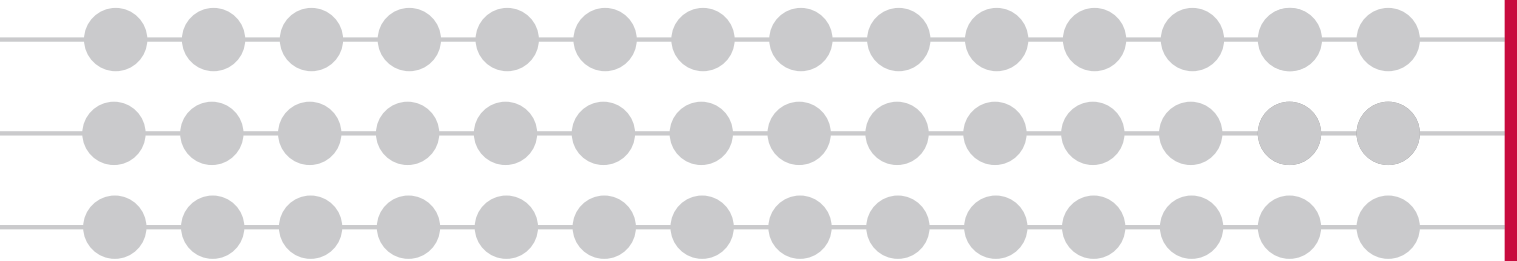


THE DECLINE OF CRISIS AND  
COMMUNITY CARE SUPPORT  
IN ENGLAND: **WHY A NEW  
APPROACH IS NEEDED**



**DAMON GIBBONS**

September 2017

# ABOUT THE CENTRE FOR RESPONSIBLE CREDIT

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The **Barrow Cadbury Trust** is an independent charitable foundation, committed to bringing about socially just change. It provides grants to grassroots community groups and campaigns working in deprived communities in the UK, with a focus on Birmingham and the Black Country.

It also works with researchers, think tanks and government, often in partnership with other grant-makers, seeking to overcome the structural barriers to a more just and equal society.

# CONTENTS

<b>1.</b>	<b>INTRODUCTION</b>	<b>4</b>
	Methodology	6
	Structure of this report	6
<hr/>		
<b>2.</b>	<b>THE DEVELOPMENT OF LOCAL WELFARE SCHEMES</b>	<b>8</b>
	Findings from the DWP review of local welfare schemes	12
	Changes in funding arrangements 2015/16	13
	The impact of the 2015/16 financial settlement	14
	The current position	15
<hr/>		
<b>3.</b>	<b>THE CURRENT POSITION AND THE VARIATIONS IN LOCAL AUTHORITY DECISION MAKING PROCESSES</b>	<b>18</b>
	Overview of current provision	18
	Decision making processes prior to closure or significant reduction	22
<hr/>		
<b>4.</b>	<b>THE HUMAN COSTS OF A LOSS OF WELFARE PROVISION</b>	<b>32</b>
	Financial crisis since the closure of local welfare schemes	33
	Struggling to have community care needs met	36
	Unmet needs and the impact on front-line services	38
<hr/>		
<b>5.</b>	<b>THE OPTIONS FOR REFORM</b>	<b>40</b>
	Achieving consistency	41
	Effective preventative services: making the case for investment	44

# I. INTRODUCTION

In April 2013 the Department for Work and Pensions ('DWP') abolished the Crisis Loan<sup>1</sup> and Community Care Grant<sup>2</sup> elements of the Discretionary Social Fund and provided funding to upper tier local authorities in England to support the delivery of 'local welfare schemes'.

We have previously reported on the nature of the local schemes that emerged in England, having conducted a major review of these throughout 2014<sup>3</sup>. That review was informed by a Freedom of Information request which obtained details of spending levels; access arrangements; eligibility criteria, and the numbers and types of awards made during the first year of operation. We also examined the measures that local authorities were taking to address the 'underlying issues' of applicants to their schemes – such as by providing 'wrap around support' to help to improve money management skills or to address barriers to employment.

Depressingly, that earlier research found that many local authorities had put in schemes which were highly restrictive; offering much less assistance than was previously provided through the national Crisis Loans and Community Care Grants arrangements. We estimated that local welfare schemes in England made only 400,000 awards to individuals in financial hardship in 2013/14. This was 75 percent lower than the number of Crisis Loans and Community Care Grants made in the previous year.

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<sup>1</sup> **Crisis Loans** were interest free loans of up to £1500 available to anyone over 16 years old who did not have "sufficient resources to meet the immediate short term needs of themselves and/or their family. It was not necessary for applicants for crisis loans to be in receipt of qualifying benefits although they must have been likely to be able to repay the loan and where loans were made to benefit recipients the repayments were then deducted in instalments from future benefit payments. Crisis loans were made to cover expenses arising in an emergency or following a disaster. Eligible expenses were living expenses; 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 could also be provided to meet other expenses, for example to replace household items and clothing. A crisis loan for rent in advance could also be made despite the absence of an emergency or disaster provided that the applicant had 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 could also be made as "interim" or "alignment payments" to cover the period between a new claim and receipt of the first benefit payment.

<sup>2</sup> **Community Care Grants** were made available to people in receipt of qualifying benefits who faced 'exceptional' financial pressures or who needed help to meet expenses in order to prevent them from going into residential or institutional care. Grants could also be awarded to people who were not in receipt of benefits but who were 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.

<sup>3</sup> Gibbons, D. (2015) 'Where now for local welfare schemes?' Centre for Responsible Credit. Available from <https://www.responsible-credit.org.uk/portfolio-items/building-financially-healthy-lives-and-communities/>

However, local authorities explained that they had been forced to adopt a cautious approach when designing their initial schemes. This was due to uncertainty about funding levels beyond 2014/15 and because the information provided to them by DWP was inadequate for the purposes of predicting demand. They also faced a challenging timetable for implementation, which coincided with the introduction of other welfare reforms, including the localisation of Council Tax Support. Learning from their experience of delivery in 2013/14 many subsequently reviewed their schemes the following year, which led to an increase in spend.

Several authorities also began to take a more strategic approach in order to address the long term needs of applicants and reduce the numbers of repeat applications. This included the provision of debt and budgeting advice for people with financial problems alongside the making of grants.

Unfortunately, Government then took the decision to roll the funding of local welfare schemes into the general Revenue Support Grant from 2015/16 onwards. The settlements for local government funding in that year, and since, have required Councils to make significant savings and this has resulted in a number of authorities completely closing their schemes and many more considerably reducing their level of support.

This report provides an assessment of what currently remains of local welfare provision in England. It provides an insight into the reasoning employed by local authorities when deciding whether to close or retain their schemes, and illustrates the human costs that are caused when schemes are closed. We also highlight how the closure of schemes creates a wide range of 'knock on' costs for public and third sector services.

The report concludes that the current arrangements are failing and that Government needs to take responsibility for this. A new policy and funding framework is needed to ensure a consistent, base-line, offer of support is available to people with crisis and community care support needs across England. This framework also needs to encourage local authorities to innovate and improve the effectiveness of their preventative services.

To stop the imminent closure of more schemes we call on Government to make new investment available to local authorities as a matter of urgency. To inform the development of an effective new policy and funding framework we call for national and local Government, and potentially social investors, to work together to design, trial and evaluate new ways of delivering preventative services. These services should deliver the core elements of debt and welfare rights advice; personal budgeting support, and a wide range of possible direct financial assistance encompassing grants, no and low interest loans, and greater flexibility in rent and Council Tax payments. They should also link to wider support, particularly in respect of housing and employment and training.

# METHODOLOGY

The research underpinning this report has comprised of:

- A review of all English local authority websites to determine whether local welfare schemes are currently available;
- A review of published reports concerning the effectiveness of local welfare provision and the current level of funding. This has included over 200 local authority Cabinet and committee reports which have informed local decisions about whether to close or retain schemes; and
- Face to face interviews with eighteen individuals living in three areas without any local welfare scheme in operation. These individuals would all have met the qualifying conditions for help from the previous Crisis Loan and Community Care Grant arrangements and from the local welfare schemes that were initially put in place by their local authorities. The interviews were conducted following the closure of the local welfare schemes in their areas.

# STRUCTURE OF THIS REPORT

The report is structured as follows:

**Chapter two** provides a history of the development of local welfare schemes. It particularly looks at changes to the funding arrangements of these since the abolition of Crisis Loans and Community Care Grants in 2013/14;

**Chapter three** provides an overview of the latest position, indicating that twenty six authorities have already closed their schemes and that many more are maintaining only a low level of provision. It then proceeds to look at the decision making processes of a selection of local authorities which have closed their schemes, highlighting the poor quality of impact assessments conducted by these. It contrasts the impact assessments in these cases with those undertaken by a small number of authorities which have decided to continue to invest in their local welfare provision;

**Chapter four** details the human consequences of the closure of local welfare schemes by recounting the experiences of residents who have experienced financial hardship since this has occurred. The chapter also illustrates how cutting provision is often counter-productive – resulting in additional pressure on other local authority and voluntary services;

Finally, **chapter five** concludes that the current arrangements in England are failing, and calls for an urgent review to be conducted. It looks at some of the possible options for reform moving forwards. In so doing, it provides a brief assessment of the schemes that have been put in place in Wales and Scotland, and looks at the potential for ‘invest to save’ trials to be established in England.

## 2. THE DEVELOPMENT OF LOCAL WELFARE SCHEMES

As part of its programme of welfare reforms the Department for Work and Pensions ('DWP') took the decision to abolish the Crisis Loan and Community Care Grant elements of the Discretionary Social Fund in April 2013. In their place DWP provided funding to upper-tier local authorities in England and to the devolved administrations in Scotland and Wales to support the provision of 'local welfare schemes'.

Previous research commissioned by DWP had found that Crisis Loans and Community Care Grants played an important role in preventing extreme hardship, including homelessness. However, demand for assistance often outstripped the available budgets which meant that many applicants were either refused assistance or received awards which did not fully meet their needs.

Reporting on the findings from interviews and focus groups involving one hundred applicants in 2010, Slater<sup>4</sup> reports that this contributed to homelessness, meant that people were often forced to go without food or essential items, had to sell personal items to raise cash, or had got into debt. In a small number of cases people had also engaged in criminal activities including shoplifting and theft to meet their needs.

In addition to its failure to meet demand, DWP viewed<sup>5</sup> Crisis Loans and Community Care Grants as "complex to administer, poorly targeted, and open to abuse" and considered that local authorities were better placed to "determine the support needs of local vulnerable people".

The localisation of funding was therefore not expected to result in the replication of the previous Crisis Loans and Community Care Grants regime at the local level. Instead, Government expressed the view that the new approach would improve the targeting of support to<sup>6</sup> "those facing greatest difficulty in managing their income". It would also enable the devolved administrations and local authorities to provide "a more flexible response to unavoidable need, perhaps through a mix of cash or goods and aligning with the wider range of local support" that they already offered.

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<sup>4</sup> Slater, A (2010). 'The Social Fund: Customer experiences and perspectives: Qualitative research with Jobcentre Plus customers'. Department for Work and Pensions, Research Report number 625.

<sup>5</sup> HM Government (October 2014). 'Local Welfare Provision in 2015/16: A consultation document.'

<sup>6</sup> <http://www.dwp.gov.uk/docs/discretionary-social-fund-settlement-letter-2012.pdf>



In order to provide maximum flexibility in the design of new schemes, DWP did not place the devolved administrations or English local authorities under any statutory obligations as to how the funding was to be used, nor did it ring-fence the budget for the specific purpose of providing direct financial support to individuals in need.

This afforded the devolved administrations and English local authorities with the opportunity to radically rethink how they could best meet the needs of people in hardship. The new approach was therefore welcomed by many, at least in principle. For example, commenting in 2014 on the opportunities that the localisation of funding had provided to councils in England, the Local Government Association stated<sup>7</sup>:

“The types of need that were being met by the Social Fund prior to the transfer of funding were clearly important to local authorities. Local authorities are a major source of assistance to people in crisis situations, including, for example, to the homeless. They also have statutory responsibilities to provide services to many of the groups of people that were previously able to obtain Community Care Grants. This includes vulnerable adults and children who would otherwise be at risk of needing to be taken into institutional care. Indeed, local authority staff often supported service users to apply for these as part of their work to help them stay out of care or resettle them in the community. The transfer of funding therefore provided an opportunity to co-ordinate financial and non-financial forms of help to better meet the needs of vulnerable people and also complemented their role in providing support by way of Discretionary Housing Payments and/or payments made by virtue of powers contained in the Children Act 1989.”

However, the decision not to place the devolved administrations and local authorities under any specific duty to provide local welfare schemes resulted in a lack of consistency in the type and level of support being provided to people in hardship across Britain. Whilst the devolved administrations in Scotland and Wales put in place new national schemes, which ensured consistency of support within their own nations, a huge variety of approaches were pursued by local councils in England.

Reviewing the schemes that had emerged in England by the end of 2014, we found that<sup>8</sup>:

- There was no consistency in the types of needs that Councils sought to meet. Whilst some Councils tried to maintain a balanced approach to meeting both crisis and community care needs, others prioritised help for one of type of assistance over the

<sup>7</sup> Local Government Association (2014, p.6). ‘Delivering local welfare: how local councils are meeting local crisis and community care needs’.

<sup>8</sup> Gibbons, D (2015). ‘Where now for local welfare schemes?’ Centre for Responsible Credit

other. Where it was provided, crisis assistance typically involved providing vouchers for people to access foodbanks and helping with the cost of heating or travel. Help with community care needs typically meant providing furniture and white goods, and in some cases paying for rent in advance so that people could obtain housing;

- Authorities adopted a range of different delivery approaches, which affected the number of applications they received. For example, some had very tight 'gatekeeping' arrangements whereby applications could only be made with the support of local advice agencies. Higher numbers of applications were received by councils taking applications directly from the public on-line and by phone;
- Eligibility criteria were often very restrictive. For example, we found very high refusal rates in authorities which:
  - Imposed strict residence conditions and excluded people who were subject to 'immigration control';
  - Required applicants to be in receipt of specific benefits;
  - Had adopted restrictive interpretations of 'health needs', 'emergency' or 'crisis';
  - Limited the maximum number of awards to only 1 or 2 in any 12 month period; and
  - Insisted that help from the local welfare scheme was a 'last resort'. In some cases people were asked to consider taking out credit prior to applying to the schemes. Most schemes also required that applicants first apply to DWP for a Budgeting Loan<sup>9</sup> or Short Term Benefit Advance<sup>10</sup>.
- The value of awards for people varied enormously. Awards for people in crisis ranged from an average of just £20 (for example, in Bournemouth, Bedford, Brighton and Hove, and Warwickshire) to over £500 (for example, in Cornwall). The median level of award

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<sup>9</sup> **Budgeting Loans** are interest free loans of between £100 and £1500 available to people who have been in receipt of qualifying benefits for 26 weeks or more, to enable them to purchase essential items such as clothing, furniture, and household goods. Repayments are collected direct from future benefit payments by DWP. Budgeting Loans will continue to be available to claimants of qualifying benefits pending the roll out of Universal Credit. Universal Credit claimants are able to access a new system of Budgeting Advances. These are available to claimants with earned incomes of less than £2,600 (single people) or £3,600 (couples) in the six months prior to an application. However, claimants will not be allowed to have more than one Budgeting Advance outstanding at any one time (unlike Budgeting Loans, where multiple loans can be taken out), and the repayment period will be much shorter (typically 52 weeks, although this can be extended to 78 in exceptional circumstances).

<sup>10</sup> The system of **Short Term Benefit Advances** replaced the similar type of help that was previously made available as 'interim payments' of benefit and Crisis Loans for 'alignment purposes'. They are available to claimants of any contributory or income-related social security benefit, including Universal Credit. To be eligible for an advance, the claimant must be able to demonstrate that they are in financial need, which is defined in regulations as a "serious risk of damage to the health or safety of the claimant, or any member of their family." Short Term Budgeting Advances are repayable from future benefit payments, with recovery rates agreed with the claimant at the time the Advance is made.

was £53. This compared to an average Crisis Loan award of £63 in 2011/12. Awards to help meet community care needs ranged from just £55 in Bournemouth to over £1,000 in Newcastle. The median was £470. This compared to an average Community Care Grant award of £652 made by DWP in 2011/12.

In those areas with combinations of poor access arrangements, tight eligibility criteria, and low levels of award there were considerable under-spends against the funding allocations for 2013/14. According to the National Audit Office, over three quarters of local authorities under-spent that year<sup>11</sup>. Our own research indicated that these under-spends were often large, with some Councils spending as little as one fifth of their allocation.

Commenting on the prevalence of underspends during the first year following localisation, the National Audit Office noted that:

“Councils acted cautiously, for example by limiting who they helped, as they were concerned about high demand and uncertain about funding after 2014-15.”

Although DWP had set out the funding allocations to be provided to local authorities for the first two years – through to the end of 2014/15 – there was no commitment provided to Councils regarding funding beyond that year. The Local Government Association also pointed out that DWP had been unable to share sufficient information with Councils to enable them to accurately predict demand for their schemes. These two factors had led some to err on the side of caution when designing their provision<sup>12</sup>.

Uncertainties regarding funding were further increased by the Chancellor's Autumn Statement in 2013, which indicated that the dedicated funding stream for local welfare schemes would be abolished in 2015/16. In response to this a 'Save our Safety Net' campaign was initiated by Child Poverty Action Group, which also sought a judicial review of Government's decision. The judicial review proceedings resulted, in September 2014, in the Government undertaking to complete a review of the effectiveness of schemes and to consult on options regarding future funding arrangements.

<sup>11</sup> National Audit Office (2016). 'Local Welfare Provision'.

<sup>12</sup> The Local Government Association also noted that the timescale for the implementation of schemes was very tight and coincided with the major task of designing local Council Tax Support as well as the introduction of several other welfare reforms.

# FINDINGS FROM THE DWP REVIEW OF LOCAL WELFARE SCHEMES

DWP reported the findings from its review of schemes in November 2014. Whilst acknowledging the extent of underspend it concluded that local Councils were best placed to help vulnerable people locally and were providing a “timely and better targeted service” than the previous arrangements. Councils were also using the funding in innovative ways to better meet underlying needs and reduce the need for repeat applications. In these respects, DWP referred to the Local Government Association’s findings from a review of twelve local welfare schemes that:

- The move away from cash payments to in-kind support had reduced the potential for people to abuse the system by claiming for items that they did not need; and
- Further cost-efficiencies had been realised by Councils negotiating bulk purchasing deals with suppliers which had reduced the cost of providing furniture and white goods.

It also highlighted a number of best practices from its own survey of local authorities, which included examples of Councils:

- Either working in partnership with voluntary sector agencies or directly delivering advice and support for people to improve their money management skills, access affordable credit, and deal with debt problems;
- Training staff within local housing associations to enable these to apply for grants on behalf of their tenants in order to help them move from temporary to permanent accommodation, maintain existing accommodation, or remain in the community; and
- Linking their schemes to other areas of their core business, for example by preventing and reducing homelessness by using the funding to pay for rent in advance, as well as speeding up the take-up of tenancies by furnishing properties.

Finally, the review indicated that, after a slow start in 2013/14, levels of spend were increasing and that over half of Councils were forecasting that they would spend all of their funding allocation in 2014/15. Where under-spends were expected, some Councils had indicated that they would roll these into their programmes for future years.

# CHANGES IN FUNDING ARRANGEMENTS 2015/16

Although clearly of the view that many local welfare schemes were proving to be an effective means of meeting the needs of people in hardship, Government was reluctant to provide any specific funding to support their delivery from 2015/16 onwards. It consulted on three options regarding this in October 2014:

- Local welfare provision could be funded from within the overall Revenue Support Grant paid to local Councils, with no separately identified or ring-fenced funding;
- The Government could publish a figure showing how much of each upper tier local authority's Revenue Support Grant would notionally relate to local welfare provision but there would be no actual ring-fencing of this amount, leaving Councils free to decide how best to spend it; or
- Government could top-slice the proposed Revenue Support Grant to fund a section 31 grant<sup>13</sup> for local welfare provision. This, it argued, would effectively ring-fence the allocation for local welfare provision, although Councils would still have considerable flexibility over the types of provision which they put in place.

In December 2014, the Government announced that it would pursue the second of these options and that it would identify the notional amounts included in local authority financial settlements which related to local welfare provision. In its provisional financial settlement it identified that in total this would be £129.6 million for 2015/16. This was around 25 percent lower than the allocation made to Councils in 2014/15. In a broader context of ongoing cuts to the overall level of the Revenue Support Grant which would require local authorities to deliver around £2.5 billion of savings<sup>14</sup> many local authorities questioned how they could continue to provide their schemes. Indeed, a survey of Councils conducted by the Local Government Association revealed that nearly three quarters of these expected to have to close their schemes unless further funding was provided.

<sup>13</sup> Section 31 of the Local Government Act 2003 is a general power which enables any Minister, with the consent of the Treasury, to pay grants to any local authority in England towards expenditure incurred or to be incurred by the authority.

<sup>14</sup> Local Government Association Briefing: local government provisional finance settlement 2015/16, published on 18th December 2014.

The 'Save our Safety Net' campaign mobilised over 12,000 responses to this provisional financial settlement. Summarising all consultation responses in February 2015, Government noted that these<sup>15</sup>:

“...predominantly called for additional funding to be made available in order to maintain schemes and prevent costs increasing in other services, including preventing homelessness. Local authorities also highlighted financial pressures more broadly, in particular the costs of providing social care services.”

In response, Government announced that it would allocate an additional £74 million to upper-tier authorities, “...to assist them in dealing with pressures on local welfare and health and social care”. This was intended to further help councils develop their localised arrangements and “...provide assistance to the most vulnerable people in their communities as well maintain their other frontline services”.

## THE IMPACT OF THE 2015/16 FINANCIAL SETTLEMENT

The provision of the additional funding – together with the fact that many Councils had underspent on previous years' allocations and were able to roll these forwards - mitigated the extent of closures in 2015/16. Whilst a small number of schemes were closed this was nowhere near as widespread a problem as had been predicted by the Local Government Association survey. Reporting on the position in January 2016, the National Audit Office noted:

“From April 2015, the government provided funding for local welfare provision in councils' revenue support grant. Despite this, many councils we spoke to said that funding from government for local welfare provision had effectively ceased as there was no longer a specific grant for it. As a result, some councils have stopped or significantly reduced local welfare provision. Our survey found 10 councils that had done so.”

However, with no firm idea of future funding levels and with underspends from previous years running down, the National Audit Office also reported that it had:

“...found few [Councils] had committed to continuing their local welfare provision after 2015/16.”

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<sup>15</sup> HM Government (February, 2015). 'Local welfare provision in 2015/16: Consultation summary of responses'.

Importantly, the National Audit Office reported that decisions to stop or significantly reduce local welfare schemes were often made without local authorities having anything more than a “limited understanding” of the effectiveness of their provision or of the consequences of reducing this.

There were some notable exceptions to this general picture. For example, the National Audit Office highlighted how Milton Keynes had evaluated the impact of their scheme:

“The council examined the fiscal, economic and social value derived from a sample of 592 local welfare provision awards it made from January to July 2015. It used New Economy’s Unit Cost Database, developed for the Department for Communities and Local Government’s Troubled Families Programme, to quantify the value of public services avoided as a result of awards. It estimated that, over a full year, the authority would avoid spending £4.8 million on services by making awards totalling £0.5 million. The total estimated saving for central and local government combined was £9.7 million.”

The National Audit Office therefore encouraged Councils to:

- Review the effectiveness of the support they provide to meet local welfare needs;
- Collect and make use of information on who seeks help and why in order that they can target support where it is most needed;
- Understand costs to the public sector which local welfare provision helps to avoid and use this information to make decisions on funding; and
- Consider whether other public services and charitable organisations have sufficient capacity to meet any increase in demand caused by reductions in local welfare provision.

## THE CURRENT POSITION

Such an approach became even more important from 2016/17 onwards. There has been no repeat of the additional £74.5 million allocation made in 2015/16. Whilst Government claims that a notional amount to support local welfare schemes is included in the calculation of Revenue Support Grant, that grant is itself being phased out as part of wider reforms to local government financing.<sup>16</sup>

<sup>16</sup> Statement by the Secretary of State for Communities and Local Government on the final local government finance settlements for 2016 to 2017 – available at: <https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2016-to-2017>

“At the start of the 2010 Parliament, almost 80% of council expenditure was financed by central government grant; by next year Revenue Support Grant will account for only 16% of spending power; by 2019 to 2020 only 5%. Ultimately, Revenue Support Grant will disappear altogether; as we move to 100% business rates retention.”

The funding for local welfare provision has therefore been under further, considerable, pressure in the past year and this is set to continue unless Government reviews its approach.

## IMPLICATIONS FOR CENTRAL GOVERNMENT

In addition to calling for a robust assessment of the value of local schemes, the National Audit Office also identified the need for central Government to ensure that people seeking assistance received a co-ordinated response from both local and national agencies.

In particular, it expressed concerns that Government spending on two remaining national forms of discretionary support for people experiencing delays in benefit payments or needing help to purchase essential items had reduced:

- ❑ Spending on Short Term Benefit Advances ('STBAs') in 2013-14 was 91 percent lower than its spending on crisis loans for alignment in 2012-13 – £4 million compared with £40 million; and
- ❑ The amount spent on Budgeting Loans was 5 percent lower in 2013-14 than in 2012-13 – £345 million compared with £362 million.

The need for improvements in the co-ordination of centrally and locally administered support was also highlighted by the Work and Pension Committee, which published an inquiry into the local welfare safety at the same time as the National Audit Office report, and which has also subsequently conducted an inquiry into benefit delivery issues more generally.

These inquiries have included calls for DWP to:

- ❑ Ensure that claimants are made aware of the existence of STBAs by requiring Jobcentre Plus staff to ask every claimant whether they have an urgent financial need rather than wait for the claimant to volunteer that information; and
- ❑ Avoid the unintentional transfer of costs from one part of the welfare system to another.



The Work and Pensions Committee also called for Government to put in place a “robust evaluation strategy” for the welfare safety net as a whole and noted that:

“...regardless of responsibility for delivery, central government maintains an ongoing obligation to ensure provision of a safety net which prevents vulnerable people from falling into severe hardship.”

Government’s response to these recommendations has, however, been extremely disappointing. It rejected the need for Jobcentre Plus staff to routinely ask claimants whether or not they are in financial hardship; and whilst it stated that it has “a comprehensive rolling programme of evaluation of its benefit reforms” it has failed to commit to a specific evaluation of the welfare safety net as called for by the Work and Pensions Committee.

# 3. THE CURRENT POSITION AND THE VARIATIONS IN LOCAL AUTHORITY DECISION MAKING PROCESSES

This chapter now sets out an overview of remaining local welfare provision in England, and then proceeds to assess the decision making processes of authorities as regards their funding for schemes. In so doing, it examines the overarching narrative employed by authorities which have ended or significantly reduced their schemes; looks at their duties under the Equality Act 2010, and at how far they have followed the advice of the National Audit Office to conduct a robust analysis of the value of local welfare schemes in preventing increased demand for other statutory and voluntary sector services.

## OVERVIEW OF CURRENT PROVISION

Reviewing the websites of all English upper-tier local authorities as at the end of April 2017, we find that twenty six (16 percent of the total) of these have now closed their local welfare schemes.<sup>17</sup>

Our desk based review of over 200 local Council committee papers and reports also found that a further 40 local authorities have set a budget for local welfare provision which is at least 60 percent lower than their initial 2013/14 allocations from DWP, excluding administration costs.<sup>18</sup> Many of these now have schemes which appear to be reliant on the eking out of underspends from previous years, with ten identified as having such a low level of provision that they could be considered to be on the brink of closure.<sup>19</sup>

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<sup>17</sup> These are Bournemouth, East Devon, Exeter, Leicestershire, London Borough of Barking and Dagenham, London Borough of Bexley, London Borough of Haringey, London Borough of Hillingdon, London Borough of Redbridge, Lincolnshire, Medway, North Lincolnshire, North East Lincolnshire, Northamptonshire, North Devon, Nottinghamshire, Oxfordshire, Portsmouth, Plymouth, Reading, South Hams, Staffordshire, Teignbridge, Torridge, West Berkshire, and West Devon

<sup>18</sup> It should be noted that our review was able to obtain current budgets for local welfare schemes in respect of 70 percent of all local authorities.

<sup>19</sup> These are Calderdale, Dudley, Kingston Upon Thames, London Borough of Hackney, London Borough of Lambeth, London Borough of Lewisham, Somerset County Council, Newcastle Upon Tyne, Redcar and Cleveland, and Rotherham.

## BOX 1: THE DECLINE OF PORTSMOUTH'S LOCAL WELFARE PROVISION

In 2013/14, Portsmouth City Council was allocated £726,196 by DWP to support local welfare provision. In that first year it under-spent, providing a little under £440,000 on direct financial help to people in hardship in the form of Community Awards and Crisis Awards. This included £27,000 which was allocated directly to food banks in the city. In addition, around £100,000 was spent on the administration of the scheme. There was therefore an under-spend against the funding allocated by DWP of around £186,000 (25 percent of the total);

The following year Portsmouth was allocated £715,000 from DWP. It again underspent on this, although by slightly less than in the previous year;

In July 2014/15, it reviewed its provision noting that it expected to under-spend by £140,000 over the full financial year. Because there was no specific grant being made by Government to support local welfare provision in the following year it took a decision to cease advertising direct financial help in April 2015 and instead allocated the under-spend to nine agencies who were working with vulnerable residents. These included its own Housing Options service which subsequently provided grants to around 80 service users needing essential furniture and white goods to aid with their resettlement following a period of homelessness;

In 2016/17 the Council identified that it had only £60,000 remaining from the under-spends of previous years to fund local welfare activities. It split this budget across two years, allocating £30,000 in each, and provided £15,000 to the Hampshire and Isle of Wight Community Foundation for it to distribute as 'Keep Warm Keep Well' Grants and £15,000 to its own Housing Options service.

There are variations in the speed of decline in different areas. For example:

- ▣ London Borough of Harrow was allocated around £480,000 per year for 2013/14 and 2014/15, but has only £115,000 remaining in its budget to fund its local welfare scheme in the current financial year. Of this amount, just £10,000 is available to help people with food, fuel, clothing and emergency travel needs and the remaining £105,000 has been ear-marked to assist people to obtain essential white goods and furniture. The maximum that can be obtained is £100 for awards relating to crisis needs and there is a £500 limit for help to buy essential goods. People are also not able to receive more than two awards from the scheme per year;

- In Rotherham the only help remaining is in the form of interest free loans from a local credit union. Loan amounts are capped at a maximum of just £120 for people who are “in urgent need, under pressure, or who need support to remain or settle in the community”. Similarly, Bradford ceased to provide any Community Care Grants or Crisis Awards in 2015, but the Council is supporting Smarterbuys<sup>20</sup> which provides loans (at an interest rate of 24.19 percent APR) to help people on low incomes obtain household items, and Wolverhampton City Council is providing welfare assistance loans of up to £400 via the local credit union. The total interest payable on a £400 loan is £50.84 and the repayments are spread over 52 weeks;
  
- Torbay spent approximately £700,000 (53 percent) of its total allocation from DWP in 2013/14 and 2014/15. It has funded its remaining provision from the under-spend, and in January 2016 made some significant changes to its scheme. Whilst it retains a grant scheme for rent in advance and to help with daily living expenses, it has ended its provision of cash deposits for people in need of help to secure private tenancies and replaced this with a deposit bond indemnity scheme. It has also put in place an interest free loan scheme via a local credit union for people needing help to obtain household items, but to qualify applicants must either be setting up home for the first time or have lost their items due to a ‘crisis or emergency situation’. It expects these changes to reduce annual spend to just £80,000 and for the scheme to remain in existence at this level for eight further years.

We also found that some authorities are no longer able to provide a consistent offer of assistance throughout the year and that the success, or otherwise, of applicants will depend on when they experience a crisis. For example, Birmingham City Council’s local welfare policy states:

“The scheme is funded on an annual basis and once the fund has been exhausted for that financial year, there will be no further awards.”

However, our desk review has identified some exceptions to this generally bleak picture. These are authorities which have chosen to invest in their schemes. In some cases, this has meant that the level of investment has remained at, or relatively close to, the level of the initial 2013/14 DWP allocation.<sup>21</sup> We provide further detail from some of these authorities later in this chapter.

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<sup>20</sup> See <http://www.sbstore.org/>

<sup>21</sup> For example, Bath and North East Somerset, Derbyshire, Liverpool, North Yorkshire, Slough, Stockport, and Trafford.

Investment in local welfare provision had also been maintained by Bristol City Council until the current financial year when it made a considerable cut:

- ❑ In 2013/14 and 2014/15 Bristol City Council was allocated £1.9 million per year by DWP to fund its local welfare scheme;
- ❑ In 2015/16 the Council recognised the importance of maintaining this despite the lack of any specific ring-fenced grant from Government to enable this. In its Equalities Impact Assessment for the Revenue Budget report presented to full Council in February 2015 it noted that “about 50% of service users are disabled, 18% are under 18, 60% are women and over 40% of service users are BME or from white non-British background.” It prioritised the maintenance of support to these groups within its budget and allocated £1.9 million per year for the continuation of its scheme for the three years from 2016/17 to the end of 2017/18;
- ❑ However, in October 2016 the Council consulted on a proposal to either end its provision or to significantly scale it back. In support of this it stated that “previous and continuing reductions in government funding” had left it with “an anticipated budget gap of around £90 million over the next five years”. Despite receiving objections from trade unions and voluntary sector agencies, the Council passed a cut of 55 percent to the scheme in February 2017.

The remainder of this chapter now looks in more detail at the decision making processes of a selection of areas which have either closed or significantly reduced their schemes compared to those authorities demonstrating good practice.

# DECISION MAKING PROCESSES PRIOR TO CLOSURE OR SIGNIFICANT REDUCTION

The main narrative of local authorities which have either closed their schemes or made significant reductions in provision has been that: (i) they are faced with a considerable funding shortfall and (ii) that the provision of a local welfare scheme is not a statutory requirement. In some areas, the low take-up of provision has also been cited as a reason. For example:

- ❑ Oxfordshire, which was one of the first authorities to close its scheme (in March 2014) noted that cuts to Government grants and the rising demand for services had created a budget shortfall of £64 million for 2014/15. In view of this it decided to cut the funding of its local welfare scheme by two thirds and to allocate the remaining third to Adult Social Care services to help them meet their statutory responsibilities to vulnerable groups. The rationale for this decision was that “the Fund has been underused and it is not a statutory requirement.”

In respect of the low take-up of the scheme it reported findings from a six month review of the scheme which:

“...suggest that the relatively low uptake of the scheme...may be due to the lack of published information for potential applicants, the website being hard to find, the burden of providing supporting evidence, and eligibility criteria being too narrow”.

However, it went on to state that “...this is not unique to Oxfordshire” and “We also believe this type of support may be better delivered by the voluntary or charitable sector.”

- ❑ Nottinghamshire, which also closed its scheme in early 2014/15, noted that reductions in Government grants and increasing demand for services meant that it was faced with a £154 million “funding gap”. It highlighted the fact that there was an under-spend in 2013/14 and argued that by ending the scheme, this would release funding to “enable the retention of the Benefits Advice Team” which would be “refocused to mitigate against the impact by targeting welfare benefit support to those with greatest need” with people “assisted and signposted to alternative sources of support.”
- ❑ In Northamptonshire, which closed its scheme in 2015/16, the decision to close the scheme was based in the context of the Council’s need to save £104 million over the following five years. The Council did note that:

“An additional £74m funding has been added to the upper tier funding control total in the Settlement Funding Assessment ‘to recognise that councils have asked for additional support, including to help them respond to local welfare needs and to improve social care provision”

However, the Council's final budget for 2014/15 also highlighted the growing pressures on Adult Social Care, which was facing “an unprecedented demand on services, with a 23 percent increase against the budgeted activity of the number of social care packages being agreed”. It also noted that there was no longer a specific grant to support local welfare provision. It therefore used its allocation from the additional £74 million funding announced by Government (which was £400,000 for Northamptonshire) to support its social care provision.

- When Bristol cut funding for its scheme by 55 percent at the start of the current financial year, it cited a funding gap of £90 million which needed to be resolved over a five year period. It also noted that DWP had “stopped funding” local welfare provision in 2015/16, and that since that date the Council had been maintaining the scheme from its General Fund on a discretionary basis.

## DUTIES UNDER SECTION 149 OF THE EQUALITY ACT 2010

When considering changes to service provision (and in exercising their functions more generally), local authorities are subject to the requirements of section 149 of the Equality Act 2010. This requires that they have *due regard* to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct;
- Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

The protected characteristics covered by the Act are age (including children and young people), disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

In respect of cuts to local welfare provision, the second of the above aims (advancing equality of opportunity) is therefore particularly important as monitoring of the take-up of schemes has indicated that they are often vital in providing support to groups covered by the Equality Act.

For example, prior to the closure of its scheme, Nottinghamshire conducted an equalities impact assessment<sup>22</sup> which highlighted that the people most likely to be affected by the cut included “victims of domestic violence”, which are predominantly female; and Oxfordshire indicated that the cessation of its scheme would impact on “frail elderly or disabled people struggling to cope in the community and those at the other end of the care system – young people leaving foster/residential care and setting up home independently.”

In Bristol, the equalities impact assessment identified that 21 percent of users of its local welfare scheme had a physical disability and 13 percent had some form of mental health problem. The take-up of the scheme was also high amongst BME communities with the Council noting that:

“It is likely that this cut will lead to an increase in the numbers of Black and Minority Ethnic individuals and families experiencing crisis, homelessness, and the attendant issues associated with experiencing crisis without support – mental health issues, drug dependency, criminality etc.”

And that:

“...people moving from homeless accommodation into unfurnished social housing will not be able to be provided with beds, bedding and other essential items which would have a significant adverse effect on the basic quality of life for women with large families, BME communities and disabled people who are particularly dependent on the scheme.”

Despite recognising that local welfare provision is likely to be important to groups covered by the Equality Act, local authorities have nevertheless proceeded with either the cessation of their schemes or made significant cuts to provision.

Reviewing the equalities impact assessments in a number of these areas, we find that authorities have generally asserted, rather than evidenced, that other statutory and voluntary provision in their areas would be able to mitigate the impacts of the loss of local welfare support. For example:

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<sup>22</sup> Whilst there is no requirement in law for authorities to conduct an equalities impact assessment, most Councils do so in order to provide documentary evidence that they have satisfied the requirements of the Equality Act.



- In Nottinghamshire the authority claimed that providing additional resources to its Benefits Support Team to aid signposting to other sources of help within the third sector was likely to be sufficient to meet the needs of “a range of vulnerable adults, including victims of domestic violence, those on low incomes and those who are homeless”;
- In Oxfordshire, the equalities impact assessment indicated that it would consider how best to allocate the remaining one third of the budget and that it was considering boosting its budget for Section 17 payments to help children in need; using this to support adult social care for the elderly; and possibly creating additional capacity in the voluntary and community sector. As at the date of its decision to close its scheme it had not fully considered these options and there was no clear plan in place;
- In Bristol, the Council's budget papers indicated that the cut to welfare provision could be mitigated by working to increase the use of charities and “available funds offering similar provision (e.g. furnished tenancies)”. It also asserted that the reduced funding would be able to provide support to those in greatest need, albeit that the range of household items available to applicants would need to be reduced and that the Council would have to “make smaller awards” in crisis situations.

Whether these authorities, and others that have closed their schemes, have satisfied the requirements under the Equality Act is under some doubt. Much depends on the definition of “due regard”, given that they are clearly under significant financial pressure; Government is not providing a dedicated funding stream, and they are not under any statutory obligation to maintain provision. Nevertheless, it is alarming that so many Councils have been able to close their schemes without, to our knowledge, legal opinion being sought on this issue.

It should also be noted that in the majority of areas, where some, often minimal, level of provision is still being maintained through the use of under-spends against DWP's initial funding allocations, there has been much less use of equalities impact assessments and there is therefore very little evidence that these authorities have properly considered their responsibilities under the Equality Act when taking the decision to run down their schemes.

## WIDER IMPACTS

Aside from considering their duties under the Equality Act, in January 2016 the National Audit Office advised local authorities to:

- Review the effectiveness of the support they provide to meet local welfare needs;
- Collect and make use of information on who seeks help and why in order that they can target support where it is most needed;
- Understand costs to the public sector which local welfare provision helps to avoid and use this information to make decisions on funding; and
- Consider whether other public services and charitable organisations have sufficient capacity to meet any increase in demand caused by reductions in local welfare provision.

Depressingly our desk based review found very little evidence of authorities following this advice. This is not to say that Councils – including those that had ended their schemes prior to the National Audit Office report – have failed to identify that there are likely to be negative knock on impacts for statutory and voluntary sector provision in their areas. Drawing the evidence together from a wide range of budget papers and equalities impact assessments we find that local authorities have identified the main risks in respect of:

- **Children's Services:** The loss of local welfare provision risks increasing the demand for Section 17 payments. This is particularly the case where delays in the administration of state benefits are leaving families with no money to buy food. Grants to enable parents known to social services to furnish their homes to an adequate standard have, alongside other support, enabled children to live with their parents rather than be taken into care;
- **Adult Social Care:** Elderly and/or disabled people who are struggling to cope in the community are more likely to see their needs escalate and require higher cost interventions (for example, more elderly people will need to move into care homes). A lack of help to obtain essential items is also likely to delay people in their return to home following a stay in hospital and contribute to 'bed blocking';
- **Housing:** Single men will not have access to the support they need when resettling in the community after a period in institutional care and there is a risk of an increase in rough sleeping. Young people leaving care are less likely to be able to furnish properties

which will impact on their ability to sustain tenancies. People affected by the benefit cap are sometimes willing to consider a move to accommodation outside of their current area but will not be able to access help with travel costs to look at properties, or get help with removal expenses. This is likely to mean that some authorities will have to support people through the use of Discretionary Housing Payments for longer than would otherwise be the case;

- Health:** There is a risk of an increase in the 'attendant issues associated with experiencing crisis without support' such as mental health problems, and drug dependency, which raises the demand for primary care and mental health services. In some cases people will be unable to store medication properly (e.g. where this requires refrigeration);
- Community Safety:** Related to problems rehousing single men following a stay in institutional care (including prison), there is an increased risk of criminality. Victims of domestic violence are also likely to be affected due to delays in securing furnished properties which increases the length of time (and cost) of providing temporary accommodation and could negatively impact on their children's education;
- Employment:** the increase in mental and physical health problems, lack of suitable housing, and increased levels of destitution is likely to significantly constrain peoples' ability to seek employment;
- Impact on the voluntary sector:** There is likely to be an increased pressure on local support agencies in the voluntary sector including women's aid and refuges, homelessness charities, and food banks. Advice and support services will also have to spend more time making applications to charities to meet the need for grants for people to obtain household items, and there is a risk that more people will take out credit from to high cost lenders.

However, most authorities identified only some of these risks rather than conducting a comprehensive assessment, and there has been a profound lack of analysis concerning the potential increased costs to the public sector that are likely to result from decisions to cease or reduce local welfare provision. This is despite specific calls often being made by trade unions and the voluntary sector for such an analysis to be undertaken during the course of budget consultations:

“The proposals to reduce [the local welfare scheme] would seem to imply that fewer crises will be prevented. Hence costs to the council in dealing with the consequences of these crises are likely to increase. A full risk assessment is needed for this proposal.”

**UNISON RESPONSE TO BRISTOL CITY COUNCIL'S BUDGET**

**CONSULTATION, 2017**

We also found no evidence that local authorities have been undertaking detailed assessments of the capacity of other public sector or voluntary sector agencies to meet the increased demand that was likely to arise. Indeed, in many of the budget consultations we found responses from voluntary sector agencies warning that they would not be able to cope, and there are subsequent statements of increased deprivation being experienced following the closure of schemes as a result:

“Local advice workers tell us that they now see clients who are destitute and for whom there is no longer any statutory help available. This includes, for example, those whose benefits are delayed or have been withdrawn, such as those facing mandatory review of Employment Support Allowance. The Support Fund used to provide food vouchers and immediate help with fuel costs to local residents in this position. These are no longer available and clients instead have to be referred to food banks and to local charities, which can only provide limited help and often take some weeks to respond.”

**OXFORD AND DISTRICT CHILD POVERTY ACTION GROUP, 2014**

## COUNCILS WHICH HAVE INVESTED IN THEIR LOCAL WELFARE SCHEMES

Whilst the overall picture is extremely bleak, we did find a small number of authorities which have taken the decision to maintain investment in their local welfare schemes at, or close to, the same level as their initial DWP allocations. For example:

- Bath and North East Somerset, which increased its funding for local welfare support by £50,000 to £320,000 in 2016/17 and is maintaining that level in 2017/18. This compares to its 2014/15 allocation from DWP of £297,538. The additional funding was announced following the award of “transitional funding” from the Department for Communities and Local Government (‘DCLG’) which is designed “to ease the pace of reductions in council budgets”. The Council received additional funding from DCLG of £936,260 in 2016/17 and £930,074 in 2017/18 and has allocated £50,000 of this extra funding to support its local welfare scheme;

- London Borough of Islington, which combined its local welfare funding with charitable funds from the Cripplegate Foundation to create a Residents Support Scheme. In 2015/16 Islington noted that its allocation for local welfare was reduced from £1.44 million to £0.56 million. Rather than reduce provision to this level, Islington took maintain the Residents Support Scheme at its 2014/15 level. It funded this by making savings elsewhere, in particular by making £500,000 of savings by moving towards a communal kitchen waste and green waste collection service. In 2016/17, it made £130,000 of efficiency savings in the delivery of the Residents Support Service by integrating staff to deliver this across its Residents Support Service and Client Affairs Teams;
- Slough received £325,000 of funding from DWP in 2014/15, which included £272,000 of programme funding and the remainder for administration. In the 2015/16 local government funding settlement Slough's notional allocation for local welfare provision remained relatively high – at £197,000 – and although recognising that this amount was not ring-fenced it decided to boost this slightly to create a total budget of £250,000 including administration costs. It has since increased this further to £300,000 for 2017/18. It has achieved this by including this budget as a pressure which is offset by making savings elsewhere.

Although these councils have maintained provision at a significantly higher level than the majority of other local authorities (relative to their initial allocations) they do not appear to have done so as a result of a detailed analysis of the pros and cons of this investment. Rather, it would appear that there has simply been a stronger desire, both amongst Councillors and officers, to maintain provision to help vulnerable groups at a time when many have been adversely affected by welfare reforms. For example, Council papers in Islington reference concerns about the adverse effects of Universal Credit implementation as a reason for maintaining the local welfare scheme.

In the case of Bath and North East Somerset, funding for local welfare has also been justified because it provides some level of safety net to people who are adversely affected by reductions to the level of Council Tax support that is now available to low income households in the area. The maintenance of the local welfare scheme has also clearly been helped by DCLG's granting of additional 'transitional funding' to the Council.

# COUNCILS IDENTIFYING A 'SAVINGS-BASED' RATIONALE FOR SCHEMES

Whilst political support for maintaining investment in local welfare schemes has been extremely valuable in respect of the above authorities, it should be noted (as in the case of Bristol) that the lack of a robust evidence base to support continued provision has left schemes vulnerable to cuts. This is especially the case where there is a change in political leadership or increased funding pressure on statutory services.

However, we have identified two authorities which have adopted a 'savings-based' rationale for funding their schemes. These are Southend-on-Sea and Milton Keynes.

Southend on Sea was allocated around £600,000 per year of funding from DWP for its local welfare provision in each of 2013/14 and 2014/15. Unlike other authorities, it made plans from the outset that assumed Government would cease to fund provision beyond 2014/15. It established an "ear-marked reserve" from 2013/14 onwards which, by the end of 2014/15, contained around £1.4 million. This pot has formed the basis of its ongoing provision, which is estimated to cost £350,000 per year and which it expects will continue through to the end of 2018/19. In presenting proposals to members for resourcing, officers included a number of case studies illustrating how provision in the first two years of the schemes operation had:

"...been used in many cases to prevent a larger cost to public services further down the line. Grants for basic furniture have allowed parents to take custody of their own children rather than them be put into local authority care. Homeless adults have been enabled to live in permanent accommodation rather than in expensive local authority procured temporary accommodation. Serious health conditions have been eased through simple changes to furniture or carpets diminishing the likelihood for expensive presentations to acute health or care services."

In a review of provision, officers also pointed out that:

"The average weekly cost of hostel or supported accommodation is £300 a week. Therefore the prompt move on to appropriate accommodation not only frees up this specialist resource for others but also targets support appropriately. Having residents in supported and hostel accommodation when they no longer need it is an uneconomical use of resources.

The scheme also delivered crisis support to the remaining 1,038 households in the form of furniture, food and/or fuel. These awards help people through a period of unexpected hardship that could destabilise their lives and lead to desperation, indebtedness and mental health crisis.”

- Milton Keynes, received programme funding of around £750,000 per year and administration funding of £147,000 in both 2013/14 and 2014/15. Its notional allocation to support local welfare provision within the 2015/16 financial settlement then reduced to £327,000. By the time of that announcement, Milton Keynes had already agreed to continue to fund its scheme but at a lower level of £250,000 per year on an ongoing basis but subject to dealing with wider financial pressures.

Milton Keynes was highlighted by the National Audit Office as having undertaken work to fully understand the impact of its local welfare scheme on other public and voluntary sector services. In a report submitted to its Cabinet in November 2015, summarised the findings from an analysis of the fiscal, social and economic value of the local welfare scheme. This was based on a sample of over 500 people that had received support from the scheme in that year. The analysis indicated that the total value delivered was £3.89 million (equivalent to £6,500 per person) and that of this £1.56 million could be identified as direct fiscal savings for the local authority itself (£2640 per person).

These estimates of the value were arrived at using the New Economy, Unit Cost Database, which has been used by the Department for Communities and Local Government (DCLG) to develop the Cost Savings Calculator tool, which enables Authorities to identify the benefits that derive from the Troubled Families programme.

As in the case of Southend on Sea, officers from Milton Keynes also included illustrative 'pen portraits' of real-life cases to show the difference that was being made to peoples' lives and the way in which this saved money for the local authority.

# 4. THE HUMAN COSTS OF A LOSS OF WELFARE PROVISION

This chapter looks at the human costs associated with the loss of local welfare schemes. It reports on the findings from eighteen face to face interviews with people using advice and support services in Nottinghamshire, Northamptonshire and Oxfordshire. These areas have now been without any local welfare provision for over two years.

The interviews were sourced via a range of front-line services, including those working with homeless people, drug and alcohol treatment teams, and local Citizens Advice bureaux. To thank people for their time we gave each interviewee a shopping voucher worth £15.

Although we only interviewed a small number of people, the experiences that they relayed to us provide powerful evidence that the cessation of local welfare schemes has been highly damaging to the health and wellbeing of vulnerable people and is proving counter-productive in terms of reducing costs to public services or achieving Government's oft stated aim of reducing poverty by encouraging people into employment.

The interview participants were evenly split in terms of gender; and although we did not interview anyone under the age of 25 there was a reasonable distribution of ages above that, including two people aged over 65.

All participants were living in rented accommodation, with the majority living in social housing (7 in Housing Association properties, and 4 in Council accommodation). Many of these had allocated social housing following a period of homelessness. Six people were living in private accommodation and one person was staying at a shared hostel at the time of the interview. The majority of participants were also single (12), and there were three lone parents and three couples (all of whom had school aged children).



# FINANCIAL CRISIS SINCE THE CLOSURE OF LOCAL WELFARE SCHEMES

The majority of the people that we spoke to had experienced at least one acute financial crisis since the closure of their local welfare scheme. In many cases, these crises had been caused by problems with the administration of Universal Credit, Employment Support Allowance and other benefits. This was contributing to worsening mental and physical health, forcing people to use food banks and in some cases increasing the risk of homelessness.

**A 47 year old man from Oxfordshire** told us how he had claimed Universal Credit following the loss of his job at a garden centre and how he had not received any money for three months because he had been sanctioned:

"I was sanctioned three months ago because I missed a meeting. I was at the Job Centre, but the lady suggested I walk round the Jobs Fair that was there that day. So I spoke to a geezer who offered me a job at a bakery and he said I could start Monday. I was so happy, I just forgot about my benefit claim. But when Monday came the job wasn't what he said it was, it was just a few hours here and there.

Meanwhile, I've no money, no toiletries, no heat, no fresh vegetables, no meat. Not that I'm not grateful for everything that people have done to help. I came to the Citizens Advice Bureau for help. Firstly they gave me £20 to put on the electric and I've had some food parcels, but there is only so much tinned food you can take. Sometimes I've gone four days without food.

I've become depressed. I have to take quite a lot of medication now. It's made me a recluse because I've gone days, weeks when I've not gone out at all. It makes me depressed when I see other people going out in their cars, getting their shopping. And I think, 'Christ, where did I go wrong. I've worked all my life.' I've have had suicidal thoughts because I'm that fed up."

**An unemployed 56 year old man from Nottinghamshire** told us that he had become homeless following a relationship breakdown. He has been referred to a psychiatrist by his GP because he has a history of depression and has been having suicidal thoughts. Although he was offered a place in a local hostel he refused this because it was 'for people with drink and drug problems'. After spending two nights sleeping in his car he then found lodgings and, following the loss of his part-time job, claimed Employment Support Allowance and Housing Benefit.

His claim for Employment Support Allowance has been turned down, and he is appealing this, but has to wait for the outcome of a Mandatory Reconsideration. He has been in this position for eight weeks and is getting increasingly desperate:

"I've not had any money through yet. I've been to Citizen's Advice and they are helping with the benefit problems, and I've been to the food bank. I'm finding the situation really stressful and am suffering from anxiety. I have to take medication to go to appointments. I had to borrow money three times to make phone calls to try and find out what was happening with my claim for Employment Support Allowance. But they put you on hold, and the calls aren't free. Every time the money has run out before I can speak to someone...I will face homelessness if I don't get the money quickly. I owe the landlady £340 now. She took me in to help me but she needs the money to boost her own low income."

**A 27 year old single woman in Northamptonshire** who had septic arthritis and was in hospital for two weeks for antibiotic treatment is continuing to experience ongoing problems with her hip and is awaiting an operation. Her Employment Support Allowance has been stopped because she failed a medical. She has appealed against that decision, and has been advised to obtain a supporting letter from her GP. However, they charge £15 for this and she does not have the money to pay for it. Although she has been able to access the food bank, she needs to money to help with other bills. She lives in shared accommodation in the private sector and there have also been problems with Housing Benefit because the Council wouldn't accept that her and her housemate aren't a couple.

"I've got my physical health problems, and then all of this trouble with benefits on top of that is grinding me down. I've felt depressed, suicidal at times. It's really getting to me...I've been behind on the rent for two months now...It's all in dribs and drabs to the landlady which isn't very good. I feel I don't have strength to carry on anymore."

**A 37 year old woman with two school aged children in Oxfordshire** told us that they had originally been too ashamed to use food banks or turn to charities, and that her doing so had caused difficulties between her and her husband.

"My husband is self-employed but he is suffering from depression and agoraphobia, he struggles to go out. It's been bad since last year. He's lost lots of work because of his illness. He blocked it out for ages and I finally managed to get him to the doctors a couple of weeks before Christmas. He's now getting help from the doctor. But we've really struggled for money."

We've got Housing Benefit now, but got into rent arrears because we didn't put a claim in straight away when he became ill. We didn't know what we were entitled to, so there was a delay in getting things sorted out. Now we struggle to get school shoes for the kids, and to pay the bills, make sure everyone is fed and clothed. There were 2 or 3 days when we were living on milk and bread which is when I started to come to the food bank. It was terrible at first though. I stood at the door and was too ashamed to go in. Eventually, I did, but it wasn't easy. No-one wants to rely on charity...My husband doesn't like it and it has caused a lot of friction. We argue a lot about money now."

The sense of shame in using food banks was also apparent from an interview with a **58 year old man, who has been diagnosed with cancer, also from Oxfordshire**. He is currently claiming Employment Support Allowance and is in the Support Group but has also recently applied for Personal Independence Payment and for Discretionary Housing Payments.

"I was diagnosed with cancer last July and I had to have a kidney removed. Up to that point I've always worked. I've been a single parent, and we've never had much but I've always coped. My daughter is at University now, and the rent on this place is just too much now that I'm not working. The rent has gone up to £1,250 per month now, and there is no way that I can cover that. My GP has supported me moving to social housing, and Shelter have got involved, but it is taking ages to get sorted out. You get some money and then you have to pay bills. I'm never on top of anything. Then you have to wait for the Council and then I'm two weeks without money sometimes...I'm constantly juggling the bills, and I'm going round the supermarkets late at night to see if I can get things that are reduced in price. But the stress of it all really gets to you. I've used the food bank a few times, and the first time you go it's humiliating. You think, 'how the hell have I got to this position?' You just feel useless and pathetic. But so many people are struggling. You get angry with the government but that doesn't do anything."

**And a 29 year old lone parent with two children, one of whom has a disability, and living in Nottinghamshire** told us how she had used food banks when her daughter's Disability Living Allowance had been stopped and she had lost her Carer's Allowance:

"I filled the forms in wrong, and they are reviewing it - I'm appealing but in the meantime it's been really tough. I'm still getting Child Benefit and Housing Benefit but by the time I walk out of the post office I've spent most of my money - on gas, water, and the TV licence. And I'm now in arrears with the rent and Council Tax.

I can't afford stuff for kids. My son needs trainers and I am struggling with that at the moment. It's either pay bills and have no money, or don't pay bills, buy stuff for the kids, and be in debt. It's driving me insane at the minute it really is.

I've been getting food parcels. I feel like I shouldn't be asking. I don't like to be relying on people. I feel bad. It's getting really bad out there. It's just the past couple of weeks I've had the food parcels."

We also heard how there are limits on the amount of times that people can use food banks, and how a **66 year old woman living in private rented accommodation in Northamptonshire** is effectively reliant on the local Jesus Centre to survive because the level of her pension is inadequate:

"I get the State Pension, but it's only partial because I was getting Carers Allowance for a long time when I was looking after my mother. She died seven years ago now, but she needed a lot of care and it meant that I couldn't work. I don't have enough stamps for the full pension. I get some help with the Council Tax but I don't get Housing Benefit and the rent here is £250 per week.

I can't afford the heating. There is often ice on the inside of the windows in my place in winter, and I don't use the shower at home because it's too much electric. I can get a hot shower here at the Jesus Centre. And they provide shampoo and toothpaste too. I can't afford meat or something tasty for a meal and I have to buy cheap things. For protein I have to get value tins of sardines. There is a food bank but you can only use it five times per year so I'm spacing it out. The Jesus Centre give me food. They are very kind. They push their religion but they're nice people."

## STRUGGLING TO HAVE COMMUNITY CARE NEEDS MET

A number of the people that we interviewed had previous experience of homelessness, and had multiple needs including mental health problems and alcohol or drug addictions which made it difficult for them to live independently. They told us how hard it had been to resettle in the community now that there was no single source of assistance to help them obtain basic household items.

**A single, 36 year old man with Aspergers syndrome in Northamptonshire** told us about the problems he had experienced following the breakdown of his marriage:

"I left my wife as she was quite violent, and for a while I went back to live with my mum but it wasn't good. My relationship with my mum has always been difficult and I felt isolated and was suicidal. I got referred to the ADHD team by my GP and they worked really hard to get me a flat through the Council but I didn't have much to begin with.

I had a bed, and I managed to get some second hand items from a local charity – a cooker and a fridge freezer but they started playing up and didn't work properly, and I was really depressed. I didn't have any decent clothes, and wasn't eating well. I lost two stone and was really sick and felt suicidal again.

My support worker in the ADHD team managed to get things sorted out in the end – new stuff for the flat – but it took quite a while. Without her I doubt I would even be here. I really was that bad."

**A 46 year old woman in Oxfordshire** told us how her life had spiralled out of control following the death of her child in a car accident.

"I just went to pieces. I was drinking a lot and was anti-social. I just didn't care. In April 2010 I was evicted from my housing association flat. My behaviour was bad because of the drink, but also through the emotions attached. I had to sell all the stuff I'd built up over the years. I tried to put it into storage but it cost too much and in the end I gave it all away or sold it. Then for the next five years I was in Supported Housing or hostels. Every time I was close to getting my own place, I relapsed.

Then, in October 2014 I moved into St Mungo's in Oxford. But St Mungo's lost their funding and everyone had to leave by March 2015. I was put on an emergency waiting list and got moved into another hostel and then finally got a flat in April 2015.

St Mungo's had applied to the Family Action Trust in London for a grant for white goods for £350, but that wasn't going to buy a lot. I had been volunteering at an organisation in Oxford that does house clearances, so I was able to get a fridge from them. They also let me go to Emmaus and I got a settee, a wardrobe and a small unit. It took six weeks for the money to come through from Family Action Trust, and I got a freezer and washing machine with that. From my sister I got a dining table and a gas cooker.

So when I got into the flat it was a real struggle. It has concrete floors, and the only thing I could do was put some blankets down. I have four of them on the floor. No carpets. I really had to leave myself short on food as well and I didn't have a bed. I saw a mattress in the street so I used that with a couple of duvets on the floor.

For four months I had no cooking facilities or bed. The cooking part, that was massive. I feel so much better now, it's made a massive difference. That's your home. You wake up there and go to sleep there. I felt trapped in this concrete jungle that was my flat. It affected my mental state – I felt more depressed, definitely more depressed... disillusioned."

**A 35 year old man, also from Oxfordshire**, told us how he had become homeless following a relationship breakdown. He had been rough sleeping and living in hostels and had developed alcohol and drug problems which led to him being put under a probation order:

"After 11 months I was found a flat, subject to me working hard, staying sober, counselling, and staying off drugs. A charity paid for a bed for me. The hostel, because I was focussed right, gave me a fridge. Probation, because I was good, gave me a washing machine. When I say I was good, they could see I was changing for the better. The bed I got straight away. Fridge and washer, 3 to 4 weeks after. The furniture came last week – I've been there over a year though. No carpets all this time. Citizen's Advice may look to see if any charities might be able to help with this."

"I've got a kid, and she's such a big part of my recovery and why I'm getting my act together. But I can't have her over to stay because of the concrete floors and there is no sofa to sit down, and no table and chairs, that's most important."

## UNMET NEEDS AND THE IMPACT ON FRONT-LINE SERVICES

The above cases illustrate how the closure of schemes in the three areas has left people facing destitution for lengthy periods of time. This is despite the fact that the people we spoke to were all in contact with relevant support services. But not all people who need help are likely to access support, and we consider that the abolition of local welfare schemes will undoubtedly have increased the incidence of homelessness as well as resulted in additional pressure on health and criminal justice agencies. There is also no doubt that increasing levels of destitution runs counter to Government policy to move people with multiple support needs closer to the labour market.

Even where people are accessing support services it is clear that these are now faced with a much tougher task than previously in meeting the need for essential items – even where this is, for example, part of a planned resettlement plan. The workers that we spoke to in front-line voluntary sector agencies often told us that they had to piece together support from a number of sources, and that this increased the number of applications that they had to make on their client's behalf, which in turn reduced their overall capacity to meet demand.

Unfortunately, we were not able to conduct further research into this aspect of the impact of local welfare schemes. Local agencies simply did not have the time available to conduct detailed studies of the additional work that had been created by the closure of the local welfare scheme in their area. In some cases agencies were also reluctant to participate in research into this issue due to the fact that they were themselves still highly reliant on funding from their local authority, which was increasingly under threat.

# 5. THE OPTIONS FOR REFORM

The previous chapters have detailed how local welfare provision in England has declined due to:

- ❑ A lack of specific funding for councils to invest in their schemes amid the wider context of increasing pressure on local authority budgets;
- ❑ Government's failure to place local authorities under any statutory requirements to provide schemes;
- ❑ Local authorities failing to follow the advice provided to them by the National Audit Office; and
- ❑ The absence of a robust business case for the provision of direct financial assistance as a key component of wider early intervention strategies, designed to prevent destitution and avoid the need for higher cost interventions provided by the public and voluntary sectors.

The decline in local welfare provision therefore serves as an example of what can go wrong when central Government devolves responsibility and provides flexibility to local authorities whilst simultaneously holding back the resources they need to develop effective provision.

With twenty six local schemes already closed; ten more on the brink of closure, and a further thirty offering significantly reduced support, it is time for Government to review its approach. This will need to happen quickly if it is to prevent further scheme closures during the next local authority budget setting round.

Whilst it is possible that there will be calls for the return to the old national Social Fund arrangements, we should not forget that the initial proposals to localise provision were welcomed in principle by a wide range of stakeholder agencies including local authorities themselves. In some areas, and despite their funding constraints, local authorities have made significant progress to establish more joined up, preventative, services. Some have also made good use of bulk purchase arrangements, and furniture recycling schemes, to reduce the cost of providing essential household items. In our view, any review should recognise these benefits. It should therefore be scoped to establish a policy and funding framework which will both ensure a consistent base-level of support for people with crisis and community care needs



across England and encourage local authorities to innovate and improve the effectiveness of their preventative services. The remainder of this chapter now looks in more detail at each of these aspects.

## ACHIEVING CONSISTENCY

To achieve a consistent base-level of support across England, Government should carefully consider the lessons from the devolved nations of Wales and Scotland.

**In Wales**, a national Discretionary Assistance Fund ('DAF') has been established, which is delivered through a contract with Northgate Public Services in conjunction with two lead partners - Family Fund Trading Limited and Wrexham County Borough Council<sup>23</sup>. The scheme also has a wide range of other delivery partners from across the statutory and voluntary sectors to assist people to complete applications for assistance. For example, these include Shelter Cymru, Citizens Advice Bureaux, Credit Unions, Welfare Rights Units and Registered Social Landlords.

The initial contract with Northgate Public Services provided for an annual grants budget of £10.2 million for each of the first two years of the DAF's operation, although this was subsequently cut by 27 percent (to £7.4 million) in 2016.

The DAF provides for two types of payment:

- ▣ **Emergency Assistance Payments** to provide assistance in an emergency or when there is an immediate threat to health or wellbeing. Anyone over the age of 16 can be considered eligible for these payments to help meet expenses due to an emergency or because of a disaster; and
- ▣ **Individual Assistance Payments** to meet an urgent identified need that enables or supports vulnerable citizens to establish themselves or remain living independently in the community. To be eligible applicants must be entitled to and be in receipt of income related welfare benefits, or be due to leave an institution or care home within 6 weeks and likely to be entitled to receive income related welfare benefits on leaving.

In response to a Freedom of Information request made by us earlier this year, the Welsh Government has confirmed that in 2016/17 the scheme received 51,300 applications for

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<sup>23</sup> Northgate Public Services have overall responsibility for delivery of the contract, and operate the main business centre which receives and determines applications for assistance. They have sub-contracted the fulfilment of awards to Family Fund Trading Limited, which also co-ordinates the delivery partner network. Wrexham County Borough Council enables Northgate Public Services to access information concerning current benefit entitlements from the Department for Work and Pensions.

Emergency Assistance Payments, and just under 11,000 applications for Individual Assistance Payments. The success rates in respect of these were 66 percent and 42 percent respectively, and the average level of awards were £59.12 and £1,155.36.

Whilst the scheme provides for a single set of eligibility and award criteria to be applied across Wales, it is notable that there are some significant variations in the success rates of applications for Individual Assistance Payments at local authority level. For example, just over half of applicants in Ceredigion were successful in 2016/17 whilst less than one third of those in Powys received an award. The reasons for this variation need further exploration, but it may be because there are different levels of support available being provided to applicants in these areas. It should also be noted that around half of all people applying to the DAF do so without receiving any support from voluntary sector agencies, and this may have an impact of their chances of success.

There is also a need to consider how well the DAF provider links people who apply without assistance to wider support following a determination of their application. The policy intent of the UK Government was to ensure that direct financial assistance was combined with other forms of support to better address the longer term, or underlying, needs of applicants. With the DAF scheme this would rely on effective referral by the national provider to local agencies who can provide effective 'wrap around' support based on an assessment of the applicant's needs. However, this does not currently appear to form part of the scheme.

Finally, it is also apparent that there have been no attempts in Wales to determine the social impact of its provision, and the extent to which direct financial assistance has led to a reduction in demand for other public services.

In contrast to both England and Wales, **Scotland** has placed its local welfare provision on a statutory footing – having passed the Welfare Funds (Scotland) Act in 2015. This provides for Scottish councils to make both crisis grants and community care grants, and the eligibility conditions for these are laid out in regulations which were approved by the Scottish Parliament in 2016. The Scottish Government has also made statutory guidance available to local authorities to aid these with decision making.

The Scottish approach has been developed in order to both provide a nationally consistent scheme, but also to place local authorities at the centre of delivery. It devolves a £38 million annual budget for its local welfare scheme to local authorities, and requires them to apply consistent eligibility and award criteria, but also expressly states in its guidance that this direct financial assistance should be combined with a wide range of 'wrap around' support in order to help address the underlying issues that have caused the financial crisis or community care need to arise.

Local authorities in Scotland are also required to report on their operation of the Scottish Welfare Scheme in a consistent manner – by returning quarterly data to the Scottish Government which it then makes publicly available. This has ensured that Scotland has the most transparent scheme in operation in Britain, and it is possible to analyse performance in respect of the number of applications; awards by type of grant; the reasons for the award; the level of spend, and average ‘award rate’ – at the Scotland level or broken down by individual local authority.

From 1 April 2013 to 31 December 2016 around £124 million has been spent on the Scottish Welfare Fund, which has provided Community Care Grants and Crisis Grants to over 241,000 low income households. Spending on Community Care Grants constitutes about 75 percent of total expenditure to date, and these awards have typically been made for floor coverings, white goods and furnishings. Average Community Care Grant awards in the past quarter were £565, which is, however relatively low in comparison with some authorities in England and around half of the average award level in Wales.

The remaining 25% of spend relates to Crisis Grants: around 370,000 of which have been made since April 2013. This has mainly related to food, essential heating costs and other living expenses. Unlike in most English authorities, the Scottish regulations state that these awards should be made in cash or cash equivalent, “unless the local authority considers it would be of advantage to the applicant for the grant to be provided in a different manner.” The Scottish Welfare Fund also allows for three Crisis Grant awards to be made to applicants in any 12 month period.

In our view the Scottish Welfare Fund provides a good example as to how consistency could be brought back to the provision of local welfare in England, whilst also retaining the important flexibility for local authorities to meet the underlying needs of applicants.

Importantly, the Scottish Government also provides for local authorities to exchange information concerning best practice through local welfare practitioner forums, which is something that the House of Lords Committee on Financial Exclusion called for earlier this year for England:

“We acknowledge the examples of good local practice that have arisen from the devolution of Social Fund responsibilities to local councils, but are concerned at the future funding outlook for this area of work, especially amid the ongoing planned reduction of the block grant to local authorities. We believe that it would be beneficial for Government to disseminate best practice from councils among all local authorities.”<sup>24</sup>

<sup>24</sup> Para 393, Tackling financial exclusion: a country that works for everyone?’. House of Lords Financial Exclusion Committee, March 2017

# EFFECTIVE PREVENTATIVE SERVICES: MAKING THE CASE FOR INVESTMENT

Whilst the Scottish Welfare Scheme is attractive in many ways, it has also required significant funding from the Scottish Government to maintain it. Thus far, there has been no evaluation of how the direct financial assistance provided through the scheme is combining with other support to improve outcomes for individuals and reducing the need for higher cost interventions. In our opinion there is a need to conduct a UK wide review of these aspects.

Whilst our desk review found evidence that some local authorities were experimenting with the design of their preventative support<sup>25</sup> – for example by making no, or low, interest loans as well as, or instead of, grants, and by combining direct financial support with debt and budgeting advice, and help to get people into employment – the evidence as to what is working is extremely limited.

Similarly, we also found that very few authorities have conducted robust evaluations of the impact that their schemes are having on the cost of delivering other services. Although a handful of authorities – including Milton Keynes and Southend-on-Sea – have made attempts in this respect, there is no consistent methodology being applied and the findings from these exercises do not appear to be driving increased investment by their own local authorities.

In our view there is a strong case for national and local Government, and potentially social investors, to jointly commission a project to design, trial, and evaluate a 'new model preventative service'. In designing any such services for trial, we consider the following core elements to be essential:

- Debt and welfare rights advice;
- Personal Budgeting Support;
- The provision of a wide range of direct financial assistance including grants, no and low interest loans, and other forms of financial help that local authorities could provide including greater flexibility in rent<sup>26</sup> and Council Tax payments.

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<sup>25</sup> Including in respect of their support services for Universal Credit claimants.

<sup>26</sup> With funding from the Money Advice Service's What Works Fund, we are currently conducting a trial of rent flexibility with tenants of Optivo Housing Association, and will be reporting on the emerging findings from this in the near future.

These core elements then need to link to wider support services (for example in respect of housing and employment) based on an assessment of needs which can be applied consistently by local authorities and against which outcomes can be tracked.

We already know that some of the elements of the above service will generate a significant social return on investment. For example, we recently conducted a social impact evaluation of Fair for You – a not for profit alternative lender to people who would otherwise turn to high cost rent to own companies in order to obtain essential household items<sup>27</sup>. Although Fair for You's customers are not the very poorest<sup>28</sup>, and are able to maintain payments on an interest bearing loan, the research found that obtaining basic items, including white goods and household furniture had a positive impact in respect of:

- ▣ Levels of stress, anxiety and depression, with half of all Fair for You customers reporting significant improvement in their mental health;
- ▣ 45 percent were better able to cope with their physical health problems or disabilities, with a third eating more healthily; and
- ▣ A third stated that their children's health and well-being had improved.

These impacts arise as a result of both the direct financial savings from having, for example, efficient appliances, and also from the beneficial psychological effects of having a decent living standard:

"I bought a cooker, fridge, and freezer. My old cooker was dangerous and had to be removed and food wouldn't stay fresh in the old fridge and we weren't eating properly. Now with budgeting and buying in bulk which is cheaper and possible with fridge and freezer, it's easier to eat healthily. I feel good about being able to provide healthy meals for my family and giving my children the experience of homemade cooked meals like I had as a child."

As a consequence of these impacts we found that people were better able to pay their rent and other household bills and even to put money aside in savings to help them weather future financial shocks. Taken together, Fair for You was found to be generating £4.56 in social returns for every £1 invested, and this was set to rise in future years as funds were being recycled through loan repayments.

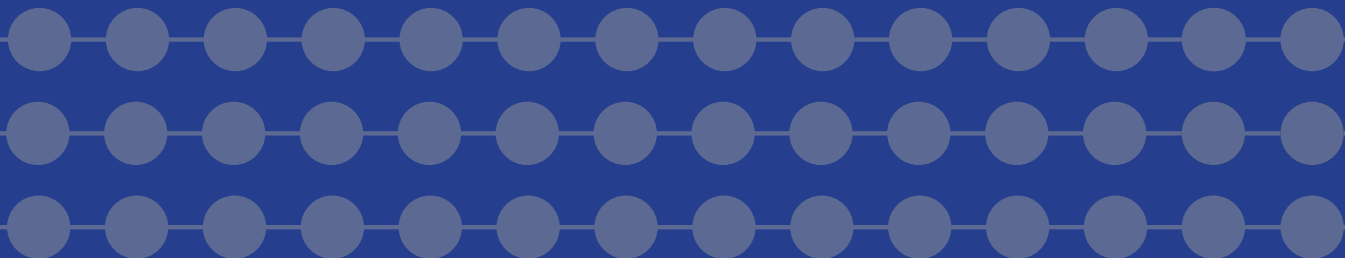
<sup>27</sup> Gibbons, D., & Nixon, B. (2017) 'The Social Impact of Fair for You: Third Report', Centre for Responsible Credit

<sup>28</sup> Although it should be noted that the vast majority of its customers are female, with dependent children, and with incomes in the lowest income quartile.

However, affordable credit is not a replacement for grant provision. Fair for You is currently turning down applications in a majority of cases, due to the fact that people are already in substantial debt, or otherwise fail credit checks. A wider range of support is therefore needed, which includes debt advice, grants and no interest loans alongside affordable credit.

Trialling and evaluating preventative services which combine these elements will require initial investment, but could also result in significant future savings and make the case for future funding on an 'invest to save' basis: reducing the demand for high cost housing, health and social care interventions. With local authorities in England facing a significant funding gap, and statutory services under increasing pressure, it is unreasonable for Government to expect councils to fund this initial investment themselves. It must now take its share of responsibility for the decline in local welfare schemes and act urgently to address it.





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