Wales</td>
<td>0.1</td>
<td>2.1</td>
<td>10.2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1.74</strong></td>
<td><strong>37.6</strong></td>
<td><strong>178.1</strong></td>
<td><strong>34.5</strong></td>
</tr>
</tbody>
</table>

DWP has argued that the budgets being allocated to support local welfare provision do not represent a spending cut, because the full amount of budget identified within the Spending Review for this purpose is being distributed in programme funding 27. However, in reality the amount being allocated is significantly lower than the amount spent on the provision of Crisis

---


26 It should be noted that the 2014/15 allocations remain as ‘indicative’ at this stage as DWP has stated that it will review these on the basis of spend in the full year period for 2012/13. The outturn for this period will not, however, be available until after April 2013. DWP has therefore indicated that it will provide further details of the 2014/15 allocations in the Autumn.

Loans and Community Care Grants in 2011/12, and this was in its turn lower than the amount spent in 2010/11. Further detail is provided in table 7, below.

Table 7: Crisis loan and Community Care Grant Expenditure 2010 – 2012

<table>
<thead>
<tr>
<th></th>
<th>2010/11</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of awards (millions)</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Value (£m)</td>
<td>227.4</td>
<td>133.3</td>
</tr>
<tr>
<td>Average award (£’s)</td>
<td>87</td>
<td>63</td>
</tr>
<tr>
<td>Community Care Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of awards</td>
<td>0.254</td>
<td>0.216</td>
</tr>
<tr>
<td>Value (£m)</td>
<td>141</td>
<td>141</td>
</tr>
<tr>
<td>Average award (£’s)</td>
<td>555</td>
<td>653</td>
</tr>
<tr>
<td>Total Expenditure (£m’s)</td>
<td>368.4</td>
<td>274.3</td>
</tr>
</tbody>
</table>

As can be seen, in 2010/11 DWP spent a total of £368.4 million on Crisis Loans and Community Care Grants, with Crisis Loan expenditure forming the larger part of this (£227.4 million spent on 2.6 million awards). In comparison £141 million was spent on Community Care Grants in that year, although these grants were for larger individual amounts – averaging £555 compared to the £87 provided on Crisis Loans.

In 2011/12 the amount spent on Community Care Grants was frozen at £141 million, whilst expenditure on Crisis Loans was reduced significantly as a consequence of four restrictions. The first three of these were introduced by DWP in April 2011, with the last introduced in July that year. These were:

- Reducing the maximum amount of crisis loans for general living expenses from 75 per cent to 60 per cent of the claimant’s personal allowance;
- Capping the number of crisis loan awards that can be made to an applicant in any rolling 12 month period to three;
- Only making crisis loans for the replacement of items following a disaster such as flooding, fire, or gas explosion and not, as previously, where there were other reasons to make an award on the grounds of a serious risk to health and safety.
- Refusing to allow repeat applications for either Crisis Loans or Community Care Grants if this is for the same expense as previously claimed within the past 12 months, unless there has been a change of circumstances.
As a consequence, Crisis Loan expenditure in 2011/12 fell by 41 per cent to £133.3 million compared to the previous year.

It should, however, be noted that the above figures for Crisis Loan payments include an amount for the making of ‘interim’ or ‘alignment’ payments. In 2010/11 a total of £74.5 million was expended on Crisis Loans for this purpose and in 2011/12 this amount was £59 million. As DWP has indicated that these types of payment will be replaced by creating a system of ‘Short Term Advances’ within the proposed Universal Credit scheme, these amounts need to be disregarded when comparing previous spend with the amounts being devolved to support local welfare provision.

Nevertheless, as illustrated in table 8 below, the level of expenditure being devolved to support local schemes in 2013/14 is (on a like for like basis) some £155.9 million lower than the level of support provided to Discretionary Social Fund claimants in 2010/11. This reduction has been achieved by tightening the level of support available to Crisis Loan applicants and freezing the Community Care Grant budget.

Table 8: ‘Like for like’ comparison – actual CCG and Crisis Loan (non alignment) spend, 2010 - 2012

<table>
<thead>
<tr>
<th></th>
<th>2010/11 actual</th>
<th>2011/12 actual</th>
<th>2013/14 allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditure on CCGs and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crisis Loans less provision for</td>
<td>£293.9 million</td>
<td>£215.3 million</td>
<td>£178 million</td>
</tr>
<tr>
<td>alignment payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage reduction on previous year</td>
<td></td>
<td>26.7%</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

Finally, it should also be noted that a further reduction in the level of support available for some Crisis Loan applicants was introduced in April 2012, when the maximum amount of loan for living expenses was reduced to 30 per cent of their benefit personal allowance rate for applicants who live with relatives or friends.

The reductions in expenditure set out above have already been associated with an increase in demand for assistance from food banks and charitable trusts. For example, the Trussell Trust reports\(^{28}\) that the number of people seeking help from its food banks\(^ {29}\) more than

\(^{28}\) See [http://www.trusselltrust.org](http://www.trusselltrust.org) for further details.
doubled from 61,000 to 128,000 between 2010/11 and 2011/12. Commenting on the likely impact of the abolition of the Discretionary Social Fund and the development of local welfare provision, the Trust indicates that this rise in demand is expected to continue further:

“With less funding available, the locally administered replacements to the Social Fund are likely to help fewer people in need of temporary assistance. Food banks expect frontline care professionals to refer more people in crisis to them as a direct consequence…”

Charitable Trusts have also expressed concerns that they are likely to see an increase in demand as a result of the shift to local welfare provision. Benevolent charities currently provide around £570 million of financial assistance to individuals in need in the UK, taking referrals from local authorities and advice agencies. These charities are focused on providing help once all other options have been exhausted. However, from April 2013 they face the prospect, in England, of assessing whether applicants are entitled to help from 152 different local authority welfare schemes prior to making a grant. They have also become concerned that poorly designed local schemes will shift the burden of support from local authorities to the trusts and a number of them are working to develop a set of minimum standards for local welfare schemes that they wish to see put in place.

The distribution of the budget at the local level

As previously noted, DWP has used the actual spend on Community Care Grants and Crisis Loans for living expenses in the first six months of 2011/12 to determine the proportion of the available £178 million budget which will go to each upper tier local authority in England. This has resulted in historical variations in the take-up of the Social Fund being reflected in the budget allocations as the use of the Discretionary Social Fund has not been even across the country, with concentrations found in areas of high deprivation. To illustrate this, we now present three maps showing the distribution of spend on Crisis Loans for living expenses; Crisis Loans for the replacement of items; and Community Care Grants, by local authority.

29 The Trussell Trust operates by seeking donations of non perishable food from the public and using a network of volunteers and local centres to distribute these to people referred to it by front-line workers, for example in health and social services. Up to three consecutive food parcels can be provided to people referred to the service, and the Trust also looks to signpost people to additional sources of help to address underlying needs.

30 For further details of these see: [http://www.londonfunders.org.uk/sites/default/files/images/FINALCountdowntochange27Febeventreport.pdf](http://www.londonfunders.org.uk/sites/default/files/images/FINALCountdowntochange27Febeventreport.pdf)
area for England and Wales for the first six months of 2011/12. The maps therefore show (for England) the relative distribution of resources for upper tier local authorities from the available £144.1 million programme budget for 2013/14.

**Crisis loans for general living expenses**

![Distribution of expenditure on Crisis Loans for general living expenses (Apr – Sep 2011)](image)

Figure 1, above, maps the distribution of expenditure on Crisis Loans for general living expenses for the first six months of 2011/12. The red areas of the map represent local authorities where spend was highest\(^{31}\) and the dark blue represents the areas where spend was lowest\(^{32}\).

The map indicates that there are a number of English ‘hotspots’\(^{33}\) – clusters of local authorities where spend on Crisis Loans for living expenses is high\(^{34}\). These include:

\(^{31}\) In excess of £100,668
\(^{32}\) Up to £15,399
\(^{33}\) The budget for Wales has been allocated to the Welsh Assembly Government which is pursuing the development of a national scheme. We have therefore focused our analysis on the English local authorities.
The Greater Manchester authorities of Manchester, Salford, Stockport, Tameside, Oldham, Bury, Rochdale, Bolton, Wigan, and Trafford, which together accounted for a total spend of £1.9 million over the six month period.

The Yorkshire authorities of Leeds, Bradford, Kirklees, Wakefield, Doncaster, Rotherham and Sheffield which accounted for crisis loans totalling £1.48 million.

The West Midlands cluster of authorities comprising Birmingham, Sandwell, Walsall, Wolverhampton, Dudley, and Solihull which accounted for a total spend of over £1.3 million.

The Merseyside authorities comprising Liverpool, Wirral, Sefton, Knowsley, and St Helens, which together accounted for a total spend of £1.28 million.

The North East cluster of County Durham, Sunderland, South Tyneside, North Tyneside, Gateshead, Newcastle Upon Tyne, and Northumberland which accounted for a total spend of £1.12 million.

The London cluster of Lambeth, Southwark, Lewisham, Tower Hamlets, Hackney, Newham, Barking and Dagenham, Greenwich, and Croydon which together accounted for spend of £1.08 million.

**Crisis loans for the replacement of items**

Despite measures being taken by DWP in April 2011 to restrict the payment of crisis loans for the replacement of items to only those cases where this is required as the consequence of a disaster, a total of £9.4 million was expended in this respect in the 2011/12 financial year. Figure 2, on the following page, maps this expenditure at the local authority level in the first six month period of that year.

34 More detailed examination of the map can be on-line at [http://stats.cesi.org.uk/CfRCAtlas4/atlas.html](http://stats.cesi.org.uk/CfRCAtlas4/atlas.html)
Again, this identifies a number of significant ‘hotspots’ of expenditure (defined as those areas where spend was above £31,966 in the six month period). As with Crisis Loans for living expenses there are notable clusters in Yorkshire, the North West, West Midlands and London. However, there are also some areas where expenditure on Crisis Loans for living expenses was relatively low which now appear as higher spending areas in respect of Crisis Loans for items on this map. These include:

- A number of local authorities close to the south coast: Torbay, Poole, Bournemouth, Brighton and Hove, Shepway, Ashford, and Thanet;
- Authorities in and around the Thames Estuary area: Medway, Southend on Sea, Thurrock and Basildon.

A number of these areas appear to be prone to flooding, and the devolution of the budget to provide help for low-income households to replace items following floods could therefore present these local authorities with a major challenge moving forwards. In this respect the devolution of the budget represents a transfer of the risk from central to local government, and raises the concern that lower income households, which have a generally low take-up of
home contents insurance products, may therefore be left with an inadequate level of support\footnote{Low income households are less likely to take out home contents insurance to cover their property in the event of a flood or other disaster. For a recent review of issues relating to low income households and insurance against flooding see ‘Social Justice and the future of flood insurance’, O’Neill & O’Neill, Joseph Rowntree Foundation, March 2012, available here.}

\textit{Community Care Grants}

\textbf{Figure 3: Distribution of expenditure on Community Care Grants (Apr - Sep 2011)}

The distribution of spend on Community Care Grants is very similar to that seen in figure 1 concerning crisis loans for living expenses, but the amount of expenditure is much higher and there is a change in the ranking of spend in the different clusters identified previously:

- In London, a larger number of authorities can be identified as areas with high expenditure (defined as spend of more than £250,000 in the six month period), with...
twenty such Boroughs accounting for Community Care Grants totalling over £8 million.

- The West Midlands cluster of authorities accounted for £4.09 million of spend over the six month period.
- The cluster of authorities in Yorkshire accounted for spend of £3.9 million.
- In Greater Manchester total spend on Community Care Grants was £3.65 million.
- Community Care Grant spend on Merseyside was £2.7 million.
- The North East cluster of authorities accounted for spend of £2.49 million.

In addition to these clusters the mapping exercise identifies a number of other local authority areas with high Community Care Grant spending that were not previously identified as areas with the highest levels of spend by the Crisis Loans maps. These include Stoke on Trent (£387,156), Derby (£376,821), and Barnsley (£328,958).

It is also worth noting that because DWP intends to devolve budgets to upper tier local authorities, a number of County Councils will receive reasonably significant allocations although the individual Districts within these are not themselves identified as areas with very high levels of spend. For example, the seven District authorities within Leicestershire accounted for £330,000 of expenditure on Community Care Grants in the six month period that is being used as the basis for allocation. In Northamptonshire this was £0.6 million; and in Hertfordshire, £0.65 million. However, as we report later, the development of new local welfare schemes has been more difficult in the counties as compared to unitary authorities because of the fact that responsibilities for Adult Social Care and Housing, Revenues and Benefits are split between the County and District authorities.

The problem of allocating the budget on the basis of historical expenditure

As previously mentioned, DWP has chosen to allocate the budget to support local welfare provision on the basis of the pattern of Discretionary Social Fund expenditure for the first six months of 2011/12. This is problematic for three reasons:

36 Hillingdon, Brent, Bromley, Croydon, Lewisham, Greenwich, Newham, Barking and Dagenham, Tower Hamlets, Southwark, Westminster, Wandsworth, Camden, Islington, Haringey, Enfield, Barnet, Hackney, Waltham Forest, and Ealing
• Firstly, six months is a limited period over which to assess trends in expenditure;

• Secondly, there has been no attempt by the Department to assess how well the pattern of expenditure in those six months matches indicators of need (for example, whether the pattern of expenditure links to levels of deprivation at the local authority level);

• Thirdly, the take-up of the Social Fund has been found to be not only dependent on levels of demand but also on the presence of support for people to apply. For example, a National Audit Office survey in 2005 found that only 47 per cent of people on low incomes were aware of the Social Fund and that many were more likely to turn to family and friends for help or in some cases use commercial credit sources to help meet their needs. Further to this, awareness of the Social Fund was found to be particularly low amongst pensioners and minority ethnic groups, and Craig (2006, p.11) reports that applicants who sought advice prior to applying were more likely to be successful – indicating that the availability of advice services at the local level may be a key determinant of take-up.

For these reasons, we find it unlikely that the way in which the budget is being distributed is genuinely reflective of need at the local level.
Chapter Three: The Development of Local Welfare Provision

The decision to devolve the budgets for Community Care Grants and Crisis Loans, but not to place local authorities under any statutory duty to deliver new local schemes, has drawn criticism from a number of charities and welfare rights agencies. For example, a number of charities co-signed a letter to The Guardian in January 2012\(^\text{37}\), which argued that:

“Crisis loans and community care grants are the ultimate safety net for the most vulnerable in society. For example, they enable women and children fleeing domestic violence to clothe themselves and furnish their homes; or parents in rural areas who cannot afford a car to visit their child if they are taken into hospital unexpectedly. We are deeply concerned at the government’s proposals to abolish these elements of the social fund and pass some of the funding to local authorities, without any statutory obligation to ensure they provide emergency support to vulnerable people...As charities responding to the needs of vulnerable children and adults in already desperate circumstances, we fear these changes could be catastrophic for some, such as those who resort to illegal moneylenders or high-cost credit, or women who return to live with a violent partner because they have no money to furnish another home for their children.”

However, DWP has resisted calls for ‘ring fencing’ of the budget and has not provided any further guidance to local areas, other than by stating that\(^\text{38}\):

“...we expect the funding to be concentrated on those facing greatest difficulty in managing their income, and to enable a more flexible response to unavoidable need, perhaps through a mix of cash or goods and aligning with the wider range of local support local authorities/devolved administrations already offer. In short, the funding is to allow you to give flexible help to those in genuine need.”

Despite the flexibility provided, fears that the devolved administrations and local authorities would use the funding for purposes other than the development of new local welfare schemes appear, at least on the basis of information provided to us, to have proved largely unfounded. This is certainly the case in both Scotland and Wales, where the devolved administrations have stated that they will ring fence the funding to deliver their schemes.

\(^{37}\) http://www.guardian.co.uk/politics/2012/jan/08/rethink-needed-social-fund-reform
In addition, although there has been no comprehensive review of plans in England, our research leads us to believe that the vast majority of local authorities are planning to use the entirety of their funding allocation to support the delivery of local schemes. This view is based on:

- A survey of local authorities and stakeholder organisations conducted in May and June 2012, which elicited responses from 72 local authority areas in England (approximately 20 per cent of all local authority areas) – all of which stated that the funding was intended to be used to support the delivery of new local welfare provision, and;

- A desk based review of 25 local authority plans put before their Cabinet meetings in December 2012 and January 2013. Again, we found that all of these plans recommended that the full amount of the proposed set up, administrative, and programme allocations be put towards the creation and delivery of new local schemes.

However, as we now proceed to report, in response to the fact that DWP allocations are lower than existing Community Care Grant and Crisis Loan expenditure, we also find that a number of local schemes will involve further restrictions on the eligibility for, and level of assistance that will be provided.

**The Scottish Welfare Fund**

The Scottish Government has announced that it will create a new Fund, ‘the Scottish Welfare Fund’ to replace the provision of Community Care Grants and Crisis Loans in Scotland. This will be a national scheme, with a single set of eligibility criteria and guidance for decision makers put in place across Scotland. However, the Fund will be administered by Scottish local authorities, which are also being encouraged to link assistance with other local provision that can help to better address the underlying needs that give rise to applications:

The full guidance for local authorities has now been published by the Scottish Government. This indicates that the Scottish Welfare Fund is intended to:

- Provide a safety net in an emergency when there is an immediate threat to health and safety (Crisis Grants), and
- Enable independent living or continued independent living, preventing the need for institutional care (Community Care Grants).

Whilst Crisis Loans are to be replaced by Grants, the scheme reflects existing provision in that these will be awarded to help meet expenses that have arisen as a result of an emergency or disaster in order to avoid serious damage or serious risk to the health or safety of the applicant or their family, and the Fund will also retain Community Care Grants in order to:

- Help people establish themselves in the community following a period of care where circumstances indicate that there is an identifiable risk of the person not being able to live independently without this help;

- Help people remain in the community rather than going into care where circumstances indicate that there is an identifiable risk of the person not being able to live independently without this help;

- Help people set up home in the community, as part of a planned resettlement programme, following an unsettled way of life;

- Help families facing exceptional pressures and who lack the resources to meet irregular costs to provide a safe and secure environment for their children;

- Help people to care for a prisoner or young offender on release on temporary licence.

It should be noted that these criteria include a significant restriction compared to the current Social Fund eligibility in respect of payments for families facing ‘exceptional pressure’. In the current Social Fund scheme the term ‘families’ is interpreted very broadly and can include people without children. However, the Scottish Welfare Fund proposals restrict this term to mean people with children only. This change means that families who do not have children will not receive support under this criterion – although they may continue to do so in relation to others – for example when leaving care to resettle in the community\(^39\). Although the Scottish Government has published a draft equalities impact assessment highlighting

\(^39\) The Scottish Fund also sets out a number of excluded items over and above those contained in the current DWP scheme. However, these are generally designed to avoid duplication with other schemes of assistance, for example with Sure Start Maternity Grants and, following consultation, the Scottish Government has agreed to ensure that local authorities have a lot of discretion in the final application of rules rather than exclude people with needs that may not be able to be met elsewhere.
this change, this does not quantify the number of households without children who are likely
to be refused access to the new scheme as a result.

Integration with local services

The Scottish Government has indicated that the Scottish Welfare Fund will be an interim
scheme for two years, and that this period will be used to assess how provision can be
improved. It is hoping that delivery of the Fund through local authorities in Scotland will:

“…allow for a more holistic approach than was possible with national call centre
provision, for example linking to services which may build capacity, such as offering
budgeting or other money advice, or encouraging saving. The aim is to support
individuals, families and communities to manage better in the longer term and promote
resilience.”

The extent to which the Fund interacts with this additional provision will be monitored and
local authorities will be encouraged to share best practice. Further to this local authorities
are also to be allowed to provide assistance by either: directly purchasing items for
applicants; or giving vouchers, rather than making cash payments. The direct purchasing of
items is expected to deliver efficiencies:

“The advantage of providing goods rather than cash grants is that we would expect to be
able to deliver the same support for less money, or to provide more support for the same
money.”

However, the Scottish Government is also conscious that:

- Local authorities have different levels of capacity to deliver on this aspect of the
  Fund’s proposals;
- The provision of vouchers can lead to stigma, and
- Making grants is more in-line with DWP’s overall aims of supporting people to
  financial independence.

As a consequence, the Guidance for the Scottish Welfare Fund indicates that it will be for
individual local authorities to decide whether or not to provide a Grant or to meet needs by
providing goods or, in some cases, vouchers although the Guidance also sets out a number
of factors that local authorities will need to take into account when deciding on the form of assistance to be provided.

In respect of deciding whether or not to provide goods, the Guidance indicates that local authorities should take account of:

- Balancing quality, cost and the projected life of the item to make sure that the decision represents best value;
- The capacity of the applicant to travel to make purchases and the delivery costs associated with delivery of bulky goods;
- What infrastructure the Local Authority has in place to make bulk purchases and other local services available e.g. furniture re-use schemes;
- The likely wear on the item and the effect of that on its life as this may have an impact on repeated claims e.g. if a washing machine is going to have heavy use, a second hand machine may not last as long;
- Any specific needs due to equalities considerations for example a need for adapted furniture because of a disability;
- Energy efficiency of the products being chosen – where possible, white goods should be A rated.

And when considering whether or not to issue food vouchers, Scottish local authorities are encouraged to take account of:

“…the stigma attached and take any steps they can to minimise this. The cost of in kind support in the form of food or food vouchers should be deducted from the Scottish Welfare Fund budget in order not to place pressure on third sector food banks. If an application has been unsuccessful, Local Authorities may consider signposting to local food banks to meet the applicant’s immediate need.”

Importantly, the Scottish Government has also rejected the use of loan funds, primarily because of 'the costs associated with recovery'. This decision significantly reduces the amount of money available to the scheme, as around 50 per cent of Crisis Loans are currently funded through the recycling of loan repayments. However, the Guidance also points out that local authorities will need to 'make links with...credit unions and other sources of affordable credit' and that, subject to their agreement, applicants for assistance
could be referred to these services either instead of receiving a Grant (where this is appropriate) or in addition to this, for example in order to help address underlying problems in the longer term.

Finally, it should be noted that the Scottish Government will put in place clear monitoring requirements for local authorities. A detailed monitoring specification has been developed for this purpose, which will capture significantly more information concerning the financial position of applicants and the reasons for their applications to the scheme than is currently gathered by DWP. The proposed monitoring scheme will also be used to obtain information concerning the extent to which applicants have been referred on to additional service provision. Further to this, an agreement between the Scottish Government and the Convention of Scottish Local Authorities (‘COSLA’) commits local authorities to take part in regular meetings with the Scottish Government to review the operation of the interim scheme and to help develop a permanent scheme moving forwards. Discussions with officers in the Scottish Government indicate that as part of these discussions, local authorities will be able to feed through views about the extent to which the Welfare Fund is picking up issues caused by problems elsewhere in the welfare system and feed these through the Scottish Government into DWP policy making.

The Welsh Social Fund

The Welsh Assembly Government consulted on options for the delivery of a new Social Fund scheme in Wales between January and the end of March 2012. In July that year, a statement was made by the Minister for Local Government and Communities, Carl Sargeant, in which he indicated that this supported the development of a national scheme for Wales which:

- Has clear national qualifying criteria in order to ensure consistency of delivery across Wales;
- Is grant based; because of the cost and complexity of recovering loans of small value. However, it was noted that this view was balanced by a significant number of respondents who believed a loan facility should be continued because of concerns that the fund will diminish if it is purely grant based.
- Provides for the use of vouchers, with the caveat that cash payments should remain an option where goods and services would not cover some particular needs. There
was also a call for this arrangement to be supported by food banks and recycling initiatives, where those are available locally;

- Linked with local agencies and the need to make relevant signposting to further sources of help and support available. These should include financial capability, money advice, income maximisation and affordable credit to ensure that the underlying problems faced by those on low incomes are addressed at the point of application, with relevant signposting to support in order to maximise income and organise finances better to help avoid repeat claims.

In his July statement, Mr Sargeant said:

“I am seeking to develop a scheme that is built on partnership but is also supported through local arrangements, to allow some local flexibility. I believe that the best option for delivery might be through the procurement of a single organisation to manage the scheme and to establish local consortia arrangements to deliver it. I have therefore asked officials to explore that option in more detail.”

This was then followed by an announcement in November 2012 that a private sector company, Northgate Public Services, had been awarded the contract from the Assembly Government to deliver the Welsh Social Fund in partnership with the Family Fund and Wrexham Borough Council. Making the announcement, Mr Sargeant emphasised that:

“Northgate Public Services will administer the scheme…on our behalf and will ensure the scheme is accessible to anyone who wants to apply. Northgate Public Services will work closely with partner organisations, particularly those working with vulnerable groups within the third and statutory sectors to ensure the scheme reaches those most in need of help.”

However, as at the time of this report the specific national criteria that will apply with regard to eligibility; and the types, and extent, of assistance that will be made available across Wales are still not known.

**English local authorities**

There is currently no comprehensive record of proposed schemes for English local authorities. To help determine the position with regard to the development of local welfare provision we therefore:
Conducted an on-line survey of local authorities and stakeholders in June 2012\(^{40}\);

Undertook a review of Cabinet and Committee reports for 25 local authorities published in January and February 2013\(^{41}\), and

Conducted participative research in the development of Leicestershire County Council’s scheme by attending a number of meetings concerning the development of this over the past six months.

This has allowed us to track the development of local welfare schemes over the course of the past year. It is apparent from this work that the development of local schemes has been a considerable challenge for many local authorities. For example, our June survey revealed that Councils felt hindered in the development of their plans by a lack of clarity about the amount of budget being devolved, including in respect of set up funding and administration. In this respect, indicative budget allocations were only provided to local authorities by DWP on 6th August 2012, and the final confirmation of funding was only provided in December.

As a consequence, many local authorities had still not published details of their plans by the time of our review of Cabinet and Committee papers, conducted at the start of this year. Although we have been able to obtain details of Cabinet and Committee papers in 25 cases, in a number of others no such papers could be located and the public websites of local authorities often referred to schemes still being determined, with members of the public advised to check regularly for the latest developments. This was concerning as the search for Cabinet and Committee papers took place less than three months away from the date on which the national Discretionary Social Fund scheme will end.

Both our June survey and the review of Cabinet and Committee papers in January 2013 indicate that there has been considerable variation in the extent to which proposals for local schemes had been consulted upon. A number of local authorities, for example Lambeth,

\(^{40}\) A total of 68 responses were received to the on-line survey, with 15 of these coming from local authorities and the remaining 53 from other agencies. These included a wide range of potential voluntary and community sector partners (19) including organisations working with vulnerable older people, drug and alcohol users, and ex-offenders. We also received responses from nine advice agencies including two national bodies as well as local debt advice services, and seven responses from the credit union and CDFI sector. Five responses were received from Housing Associations, some of which were working across local authority boundaries.

\(^{41}\) These are: Barnsley, Brighton and Hove, Manchester, Norfolk, Bedford, Calderdale, East Sussex, Merton, Northumberland, Surrey, Hertfordshire, Portsmouth, Birmingham, Derbyshire, Harrow, Milton Keynes, Solihull, Waltham Forest, Ealing, Devon, Lambeth, Sefton, NE Lincolnshire, Southampton, and Salford.
have conducted full public consultations on their proposed schemes. However, this is not the case in other areas, where consultation has often been limited to key external stakeholders. As a consequence we are concerned that people who are likely to need assistance in the near future have little or no awareness of the forthcoming changes in many areas.

Aside from the delays concerning the funding position, our June survey also highlighted a number of other factors which were frustrating the development of local schemes. These included the need to determine the most appropriate lead Department within the local authority. Our survey indicated that the Revenues and Benefits Department was most likely to be leading on social fund localisation within unitary authorities, but that in County authorities the lead was most likely to be taken by the Adult Social Care Department. County authorities in particular appeared to be struggling with the development of schemes as they did not have existing responsibility for the administration of benefit payments, and also needed to come to an agreement with their District authorities concerning the administration of any new scheme. This distinction in the level of challenge faced by Unitary and County authorities does not appear to have been factored into DWP plans at any point and there appears to have been no recognition of the differential costs of setting up schemes between Unitary and County authorities in the funding allocations provided for this purpose.

The June survey also indicated that local authorities would have appreciated more information to help them determine likely levels of demand and more support to develop the eligibility criteria for their schemes. Although DWP has released a considerable amount of information concerning the use of the current scheme this has not enabled local authorities to accurately predict future demand, and, as we report below, many have therefore taken the decision to put in place schemes on an interim basis and to learn through experience. Further to this, the continuation of funding for local welfare provision beyond 2014/15 is subject to the forthcoming Comprehensive Spending Review, and local authorities will inevitably have to review their provision following details of any new settlement at that point.

Despite these problems our review of Cabinet and Committee reports in January 2013 found that around half (13) of these had set out considerable detail for their schemes in the four key areas of:

- Purpose of the scheme and eligibility criteria;
• Access arrangements;
• Types of assistance to be provided, and
• Decision making processes, and reviews.

In the remaining 12 local authority areas we found that, although some high level decisions had been taken in these areas, notably in respect of the overarching purpose of the local scheme and in relation to the approach that the authority intended to pursue for delivery, there remained a lack of detail concerning other aspects.

The remainder of this chapter now sets out details of the different approaches that are emerging at this stage in England. These are provided in turn in respect of each of the four key areas identified above.

**Purpose of the schemes and eligibility criteria**

Broadly speaking all of the local authorities included in our review have sought to replicate the overarching purpose of the current Discretionary Social Fund by focusing their proposals for local welfare provision on three main groups:

• Those who need help to establish themselves in the community;
• Those who need help to remain in the community; and
• Those households with insufficient resources to meet an urgent need that poses a risk to their health and safety.

However, it should be noted that whilst most local authorities are sticking with the thrust of current provision, this is most often stated as an interim measure, which will be reviewed once further information (gained in the practice of delivery) concerning demand and the needs of applicants has been obtained. For example, as Derbyshire put it:

“Given the tight timescale for the set up and delivery of local welfare provision/ the Derbyshire Discretionary Fund and the uncertainties over future demand, the current approach of the DWP will be applied wherever practicable and appropriate; for example, adapting the established Social Fund ‘direction and guidance’ to Derbyshire in the initial period. It will allow the Council to gauge the adequacy of the funding relative to presenting needs. The intention is, however, that the Derbyshire system to administer
the Fund will be reviewed over the next two years, as better local data is collected and analysed on the nature and level of applications.”

A considerable number of local authorities have indicated that their interim measures will be reviewed more quickly than this. For example, North East Lincolnshire is proposing a review in September this year; the London Boroughs of Lambeth and Merton in October; Calderdale in December; and Norfolk, Manchester, Brighton and Hove, and Devon have all committed to a review in April 2014.

The reasons for early review are not limited to assessing demand and financial pressures, but are also concerned with the need to better integrate the new provision with existing services in the area in order to address underlying needs. For example, Manchester City Council has noted:

“It is intended that as the scheme develops the grants and loans are linked in with the work that the Council is doing with complex families and other community budget cohorts. The Council may in the future determine that additional financial support in the form of a loan or grants is conditional on people engaging with other services or programmes, as it is may be an indicator of other underlying issues e.g. families with chaotic lifestyles or frail elderly residents who need a wrap around service. The advice and support that is provided should also include a pointer to employment support and skills as well as a challenge to people to access them.”

This ongoing need to better integrate provision has also been noted by Hertfordshire County Council, which has identified a ‘key success measure’ for its new provision as:

“…a decrease in requests for support over time, increased use of existing local resources and universal services, and citizens becoming more financially capable by:

- Triaging requests for / signpost or refer to appropriate and existing resources in the community. Applicants would then be steered toward financial and budgeting advice\(^\text{42}\). Where necessary loans and grants will still be available, subject to meeting specified eligibility criteria.

- Improve existing arrangements to deliver a more integrated scheme that meets immediate need and enables citizens to access further help and support.”

\(^\text{42}\) The intention is to provide this through Citizens Advice.
For unitary authorities, this integration includes the bringing together of other local welfare provision with other discretionary funds, including Discretionary Housing Payments. However, this is proving harder to achieve in County authorities were the responsibility for local welfare provision lies with the County but Discretionary Housing Payments are the responsibility of the Districts. In these areas, negotiations have been required as to the distinct purposes that will be met by each fund.

It should, however, also be noted that whilst the general purpose of the schemes remain close to that of the existing Social Fund, several local authorities have, in response to the funding settlement provided by DWP, indicated that they will restrict the number of people eligible for help through their schemes in a number of ways:

- Most of the local authorities have introduced residence requirements – requiring that people either already live in the area or can demonstrate that it is their ‘centre of interest’, or are subject to a statutory housing duty\(^43\);

- The majority also make it a condition of local assistance that all other forms of help, including possible use of Budgeting Advances or Budgeting Loans have been exhausted;

- A number of the local authorities (for example, Leicestershire, Birmingham, and North East Lincolnshire, and Calderdale) propose to restrict the number of crisis awards to two in any rolling 12 month period;

- Birmingham is also proposing to restrict the number of applications to for ‘Community Support Grants’ to 2 per year, although it is also proposing to allow people with physical disabilities to apply up to 3 times per year on the basis that they may need to replace items on a more frequent basis than other groups.

\(^{43}\) For example, London Funders have recently reported discussions with 25 London boroughs, revealing that twelve of these will require people to have been resident for six weeks or more before they are considered to have a local connection, while others range from three to six months, or just require an address in the borough. Some local authorities remain worried about the level of demand they may experience that comes from other boroughs. Lambeth will have an exceptional scheme for those who have experienced domestic violence, and for ex-prisoners, and will support with community care grants those whom they place in other boroughs. 25 boroughs have agreed to treat ex-prisoners in the same way, but it has not been possible to get wider agreement on local connection.
Milton Keynes proposes to make only one award to households in any six month period unless there is evidence of 'significant exceptional need' and to reject new applications from people who have previously applied, but been rejected, in the previous six months unless they can demonstrate 'exceptional circumstances';

Calderdale proposes to reduce the amount of allowable capital that an applicant can have before becoming ineligible for assistance to £250 for working age applicants and £500 for people of pension age (currently £500 working age and £1000 pension age disregarded).

**Access Arrangements**

In general terms there we found that there are four approaches being developed by English local authorities in respect of access arrangements. These are:

1. The creation of new dedicated teams (in-house within the authorities) to take applications and made decisions concerning eligibility and awards;

2. The use of existing Council provision – for example, by using existing Revenues and Benefits teams;

3. The use of the voluntary sector as ‘gateway’ services, to check whether or not other local provision could meet the needs that are presented prior to referring into the authority for the determination of an application for an award under the new scheme; and

4. The commissioning of services through specialist providers, for example Northgate, which will take applications on behalf of the authority and determine these in line with the eligibility criteria and other policies that have been set for them.

We now provide illustrative case studies in respect of each of these.

1. **Creation of new dedicated teams (East Sussex County Council)**

East Sussex County Council is establishing a new Central Decision Making Unit within its Adult Social Care Department to administer its local welfare provision, which will be called the ‘Discretionary East Sussex Crisis Support Scheme’. According to the Council, the scheme will be provide ‘event-based emergency assistance’ to provide ‘a safety net' with a
focus on meeting the most fundamental needs of safety, food, shelter, financial advice and support to break the cycle of crisis/need.

The scheme is focused on:

- Helping people to re-establish themselves in the community following a stay in care;
- Helping with the care of a prisoner or young offender released on temporary licence;
- Easing exceptional pressures on families;
- Helping people setting up home as part of a resettlement programme.

The role of the Central Decision Making Unit will be to take applications, determine eligibility, and then work in partnership with community voluntary sector and District and Borough Housing departments to deliver services that meet the needs of applicants. It should be noted that goods and services, not cash, will be provided directly to people who meet the criteria for support, with these predominantly provided by the voluntary sector.

Because the budget is cash limited, the Council proposes to undertake budget profiling and has indicated that its eligibility criteria may need to be adjusted as the year progresses.

The intention is to develop a web based application system with the option for paper based applications and a free telephone help line44. A publicity campaign to highlight what is offered, establish expectations (e.g. no cash) and how to access the service will be undertaken.

It is estimated that the Central Administrative Unit will cost in the region of £250,000 per year. The team will comprise of a Team Manager, Resource Officers and Customer Service Staff. The set up costs for this team in 2012/13 are likely to be in the region of £125,000. This compares with the DWP allocation for set up costs of £9,925 and administration costs of £209,716 in 2013/14. As a consequence, the Council is having to supplement the DWP allocation with financial resources identified elsewhere, and has stated that ‘if there is no further funding from government the set up costs will be funded from the current underspend in the Supporting People budget.’

2. Use of existing Council teams (London Borough of Merton)

44 It should be noted that the Equalities Impact Assessment for the proposed scheme includes reference to the potential need to develop an out of hours service, although no further details of this are provided.
Merton Borough Council is proposing to deliver an in-house service, which will be based in its existing Revenue and Benefits Team. Its rationale for this is:

- The Benefits Section have already got ‘established contact with the widest range of potential clients’;
- There is an established framework for delivering needs based benefits and access to DWP data which could inform decisions (subject to DWP data use policies); and
- There is also an established team dealing with appeals against benefit related decisions which could be used to support this new scheme.

Whilst Merton considered the potential outsourcing of the service, this was rejected because:

- The time frame to implement by April 2013 makes any meaningfully engagement to outsource difficult;
- Advice from the Procurement team was that they would have to go out to full tender if they were to consider using the voluntary sector;
- It is intended that Cabinet be presented with eligibility criteria in January 2013, and until these are agreed they would not be able to draw up a specification;
- “DWP have provided such limited data that is difficult to predict demand on the programme, therefore tendering becomes even more speculative. DWP have also provided circa 43% less funding than that which is issued in the existing scheme, therefore the programme must be implemented very carefully to keep within budget, this maybe best done internally”; and
- Finally DWP have only committed to funding for two years (up to March 2015) the Council will therefore have to manage customer expectations on this programme.

However, Merton has also indicated the use of an in-house team does not preclude possible outsourcing at a later date and that it will review provision after six and eighteen months.

The proposed application process will be online and by telephone only, and officers are currently considering options to utilise the Council’s call centre staff to administer part of the application process. Further to this programme funding will be profiled over the year to
ensure that the Council does not overspend beyond the allocated DWP programme funding. Profiling will acknowledge seasonal demand and pressures. Whilst the Council acknowledges that ‘there is a risk that this may result in some individuals who are eligible for funding being turned away due to budgetary constraints’, their advice from legal services is that this is an acceptable method of delivery so long as the Council is transparent in its approach.

Merton indicates that the allocation in respect of set up costs is inadequate. Merton has received one off set up funding of £3,669 but has identified that the costs of establishing its scheme will include:

- Costs of £12,000 in year one and £7,000 in year two for additional IT services from its current Revenues and Benefits application supplier (‘Civica’); and

- Estimated set up costs of £6,000 for pre-paid services from the Post Office. This will then be followed by administrative fees per transaction of £0.60p

However, its ongoing administrative costs will be met by the DWP allocation of £77,531 in 2013/14.

3. Use of voluntary sector as ‘gateway’ services (Hertfordshire County Council)

Hertfordshire County Council is proposing to establish a ‘triage system’, which utilizes its established ‘HertsHelp’ network of over 120 voluntary and community organisations. The Council proposes that HertsHelp will act as the “hub” and manage and administer access to crisis loans and grants, with clear referral routes to help and support people.

“Access to loans and grants will be a last resort after exploring all options and support currently available in the community. Where the person is eligible and immediate relief is required, HertsHelp will agree a loan or grant in principle and refer to the relevant provider. There will be an in-built assumption that any assistance will be accompanied by pro-active advice about budgeting / managing money better so as not to perpetuate requests.”

To support delivery the Council is proposing that:

- The Citizens Advice Bureau will increase their capacity to provide benefit and financial management advice of people signposted from HertsHelp and self referrals;
• HertsSavers (Hertfordshire’s countywide credit union) will be used to assess risk and give manageable loans at their normal interest rates, with a view to reducing emergency support and reducing repeat requests for crisis type payments and allows considerable funds to be recouped. HertsSavers will offer loans accompanied by financial advice. Although the Council notes that crisis loans are currently interest-free, and the charging of interest could reduce demand they consider that the credit union rates are still ‘favourable compared to those of high interest commercial loans or loan sharks’;

• Grants be provided via the Family Fund - a government backed charity already setup to deliver payment cards; gift vouchers; products and cash payments to parents of disabled children. “The Family Fund have indicated that they are willing to extend their service, at a reasonable cost, to any family or individual that the County Council recommends. Their support can be provided directly at reduced cost in a non-stigmatising, secure, auditable, timely and professional manner.”

Concerning the administration costs for the scheme, the Council note these will be within the ‘envelope’ provided by DWP of £373,000 for this purpose in in 2013/14.

4. Commissioned service delivery (Leicestershire County Council & Portsmouth City Council)

Leicestershire County Council is commissioning Northgate Public Services to provide a service that will be able to take applications on-line, by phone, or with face to face support from agreed agencies such as the District Councils or Citizen Advice Bureaux in the county.

Although the applications will then be determined by Northgate Public Services, it should be noted that the County Council retains control of the eligibility criteria (which are currently being consulted upon) and is also seeking to ensure that details of local provision which may be able to assist in meeting underlying needs is made available to Northgate staff in order to encourage referrals. Once an application is approved then Northgate staff will, in most cases refer to the Family Fund Trust for the delivery of vouchers to enable requested items to be purchased.

The decision to commission the provision of the local welfare scheme in Leicestershire appears to have been driven, at least in part, by the low level of start-up funding allocated to the Council and the need to negotiate how a locally provided service would operate across
seven District authorities. In Leicestershire the start up allocation was just £8,869 and it became apparent following discussions with the Districts in late 2012 that this would not be adequate for them to deliver the new scheme, although they are looking to support this by, for example, taking applications and providing information to Northgate about ‘wrap around’ provision which can be accessed to support applicants. The County Council is therefore now seeking to ensure that the commissioned service links effectively with this, and other, provision – for example services available in the voluntary and community sector.

**Portsmouth City Council** has also taken a decision to commission services, and issued a tender for this provision on 27\(^{th}\) September 2012. The decision to proceed to a tender was made by its Cabinet on 23\(^{rd}\) July 2012 following an assessment of other options including the creation of a new in-house service and the linking of new welfare provision to one of the Council's existing teams.

In the final analysis, Portsmouth decided to proceed with a tender because:

- The costs of commissioning the service were expected to be cheaper than providing it in-house;
- The officer time required to run the tender process was ‘manageable within current resources’;
- The process would ensure that the service was ‘up and running’ in time for the beginning of April 2013, without having a ‘detrimental effect’ on current City Council Services which were already under considerable pressure;
- The scheme would be ‘independent’ of the Council and people using it would be ‘less likely to confuse it’ with other funds managed by the authority

However, the City Council also recognised that the specification for the service would need to be designed in order to ensure that ‘the service is focused on those who are most vulnerable, checking that the fund is accessible throughout the year and not spent in the first few months and ensuring it meets local needs’.

**Types of assistance to be provided**

Our review indicates a considerable variation in approach regarding both the types of assistance that local authorities are seeking to provide and the hierarchy in which different types of assistance will apply.
For example, as we reported above, Hertfordshire is seeking to establish a scheme which utilises their voluntary sector network as a ‘gateway’ to the scheme – ensuring that all other means of meeting needs have been considered prior to making funds available through the scheme. However, where this is required, it is prepared to offer both loans (through its credit union) and grants (from the Family Fund).

Similarly, Southampton City Council is proposing to establish a scheme which provides for a ‘phased and tiered approach, co-ordinated by the city council and supported by a multi-agency, advisory group’ based on 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.

Crisis loans will be replaced by ‘Crisis Emergency Support’, which will provide food vouchers to those in exceptional need, whilst the Council will also work with credit unions to ensure that they are the ‘first step’ in providing financial support. Reporting on the outcomes of consultation with local agencies in this respect, the Council has noted:

“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.”

Southampton is also looking to put in place measures to replace Community Care Grants. These ‘Crisis Prevention’ measures include reviewing the extent to which local services can
supply essential items, as well as: (i) extending local furniture projects to enable increased collection and distribution of furniture and household items; (ii) developing a local white goods scheme; (iii) ensuring services are able to refer people for Furniture and Household Packages, and (iv) commissioning other provision to enable people to access items that are not available from local projects.

In addition to Hertfordshire and Southampton we also found loan schemes proposed by Manchester, Barnsley, Lambeth, Waltham Forest, Merton, and Northumberland; although the details of these are only beginning to emerge and are varied. We therefore provide an overview of the emerging features of these schemes in the table below, and comment on each local authority’s plans in more detail thereafter.

Table 9: Features of emerging loan schemes, selected English Local Authorities

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Underwriting/Costs</th>
<th>Max. Value</th>
<th>Max. number of loans</th>
<th>Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manchester</td>
<td>‘Low interest loans’ scheme proposed. Loans to be fully underwritten by local authority and administrative costs of the scheme also met.</td>
<td>£200</td>
<td>3 loans in any 12 month period</td>
<td>Provision to be commissioned from a local provider with ‘city-wide’ reach</td>
</tr>
<tr>
<td>Barnsley</td>
<td>Both grants and loans to be administered through the credit union – no further details published.</td>
<td>N/A</td>
<td>N/A</td>
<td>Credit Union</td>
</tr>
<tr>
<td>Lambeth</td>
<td>Crisis loans fully underwritten by local authority, but 2% interest per month proposed. As a condition of taking the loan benefits will need to be paid into a Credit Union account.</td>
<td>N/A</td>
<td>2 loans in any 12 month period</td>
<td>Credit Union</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>Loans charged at 2% interest per month, plus one off admin charge of £3</td>
<td>N/A</td>
<td>N/A</td>
<td>Credit Union</td>
</tr>
<tr>
<td>Merton</td>
<td>0% interest</td>
<td>N/A</td>
<td>N/A</td>
<td>Local authority</td>
</tr>
<tr>
<td>Northumberland</td>
<td>Grants and loans administered by CDFI. 0% interest on loans - local authority paying for loan plus on costs per expected application</td>
<td>N/A</td>
<td>N/A</td>
<td>Five Lamps (CDFI)</td>
</tr>
</tbody>
</table>
Manchester City Council

Noting that the types of customers seeking loans from the Local Welfare Provision are likely to be ‘those residents who have been turned down for mainstream finance from high street banks’ and at risk of turning to ‘payday lender companies charging high levels of interest which the Council would want to avoid pushing residents towards’, the Council has indicated that it will use the introduction of its scheme to further develop responsible lending alternatives and ‘test new models of loan provision alongside additional support and advice’.

Due to the high risk of default, it is proposing to underwrite loans and to recycle repayments in order ‘create greater sustainability of funds’. Although further work is needed to develop the lending model the City Council is proposing that ‘low interest’ loans be provided up to a maximum of £200 in any 12-month period in order to ensure that service users do ‘not go into significant amounts of debt beyond their means’. The Council puts this in context by reporting that the average award for a crisis loan under the previous DWP scheme was £60. Its proposed scheme would therefore provide for a maximum of three loans in any 12-month period, ‘although decisions on further loan awards will be based on engagement with support and repayment of loans’.

The Council has therefore expressed the intention to commission the provision of this loans service as part of their wider local welfare provision, although further details of the selected provider are not yet available.

Barnsley Metropolitan Borough Council

Barnsley is proposing to provide both loans and grants through its credit union, which it reports ‘already has branch facilities throughout the Borough which have cash facilities’:

“The Credit Union can provide a mixture of interest free loans and grants/ cash payments if required. They already offer the facility for customers to buy reasonably priced electrical goods via the Co-op. If recipients become members of the credit union; this may also help to reduce the numbers of unbanked people and encourage greater financial responsibility…the provision of loans would also make the Local Welfare Scheme more sustainable”

The Council is also looking at how this service can be linked to services provided by Citizens Advice to help with debt problems and improve money management, and with providers of fuel vouchers and food banks to help meet emergencies. Again, there are few details of the
financial model that will be used, and it is not known whether or not the loans will be interest bearing or not at this point.

London Borough of Lambeth

Although Lambeth explicitly considered offering only grants rather than loans, its Cabinet paper of 17th December 2012 indicates that it considers a loan scheme would be preferable because this would:

- Ensure the best use of limited resources; allowing repayments to be recycled ‘in the same way that DWP have been able to in the past’; and

- Help to address underlying needs, and ‘act preventatively by referring applicants to the Credit Union where they will have access to a bank account, savings and affordable loan products that will allow them to cope with Universal Credit when it is introduced’.

The December Cabinet paper therefore proposed to provide ‘Crisis Loans from the new Emergency Support Scheme’. These will be given in ‘broadly the same set of circumstances as they are now given by DWP’…but once the local authority has determined eligibility:

“…the applicant will be referred to the Credit Union who will administer the loan. As a condition of the loan, the council will require the applicant to take out a Credit Union account, pay their benefits into that account to enable repayments to be made at source and pay 2% per month interest on the loan. Failure to repay loans means that no further help would be available under the Emergency Support Scheme.”

Speaking at an event held in London in February 2013, Lambeth’s lead officer for the development of the Emergency Support Scheme reported that Lambeth has calculated its loan scheme would be cost effective, as it will allow repayments to be recycled into further loans, even if there are high default rates (of up to 50 per cent).

As in the case of Manchester, Lambeth is proposing to restrict the number of loans that can be obtained under the scheme:

“Applicants will be given a maximum of one Crisis Loan per six months. The present DWP limit is three Crisis Loans per year. Loans have to be repaid fully before another
loan or grant can be considered. Obviously, however, those who have joined the Credit Union through the scheme will have access to loans or overdrafts (depending on circumstance) as members of the Credit Union rather than having to rely on the Emergency Support Scheme.”

However, it should also be noted that Lambeth is reserving the possibility of making other forms of assistance, including cash grants, available where a credit union loan would not be appropriate:

“If the need that an applicant is presenting with cannot be met through a Credit Union administered Crisis Loan, the council will consider meeting the crisis need of eligible applicants in another way (eg: provision of travel tickets, charging of a key meter, food vouchers) with a cash grant being considered only as a last resort.”

In addition to using credit union loans the council is proposing to replace Community Care Grants by working in partnership with Emmaus South Lambeth to provide applicants with required furniture or white goods.

“Items provided will typically be good quality second hand goods (except mattresses which will be new). Warranties will be available on white goods but they will necessarily be of limited length. Families/individuals being supported can choose to either have the items for their household delivered without seeing/choosing them or to go to the warehouse and choose items for themselves which will then be delivered by Emmaus. Emmaus will ensure that cookers are properly installed. Emmaus will also offer a removals service where it has been assessed that this is to be provided. The costs of the services and goods will be met from the Emergency Support Scheme and no cash will change hands between the council and applicants who are successful in receiving an award of support. A schedule of rates will be agreed with Emmaus in advance and the council will ensure that they are competitive and remain under review so that the grant available to disburse within the Emergency Support Scheme meets as much need as possible.”

Waltham Forest

Waltham Forest is proposing to ‘adopt the format of the existing Discretionary Social Fund scheme by offering both loans and grants as a local scheme part delivered in-house and part through external provision’. In a Cabinet Paper dated 13th December 2012, the Council
proposed to ‘explore the viability of a contract with Waltham Forest Credit Union to administer the Loans element of the Waltham Forest Social Fund; and if viable engage the Credit Union to administer loans on behalf of the council’; and in respect of the grants element to ‘agree to the engagement of the Family Fund to procure goods and furniture on behalf of the council’.

Considering the rationale for putting in place a loans scheme, Waltham Forest pointed to the following:

- The Credit Union exists for the benefit of its members rather than to make a profit and aims to provide affordable financial services for members of the local community;
- It would be difficult and expensive for the council to put in place new administrative systems to offer Loans and to create a mechanism through which they could be repaid;
- To offer non-repayable Grants to everyone in need, rather than loans, would mean that the funding pot could not be recycled in any way and the amount of need that could be met would be severely limited as a result.

Although further work is taking place concerning the eligibility criteria for access to the scheme, the Cabinet Paper points to a number of local priorities, including the need for people to receive advice on debt management and budgeting, in which respect the Credit Union is expected to act as a ‘gateway’ to additional provision:

“The Credit Union are experts in assessing eligibility for loans and already work closely with a number of financial and debt advice services so are able to signpost or provide access to financial advice as an integral part of the loan application process. Financial education is one of the key aims of the credit union movement therefore users of the service would be assisted with money management, encouraged to develop a savings habit and ultimately assisted to become debt free.”

However, the Council also pointed out that the Credit Union would charge interest and fees, and needed further investment and assistance to deliver the proposed scheme.

“Unlike the current Crisis Loan scheme these loans would not be interest free. Interest is charged on the outstanding loan balance at a rate of 2 per cent per month. Customers
pay a one-off administration charge of £3.00 for each approved loan. Loans are only granted to members and the fee for joining the credit union is £5.00. On-going administration costs would range between 10% – 20% depending on the size of the budget. For example, administering £200,000 would cost the council between £20,000 and £40,000.

Additional accommodation would be required as they only have sufficient space for one additional adviser in their existing location. However, this need could be met by the council offering access points for their advisers in council buildings such as libraries.”

**Merton Borough Council**

Although not proposing to use credit unions or CDFIs in the delivery of its local welfare scheme, Merton Borough Council is nevertheless proposing to provide a mixture of loans and grants. However, the position here is different to other local authorities, with Merton proposing to provide only very low value grants and then meeting additional needs through the provision of interest free loans:

“Grants [will be made] up to the value of 60% of an individual’s personal allowance and support [provided] by means of loans thereafter. A loan repayments schedule will be established with each individual based on their debt and expenditure status, the loans will be repaid at 0% interest rate. Once an individual has repaid their loan only then will they be eligible for another.”

In addition to this provision, the Council has indicated that it will also provide vouchers and Post office bar codes to assist applicants to purchase ‘crisis loan’ type items, such as food or items which have hygiene implications items such as clothing, bedding or towels etc. Secondly vouchers will also be used for the purchase of new electrical white goods previously supported by the Community Care grant scheme, such as a washing machine [and] used non-white household goods such as beds or sofa will be provided via the Vine Project:

“…a well-established voluntary sector organisation based in Merton. The Vine Project agreement…will directly provide specified used goods to individuals and periodically invoice the Council for its cost. Taking this used goods approach…may go some way towards addressing the anticipated [financial] deficit of the scheme, for example a sofa
at the Vine project can be purchased for £50. Initial discussions have also taken place with the British Heart Foundation to provide similar support to the scheme.”

Finally, Merton also indicate that officers are also in discussion with other voluntary sector organisations who provide budgeting and legal advice to consider signposting services and pathways which could be useful for individuals who require financial or debt advice, and in ‘exceptional circumstances’ cash payments will be made via the Cash Office or services rendered through the Post Office.’

**Northumberland County Council**

Northumberland County Council is one of three local authorities in the North East which has chosen to commission Five Lamps to assist in the delivery of its local welfare provision⁴⁵. Five Lamps is a social enterprise and CDFI providing a range of services to meet the needs of disadvantaged communities and people across the North East. This includes services to promote greater financial inclusion, and Five Lamps has a strong track record in administering loan funds for this purpose. The contract with Northumberland County Council will involve Five Lamps in delivering all aspects of its local welfare provision from taking the initial application, determining eligibility for assistance, and providing either a grant or a loan.

Loans provided under the scheme will be fully underwritten by the County Council and will be made on an interest free basis. Five Lamps has noted that there is considerable cross over between the client group likely to apply for assistance through the local welfare scheme and its current customer base. For example, around 74 per cent of people using Five Lamps’ existing financial inclusion services either had a Crisis Loan outstanding or had received one in the previous 12 month period. The local welfare scheme provision will therefore build on this, by allowing Five Lamps to provide immediate assistance in the form of a grant or interest free loan but also provide the opportunity for them to hand people on to either the other financial inclusion services they provide or to local credit unions, for people who need to open budgeting accounts or to provide access to savings products.

---

⁴⁵ Stockton on Tees and County Durham have also commissioned Five Lamps, however the details of each contract vary. For example, Stockton on Tees has commissioned Five Lamps to provide a loans scheme, whereas County Durham have co-commissioned Five Lamps and Civica to provide grants. Northumberland County Council are the only authority to have commissioned Five Lamps to provide both the grants and loans elements of their proposed local welfare provision and to have outsourced their entire applications and assessments process to the CDFI.
Local authorities rejecting the use of loan schemes

However, it should be noted that the majority of local authorities in our review had rejected the use of loan schemes and also taken steps to limit cash payments; focusing instead on the direct provision of goods and services or the issuing of vouchers, including gift or pre-paid cards which can only be redeemed at specific outlets.

For example, Calderdale state that they will ‘provide vouchers and services instead of cash (except in exceptional circumstances when cash will be provided)’ and to support this will utilise vouchers from supermarkets across the Borough:

“These will be purchased to ensure that customers are provided with a voucher for their local supermarket and therefore, not expected to travel to another part of the region to buy their food thus incurring travel expenses. Vouchers will be made available for collection at all Customer First offices and a postal service will be offered should customers be unable to collect their voucher.

In exceptional circumstances, and where it is deemed inappropriate to issue a supermarket voucher, a cashable giro will be made available to claimants for the purpose of purchasing food.”

A number of Councils go further still. For example, Solihull MBC’s detailed guidance on their local scheme indicates that:

“An award could be in the form of:

- Pre-paid voucher, which the applicant can use to purchase the agreed items / goods.

- A purchase order being raised for the agreed item / service on behalf of the applicant by Solihull Council

- The use of a third party to purchase the agreed item or service on behalf of Solihull Council for the applicant

No cash awards will be made.”
Decision making processes, and reviews

Our review found that only those local authorities that had published more detailed schemes had released information concerning the likely decision making processes, and not all of these had included information concerning the timescales for decisions; methods of notification, or the review and/or appeal structures that they would be putting in place in April.

Where we have been able to obtain details, we again found that approaches varied significantly from one local authority to another. For example, Birmingham City Council has set out clear targets for decision making of:

- In respect of applications for its ‘Crisis Grants’; ‘once all information to support an application has been received a decision will be made on the same day where possible, or within 48 hours’
- In respect of applications for its ‘Community Support Grants’; within 10 working days of receipt

It also provides details of its notification process (which will be by letter and/or through mobile phone contact if one is provided) and its review process. Requests for reviews must be in writing and can be made only if the applicant can demonstrate there has been:

- a factual error based on the decision made or
- an oversight on a significant piece of evidence or
- where new evidence has come to light, that was not provided with the original application.

“In these circumstances, the request must be made within 10 working days of the original decision. Any request outside of these timescales will not be considered. This review will be carried out by the Benefit Service Appeals team. Their decision will be final with no other right of appeal.”

By way of illustrating variance, Bedford’s draft policy does not set out timescales for decision making and indicates that requests for review must be made within:

- Five working days of the date the written decision is issued in the case of a Crisis Grant application, or
Twenty working days of the date the written decision is issued in the case of a ‘Home in the Community Grant’;

Reviews shall be conducted by a different officer to the one making the original decision. Reviews in respect of Crisis Grants shall be completed within two working days of receipt and in respect of Home in the Community Grants within twenty working days of receipt. The outcome of a review shall be final and there shall be no further right to request a review or to appeal against the decision.

And finally, and in stark contrast, Solihull provides that reviews of any decision can be requested up to one month after the decision if the applicant can demonstrate there has been a factual error, an oversight of a significant piece of evidence or whether new evidence has come to light which was not provided with the original application. Further to this, an appeal can be made if the customer remains dissatisfied with the review decision. An appeal must be submitted to the Council within 14 days of the review decision letter being issued. At that point, the Council, in conjunction with an independent appeals officer / panel, will conduct a full review of the decision. A decision will be made within 14 working days of the appeal being submitted. The outcome of the appeal will be notified in writing to the applicant and / or the person submitting the appeal.
Chapter four: The implications for low-income households

This chapter draws on the findings from a review of previous published research, and on new qualitative interviews with benefit claimants to examine the implications of proposed local welfare schemes in England for the financial position of low-income households. The qualitative interviews were also used to obtain the views of low-income households concerning the potential role of credit unions in particular in providing help with budgeting support.

Previous research findings

There is a long standing and extensive literature concerning the interactions between low income, credit use and poverty, which identifies that many lower income households experience difficulties in meeting the costs of day to day living and struggle to fund the purchase of essential household items. Recent examples of research in this respect include:

- Dearden et al’s (2010) twelve month long study of credit and debt amongst sixty low-income families, which reported that “…living on an inadequate income for a sustained period severely limits people’s ability to meet their day-to-day expenses, to avoid taking out further credit or to avoid becoming over-indebted.”
- Orton’s (2010) three year longitudinal study of fifty three low-income households, which reported the: “…depressingly familiar finding of low income holding back people’s ability to move beyond indebtedness – even when people had rejected credit use and were committed to careful budgeting, insufficient income meant they still faced a dilemma of how to meet basic and specific needs. There remained no examples of interviewees having savings, and half the sample had borrowed money between years 2 and 3 of the research.”

In previous research conducted last year (Gibbons et al, 2011), we reviewed the findings from ten studies of credit use amongst low-income households. This identified both the types of spending which credit is used to fund amongst low-income households and the

---

46 The literature from which the table is derived comprised: Dowler and Calvert 1995; Farrell and O’Connor, 2003; Whyley and Brooker, 2004; Collard and Kemspoon, 2005; Policis, 2006; Orton, 2008; 2009; 2010; Harris et al 2009; Ellison and Whyley, 2010; Dearden et al, 2010; and Ben Galim et al 2010
subsequent impacts of repayments on other areas of the household budget. The results are presented in the table below.

Table 10: Purposes of credit use and impacts on household budgets (from Gibbons et al, 2011)

<table>
<thead>
<tr>
<th>Uses of credit</th>
<th>Impacts of repayments on household expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christmas presents</td>
<td>Cutting back on food expenditure (buying cheaper brands, lower quality foodstuffs, reducing the number of meals, sharing meals with relatives, and in some cases going hungry)</td>
</tr>
<tr>
<td>Birthday presents</td>
<td>Reducing expenditure on social activities and not taking holidays</td>
</tr>
<tr>
<td>Clothing (especially for children, including school uniforms and children’s shoes)</td>
<td>Rationing fuel use</td>
</tr>
<tr>
<td>Furniture, beds and bedding</td>
<td>Arrears on credit repayments</td>
</tr>
<tr>
<td>Children’s toys</td>
<td>Arrears on household bills (mortgages or rent, council tax, fuel and water)</td>
</tr>
<tr>
<td>Electronic goods including TV</td>
<td>Forgoing or losing out on other life opportunities (e.g. not taking driving lessons, struggling to continue in education47)</td>
</tr>
<tr>
<td>White goods (fridges and washing machines)</td>
<td></td>
</tr>
<tr>
<td>Holidays</td>
<td></td>
</tr>
<tr>
<td>School trips</td>
<td></td>
</tr>
<tr>
<td>Car purchase and repairs</td>
<td></td>
</tr>
<tr>
<td>Food and payment of household bills</td>
<td></td>
</tr>
<tr>
<td>Borrowing to pay off existing debt (‘consolidation’)</td>
<td></td>
</tr>
</tbody>
</table>

Of course, not all of these uses of credit, nor all of the potential impacts, arise simultaneously and it is important to recognise that there are variations in the levels of credit use amongst low-income households. The degree to which credit is used will depend on the needs (and wants) of the household at any particular point in time and on attitudes towards credit use, money management, and levels of financial capability.

However, it should be noted that even where borrowing does not take place, either because of choice or due to a lack of credit options, this can also have significant welfare impacts - with low-income households often (Policis, 2006, p.23) having to go without essentials and with living standards significantly curtailed as a consequence.

47 Turley and White (2007) report that people with debts were unable to pay their tuition fees and fell behind with their work, when they had to take on paid employment to help make ends meet.
Likewise, where credit is used by lower income groups to purchase essential goods and services the impact of this on other areas of the household budget, and therefore on living standards over the longer term, will vary according to the number of credit commitments and the level of repayments required. As Orton (2008, p.15) notes, it is ‘self-evident’ that credit repayments reduce the amount of income which is available to spend on other areas of the household budget, but it is a combination of both the extent of credit use and its cost which determines by how much this happens.

The existing literature is also clear concerning the available options that very low-income households have in terms of raising money to pay for essentials:

- ‘Interest free’ borrowing from family and friends;
- Accessing the Social Fund for interest free loans or in some cases grants\(^{48}\);
- Missing payments on household bills, for example in respect of rent, utilities, or Council Tax;
- Using social lenders, including credit unions and CDFIs;
- Borrowing from commercial (often high cost) lenders which offer products specifically designed for low-income groups, or
- In some cases, using illegal moneylenders.

Most studies indicate that low-income households prefer to use interest free options where these are available to them. For example, Bridges and Disney (2004, p.22) note that low-income borrowers often attempt to minimise their borrowing costs by “defaulting on family loans and by using utility non payments and rent arrears in the short run as means of deferring expenditures” and that there is evidence of households rotating arrears between different household bills for this purpose.

However, whilst borrowing from family and friends is commonly reported in the literature this can also place social relationships under strain (see for example, Rogaly, 1999; Orton, 2009, p.23), and even where grants are obtained from the Social Fund, this does not negate the need for commercial borrowing for many households. For example, recent analysis from the Social Fund Commissioner (2011, p.17) of a sample of 446 Community Care Grant decisions reveals that:

\(^{48}\) For example Community Care Grants are currently available to some benefit claimants who are setting up home following a stay in institutional care or to help meet exceptional pressures such as family breakdown.
“Just under 15% of the cases examined showed the customer to have a Social Fund debt of more than £1,000; and in many cases this was coupled with other substantial debts to third parties. Furthermore, around a third of all customers in the sample were found to be spending more than 10% of their weekly income on debts and in many of these cases the level of indebtedness was hand-in-hand with other disadvantages.”

Nevertheless, given the interest free nature of loans from the Social Fund it is perhaps unsurprising that Policis (2006, p. 24) reported this as the “first choice for credit” for many households on benefits, although they also noted that the Fund was sometimes used alongside commercial credit where people had chosen to “take advantage of as much credit as they were able to access”. In other cases, commercial credit was also used because the outcome of a Social Fund application has been unsuccessful or resulted in a loan of a lower amount than had been required.

There is also evidence (Social Fund Commissioner 2010, p.18) that repeat usage of Social Fund loans and commercial credit are sometimes interlinked, with the Fund approached to help with the repayment of commercial credit debts.

The relatively high level of Social Fund repayments (which are currently collected via deductions from future benefit payments) has also been a cause of concern for many households and although the total cost of borrowing from commercial lenders is much higher, these lenders often also provide products with features which are attractive to low-income households, including smaller levels of weekly repayment and, in the case of home credit, the flexibility for borrowers to miss an occasional payment and to make up payments later (see, for example, Farrell & O’Connor, 2003, p.67)

The downside of lower repayments, however, is longer loan duration, and Farrell and O’Connor go on to point out that users of home credit loans and mail order catalogues were ‘often in debt indefinitely’ as a result of long repayment periods and a frequent need to borrow. Indeed, extended loan durations can mean that households experience a further need to borrow before the last agreement has been repaid, and in some cases this is financed by ‘rolling over’ existing agreements, which considerably increases the overall cost (for an analysis see Competition Commission, 200549).

49 As a consequence, the Competition Commission made changes to the amount of early settlement rebate which home credit lenders should apply when using advancing additional credit to ‘pay off’
Given this existing literature, we consider that there is a clear risk that the replacement of the Discretionary Social Fund with local welfare schemes being implemented will increase the likelihood that very low-income households will have to go without essential items or use high cost credit providers to fund the purchase of these, with possible negative implications for their longer term welfare. Specifically, these concerns are that:

- Budgeting Advances, which will be phased in as a replacement for the current Budgeting Loans Scheme, will require people to repay loans over a shorter time-frame than previously. This is likely to increase the level of deductions from benefit being made in respect of repayments despite the fact that there is considerable evidence in the existing literature that this will cause hardship;

- As a number of local authorities are insisting that Budgeting Advances or Budgeting Loans are accessed prior to considering assistance from local welfare schemes we are concerned that more households will be pushed into paying back loans at a weekly rate that they cannot afford, and

- The overall reduction in the available budget for Community Care Grants and Crisis Loans that has taken place since 2010/11 and which will be continued with the introduction of local welfare provision in 2012/13, combined with the changing nature of the support likely to be provided, will make it more difficult for people to obtain grants, pushing some towards higher cost lenders and forcing those unwilling or unable to access credit from these sources to go without essential items.

Whilst it is not possible to forecast the precise numbers of households that will 'go without' or conversely turn to high cost credit – in the absence of more affordable alternatives – some indication of the likely effect can be found in Kempson et al's (2004) prior research conducted for DWP\(^{50}\), which reported on the impact of Social Fund refusals and/or partial awards, and which noted that:

“Nearly half of the people interviewed had to do without at least some of the items they had applied for, and a third of them were still doing without certain things when they

\(^{50}\) The study involved 48 depth interviews with people who had applied for a Community Care Grant between April 2002 and January 2003 and either had that application refused or been given a partial award that was at least £50 less than the amount they applied for.
were interviewed. Some people managed for several months without essentials, such as beds or cookers and experienced real hardship as a result. In the longer term, though, floor coverings were the main item that people did without.”

And that:

“A fifth of people had borrowed money commercially to buy the items they had applied for. Many of these people were already repaying credit they had taken on previously and often the further borrowing made a bad situation worse. Others had borrowed against all their instincts. People who had taken on Budgeting Loans also commented on the considerable strain the repayments put on their finances.”

Likewise, in their response to DWP’s call for evidence concerning Social Fund Reform in 2011, Citizens Advice commented:

“We asked bureaux what their clients do when they are refused Social Fund grants or loans. 67 per cent of them said they had seen clients who had turned to high cost credit, such as home credit, payday lending, bills of sale and unlicensed lenders. Only 13 per cent said they had not seen this happen.”

Modelling the impacts of the use of high cost credit on low-income household living standards in 2011, we have previously considered that low-income households could end up paying over £70 per £100 borrowed for annually recurring items, including for example the cost of Christmas and birthday presents for children, and around £50 per £100 borrowed for larger items such as furniture and white goods (for example, by borrowing from Rent to Own Stores).

Clearly credit costs at these levels are likely to have a significant impact on a household’s ability to maintain a reasonable level of expenditure on other essential areas of the budget, including fuel and food. For example, if households use credit to purchase a typical ‘basket’ of household items, including reasonable spend on Christmas and birthday presents and on clothing and basic furnishings for their home then we calculated that the average level of

---

51 Our modelling exercise took amounts for these items from the Minimum Income Standard model developed by Loughborough University.
debt repayments for people using very high cost credit\textsuperscript{52} would be between £18 and £31.30 per week depending on specific household composition.

However, this position worsens further when households use very high cost credit to meet the significant costs of setting up home – when the need to use credit can be concentrated with several essential items required at the same time. In these circumstances, we find that single households would need to pay around £30 per week in credit repayments, and this amount would rise to around £68 per week for a couple with two children. Even accounting for the fact that households on low incomes may choose not to purchase all of the items that they need on credit (and therefore go without some of the items that most of us would take for granted), we found that using very high cost credit to support the purchase of just a proportion of the items required to set up home would mean that low-income households would typically have to forego about a third of other necessities (fuel, food etc.) due to interest payments.

Credit Unions and CDFIs potentially offer a more affordable alternative. We undertook a brief survey of advertised credit union rates in 2011, for both small sum, short term loans, and for longer term, longer value loans. This indicated that many credit unions were offering loans at the maximum allowable interest rate (26.8% APR) for short term loans to new customers but offered lower APR rates on longer term higher value loans. For example, at the time of the exercise, Bristol City Credit Union charged 26.8% APR on loans of up to £1,000 repayable within 52 weeks but a £3,000 loan repayable over three years from the same source is available at an APR of 17.2%. The total cost of credit on each of these loans per £100 borrowed is £12.49 and £29.19 respectively\textsuperscript{53}.

Borrowing at these rates would considerably lower the burden on low-income households, as compared with using the commercial forms of credit that are otherwise likely to be available to them.

\textbf{Qualitative interviews with benefit claimants}

To help assess the likely impact of the move to local welfare provision on low-income households and the potential role of credit unions in the delivery of local schemes, we

\textsuperscript{52} Defined as Provident Financial for annually recurring items such as Christmas presents and Brighthouse for household furnishings

\textsuperscript{53} Although the APR on the one year, £1,000 loan is higher than that of the longer term £3,000 loan the total cost for credit per £100 borrowed is lower as this is repaid over a shorter period.
undertook thirteen qualitative interviews with low-income tenants in December 2012. These interviewees were recruited to the project on our behalf by Buttle UK, a national charity which provides small grants to families in poverty in order to help them purchase essential items including cookers, fridges and beds. Buttle UK works in partnership with over 5,000 voluntary sector and local authority partners and is often approached by social care and housing workers for grants to be provided to service users following a failure to have needs met by state funded provision. We therefore asked Buttle UK to identify beneficiaries of its small grants programme who had prior experience of applying to the discretionary Social Fund and who would be willing to take part in research about forthcoming welfare reforms.

In addition, we also undertook secondary analysis of eleven interviews conducted in December 2012 by the Centre for Economic and Social Inclusion (‘Inclusion’) with Lewisham residents who had been identified as being affected by the forthcoming ‘benefit cap’ in April 2013.

We now report on each set of interviews in turn.

**Interviewees identified by Buttle UK**

These interviews were conducted by telephone\(^{54}\); were of a semi-structured nature, and lasted for an average of 40 minutes. The topic guide for the interviews focused on the following three aspects:

- **Household characteristics and basic circumstances**: including number of children, employment and educational history; accommodation; and health;

- **Living standards, borrowing and debt**: including income and outgoings; prior use of the Social Fund; credit use and debt problems; and

- **Welfare reform and credit unions**: including knowledge of forthcoming welfare reforms and current use of, or appetite for, credit union services.

**Household characteristics and basic circumstances**

---

\(^{54}\) Interviewees were assured that their comments would be treated as confidential and that the information obtained would not affect their benefits in any way. They were also reassured that they would not be identifiable in the final report. The interviews were then recorded and transcribed the same day. Participants were then sent a £20 shopping voucher to thank them for their time.
The participants in the research comprised seven lone parents, four couples with children, and two single men. It was apparent from the interviews that a number of the participants had difficult personal histories. For example:

- Of the lone parents, one was an asylum seeker with a 16 month old daughter who had recently been granted leave to remain in the UK, and another had recently fled domestic violence with her seven year old son. A third, aged 24, had two children in care and a four month old son who was living with her;

- One of couples with children had a young son who was receiving treatment for Leukaemia;

- Both single men intimated that they had previous drug and/or alcohol problems.

Whilst none of the interviewees were in work at the time of the research taking place, five of them had been in employment until relatively recently. These included three lone parents who had worked until the birth of their children, who at the time were still very young (between four months and eighteen months old), and the two single men aged in their twenties, one of whom had been undertaking agency work on and off for the past five years, but who had found it more difficult to obtain work recently. As he told us:

“I haven’t been working for six months now. My last job lasted 8 months. I am regularly in and out of work. I usually manage to get jobs that last for a year, but it has been harder and harder to get work.”

Indeed, many of the people we interviewed, even those that had not worked in the past, and who had clearly been in very difficult circumstances, were keen to get into work:

“I’ll be starting a part-time health and social care course in January...now that my daughter is getting a bit older and I have leave to remain...I feel like it’s the right time to start thinking about work.” – Lone parent, previous asylum seeker aged 28, 16 month old daughter

“I worked all the time before leaving my husband in May. I had to leave my home town because of the domestic violence. I’ve had to start again and piece together what’s left of my life. But I’m getting there... I’m hoping to get off benefits soon. Everything that’s happened this year has really got me down. I’ve got anxiety and depression and having
no money…I'm used to working and earning money.” – Lone parent, mid thirties, seven year old son.

“I'm hoping to get off benefits soon. It gets me down, having no money…I've been doing some courses and think it will be ok once my son is two.” – Lone parent, aged 21, son aged 14 months

Nevertheless, it was also clear that the majority of interviewees were not well qualified, with around one third of them having attended courses to improve their literacy and numeracy skills. The difficult personal circumstances of the households were also reflected in the fact that all of the interviewees had obtained social housing – provided either by the local authority or by a housing association. In addition, three of the interviewees mentioned that they had a housing support worker who had previously helped them with applications to the Social Fund or with personal budgeting and/or debt problems. Finally, just under half of all those interviewed reported that that they suffered from periods of stress, anxiety, or depression, which were contributed to by their difficult financial situation and, as the following section now reports, their low living standards.

Living standards, borrowing and debt

The interviews were used to obtain information concerning income and outgoings, prior use of the Social Fund, and previous credit use and debt problems. Given that none of the households contained anyone that was working, income levels were low and generally consisted of Income Support or Income Based Jobseeker’s Allowance (‘JSA’) and, for those with children, Child Benefit, and Child Tax Credits. All of the interviewees also received full Council Tax Benefit and full Housing Benefit.

Income levels, excluding Housing and Council Tax Benefit, ranged from just £56.25 for a single man, aged 23, to around £300 per week for a family of six. Unsurprisingly, three quarters of the participants in the research indicated that they found it a struggle to make ends meet, at least some of the time (see figure 4, below).

---

55 Two of the interviewees received Employment Support Allowance (‘ESA’) rather than Income Support or Income Based JSA. In both cases ESA appeared to have been claimed on the basis of mental health problems although the interviews did not go into this in depth.
Figure 4: Would you say that it is ‘always’, ‘sometimes’, or ‘never’ a struggle to make ends meet?

This struggle to make ends meet was revealed by participants in the research as the product of:

- Low income;
- High outgoings, for example in respect of fuel costs (the interviews took place in December), and
- The need to make debt repayments, including in respect of prior loans from the Social Fund.

For example, one lone parent with a son aged seven years old reported that she was receiving just over £110 per week to live on after deductions from benefits to repay three prior crisis loans had been taken into account. The crisis loans had been taken out when she let a violent relationship and moved into a women’s refuge and was waiting for her benefits to come through; again when there was a delay in her benefits coming through, and once more when she left the refuge. These were for small amounts each time (£60, £30, and £20 respectively).

From the £110 per week she was paying approximately £35 per week on heating the home – which she paid through key meters – leaving her with £75 per week. She was finding it a constant struggle to make ends meet, especially with Christmas approaching:
“Coming up to Christmas - I’ve cut back on so many things in order to buy presents...shopping, heating the home. It’s always a struggle. I’m trying so hard to budget but each week the gas is going up...I’m using more and it is hard, it really is hard.”

Despite making every effort to budget effectively, she sometimes went without food and panicked whenever she ‘overspent’ in other areas of the household budget:

“...I’m quite a good cook so I know when I’m shopping for £30 of food how I’ll use it all to get decent meals out of it. I budget when it comes to shopping, but I do go without eating sometimes...I’d rather my son eats well than I do. I think every mother would do the same... It’s quite degrading that it has actually come to this. When I was working I could go into town and buy a few items and not think anything about it, but now if I spend five pounds over what I’m supposed to, I’m having a panic attack thinking ‘what am I going to have to cut back on’ to make that up!”

Another lone parent, with a son aged 19 months, told us that she was having £10 per week deducted from her benefits to repay a crisis loan and was having to pay over £25 per week for gas and electricity through prepayment meters (although she was not in arrears). This left her with around £115 per week to live on. Despite the fact that she was always looking for bargains when food shopping, she told us that there were times when she couldn’t afford to put the heating on, and that she had to prioritise her son’s needs for food and clothing above her own:

“I’ve gone without food myself, but I always make sure that my son is fed properly. It’s also hard to budget for clothing...I make sure my son has what he needs but I do struggle for myself.”

We also spoke to a single unemployed man, aged 24, who told us that:

“I have pretty much nothing left after bills. I get just over £50 per week and pay about £20 a week in gas through the prepayment meter. That’s collecting a debt of about £150. I have a lot of debts. I owe about £1,000 in total...I got into trouble when I was working, and took out loans from payday companies...you know, Wonga and the like. My Housing Support Worker helped sort them out so I’m only paying them £1 per month back at the moment, but I still need my family to help out a lot with meals...I’ve got nothing on the floors, and no winter coat. I don’t even have a decent pair of shoes...”
It was apparent that a number of those who were having the greatest problems making ends meet were those who also reported the most difficulty obtaining grants for essential items. For example, the single unemployed man quoted above had applied for a Community Care Grant from the Social Fund when he moved into his council flat but was not eligible because, having previously worked he was receiving Contributory rather than Income-based JSA.

Similarly, a lone parent, with a four month old baby, noted that she had been unable to obtain a Sure Start Maternity Grant because she had two previous children, although these no longer lived with her. She had resorted to making a number of crisis loan applications having initially borrowed money to buy items for the baby from a payday lender, who was “…supposed to take the money back out of my account after two weeks, but they left it five weeks and then took everything I had.” She told us that because of the deductions from her benefits to repay the crisis loans she ended up accruing £400 in arrears on her electricity bill and had to turn to a charity to help with this. Although things were now much more stable, she was finding it a struggle to cope with high heating bills and sometimes cut back on meals.

The interviews also revealed the extent to which people who had been unable to secure Community Care Grants were going without essential items.

"I've got no carpets in the house so it's really cold…I try not to have the heating on in the day time when my son's at school but I have it on for him when he's at home…” – Lone parent, aged 22, son aged 19 months

"I didn't even get a cooker…I've got a microwave so I can cook meals but it's not ideal…It's frustrating from the Government, I've worked my whole life, paying national insurance and tax and when I've needed help that's all they've given me.” – Lone parent, mid thirties, 7 year old son

“I've got no furniture in the baby's room… he's only 4 months so it can wait a while yet but I hope [local community worker] can find a way of helping.” – Lone parent, aged 24, 4 month old son

In contrast, those interviewees that told us they were not struggling to make ends meet appear to have been more successful in obtaining grants for essential items either from the Social Fund; from charities; or a combination of the two, and several were also able to call on family or friends to provide interest free borrowing.
“I moved in here in July, and got a Community Care Grant of £1300… I was chuffed with how much money I got because I really didn't expect it but once I'd got the place carpeted and decorated and got a cooker…made it liveable…the money had gone and I needed extra help to get a washing machine and some other items. I got some more money from a charity for that, and I also got a crisis loan for my son’s clothing – £200 which I pay back at £10 per week…I've got a bank account with Natwest but I don’t have an overdraft. I pay for my gas and electricity through that and I can cope on what I've got left now.” – Lone parent, aged 26, 18 month old daughter.

“My housing support worker helped me to get a Community Care Grant for about £900 when I moved into the flat, about four months ago…I really have no idea what I would have done without it…I've got a bank account but I'm not in debt with it. I don't borrow and I pay my bills on time…Although I sometimes buy cheap food I've never gone hungry.” – Lone parent, aged 28, 16 month old daughter

“I’ve never borrowed…well apart from off my mum. She’s helped me out a lot in the past. I got a grant for things when I moved in as well, and for the baby. I’m pretty tight with my money, but I’m doing ok.” – Lone parent, aged 24, 4 month old son

Welfare Reform and Credit Unions

As part of the interviews we also asked a series of questions to determine levels of knowledge of, and views concerning, forthcoming welfare reforms, including the replacement of the Community Care Grant and Crisis Loan elements of the Social Fund with local schemes. In addition, we asked about knowledge of credit unions and the services that these provide and whether or not specific services, such as budgeting accounts would be of assistance.

Knowledge of and views on forthcoming welfare reforms

Knowledge of forthcoming welfare reforms was extremely limited. None of the interviewees were aware of the proposal to move payments of benefit onto a monthly cycle, and less than one third had been alerted to changes in the payment of housing benefit. None of them knew that changes to the Social Fund were happening in April. However, a small number of tenants did know about proposals concerning under-occupation:
Most thought that proposals to pay the Housing Benefit element of Universal Credit to tenants rather than directly to the landlord was generally a bad idea, although they thought that they initially thought that they themselves would be able to budget for this.

“It’s going to be really tempting isn’t it…to dip into the rent money. But I do stick to my budget so I think I would be ok…It just seems to be asking for trouble though…some people are bound to get into problems.” – Lone parent, aged 24, 4 month old son

However, once the combination of monthly payment cycles and the direct payment of housing benefit to the tenant was mentioned, the level of concern increased:

"I can see a lot of problems [with this]. I just manage to budget weekly and with monthly I'd end up being skint for two weeks.” – Single man, aged 23

“It’s difficult enough to make the money stretch fortnightly – I’m going to find it really difficult to avoid the temptation to dip into the rent money, especially at times like this when it’s really cold and Christmas is coming up.” – Lone parent, aged 28, 16 month old daughter

"A month's a long time to make a certain amount of money last...if people are anything like me, once I've got money it's gone.” – Lone parent, aged 22, 19 month old son

Interviewees were also concerned about the abolition of the Discretionary Social Fund and the introduction of local schemes. None of them had been made aware of these changes and none of them knew what local provision was being proposed in their areas. However, they were unanimous in acknowledging the importance of the current scheme:

“That [Community Care Grant] was a great thing for me. Without that I would have been lost. Honest to god, I was chuffed to bits that I could kit my house out without borrowing - people really need that support – I’m shocked to hear that it is going to be stopped…I haven’t heard anything locally about any new scheme.” - Lone parent, aged 26, 18 month old daughter.

“I haven’t heard anything about social fund changes….what would I do, if I hadn't had that help? I would sit and cry and then have to get up and get over it as I have always had to do. I’d end up going without…” – Lone parent, son aged 7
Awareness of, and views concerning, Credit Union services

Around one third (4) of the interviewees were aware of credit unions, and one of the interviewees was actually a member, who also expressed the view that a loan from the Credit Union would have been a potential solution for her in the event that she had not been able to obtain a Community Care Grant in the past:

“I’m a member of the credit union and this week I got a loan for £500, for Christmas…I’m happy with them, they’re really low interest and I have introduced my dad and sister to them…a credit union loan would have been good if I hadn’t had help from the Social Fund in the past, as they don’t charge a high rate like doorstep lenders and payday lenders.” – Lone parent, aged 24, 4 month old son

However, the views of the other interviewees concerning Credit Union services varied according to whether or not they felt themselves to be struggling to make ends meet. For example, one lone parent who was finding managing her money a constant struggle told us that she would ‘definitely’ be interested in a budgeting account:

"...if the money went into the account and then straight out on bills without letting me touch it that would be really helpful." – Lone parent, aged 22, son aged 19 months

However, many of those that were not struggling, or at least not struggling as much, felt that a budgeting account was not required, with these also reporting that they were able to manage their existing bank accounts well enough to avoid bank charges:

“I’ve got a bank account. I’m really careful with my money and don’t have go overdrawn so I don’t incur any fees on the account. I don’t think that I need a budgeting account.” – Lone parent, aged 24, 4 month old son

Interviews with Lewisham residents likely to be affected by the Benefit Cap

Further views concerning the potential use of Credit Union services were obtained in a set of eleven face to face interviews conducted by the Centre for Economic and Social Inclusion in December 2012. These were conducted with Lewisham residents identified as likely to be
affected by the forthcoming Benefit Cap\textsuperscript{56}, and included discussion of awareness of Credit Unions and views concerning budgeting accounts.

The participants in these interviews were all lone parents with larger numbers of children (ranging from three to seven) than the interviewees identified by Buttle UK; they were all also living in private rented accommodation as opposed to social housing; and they all faced a significant reduction in benefit in April once the Benefit Cap was introduced. In this respect, the likely benefit reductions ranged from £21 per week through to £315 per week, with the average reduction calculated as £139 per week.

Just under half (5) of the participants expressed a high degree of familiarity with the local credit union. Two of the participants were already members of the credit union, and three others knew about them, for example because they had relatives who were members. The other six participants were not aware of the credit union at all.

Despite the fact that all of the participants faced the prospect of significant reductions in the amount of their benefit in April, the participants again fell into two groups of roughly equal size – those that felt they needed support to manage their money and ensure that bills were paid, and those that felt they would be able to do this effectively themselves without any further assistance.

For example, one lone parent in her mid thirties with five children faced the prospect of a reduction in benefit of £178 per week. She was incredibly concerned about the impact of this, and the shift to monthly payments of benefit, on her ability to cope financially commenting that:

"That will really kill me really, because I don't have any support and I have five kids to look after, they go to school, I have to pay for food and everything."

She found the idea of a budgeting account with the credit union attractive, but was also concerned to hear that there may be a fee to pay for this of up to £5 per month.

\textsuperscript{56} From April 2013, a workless family's total benefits will be limited to £500 per week (£300 per week for single people). The cap will initially be applied to Housing Benefit\textsuperscript{56} (and therefore administered by local authorities), and will eventually be incorporated into Universal Credit. DWP's impact assessment\textsuperscript{56} finds that 56,000 households will be affected by the benefit cap in April 2013. These are overwhelmingly comprised of large families and those living in high-rent areas. Around half of those affected live in London (including 2,600 in SELHP boroughs\textsuperscript{56}) and around half are lone parents. The median benefit reduction will be £62 per week.
“If they take away another £5 then I’m going to have nothing, I can’t afford that.”

However, another lone parent in a similar position – facing a benefit reduction of £135 per week – commented that she felt quite well equipped to budget, and that the only thing she thinks she’ll need is advance warning of when the shift to monthly payments will happen so that she can plan ahead:

“…you just have to be more aware how you spend it, that’s the only thing. So I think it might be ok.”

In addition, the interviews also revealed that, even for those who would appreciate some form of budgeting account, there was no clear preference as to whether budgeting accounts would be best provided by the credit union or a high street bank. Those who are already using the credit union are keen to continue doing so and generally have positive feedback on its services; while others who have current accounts with high street banks have similar views about the provision of budgeting accounts by a retail bank.
Chapter Five: The potential role of third sector financial services providers

This chapter looks at the potential role of credit unions and CDFIs in delivering local welfare provision, reporting the findings from our engagement with these providers over the course of the project and identifying possible opportunities and barriers to their future involvement in local welfare schemes.

Successive Governments have recognised the potential of credit unions and CDFIs as an alternative to high cost credit use and have made commitments to support their expansion. This has included:

- Department for Work and Pensions (DWP) enabling the direct payment of benefits into credit union accounts;
- The passage of the Co-operative and Community Benefit Societies and Credit Unions Act 2010 and a Legislative Reform Order (LRO) which will allow credit unions to widen membership more easily, including by accepting corporate membership; allowing interest to be paid on deposits; and raising capital through the issuance of deferred shares;
- Direct investment in a £100 million Growth Fund for credit unions and CDFIs through Department for Work and Pensions for the period 2006 – 2011, with a further £38 million Credit Union Expansion Project currently running, which has included a recent tender exercise seeking to:
  o Increase credit union membership by at least 500,000 people on lower incomes by March 2015, increasing to 1 million people by 2017.
  o Increase access to affordable credit so that members save an additional £1 billion in interest payments compared to the charges they would otherwise have to pay to high cost commercial lenders between the start of the project and 2019; and
  o Ensure that credit unions deliver this expansion in a way that makes them financially sustainable.
- Proposals to expand access to credit union services by joining up back office functions with the Post Office Network;
Increasing the maximum APR chargeable by credit unions from 12.68% to 26.8%, in 2006 in order to enable credit unions to meet the needs of higher risk customers, and a current consultation on allowing this to rise still further;

Providing the Financial Services Authority with the responsibility to supervise credit unions, and giving a guarantee to depositors through the Financial Services Compensation Scheme.

However the sector also faces considerable challenges. In particular, there are tensions between the emphasis on credit union development as a means to address the financial exclusion of lower income groups and the need for credit unions to develop sustainable business models\(^\text{57}\). The tender for £38 million of DWP investment in credit unions closed in October 2012 and a decision on bids submitted for this funding is currently awaited. However, the primary objectives of that investment appear to align closely with the potential role identified for credit unions in the delivery of loan schemes as part of some local authority proposals for their local welfare schemes. We were therefore keen to obtain the views of third sector financial services providers concerning their potential role in the delivery of local welfare schemes.

To achieve this, we initially conducted an on-line survey of credit unions. Our decision to focus on credit unions alone was due to the fact that the majority of CDFIs are involved in small business rather than personal lending. In addition, as well as offering access to personal loans, credit unions provide a range of other financial services which are of relevance, including current and budgeting accounts and savings products, which are not available from CDFIs. This chapter now provides further details of the credit union survey and our findings from this.

**About the survey**

We conducted an on-line survey of credit unions in November and December 2012. This was advertised by the Association of British Credit Unions Limited in their newsletter and we also constructed a database of over 150 e-mail contacts by searching on the internet and directly e-mailing these. We obtained thirty five complete responses through these methods by the end of the year. It should be noted that all of the responses were received from credit unions. The survey was designed to obtain:

\(^{57}\) This issue has been longstanding: see, for example, Jones, P. (1999) *Towards Sustainable Credit Union Development – A Research Project*. Manchester: ABCUL.
- Basic details concerning the membership and size of the credit unions and to determine the extent to which these were already being used by people in receipt of income related benefits and the services provided to them.

- The extent to which credit unions have been engaged in the development of local welfare provision;

- Views concerning how credit unions could be involved in the delivery of local welfare provision; and

- Any barriers to their involvement.

**The participating credit unions: their members and services**

The vast majority (32) of the respondents were operating to relatively small 'local area common bonds', meaning that they only provided services in specific localities. These were usually based on local authority boundaries. However, a further three respondents instead provided services to specific employees or members of other organisations. These were:

- NHS Scotland and North England Credit Union, which provides services to National Health Service employees only;

- Manchester Unity Credit Union, which provides services to members of the Oddfellows friendly society and relatives living in the same household, no matter where in the UK they might live;

- Enterprise - the Business Credit Union, which provides services to members of the Federation of Small Businesses.

Of those credit unions with local area specific common bonds, three of these were based in Scotland and the remaining 29 from England. Of this latter figure, over half were based in the North West, West Midlands and London although all English regions were represented in the survey responses (see figure 5, below).
The credit unions in the survey were also of varying sizes. At the lower end of the scale, the smallest adult membership reported was just 120 and over one quarter (28 per cent) of credit unions completing the survey had fewer than 1,000. However, the median number of adult members\(^{58}\) was higher at between 3,000 and 4,000, and 14 per cent of the CUs had 8,000 members or more. The CUs participating in the survey and falling into this category were:

- Bristol Credit Union, which serves the whole of the former Avon County, and which reported 8,000 members;
- NHS (Scotland and North England Credit Union), which reported 8,500 members;
- CitySave credit union, which serves the city of Birmingham, and has 9,500 members;
- Hull and East Yorkshire Credit Union, which North Lincolnshire as well as the areas in its title, and which has 9,800 members, and
- Enterprise Credit Union, which serves the Knowsley Borough of Merseyside and which reported 10,050 members.

---

\(^{58}\) All membership figures provided in this chapter refer to adult members only.
Respondents were also asked for the total value of loans made in the last full financial year; and the numbers of people receiving loans in that year. This information was provided by thirty two CUs, which together made nearly £32 million of new loans to just under 52,000 people – an average amount loaned of around £600. However, it should be noted that the five largest respondents made over half (59 per cent: £19 million) of all loans reported. These larger CUs also accounted for 53 per cent of the total number of borrowers, and their average loan value was slightly higher, at approximately £680.

We also asked for the proportion of members who were in receipt of income related benefits and who are therefore likely to be affected by the introduction of Universal Credit from October onwards. Some twenty four (68 per cent) of CUs reported that they recorded information about their members sufficient to allow them to provide information on the extent of benefit receipt, and many of these indicated a high proportion of income related benefit recipients amongst their membership. Specifically:

- 52 per cent of respondents indicated that over 60 per cent of their members were in receipt of income related benefits; and
- Two credit unions indicated that recipients of income related benefits made up 80 per cent of their membership.

It should be noted that a number of credit unions did have much lower levels of income related benefit recipients amongst their membership. This was particularly apparent at NHS (Scotland and North England) Credit Union, where the rate was 20 per cent, and at CitySave in Birmingham where this was 37 per cent. Nevertheless, very high ratios were reported by both large (e.g. Enterprise Credit Union in Knowsley) and small credit unions (e.g. Mendip Community Credit Union), and across all regions. It is apparent therefore that CUs are currently serving a sector of the population most likely to be impacted by the Government’s welfare reform programme, although an ‘over-concentration’ on meeting the needs of this group could have implications for the sustainability of CUs.

**Services provided**

Respondents were also asked to identify the range of services currently provided to their members. These included questions about current account provision; instant loans

---

59 These were defined in the survey as Income Support; Income based JSA; Income based Employment and Support Allowance; Pension Credit; Housing Benefit; and Council Tax Benefit.
(provided to new members without any prior savings requirement); budgeting and/or debt advice; consolidation loans (provided to pay off outstanding borrowing from high cost lenders); rent in advance and/or deposit guarantee schemes to help people move into new rented accommodation; and deals with white goods suppliers. All thirty five CUs responded to this question, indicating that:

- Over three quarters of credit unions surveyed are currently providing consolidation loans to their members to help them pay off previous high cost credit borrowing;
- Just under 70 per cent of cases the credit unions are able to offer instant loans to new members;
- Over half (57 per cent) of respondents also have deals in place with the suppliers of white goods and/or furniture companies;
- A slightly lower proportion, but still more than half of those surveyed (54 per cent), currently offer advice on how to budget and/or how to deal with debts;
- However, fewer than one in five of the CUs in the survey (18 per cent) currently offer members a current account and the same proportion is currently providing specific schemes to help people raise the money to pay for rent in advance or a deposit.

Further to this we found that only one of the responding credit unions currently offered all of these services to its members, and this was operating in Scotland.

**Use of credit reference data**

We also included a question on the survey concerning the use of credit reference agencies (‘CRAs’) in order to determine how far credit union loan decision making was informed by the use of CRA held data on other outstanding credit commitments and prior repayment records. The response rate to this question was low, with just 11 CUs answering. Of these, only five currently share repayment information with CRAs and access their databases to inform their loan decisions and only a further three CUs have plans to incorporate data sharing into their business within the next 12 months. Whilst the sample is very small and cannot be taken to be representative, we observed a possible correlation between data sharing and lower levels of membership in receipt of income related benefits. The use of data sharing may therefore be associated with a slightly lower risk appetite and is worthy of further research moving forwards.
The credit unions and the development of local welfare schemes

Engagement in the development of local schemes

With the exception of three CU’s, all of the respondents were aware of DWP plans to localise elements of the Social Fund from April 2013 onwards. However, only just over half (54 per cent) had, as at December 2012, been actively engaged in discussions to design a local replacement scheme for their areas.

In two cases, the credit union identified that the final decisions had now been taken and that the scheme was either published or would be very shortly. In neither of these cases were credit unions considered to be integral to the delivery of the new schemes. For example, Bristol Credit Union told us:

“The role of credit unions has been considered, however the largest Local Authority we deal with has chosen to procure a grant-giving scheme rather than a loan scheme, and it is out-with the legal powers of our credit union to run this.”

Likewise, Wherry Dragon Credit Union referred us to a paper presented to Norfolk County Council’s Cabinet Committee on 3rd December 2012, which identified that credit unions would have a role only in so far that they could assist people who had not been successful in obtaining help from the new scheme:

“We are proposing initially to establish a stand-alone team within the Customer Service Centre which will deal with applications to the Social Fund from April 2013. The customer will be asked a series of questions (from an online form) which will test their situation against eligibility criteria and either provide an immediate accept/decline, or will refer the application for decision. Successful applicants will receive vouchers/funding via a partner agency. Unsuccessful applicants will be signposted to other options such as credit unions and charities as appropriate.”

Fifteen credit unions reported that local schemes were still subject to consultation and discussions with one further credit union indicating that the scheme was at a ‘very early

---

60 It should be noted that the Cabinet paper did not include details of the eligibility criteria to be used or identify the partner agency to be used for the payment of vouchers’ grants. In addition, the Cabinet amended the recommendations made in the report to ask that officers continue to identify possible alternatives to establishing an in-house service, and in line with the report’s recommendations, that the design of the scheme be changed over time so that assistance be provided through ‘normal service routes (e.g. related to housing, homelessness, social care etc and administered by the lead agency for that customer.)’.
stage’ in its development. However, many of these did anticipate some form of role for credit unions in the delivery of the final scheme. For example:

- Rainbow Saver Anglia Credit Union indicated that Suffolk County Council were planning to present their proposals to Councillors in January 2013 for a ‘voluntary sector solution’ and to use the credit union as the delivery agent for payments under the new scheme. The credit union was also optimistic about becoming a payment issuer for the scheme being developed in Cambridgeshire;

- Sheffield Credit Union told us that they were likely to be engaged to administer loans and repayments as part of the new local scheme. Discussions were ongoing at the time of the survey concerning the additional capacity needed within the credit union to help them deliver;

- Cambridge City Credit Union and Northern Oak Credit Union both told us that they were in discussions with their local authorities and that these were considering paying for the opening of accounts for some local scheme applicants. In Northern Oak’s case referral processes were being considered to ensure that repeat applications to the local scheme were reduced with the credit union’s services forming part of a wider plan to improve financial education and budgeting skills;

- Nottingham Credit Union told us that they were in discussions concerning the possible operation of a loan fund to ensure that maximum use was made of the available budget, although they also stressed that ‘we are working on the basis that the capital and therefore any write offs would be the responsibility of the Council’ and that further work would be needed to determine who would be eligible for a loan under any such funding arrangement.

What services could credit unions provide?

Despite the relatively low level of actual engagement with credit unions we found that the vast majority of those replying to the survey were positive about the potential role that they could play in the delivery of local welfare schemes. The survey itself identified three potential areas where credit unions may be able to assist:

---

It should be borne in mind that there may be some bias in the survey – in that those credit unions most positive about their potential role are more likely to complete a survey of this nature. As a result, we do not maintain that the survey is representative of all credit unions, only that the results
• Payment processing;
• Providing a local loans scheme; and
• Providing help with multiple debt problems.

The survey sought views concerning how well CUs considered that they could help with each of these, and also asked respondents to identify any barriers that would need to be addressed. We now report on each of these in turn.

**Payment processing**

Recognising that many Councils want to move away from the issuing of cash payments, we asked credit unions for their views concerning whether or not they could receive electronic payments into credit union accounts for people receiving assistance under the new local welfare schemes. Our rationale for this was that:

- The transfer of local welfare payments into credit union accounts would be a more secure (and cheaper) form of payment than providing cash;
- Making payment into credit union accounts the preferred payment mechanism of local authorities could generate new members for credit unions; and
- Linking local welfare recipients to credit unions in this way would ensure that they have access to financial services and affordable credit moving forwards, so reducing the need for applicants to reapply to local welfare schemes in the future.\(^6^2\)

To further investigate these possibilities the survey asked three questions:

- How easy would it be for you to receive local welfare payments into *existing* credit union member accounts?
- How easy would it be to open *new* accounts for local welfare recipients (who are not already credit union members) in order to receive payments, for example if the recipient was referred to the credit union?

indicate that there is a section of the CU movement which is positive about their potential role in the delivery of local welfare schemes.

\(^6^2\) For example, the evaluation of the impact of DWP’s Growth Fund in 2010 found that 39 per cent of people accessing Credit Union and CDFI loans supported by the Fund felt that their money management skills had improved, and 29 per cent had gone on to open a savings account where they had none previously. See [http://www.hm-treasury.gov.uk/d/evaluation_growth_fund_report.pdf](http://www.hm-treasury.gov.uk/d/evaluation_growth_fund_report.pdf)
Would it be possible for the credit union to set up a system so that the local authority could directly open a new credit union account, including, for example, budgeting accounts, for the people it needs to pay without the credit union needing to see the person themselves, at least in the first instance?

Perhaps unsurprisingly, the vast majority of credit unions indicated that they could currently directly receive payments into existing member accounts or that they would easily be able to do this. In fact only two credit unions indicated that this would be difficult (see figure 6, below). Where this was the case, this was because the credit unions were relatively small (both had around 1000 members) and they did not currently have the capacity or systems in place that would enable people to make withdrawals without giving the credit union prior notice:

“The credit union is run by volunteers, therefore people have to apply for share withdrawal seven days in advance. For example, applications must be in by Tuesday lunch time for collection on Friday.” – Credit Union in the West Midlands

“We have told our local authority we are willing to assist, but we can only do this with their support, both to devise a programme and fund it. We hope to make progress during the first quarter of 2013, and this may include a number of new services, including possibly the Credit Union Current Account.” – Credit Union in London
Figure 6: How easy would it be for you to receive local welfare payments into existing credit union member accounts?

As well as nearly all of the CUs indicating that they would be able to process payments into existing member accounts, the vast majority of CUs indicated that they either could already, or would not find it difficult, to open new accounts for local welfare recipients that were not currently members (see figure 7, below). In fact, only seven CUs indicated that this would be a problem. Again these tended to be smaller CUs, which expressed capacity issues as their main reason for not being able to offer this service.

For example one respondent told us that they would need ‘more volunteers and office facilities; we are currently too small to be able to offer the services listed’ and another that a rapid increase in the number of members would mean that they would have to develop new services to ‘get the money out’, including either current accounts or pre-paid cards.

However, one Scottish CU with around 5,000 members also stated that they would find it problematic to offer to open new accounts as a means of processing local welfare payments. This respondent expressed concerns that it should not be expected to take on what it saw as a role of central government, and indicated that doing so would likely give rise to a demand for loans which they would be reluctant to meet given their focus on sustainable development:
“Credit Unions do not exist to do the work of central government…this appears to be another example of the Department ridding itself of those areas of work that cause bother and offer no return. Our current set up does not allow us to deal with the potential stream of members asking for loans. We have enough capital to offer loans but have to be careful where we position credit unions in the marketplace to ensure that they are not seen as the “poor-man’s bank” and I believe that taking on the work of the social fund will do just that.”

Figure 7: How easy would it be for you to open new accounts for local welfare recipients?

Finally, we also asked credit unions whether or not it would be possible to establish a mechanism through which local authorities could open new credit union accounts for recipients of local welfare payments directly themselves, without the need for the person to make a separate application or attend an interview with the credit union – at least in the first instance. In effect, this would make the local authority authorising the local welfare payment a ‘trusted intermediary’, and would require them to be able to remotely access credit union systems and open new accounts.

Thirty three CUs responded to this question, with seven (21 per cent) indicating that they were already able to provide this service. What is more, a further 42 per cent told us that they would ‘easily be able’ to put such a mechanism in place. Indeed, one credit union told us that they had already piloted a payment processing service in respect of local authority Social Care users in the previous year and were now hoping to build on this. This would
include administering local welfare payments to purchase goods for successful applicants under the proposed local welfare scheme, as well as small amounts of cash in emergencies:

“…we have discussed becoming the payment issuer - preferably via a partner such as furniture project or similar who will invoice via the credit union, and the out of hours social workers who will use our prepaid debit card to get access to cash for clients. We will earn an income processing payments, (which we piloted last year with Social Care clients successfully).”

In total, just 12 CUs told us that they would not be able to offer this type of service (see figure 8, below).

Figure 8: Could you establish a mechanism that would allow local authorities to directly open new credit union accounts for local welfare recipients?

Those CUs reporting that establishing such a mechanism would be difficult included the seven CUs which were unable, mainly for capacity reasons, to commit to opening new accounts for local welfare recipients themselves. However, a further five CUs reported problems with this proposal. These included some larger CUs – with between 3,000 and 4,000 members – who indicated that they would need investment in systems to enable this to happen and would also need funding to support training for staff within the local authority. Whilst these practical obstacles were noted, none of the CUs, with the exception of the Scottish respondent previously identified, objected in principle to putting such a mechanism in place.
Providing a local loans scheme

The survey also asked CUs for their views concerning the provision of local loans schemes. Eighteen of thirty three CUs responding to questions in this respect felt that they could help in this respect (see figure 9, below). However, drawing on their experience of administering the DWP’s Growth Fund63, many of these expressed concerns about the likely levels of bad debt that could result, and were therefore concerned about the cost effectiveness of schemes. As a result, a number of CUs made it clear that local authorities would need to provide additional capital for lending and also under-write potential losses if loan schemes were to be developed:

“We would need more capital as ours is fully committed at present. We are in talks with two local authorities to provide this, but there is a lack of understanding about underwriting. There is also a lack of understanding that this could be contracted for through a service level agreement rather than made as a grant. We have found that these loans are very high risk, so we do not intend to do them at our own risk.” – Rainbow Saver Anglia Credit Union

“We would require a form of underwriting for certain loans due to bad past experiences doing these loans. Our Board is prepared to consider these loans but on an individual basis and is reluctant to do large numbers of loans without the underwriting.” – Northern Oak Credit Union

“We have available capital to lend but would need additional finances to provide staff to deliver additional loans and possibly access to larger premises, which may merely be using a suitable room at the local authority offices. However, we would not want to risk our members’ savings for this project and would expect the local authority to underwrite the debt via a ‘loan guarantee’ fund.” – Unify Credit Union

Nevertheless, a small number of CUs indicated that the sector was more than capable of providing these types of guaranteed loan schemes, and, indeed, already had some experience of administering these; referring, for example, to the role that credit unions had played in the development and delivery of local schemes supported by the Department for

63 The Evaluation for the Growth Fund indicates that there was a significant increase in debt write offs by lenders providing loans supported by the Fund, although this should be viewed in the context of a substantial increase in loan volumes. Unfortunately, the Evaluation did not include a comparison of write off rates with a control group of non Growth Fund lenders so it is not possible to determine the precise impact of administering the Fund on write off rates.
Communities and Local Government’s Preventing Repossessions Fund. An example of credit union involvement in the delivery of this scheme is provided in respect of Northumberland in box 1, below.

**Box 1: Administering the Preventing Repossessions Fund in Northumberland**

Northumberland County Council was allocated £76,000 from the Government’s Preventing Repossession Fund in 2009 to ensure that households in need of financial assistance are supported to remain in their homes. For example, the funds can be used to clear mortgage or second charge arrears in appropriate cases, where this would prevent homelessness.

To maximise the use of the money, Northumberland created a scheme in partnership with Northumberland Credit Union and Credit Union South East Northumberland and Citizens Advice. The local scheme provides interest free loans (underwritten by the Fund) to a maximum value of £5,000 per household. In addition to helping homeowners struggling with their mortgage costs, this funding can be used to help tenants in the social or private rented sectors who are struggling with their rental payments in the current climate and face eviction. The loans are not intended to fully clear mortgage or rent arrears but to recover the position where all other options have failed.

Loans are conditional on the household seeking money advice from Citizens Advice which carries out a full financial assessment and conducts negotiations with the mortgage lender, landlord, and other creditors as may be appropriate. If a loan is sought from the scheme then the money adviser and participating credit unions both have to be satisfied that the applicant is able to repay. The loan is then made by the credit union, with the loan amount and repayment period set according to the applicant’s individual circumstances and all successful applicants become a member of the credit union and are expected to save a small amount during the period of the loan.

---

64 In 2009 the then Labour Government announced a £20 million fund to enable local authorities to extend small loans to families at risk of homelessness through repossession or eviction. Guidance from DCLG indicated that this should be used to provide loans rather than grants where possible in order to ensure that monies were recycled. In February 2012, the current Government announced a further £19 million investment in the Fund, again emphasising the importance of using small loans rather than grants.
Providing help with budgeting and debt problems

The survey was also used to ask how CUs could assist local welfare recipients with budgeting and debt problems, including through the provision of budgeting accounts and the making of consolidation loans (replacing existing, often high cost, credit debt with a loan from the credit union).

Respondents were largely positive about the role that CUs could play in these respects. For example, a number of respondents referred us to the development of ‘jam jar’ accounts, which allowed members to ring fence monies held in the account for the purposes of bill payments:

“The introduction of Universal Credit and the provision of “Jam Jar” accounts will provide an opportunity to help recipients with their budgeting and, with financial support, the credit unions could provide assistance to [local welfare applicants].” – Northern Oak Credit Union

Indeed, following the survey we were referred to the example provided by a group of credit unions operating in the East Midlands, which have launched a budgeting account service in association with social landlords in the region. This involves the social landlord remotely opening credit union accounts for tenants on a ‘trusted intermediary basis’ and meeting elements of the cost of this provision on the basis that the accounts then ring-fence Housing Benefit payments and are likely to increase rent recovery.

East Midlands Credit Unions and Rent Payment Accounts

A consortium of Credit Unions in the East Midlands has developed a web portal which allows social landlords in the region to remotely create credit union ‘rent payment’ accounts for their tenants. Access to the portal is provided to registered social landlords who enter into a formal agreement with the consortium that covers part of the cost of providing the accounts. The accounts themselves enable tenants to have their wages and benefits paid into a credit union local to the tenant and ring fence an element of this for rent payment.

The costs to the social landlord for this service comprise (i) a one-off lifetime joining fee for each tenant becoming a member of a credit union of £10 or a fee of £6 for existing credit union members moving onto the rent payment account; and (ii) a rent payment fee of £0.75 for every payment of rent made to the landlord’s account.
The rent payment service is then made available on a free basis to the tenant themselves, provided tenants choose to take out one of three additional services offered by the credit unions. These are:

- Using pre-paid cards;
- Upgrading to a ‘Rent Payment Current Account’, or
- Using a full ‘Rent Payment Budget Account’

The main features and costs to the tenant of these services are provided in the table below.

**Table 11: Additional East Midlands Credit Union products, selected features**

<table>
<thead>
<tr>
<th>Pre-paid card</th>
<th>Rent Payment Current Account</th>
<th>Rent Payment Budget Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>No card issuing fee</td>
<td>£4 monthly fee, additional £2 fee if over 12 transactions</td>
<td>£4 monthly account fee (can be paid by landlord)</td>
</tr>
<tr>
<td>Free point of sale for purchases</td>
<td>Free ATM withdrawals</td>
<td>Allows for all monies to be divided into pots and directed to bill payments</td>
</tr>
<tr>
<td>Free cash back</td>
<td>Ability to set up direct debits and standing orders</td>
<td>Spare cash directed into savings account</td>
</tr>
<tr>
<td>50p per card load</td>
<td>£10 unpaid item fee</td>
<td>No additional fees</td>
</tr>
<tr>
<td>75p per ATM withdrawal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free card replacement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No monthly or annual fee</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The application process for the tenant involves the social landlord confirming identification, talking them through the products and selecting the one which is most appropriate to their needs, and then opening the account on-line through the web portal. In the event that there are insufficient funds in the accounts to provide for payment of the rent, the landlord is alerted to this automatically by the system.

In addition to this, monitoring of the services provided to social landlords will take place and be reported to a quarterly meeting of landlords participating in the scheme.

**Replacing high cost borrowing**

In addition to the positive developments taking place in respect of budgeting accounts, twenty three respondents (71 per cent) stated that they could also either currently, or would easily be able to, provide consolidation loans to replace high cost credit borrowing.
However, they again pointed out that this would be dependent on their capacity to serve the numbers of people being referred, including:

- Staffing levels and premises;
- Capital position, and level of risk of the loans which could require under-writing;
- Overall requirements to expand in a sustainable way, and not ‘over-focus’ on those on the lowest incomes.

Finally, a number of CUs also pointed out that the making of a consolidation loan may not be the most appropriate ‘solution’ for some people and that there was a need to provide debt advice before considering how a further loan could help:

“We find loans to consolidate existing credit tend to be high risk, especially if the underlying behaviour (for example, addiction problems) has not changed. If these loans were externally guaranteed then we could look at this, but would probably suggest to a potential partner for such a scheme that they funded debt advice instead in order to get the debts written off, or at least an affordable, manageable repayment plan put in place without charging further interest.” – Bristol Credit Union

“It depends on the debts being consolidated - we will not consolidate debts where the individual/member would be disadvantaged by paying interest. Loan consolidation requires an experienced money advisor in place, and to bring this to scale it would require further development. Our experience is that those in debt often have both priority debts too - we feel that these have to be sorted out first through specialist/dedicated money advice before further borrowing is taken on.” – Liberty Credit Union
Chapter Six: Conclusions and recommendations

This chapter summarises the key findings from the study. It then proceeds to draw out the implications of these and make recommendations for changes to policy and practice at both the national and local levels.

Summary of Key Findings

The abolition of the Community Care Grant and Crisis Loans elements of the Discretionary Social Fund in April 2013 is taking place within a broader context of welfare reform which is ostensibly intended to improve levels of financial independence and promote employment whilst protecting the most vulnerable. However, it is now evident that many of the reforms being implemented will also negatively impact on the ability of some benefit claimants to make ends meet. This is particularly the case for working age claimants.

The current system of Community Care Grants and interest free Crisis Loans, whilst far from perfect, has provided an important safety net for many low-income households – providing them with much needed help to furnish homes to an acceptable standard and providing assistance when people may otherwise have had to go without food, heating or other essentials due to a lack of cash. Previous research and the qualitative interviews undertaken as part of this project indicate that many people would simply not have been able to meet these basic needs if it had not been for the Social Fund.

Our analysis of expenditure on Community Care Grants and Crisis Loans for the period since the election of the Coalition Government indicates that these forms of support have already been reduced significantly, with total expenditure (excluding Crisis Loan alignment payments) falling by over a quarter (26.7 per cent) in the year from 2010/11 through to 2011/12. To date, this cut in the level of support is likely to have had most impact on unemployed working age claimants and lone parents, as, taken together, these two groups account for over 70 per cent of all spend on Crisis Loans – the area of the budget which has been subject to cuts. What is more, this spending reduction has been achieved through the use of administrative measures, rather than through any attempt to address the underlying causes of demand.

These cuts in support have already been associated with a significant increase in the numbers of people turning to charities and food banks for help, with the largest provider of
food parcels in the UK, the Trussell Trust, reporting that the number of people using its food banks more than doubled from 61,000 to 128,000 in the 12 months between 2010/11 and 2011/12.

It is therefore of great concern that the programme budget being devolved to support the creation of local welfare schemes will be further reduced by some 17.3 per cent as compared to the level of spend in 2011/12. Further to this, it is also clear that the way in which the budget is being allocated will reflect existing inequalities in access to the Fund at the local level rather than be based on a genuine assessment of levels of need for support in different localities.

We are also concerned that the devolution of the budget for Crisis Loan payments for the replacement of items following a disaster shifts the financial liability for helping flood victims from central to local government, and that instances of widespread flooding, such as has occurred in recent years, could place the budgets for local welfare schemes in some local authority areas under considerable strain.

Nevertheless, and despite the absence of any statutory duties being placed on the devolved administrations and local authorities in England, we find that local areas are intending to use the devolved budgets to provide new local welfare schemes. This is clearly the case in Scotland and Wales, which will both put new national schemes in place. The position is more complicated in England, as each upper tier local authority is responsible for the development of its own scheme, and comprehensive information concerning the approaches that are being taken is not available. Nevertheless, we have not heard any reports of English local authorities refusing to develop local schemes throughout the course of this project.

Whilst local schemes are being developed it is also clear that these will vary considerably in each of the four key respects identified by our review – in terms of eligibility for help; access arrangements; types of assistance provided, and in respect of the quality and speed of decision making, reviews, and appeals. In fact, there can be little doubt that in many areas the level of support will be considerably reduced compared to what is currently available.

We are particularly concerned that some vulnerable people could be passed from one local authority to another as a result of the imposition of local connection rules. In some cases people seeking help will be expected to demonstrate that they have lived in the local area for
a period of at least 6 months. Questions therefore arise as to what will happen to people in urgent need where this local connection requirement cannot be met – with people either having to go without assistance or be referred back to an area which they have left. This is an added complexity to the unwinding of a national scheme which DWP appears to have taken little regard of when considering the policy of localisation, and which is reminiscent of problems associated with a system of local Poor Laws.

We are also concerned that there is a lack of co-ordination between local authorities and grant giving charities, and that the charitable sector may be placed in a position of facing increased demand as a result of poorly designed or highly restrictive local schemes. In this respect, we support the initiative that is being taken by some charitable trusts to ensure that local authority schemes meet a set of minimum standards, although further work is needed to develop these.

In our view, the timescales for the implementation of the abolition of the Social Fund, quality of information available to local authorities, and relatively late notice of funding allocations in respect of set up costs and administration as well as programme funding have all hampered local authorities from putting effective local schemes in place from April. As a consequence many areas will only have interim schemes up and running and will need to undertake considerably more work to integrate services to better support low-income and vulnerable people moving forwards. Likewise, it is apparent that DWP did not take account of the added complications of establishing schemes in County Council local authority areas compared to Unitaries, and has made no attempt to reflect this in the allocation of set up costs. In some areas this has meant that the integration of welfare funds at the local level (for example Discretionary Housing Payments and S.17 payments administered by Social Care Departments), as originally envisaged by DWP as a potential benefit of localisation, has been frustrated.

In England particularly, we find that the devolution of budgets and creation of local welfare schemes will result in a ‘postcode lottery’. Given the significant reduction in budgets at the point of devolution, local authorities have, rightly, been wary of putting in place schemes which are unaffordable and which could leave them faced with a level of demand that cannot be met. In this respect, it is logical for them to look at ways in which demand can be best managed. However, it is also clear that the main mechanisms to achieve this, at least in the initial period, will be the imposition of tighter eligibility requirements and a move away from
the provision of cash in most areas. This appears to run counter to the original policy intentions of localisation, which were instead centred on the development of more holistic solutions to address underlying needs and on supporting greater financial independence.

In areas where more ‘holistic’ approaches are being actively considered from the outset, we have concerns that these will be heavily reliant upon the voluntary sector to identify needs and pull together effective service responses. Much will therefore depend on the existing capacity within the sector to perform this role, and on whether the budgets being devolved will be adequate to fund the additional provision required to meet demand. In this respect, we are concerned that there does not appear to have been a detailed assessment of current voluntary sector capacities and gaps in provision to inform whether or not this is likely to be the case.

Conversely, in those areas where less emphasis has been placed on meeting underlying needs (at least in the initial period), there will be a need to assess whether or not the budget is being managed by the imposition of ever tighter administrative restrictions, for example in respect of eligibility or levels of award, over time or whether improvements in service design and integration are, in fact, forthcoming.

The role of third sector financial services providers also remains unclear in many areas. Although the capacity of providers in each local area varies, we have identified that credit unions and CDFIs could play a significant role in respect of:

- Payment processing;
- Providing local loans schemes; and
- Providing help with money management and debt problems

It is therefore disappointing that the majority of local authority plans reviewed by us in January 2013 indicate that credit unions and CDFIs will not be actively involved in the delivery of local welfare schemes and, in particular, that loan schemes will not be put in place. In our view, this represents a missed opportunity to link local welfare recipients to financial services that could provide a longer term solution to their needs, and the failure to establish loan schemes in particular will have implications for the overall level of provision as over half of current Crisis Loan provision is funded through the repayment of loans.
Our review of prior research literature indicates that a significant reduction in the overall level of provision is likely to result in many people turning to high cost commercial lenders to meet their needs. Whilst it is not possible to be precise about the numbers of people that will be affected, earlier research indicates that around one in five of all people refused help or given only partial help to meet their needs could resort to high cost commercial borrowing.

This is likely to have a significant negative impact on living standards, as credit repayments force reductions in expenditure on those areas of the budget where people retain most flexibility in their spending – namely in respect of spending on food and heating. As the qualitative interviews conducted for this project indicate, many people are already struggling to feed themselves and their families properly or to heat their home sufficiently. In our view these problems are likely to increase significantly as a result of the abolition of the discretionary Social Fund and the move to local welfare provision.

Even in areas where loan schemes are being put in place, there is considerable variation in approach with some local authorities electing to fully underwrite loans at 0% interest and proposing to cover the administrative costs for credit unions and CDFIs, whilst others are building their models on the basis that providers will charge interest and fees. At this stage, albeit one so close to the abolition of the Social Fund, it is not possible to provide a clear, costed, preferred, model of delivery and further work will need to be done moving forwards to evaluate the impact of different approaches with regard to loan schemes on both the overall budget and on individual applicants.

Nevertheless, it is possible to identify a basic ‘good practice’ model - with third sector financial services providers commissioned to administer both grants and small loans designed to meet immediate needs, and then actively following up on this provision with the offer of account services to receive payments of benefit and wages, including the option of budgeting accounts for people in need of help with managing their money. In some areas it will also be possible for links to be made to debt advice and there is also a potential for consolidation loans to be made to replace high cost commercial credit borrowing with more affordable loans. Areas that are actively engaging third sector financial services providers in the delivery of their local welfare schemes should therefore be used as a ‘test bed’ to inform the further development of schemes across the country moving forwards.

It is frustrating that DWP has not taken more of a lead in the development of a role for credit unions and CDFIs in the delivery of local welfare provision, as they are currently the lead
Department in respect of third sector financial services provision and have identified the need for up to 2.5 million Universal Credit claimants to be provided with financial services products that will allow them to better manage their money. DWP is also moving forwards with plans to develop effective networks of local services to meet the needs of Universal Credit claimants for personal budgeting support. Yet the links between these initiatives, the Credit Union Expansion Project, and the abolition of the Discretionary Social Fund do not appear to have been made.

There also appears to have been a failure to link activity to develop an exceptions framework for Universal Credit claimants with local welfare schemes. Yet it is clear that considerable demand for local welfare payments could arise as a consequence of benefit claimants being placed on a monthly payment cycle or because of the payment of the housing cost element of Universal Credit direct to the claimant rather than the landlord. In this respect local authorities will need to ensure that applications for local assistance are also assessed in relation to whether or not these reveal a need to apply for claimants to be put on alternative payment arrangements for Universal Credit.

Our survey of credit unions indicates that there is an appetite from some credit unions to be involved in the provision of services to local welfare scheme applicants – albeit with some reservations concerning the overall sustainability of credit union business models, especially in the light of the experience of lenders in administering the DWP’s Growth Fund between 2006 and 2011, which saw a considerable increase in debt write offs alongside the rise in loan volumes made to higher risk groups. Likewise, as Five Lamps has shown in the North East, CDFIs involved in the provision of personal lending can also play a significant role. However, because the development of credit unions and CDFIs across Great Britain has been very uneven, the option of using these agencies to meet the needs of local welfare applicants varies considerably from one locality to another.

More will therefore need to be done to even up the capacity levels of third sector financial services providers across Great Britain. In this respect the outcome of the tender for Credit Union Expansion Funding is eagerly awaited. However, credit unions and CDFIs will also need to ensure that the costs associated with their services are acceptable to people on low incomes. As the qualitative interviews have indicated, some low-income households are reluctant to pay fees for budgeting accounts, especially at a time when their own incomes are reducing. In this respect, whilst it is positive that some social landlords are prepared to
meet part of the cost of providing these accounts for their tenants other potential beneficiaries from budgeting accounts (for example, utility companies and local authorities seeking to collect Council Tax from people no longer eligible for 100 per cent support) may also need to contribute.

We also have concerns that in-kind provision – for example the direct purchasing of items or the use of vouchers – will increase stigma and, in some cases, result in poorer quality items being provided to applicants. In this respect, the factors set out in the Guidance for the Scottish Welfare Fund for local authorities to consider when contemplating whether or not to make a cash award or provide in-kind assistance, including vouchers, are extremely useful, and could be promoted as a basis for English local authority decision making also.

Finally, the review of current plans indicates that there is likely to be a wide variation in the quality of decision making and review and appeal processes put in place within England, with the concern that this will place greater strain on local advice services at a time when their own funding is under pressure and capacity is limited.

**Recommendations**

To address the concerns identified above, we make a number of recommendations for action at both the national and local levels as follows.

**At the national level, we recommend:**

1. DWP should improve its strategic oversight by supporting the development of a comprehensive database of local welfare schemes. A national database should ideally also contain details of other localised support, for example, Council Tax Support schemes;

2. DWP should link its forthcoming investment in credit unions and CDFIs with the local Delivery Partnerships it is developing to support the personal budgeting needs of Universal Credit claimants;

3. DWP should review both the funding levels for local welfare provision and the method of budget allocation during the next Comprehensive Spending Review. This review needs to be informed by independent research into the level of spending on local welfare provision and into other indicators of need for support in different local areas;
4. DWP, the Local Government Association and the trade associations for credit unions and CDFIs should work with those areas that are engaging third sector financial services providers in the delivery of their local welfare schemes, to evaluate the added value of this and to identify and disseminate best practice.

At the local level we recommend:

1. The local Delivery Partnerships being established to support the personal budgeting needs of Universal Credit claimants should work with credit unions and CDFIs to ensure ‘local welfare loan schemes’ and budgeting accounts are made available to Universal Credit claimants;

2. English local authorities should publish full details of the performance of their local welfare schemes, and the Local Government Association should work with a group of authorities to develop and promote good practice in this respect, potentially drawing on the monitoring arrangements that have been put in place for local authorities in Scotland;

3. That local authorities monitor applications for local welfare assistance to identify people in need of the alternative payment services offered under the support and exceptions regime for Universal Credit;

4. Local authorities in areas prone to flooding take action to improve the take-up of low cost home insurance for low-income tenants in order to mitigate the risk of having to fund the replacement of items from local welfare schemes should widespread flooding occur in the future;

5. That credit unions developing budgeting accounts seek to minimise the cost of these to the end user by broadening out the agencies subsidising the accounts to include local authorities and utility companies, as well as social landlords; and

6. That English local authorities adopt the same set of considerations as provided in the guidance for the Scottish Welfare Fund when determining whether or not to provide assistance in kind or through the use of vouchers.
Bibliography


