



Local welfare provision in 2015/16: A consultation document

Child Poverty Action Group's response

November 2014

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Introduction

1. Child Poverty Action Group (CPAG) has worked for almost 50 years to prevent and relieve poverty among children and families in the UK. We have particular expertise in the functioning of the social security system through our welfare rights work, and our policy research with low-income families.
2. The UK's social security system has long recognised that benefit levels do not allow claimants to build up financial reserves which enable them to manage unexpected or one-off capital expenses. Whether through supplementing the basic scale rates (1948-1979), single payments (1979-1988), the social fund (1988 –2013), or local welfare provision (2013-2014), support has been given since the inception of the welfare state to help those on low incomes manage unexpected or additional costs.
3. Provision of this type achieves a key policy objective. It ensures that individuals and families do not become embroiled in financial crises which, as well as being profoundly distressing on a personal level, can result in higher costs for the state at a later date. Early intervention helps people avoid homelessness, for example; averts family breakdown which may result in children being taken into care; and facilitates the integration of vulnerable people such as ex-prisoners into the community, thereby reducing future reoffending rates.
4. Given this, in CPAG's view it is imperative that local welfare provision (LWP) continue to receive adequate and dedicated funding in 2015/16, and indeed beyond. To this end, we offer the following response to the government's consultation.

Question 1: Do you have a preference for options 1,2a,2b,3a,3b or 4?

5. CPAG supports option 4 of the consultation. We believe that separate funding must be maintained at least at current levels if local authorities are to continue (and indeed improve) LWP in 2015/16 and beyond.
6. CPAG does not support options 1 or 2 as these both constitute a cut to the current levels of funding available to LWP. We dispute that there has been adequate reflection or consultation on this proposed cut to funding. The consultation document references three points at which the cessation of the dedicated grant which currently funds LWP was considered: the Spending Round 2013; the subsequent Local Government Finance Settlement published in December 2013; and this summer's Technical Consultation on Local Government Finance Settlement for 2015/16. Scrutiny of the relevant documents shows, however, that consideration of this issue appears cursory at best. Indeed, there is no reference at all to local welfare provision in the Spending Round 2013 leading us to question how the government could conclude that 'the wider package of funding in 2015/16 for Local Government, agreed at the Spending Round, was sufficient for councils to continue their local welfare provision'.¹

¹ HMG, *Local welfare provision in 2015/16: A consultation document*, October 2014 2.10

7. In fact, evidence from councils suggests that the contrary is the case. In September 2014, the Local Government Association surveyed councils about how the cessation of separately identified funding would affect local welfare provision. Three-quarters of respondents said that they would be forced to either greatly curtail, or end, schemes as a result.²
8. We recognise that one way of ensuring LWP receives dedicated funding is through ring-fencing a budget line and we are glad to see that the government is considering this possibility as part of its consultation (option 3). However, option 3 proposes to create a dedicated fund simply by top-slicing the Local Authority Revenue Support Grant (RSG) and subjecting this to a ring-fence. While this may achieve the outcome we desire in narrow terms, we cannot support this option. After four years of already significant cuts, overall funding for councils is being reduced by a further 13 per cent in 2015/16.³ As a result, to impose a ring-fence while cutting overall funding *and* LWP's dedicated grant can only place huge strain on other vital services that support low-income families.
9. Finally, we note with concern that none of the options in the consultation propose the maintenance of the *status quo*. Rather, they all proceed on the assumption that current funding levels for LWP cannot be maintained unless financed by a cut in the RSG or elsewhere. While the open option 4 has been included, we question whether this consultation fully abides with the terms of the consent order which required the government to consult on a "fresh decision" on LWP funding. One local authority has argued, for instance, that the consultation is unfair by reason of the government's failure to provide sufficient information to consultees.⁴ At CPAG, we expect due consideration to be given at a formative stage to proposals put forward under option 4 to ensure that the consultation truly facilitates a "fresh decision".

Question 2: If you have provided representations on option 4, how else would you propose delivering and funding local welfare provision? What evidence can you provide to support this?

10. CPAG's interest lies in provision which offers adequate and appropriate support to those members of our society who cannot manage unexpected or one-off expenditures as a result of very low incomes. In light of this, we believe that the obligation placed on councils to deliver support through LWP needs to be strengthened.
11. We base this assertion on the performance of LWP to date. Despite the strong steer given to councils at the outset in settlement letters, it is clear that many vulnerable people have not received the support they require from schemes in the first eighteen months of operation. Although there are examples of excellent practice in some local areas, Freedom of Information requests have shown that in others, councils have only spent a small proportion of the money

² Local Government Association press release 'Councils urge Government to reconsider scrapping local welfare assistance fund' 6th October 2014 available at <http://www.local.gov.uk/media-releases>

³ DCLG, *Key information for local authorities and non-domestic rates pools: final local government finance settlement 2014-15*

⁴ See [http://www.islington.gov.uk/publicrecords/library/Communications/Publicity/Public-consultation/2014-2015/\(2014-11-19\)-Letter-to-HMG-Welfare-Reform-Division-11-Nov-2014.pdf](http://www.islington.gov.uk/publicrecords/library/Communications/Publicity/Public-consultation/2014-2015/(2014-11-19)-Letter-to-HMG-Welfare-Reform-Division-11-Nov-2014.pdf)

allocated for LWP in 2013/14/15, and indeed some councils have wound down their schemes entirely.⁵

12. We recognise that there may be extraneous factors that have hindered the performance of LWP to date. For example, it is normal for new schemes to take time to bed down as typically, claimants take time to find out about new provision.⁶ In addition, funding uncertainty may have compromised councils' delivery in some areas. However, in our view such significant discrepancies in provision are unacceptable: LWP users are acutely vulnerable, and need the security of an effective system wherever they live in the UK. This has been acknowledged in Scotland, for example, where the Welfare Funds (Scotland) Bill looks set to fully recognise the role LWP plays in the social security system by placing a duty on Scottish councils to set up a regulated system in order to ensure minimum standards of provision across the nation.⁷
13. Given this, CPAG supports ring-fencing maintained levels of funding for LWP in 15/16. While we recognise that there is a widespread desire across government to reduce ring-fencing, CPAG believes that LWP should be an exception to this general rule. LWP would thus be placed on a par with the budget for discretionary housing payments (DHP) which is segregated in this way. A ring-fence would ensure councils were meeting the needs of residents, and central government would benefit from any underspend.
14. In this we are not alone. The Work and Pensions Committee, for example, has recommended that funds for LWP should both be maintained at current levels and be ring-fenced:

"We believe that it is essential that the Government ensures that sufficient funding is available to councils to cover the costs of providing the localised welfare support schemes which have replaced elements of the discretionary Social Fund We recommend that this is done in one of two ways: either DWP should continue to transfer funding to councils beyond April 2015, until it has a clear picture of the level of demand; or the local government settlement administered by the Department for Communities and Local Government should be increased by the full amount that would have been allocated for these elements of the discretionary Social Fund, and this sum should be ring-fenced for local welfare schemes."⁸

15. Question 2 also asks about the source of funding. Given that LWP is a critical part of the social security system, in our view it is entirely proper that funding of these schemes should be the responsibility of DWP to ensure LWP's effectiveness within the wider system. Given this, CPAG agrees with the Work and Pensions Committee that future funding should be maintained via a section 31 grant from DWP to councils at least at a similar level to that provided for 2013/14 and

⁵ Centrepoint, 'Local welfare provision: Centrepoint Freedom of Information request', March 2014 available at http://www.centrepoint.org.uk/media/848993/local_welfare_provision_foi_briefing.pdf

⁶ See, for example, S Adam and M Brewer, *Take-up of Family Credit and Working Families' Tax Credit* (no date)

⁷ Currently, delivery of the Scottish Welfare Fund is governed by national guidance which has encouraged consistency in relation to eligibility for the scheme, processing times, methods of delivery and the procedure for challenging decisions.

⁸ House of Commons Work and Pensions Committee, *Monitoring the performance of the Department for Work and Pensions in 2012-13*, March 2014

2014/15. While we recognise that the social security budget is itself under significant pressure, we contend that failing to fund LWP is a false economy and is likely to generate additional costs at other points in the system.

16. These additional costs to the state are various and potentially significant. In particular, we draw the government's attention to the following evidence:

- If parents cannot provide essential goods for their families, there is an increased risk that their children could be taken into care.⁹ Research by the NSPCC has shown, for example, that 'an unsafe physical environment ... [has] been found to be factors in some serious case reviews and where children are subject to child protection plans';¹⁰
- If ex-offenders cannot establish themselves in a community, recidivism rates are likely to increase. The Prison Reform Trust has shown that 60 per cent of ex-prisoners cite setting up a stable home as a key deterrent to reoffending;¹¹
- Government statistics show that electrical items and cookers are the primary source of domestic fires.¹² If deficient electrical items cannot be replaced, there is an increased risk of domestic fire and attendant costs to the fire service;¹³
- If people with disabilities and health conditions cannot afford aids to help them in their daily lives and their health deteriorates as a result, both NHS and social care budgets are likely to increase. These costs will be particularly high if a hospital admission is triggered or discharge delayed. Many examples provided by local authorities testify to this point;¹⁴
- If LWP is unavailable to help with rent in advance or essential furniture, the risk of homelessness will increase. LWP has been used to enable households to buy goods or make repairs to enable them to stay in their home. By providing rent in advance and deposits, LWP enables people to start a new tenancy, preventing them from becoming homeless or staying in inappropriate accommodation. This can include delaying people from moving out of higher cost supported accommodation.¹⁵

All in all, while these additional costs cannot be easily quantified, the 'spend to save' logic of LWP is in our view abundantly clear.

⁹ See, for example, case studies in London Councils, *Local welfare provision – One year on* June 2014 available at <http://www.londoncouncils.gov.uk/policylobbying/welfarereforms/resources/welfareprovision.htm>.

¹⁰ S Jutte et al, *How safe are our children?*, NSPCC 2014 available at <http://www.nspcc.org.uk/globalassets/documents/research-reports/how-safe-children-2014-report.pdf>

¹¹ Prison Reform trust, *Bromley Briefings Prison Factfile*, Autumn 2014 available at <http://www.prisonreformtrust.org.uk/Portals/0/Documents/Bromley%20Briefings/Factfile%20Autumn%202014.pdf>

¹² DCLG, Fire statistics, *Great Britain April 2012 to March 2013*, 2014 available at <https://www.gov.uk/government/statistics/fire-statistics-great-britain-2012-to-2013>

¹³ Fire Brigade Union, 'Welfare cut will increase fire risk for poorer families, say firefighters', press release 19th November 2014

¹⁴ See for example case studies provided in London Borough of Islington, 'Islington High Court challenge causes government rethink on local lifeline', press release 16th September 2014 available at <http://www.islington.gov.uk/islington/news-events/news-releases/2014/09/Pages/PR5313.aspx>

¹⁵ Shelter, *Local welfare provision consultation response*, November 2014 available at <http://www.shelter.org.uk/>

Question 3: What is the likely impact (and extent of any impact) on groups that display protected characteristics of the four options discussed?

17. There is abundant evidence that groups displaying protected characteristics are over-represented amongst recipients of LWP (and prior to April 2013, the social fund). As a result, any option that reduces funds for LWP is likely to disproportionately affect groups protected by equalities legislation in a detrimental way. In particular, we draw the government’s attention to four groups with protected characteristics – age, disability, ethnicity and gender - which the evidence shows are likely to be significantly affected by any cut to LWP support.
18. Social fund data shows that in 2012/13, over half the spend on community care grants was made to ‘families under exceptional pressure’.¹⁶ While systematic data on families is no longer collected, it is fair to assume that children remain a key beneficiary group under LWP. Analysis of one schemes’ users has shown, for example, that in 2013/14, over 38 per cent of applicants were families with children¹⁷ while a recent report highlighted numerous cases of families benefitting from LWP, including several where support was used to prevent children being moved into care.¹⁸ Comprehensive data has been gathered on recipients of the Scottish Welfare Fund, and this shows that 31 per cent of awards were made to households with children.¹⁹ Moreover, Freedom of Information requests regarding the support councils provide for homeless 16 to 20 year olds has shown that in many localities, LWP is the only additional source available to help this acutely vulnerable group of young people.²⁰
19. Disabled people were also a significant beneficiary population of social fund provision: data shows that people with disabilities received 32 per cent of expenditure provided through community care grants and 18.5 per cent of crisis loans in 2012/13.²¹ In Scotland, 41 per cent of Scottish Welfare Funds recipients receiving benefits were receiving Employment Support Allowance.²² Information gathered this autumn by CPAG suggests that people with disabilities, long term health conditions and mental health conditions remain over-represented amongst LWP applicants. Table 1 summarises the responses we received.

Table 1: Profile of local welfare provision beneficiaries: disability and ill health, 2012/13/14

Council	Definition	Representation
Blackburn	Physical health issues	10%

¹⁶ Annex 5, DWP (2013) *Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2012/13*, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214337/2012-annual-report-social-fund.pdf

¹⁷ Information supplied by Cripplegate for Islington LWP

¹⁸ London Councils, *Local Welfare Provision: One year on*, June 2014

¹⁹ <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/swf/SWF20132014>

²⁰ The Children’s Society, unpublished data

²¹ Annex 5, DWP (2013) *Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2012/13*, www.dwp.gov.uk/docs/2013-annual-report-social-fund.pdf

²² *Ibid*

	Mental health issues	12%
Bolton	Disabled people	14% of applicants
Cheshire East	Disabled/Mental Health condition/learning disability/acquired brain injury	20% of applicants
Cheshire West and Chester	Disability	6% of applicants
Cornwall	Disability confirmed	32% of applicants
	Health issues raised	67% of applicants
Hammersmith and Fulham	No disability info provided	Not available
Hull	No disability info provided	Not available
Islington	Learning disability	2.1% of applicants
	Long term limiting health condition	14% of applicants
	Mental health	17% of applicants
	Physical disability	11% of applicants
Lincolnshire	No disability info provided	Not available
Solihull	Disability	12% of applicants
	Health condition (including mental health)	32% of applicants
West Berkshire	Households where applicant, partner or child has long-term illness/disability	51% of applicants
West Sussex	No disability info provided	Not available
Wolverhampton	Health issues	41% of applicants

Source: Information provided by councils to CPAG on ad hoc basis spring-autumn 2014. Note: Reporting periods may differ.

20. While no data appears to be available on the ethnicity of either social fund or LWP recipients, it is logical to assume that minority groups are over-represented in the beneficiary profile of both schemes. LWP is designed to help those on very low incomes, and black and minority ethnic-headed households are at a higher risk of poverty than non-BME-headed households. The latest data shows, for example that the poverty risk for minority-headed households ranges from 25-44 per cent compared to 15 per cent for non-BME-headed households.²³
21. Finally, women are likely to be disproportionately affected by any cut to LWP. Again, data on the gender of recipients does not seem to be available. However, the prevalence of families with children, and lone parents in the profile of social fund recipients is suggestive, as is the fact that in one scheme which shared data with CPAG, 65 per cent of applicants were women. It should also be noted that many councils identify women fleeing domestic violence as a critical group supported by LWP: domestic violence was recorded as an issue in 18 per cent of the cases in Solihull in 2013/14 for example.
22. If councils are forced to scale back or discontinue their schemes as a result of lack of funding, it is hard to see how beneficiaries from all of these groups will cope in times of need. They may have to turn to high cost credit, for example, but the cost of repayments will deepen their deprivation. Families will suffer acute stress, and experience ever more entrenched crises. While grant-giving charities or food-banks may be able to fill some of the gaps, these groups themselves have expressed concern about how demand could increase if provision continues to erode.²⁴
23. To conclude, options 1 and 2 put LWP at serious risk, and option 3 negatively affects other council services (which protected groups are also likely to use disproportionately). All three of these options therefore would have a large negative impact on protected groups. Maintaining funding and ring-fencing these funds (option 4) would, in our view, do the most to protect provision for these groups at this point in time.

Question 4: Do you agree that some impacts can only be assessed locally depending on the decisions made by individual authorities?

24. While CPAG is not clear about the purpose of this question, we offer the following brief observations. Although councils will make individual decisions about whether or how to deliver LWP, this is driven by central government decisions on funding and the strength of the steer they are given as to how these funds are to be spent. However public money is provided, whether through a section 31 grant or the local government core grant, central government should insist that some minimum standards are adhered to with respect to monitoring and impact assessment.

²³ DWP, *Households below average income; An analysis of the income distribution 1994/5 – 21012/13*, July 2014 Table 4.5db

²⁴ See, for example, M Haddad, *Interview: Adrian Curtis*, Poverty Issue 149, Autumn 2014 available at <http://www.cpag.org.uk/content/interview-adrian-curtis>

25. CPAG's effort to collate data on the profile of LWP beneficiaries shows how variable the information gathered by local authorities has been to date. The information that we were given shows that although some are collating a high level of detail, others are not and there is a lack of consistency even in the ways that categories are defined.²⁵ The government's own review of LWP clearly struggled with the same constraint, and contains no analysis of who has received assistance from schemes in the first two years.²⁶ Yet without accurate information on the characteristics and needs of recipients, both councils and central government will struggle to make informed decisions about the need for support. Again, practice in Scotland provides a useful counter-example: the Scottish Welfare Fund provides extensive analysis of the profile of applicants and how the spend has been allocated.²⁷
26. In addition, the government's review also highlighted that local authorities 'have no formal success criteria in place' and only evaluate effectiveness to 'varying degrees'. A central government definition of success would guide local authorities to meet the specific needs of vulnerable residents covered by this funding stream.

Question 5: If your preference is for option 4, and you have proposed an alternative way of delivering and funding local welfare provision, please outline how this will adhere to the public sector equalities duty

27. Maintaining and ring-fencing current levels of funding for LWP will be an effective way to ensure that vulnerable groups are able to access support during times of need and that public sector equalities duties are fulfilled. As discussed previously, people with protected characteristics are over represented amongst recipients of LWP and so strengthening this provision will ensure they are not disadvantaged. In addition, monitoring of these schemes needs to be improved to enable the public sector equalities duty to be fulfilled in future. Given the strength of the role of central government decision-making in local provision, it is essential that local government collects, and central government are able to access, the necessary information to enable effective decision making in line with their equalities duties.

Question 6: Do you agree this is the right timetable?

28. Councils are already well advanced in their work on budget setting for 2015/16 and the decision on future funding for LWP should be mindful of this. Councils will struggle to manage a decision that negatively affects the funding they have for other services at such short notice, especially given they will not have time to run a full public consultation on funding priorities.
29. CPAG also calls on the government to provide clarity as to how LWP will be funded beyond 2015/16. Funding uncertainty has a significant impact on provision: schemes have been blighted by doubts over funding since December 2013, just nine months after they were first established.

²⁵ See table 1 above for the various ways councils have defined or conflated disability and health conditions

²⁶ DWP, *Local welfare provision review*, November 2014 available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/370775/2-local-welfare-provision-review-nov-2014.pdf

²⁷ See <http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/swf> for further details

This uncertainty incentivises the implementation of conservative schemes: councils ration provision, for example, in the hope of being able to carry forward underspend to future years, or provide lower levels of support in expectation of cutting back schemes in future years if funding is withdrawn.

Conclusion and recommendations

30. CPAG believes it is essential that LWP endure beyond 2014/15 and that improvements in performance must continue to be made. To this end we support option 4 of the consultation and make the following recommendations:

- That funding for LWP be maintained at least in line with current levels;
- In recognition of the part that LWP plays in the social security system, that funding be maintained via a section 31 grant from DWP;
- That funds be ring-fenced to ensure that all local authorities provide LWP for their residents;
- That central government place some minimum standards for monitoring on local authorities to ensure informed decisions about LWP can be made in the future;
- That DWP, DCLG and Treasury give proposals made under option 4 due consideration at a formative stage to ensure that the consultation truly facilitates a “fresh decision”;
- That DWP, DCLG and Treasury provide clarity as to how LWP will be funded beyond 2015/16.

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