

Meeting: Overview and Scrutiny

Date: 06/07/2016

Wards Affected: All

Report Title: Progress Report – Rationalisation/Review of Discretionary Welfare Funds

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1. Introduction

- 1.1 The Council's Crisis Support Scheme (Local Welfare Assistance) came into effect from April 2013 when responsibility for administering the discretionary Social Fund, which consisted of Crisis Loans and Community Care Grants, was transferred from the Department of Works and Pensions (DWP) to the Council and funding was made available to administer the scheme.
- 1.2 The mindset of the transfer of responsibility to Local Authorities was that the Local Authorities were best placed to be able to devise their own schemes to meet the needs of the local population and by being in closer contact with customers would be able to target spending more effectively.
- 1.3 Local Authorities were encouraged to look at new ways of meeting the needs of local people at times of crisis which would be more effective than the old cash based scheme operated by the DWP.
- 1.4 In Torbay, Officers devised a scheme to make best use of the funding. Where possible goods and services, rather than cash, are provided to ensure that funds are targeted effectively and used for their intended purpose. We work with Local Charitable organisations to provide goods and services therefore supporting these organisations within the local community.
- 1.5 Although repayable Crisis Loans were offered under the DWP scheme, the DWP's advice during transfer of responsibilities was that they would not advocate the use of loans under Local Authority Schemes. This was because Local Authorities were not given the same power to recover loans from state benefits as existed under the DWP scheme. Torbay's Crisis Support Scheme was therefore implemented as a grant only scheme.

- 1.6 At the scheme outset in 2013, Torbay Council was allocated £1.32 million in total to cover Local Welfare Assistance for the financial years 2013/14 and 2014/15. The funding allocation was based on historic cash spending under the DWP scheme.
- 1.7 By devising new ways of working and service provision under its Crisis Support Scheme, Torbay was able to be more cost effective, spending around £700,000 in the first two years.
- 1.8 In 2015/16 DWP withdrew the grant with the expectation that Council used the Revenue Support Grant (RSG) to fund the service. As funding has never been ring fenced, the Council is not obliged to spend a set figure on the Crisis Support Scheme.
- 1.9 Due to budgetary pressures, consideration was given to ending an annual budget allocation for Crisis Support from 2016/17, utilising remaining reserves to continue to operate the scheme instead. The reserves, including under spend to the end of 15/16, stood at c£700,000 as of April 2016.
- 1.10 A report was presented to the Priorities and Resources Review Panel (P&R) on 13/01/2016 regarding this proposal.
- 1.11 As part of the report to P&R a number of options were presented and subsequently adopted by Council with a view to protecting the longevity of the scheme. These were:
- (a)** Council wide replacement of Cash Deposits with an enhanced deposit bond scheme.
 - (b)** Partial replacement of the grant only Crisis Support Scheme with a loan scheme, operated in conjunction with the local Credit Union, to cover furniture, white goods, removals and storage.
 - (c)** Retention of grant awards for rent in advance and daily living expenses.
 - (d)** Review of all Discretionary Funds operated by the Council to avoid duplication and ensure effective use of the funds.
- 1.12 As well as Crisis Support other Discretionary funding streams are available within the Council as follows:

Fund	Area of Responsibility	Purpose/Description	Budget
Crisis Support	Revenues and Benefits	Assistance to local residents in Crisis. Non-ring fenced fund	No annual budget allocation. Scheme to be run for as long as possible using reserves of C£700K
Discretionary Housing Payments	Revenues and Benefits	Assistance with housing associated costs for local residents suffering hardship and receiving Housing Benefit. Main provisions-deposits and rent in advance, help with ongoing rent shortfalls Statutory	£328,445 ring fenced 2016/17

		provision	
Fix it/Prevention Fund	Housing Options	Homelessness prevention tool	£44,800 2016/17
Section 17 Fund	Children's Services	Assistance for Children in need	£142,000 2016/17

1.13 This report is an update on the progress that has been made since February 2016 when the Crisis Support proposals were adopted by full Council as part of the 2016/17 budget.

2. Progress since February 2016

2.1 The new Deposit Bond Scheme

- (a) Work on the new Bond Scheme has already commenced and to date includes staff training on Housing Standards Property Inspections (HHSRS), discussions with other Local Authorities regarding their bond schemes and best practice, creation of a Bond Officer role within the structure, joint working between Housing Standards/Housing Options and Revenues and Benefits regarding scheme criteria and process.
- (b) Building strong links with local landlords is a key part of a successful scheme and landlord liaison has been factored into the implementation plan. A go live date of 01/08/2016 is anticipated to take into account lead time required for landlord liaison.
- (c) The Deposit Bond Scheme, which will offer a deposit indemnity to landlords for a finite period, will prevent the need for cash deposits. In contrast to Discretionary Housing Payments and Crisis Support, no cash is paid to the landlord unless there is a claim against the bond. Cash deposits paid through Crisis Support and Discretionary Housing Payments are money permanently lost to the Local Authority which cannot be recycled to help others.
- (d) The annual spend on deposits in 2015/16 from Crisis Support and Discretionary Housing Payments alone amounted to £60,000 and £86,000 respectively. There is additional spend on deposits from the Housing Options fix it fund amounting to approximately £30000 per annum.
- (e) Historically Bond claim rates are 15% of the live caseload.
- (f) Potential annual savings based on latest 15/16 spend figures is therefore £76500 cashable (85% of the fix it fund and Crisis Support spend) plus a further £73000 in ring fenced Discretionary Housing Payments which can then be used to alleviate hardship and homelessness in other ways.
- (g) Predicted monthly savings from the Crisis Support Scheme attributable to the Deposit Bond Scheme are £4250 per month.

2.2 Crisis Support Loan Scheme

- (a) In order for a loan scheme to be cost effective, it was necessary to find a way of achieving recovery of loans. In house recovery is not an option because, as

mentioned in 1.5, as a Local Authority Torbay would have very few powers of recovery. Early research into the viability of a loan element supported working with a Credit Union to operate a scheme due to their enhanced powers of recovery under the government's Eligible Loan Deduction Scheme.

- (b) Despite the short lead in time from February 2016 when the budget was approved, we have managed to successfully implement the Crisis Support Loan Scheme from 01/05/2016. We are very pleased to have achieved such an early go live date in view of the fact that staff resource was limited and officers had to deal with the project implementation alongside normal day to day duties, in what is a busy service area with significant public contact.
- (c) The loan scheme is operated in conjunction with an external partner, Plough and Share Credit Union. In the 3 month lead time, the major areas of work included, procurement issues, contract negotiations with plough and share, updated procedures and policy, working with third party suppliers to agree procedures, production of loan scheme stationary, affordability criteria, publicity, data protection compliance and a Service Level Agreement. The loans are granted and collected by Plough and Share. Whilst the Council is providing a cash flow facility to Plough and Share to support the granting of loans, the loans are only a cost to the Council if they become uncollectable.
- (d) To date there have been no complaints in respect of the Crisis Support Loan Scheme and no appeals against decisions not to make a loan award. There have been no issues raised by the Voluntary Sector regarding the Loan Scheme. Although, the scheme is in its early days, the fact that there has been so little resistance is perhaps indicative that those with the most urgent need are still being supported through the revised scheme.
- (e) Crisis Support Loan Statistics 01/05/2016-19/06/2016
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|-------------------------------|---|
| Total Number of Applications: | 58 |
| Total of Loan Awards | : 7 |
| Total of applications refused | : 37 of which only 8 (14% of total applications) were refused on lack of affordability grounds. |
| Total of decisions pending | : 14 |
| Total Loan outlay: | £1806.00 (23% of ave monthly outlay for loan items awarded under the grant based scheme in 2015/16) |
- (f) The dramatic reduction in outlay for items under the loan scheme compared to the grant scheme spend has been considered. The Crisis Support Team report that they have seen an increase in applicants not pursuing applications which have to be repaid. This is likely to be for a number of reasons including the need for an item not being a priority to the applicant, option to acquire an item or assistance with funding elsewhere such as friends or family, unwillingness or inability to repay a loan.
- (g) Plough and Share have reported that out of the 7 live loans, repayments have been received on 4 and are expected for another 2 in the next fortnight. The final loan has only just been issued and so repayment is not yet due. Whilst it is very

early to judge, this information suggests that good recovery rates can be achieved, meaning money can be recycled into the scheme to help other vulnerable adults in future.

- (h) Loans are offered on an interest free basis and in doing so the Council is providing access to affordable loans for the Local Community who may otherwise only have access to less main stream and very expensive forms of borrowing such as door stop lenders and payday loans.
- (i) We continue to use Local Charitable Organisations to provide goods and services under the loan scheme so that the service they provide to the local community continues to be supported.

3. Questions Raised by the Overview and Scrutiny Board

3.1 Q: Following the report to Priorities and Resources Review Panel in January 2016, has a common criteria for all discretionary welfare funds operated within the Council now been established?

A: The Crisis Support and Discretionary Housing Payments Team have always worked closely together and where possible both scheme policies are written so that they do not contradict the other.

It is not always possible to have common criteria. For example, to be eligible for Discretionary Housing Payments an applicant must be eligible for Housing Benefit. This criteria is not mirrored by Crisis Support as to do so would for example exclude street homeless residents from Local Welfare Assistance, a group who arguably has one of the most immediate needs for assistance.

Where appropriate common criteria are applied e.g. for affordability reasons, assistance with rent in advance, both schemes restrict assistance to properties where the rent is no more than 110% of the Local Housing Allowance rate that applies to the applicant's household. The same criteria is also normally applied by the Housing Options Team when considering awards for deposits and rent in advance through the fix it fund.

Further alignments are perhaps possible between Children's Services who administer Section 17 payments and the other Council Discretionary Funds. Although, across the board common criteria is not achievable throughout all of the discretionary funding schemes governed by different legislation, it may well be possible to further tighten up in some aspects such as financial scrutiny and verification. The standard of financial verification under Crisis Support and Discretionary Housing Payments is already robust. It may be appropriate to implement similar standards elsewhere and we would hope to discuss with the relevant departments in due course.

Common Criteria will further be improved through a single point of access for assistance with deposits under the New Bond Scheme.

3.2 Q: Does this common criteria remove the overlaps that were previously in the system?

A: It was proposed implement monitoring software to avoid duplication of applications. This has yet to be achieved and further investigations are required about the viability of such a product due to data protection and the sensitive nature of information held on the Children's Service's Paris System which would need to be accessed. Officer time will be given to this as soon as other pressures of work permit. It would be beneficial to achieve closer working with Children's Services who operate their Section 17 payments largely in isolation to the other Discretionary Schemes.

Whilst there has been work in the past to raise awareness about Crisis Support and Discretionary Housing Payments with Children's Services Staff and some liaison takes place on individual cases, it is not possible to guarantee that there is no duplication without a monitoring programme across all schemes and their individual software.

As stated in 3.1 Crisis Support and Discretionary Housing Payment Schemes operate closely together and under the new Revenues and Benefits Structure come under the same manager. There is also close working between the two schemes and Housing Options. All three areas have access to the other's case records reducing the probability of duplication.

3.3 Q: What is the current level of funding available for Discretionary Welfare Funds and how long is this forecast to last?

Discretionary Housing payments

The Council receives a ring fenced government grant for Discretionary Housing Payments on an annual basis. The 2016/17 budget allocation is £328,445. The Discretionary Housing Payments Team manage spending to ensure that use of the fund is maximised for the benefit of local residents. For a number of years the fund has been well managed so that the spend falls within a few hundred pounds of the budget allocated but does not exceed the government grant. Any under spend at the end of each year has to be returned and so it is in the interests of the local community to make full use of the funds available. Funds are used to assist with unaffordable rent shortfalls and also assistance with rent in advance and deposits where a Housing Benefit recipient has an essential need to move such as at risk of homelessness, moves for medical reasons and downsizing to affordable accommodation.

Crisis Support (Torbay Council's Local Welfare Assistance Scheme)

As of April 2016, the Crisis Support reserve fund stood at approximately £700,000 (including the 15/16 under spend).

Crisis Support spending over the 48 day period 01/05/2016 to 17/06/2016, since the loan element of the scheme went live, is a total of £17,232.68. On an annual basis this would equate to £131040 plus loan admin charges payable to Plough and share at £34 per loan (estimated at 100 pa i.e. £3400 pa).

The Crisis Support Scheme will also benefit from 8 months savings in respect of the bond scheme for this year (year 1) at an estimated 8/12 of 85% of the deposit spending for 2015/16 which was £60000 (8/12 x £51000 = £34000 bond savings).

Net spending in year 1 (assuming the bond scheme is live from 01/08/2016) is therefore:

£131040 (est annual spend pre bond scheme) + £3400 (est loan admin costs assuming 100 loans)-£34000 bond savings=£100,440

The above calculation does not factor in loan repayments, which using a conservative recovery rate of 50% on an annual loan base of £14000 (estimated based on loan spending from 01/05/2016 to 17/06/2016) would realise a further £7000 per annum potential savings.

From Year 2 onwards the Crisis Support Scheme will benefit from the bond scheme savings for the full year and therefore we would predict an additional drop in spending of approximately £17000 pa (representing 4/12 of £51000- potential savings not realised in year 1).

Assuming an annual spend in the region of £100,000 in year 1, decreasing to approximately £80,000 from year 2, the Crisis Support reserve fund could last in the region of 8.5 years before being exhausted.

As it is very early days for the loan element of the Crisis Support Scheme and the Bond Scheme is yet to go live, the prediction can only be a rough estimate. We will be able to give more accurate projections once the loan scheme and bond scheme have been in operation for longer periods.

Housing Options Fix it Fund/Prevention Fund

The Housing Options Fix it Fund (Prevention Fund) Budget for this year is set at £44,800. Approximately 50% of the budget is spent on deposits. This will significantly be reduced with the implementation of the deposit bond scheme.

Children's Services Section 17 Budget

Children's Services Section 17 Budget is £142,000 for 2016/17. At this stage of the financial year the budget is forecast to breakeven, however, as a demand-led budget, it is subject to variation.