

<p><b>Title:</b> Abolition of elements of the discretionary Social Fund and replacement with new local welfare assistance.</p> <p><b>Lead department or agency:</b> Department for Work and Pensions</p> <p><b>Other departments or agencies:</b> Jobcentre Plus</p>	<b>Impact Assessment (IA)</b>
	<b>IA No:</b>
	<b>Date:</b> October 2011
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary Legislation
<p><b>Contact for enquiries:</b> Karl Olsen Working Age Benefit Division</p>	

## Summary: Intervention and Options

### What is the problem under consideration? Why is government intervention necessary?

#### Localism

In order to maximise the effects of the money allocated to the discretionary Social Fund (SF) the provision will be abolished and replaced with a new local welfare assistance delivered by English Local Authorities and the devolved administrations in Scotland and Wales. Applications to and awards from the current Crisis Loan (CL) system have been increasing since it moved from being a face to face service to a telephone service. For example, from November 2003 to December 2006 awards remained steady at around 11,000 per month. However, after this they increased month on month reaching a peak of 34,000 in March 2010. It is difficult to properly assess customer requirements using a remote delivery system and it is difficult to analyse if the awards are targeting the most vulnerable customers. If this pattern of CL awards continues then over the SR period significant financial shortfalls will occur, meaning that large parts of the SF (such as budgeting loans) will no longer be able to be funded. Moving delivery of the legal requirement to provide assistance to those facing immediate threats to health or safety to a local level will mean that the Local Authorities (LA) will be able to incorporate assessments into existing systems (such as social services) so provision is directed to the most serious of cases. This approach also links to the Coalition Government's agenda to transfer decision making and funds from central administration to local organisations where appropriate.

The Community Care Grant (CCG) was introduced to support the increase of care in the community, however societal needs have developed since then and it is difficult for Jobcentre Plus to identify the most vulnerable customers. Government intervention is necessary in order to maximise the impact of funds currently allocated to CLs and CCGs on the most vulnerable people in society. These will be abolished and the new assistance will be the responsibility of local agencies to deliver, which will enable a more effective assessment of need and make better links with other services and funds where appropriate.

### What are the policy objectives and the intended effects?

#### Localism

1. To replace provision and responsibility of CLs for living expenses to local authorities in England and to the devolved administrations in Scotland and Wales with an expectation that this will reduce application levels to levels seen prior to remote decision making.
2. Transfer the DWP funds currently allocated to Community Care Grants to local authorities and the devolved administrations with the expectation that decisions will take into account local knowledge and target the most vulnerable individuals.

**What policy options have been considered? Please justify preferred option (further details in Evidence Base)**

**Localism**

1. Do nothing and continue to meet the increasing demand of the crisis loans and provision of CCGs.
2. Moving the delivery of CL to Jobcentre Plus offices.
3. Provision through alternative providers other than local authorities, the devolved administrations and Jobcentre Plus
4. Replace the discretionary elements of the Social Fund with a new local Welfare Assistance.

Option 4 is the preferred option as it would allow local authorities who deal with vulnerable customers to identify and target provision and where appropriate combine with other locally managed funds.

**When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?**

**It will not be reviewed**

**Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?**

**No**

**SELECT SIGNATORY Sign-off** For consultation stage Impact Assessments:

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

**Signed by the responsible SELECT SIGNATORY:**..... **Date:** .....

Description:

Price Base Year 10/11	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£+3m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total (Present Value)	Cost
Low	Optional		Optional		Optional	
High	Optional		Optional		Optional	
Best Estimate						

**Description and scale of key monetised costs by ‘main affected groups’**

The policy is still in development and further work will need to be conducted before any costs can be calculated.

**Other key non-monetised costs by ‘main affected groups’**

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total (Present Value)	Benefit
Low	Optional		Optional		Optional	
High	Optional		Optional		Optional	
Best Estimate						

**Description and scale of key monetised benefits by ‘main affected groups’**

Localism

The policy is still in development and further work will need to be conducted before any costs can be calculated.

**Other key non-monetised benefits by ‘main affected groups’**

In line with the policy aim to align payments with local services it is anticipated that recipients of payments will be linked to other local services which may mean a more coordinated approach to dealing with the most vulnerable people.

**Key assumptions/sensitivities/risks**

**Discount rate**

**Impact on admin burden (AB) (£m):**

**New AB:**

**AB**

**savings:**

**Net:**

**Impact on policy cost savings**

**Policy cost savings:**

**In**

**Yes/No**

**Enforcement, Implementation and Wider Impacts**

What is the geographic coverage of the policy/option?	Great Britain	
From what date will the policy be implemented?	April 2013	
Which organisation(s) will enforce the policy?	Local Authorities/Devolved Administrations/Central Government Department with policy responsibility to agreed	
What is the annual change in enforcement cost (£m)?	N/A	
Does enforcement comply with Hampton principles?	Yes	
Does implementation go beyond minimum EU requirements?	No	
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	Traded: 0	Non-traded: 0
Does the proposal have an impact on competition?	No	

What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs:		Benefits:	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro 0	< 20 0	Small 0	Medium	Large 0	
Are any of these organisations exempt?	No	No	No	No	No	

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
<b>Statutory equality duties<sup>1</sup></b> <a href="#">Statutory Equality Duties Impact Test guidance</a>	Yes	Separate publication
<b>Economic impacts</b>		
<b>Competition</b> <a href="#">Competition Assessment Impact Test guidance</a>	No	
<b>Small firms</b> <a href="#">Small Firms Impact Test guidance</a>	No	
<b>Environmental impacts</b>		
<b>Greenhouse gas assessment</b> <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>	No	
<b>Wider environmental issues</b> <a href="#">Wider Environmental Issues Impact Test guidance</a>	No	
<b>Social impacts</b>		
<b>Health and well-being</b> <a href="#">Health and Well-being Impact Test guidance</a>	No	
<b>Human rights</b> <a href="#">Human Rights Impact Test guidance</a>	No	
<b>Justice system</b> <a href="#">Justice Impact Test guidance</a>	No	
<b>Rural proofing</b> <a href="#">Rural Proofing Impact Test guidance</a>	No	
<b>Sustainable development</b> <a href="#">Sustainable Development Impact Test guidance</a>	No	

<sup>1</sup> Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

## Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

### References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	
2	
3	
4	

### Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy.

#### Annual profile of monetised costs and benefits\* - (£m) constant prices

	Y <sub>0</sub>	Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>	Y <sub>6</sub>	Y <sub>7</sub>	Y <sub>8</sub>	Y <sub>9</sub>
<b>Transition costs</b>										
<b>Annual recurring cost</b>										
<b>Total annual costs</b>										
<b>Transition benefits</b>										
<b>Annual recurring</b>										
<b>Total annual benefits</b>										

\* For non-monetised benefits please see summary pages and main evidence base section

# Evidence Base (for summary sheets)

## Localism

### What is the current policy?

1. The social fund comprises six distinct payments – three of which are discretionary and paid from an annual cash-limited budget; the remainder are regulated and paid to individuals who meet the specific qualifying conditions. The discretionary scheme consists of Budgeting Loans, Crisis Loans and Community Care Grants and is the focus of this reform.
2. The Secretary of State decides on the split of the available cash limited budget between Community Care Grants and the net loans budget. CCGs have first call on the cash limited gross loans budget allocated each year in order to focus on the most vulnerable customer who may be moving in and out of institutions in order to address longer term needs. Crisis loans are then allocated in order to meet short term needs and finally Budgeting Loan awards who support people on low incomes to meet one of costs.

### What is the change in policy?

3. As part of the wider reforms to the Social Fund the policy is to abolish Crisis Loans for living expenses and Community Care Grants from April 2013 and replace them with a new Local Welfare Assistance. This will involve allocating funding to top tier local authorities in England for upfront set up costs (“new burdens”) and the funding to run the new assistance in GB. The CCG and CL budget will be combined and transferred to local authorities and the devolved administrations. The funding will be allocated to local authorities and the devolved administrations who will then deliver support to vulnerable people in the most appropriate way tailored to meet local needs.

### Reason for the change in policy

4. From 2006 crisis loan applications, awards and expenditure have almost tripled and while recoveries have also been increasing it has not been to the same extent. A large proportion of the money loaned out under the crisis loan system is done so using money collected from previous loans with an additional AME injection from Treasury. Using benefit caseload projections and previous expenditure profiling it is estimated that each year there will be substantial shortfalls in funds available for BL and CCGs. This is directly as a result of an increase in CLs.
5. It is important to focus the provision on the most vulnerable customers in society and customer groups with higher policy priority. The profile of customers who access CCGs, CLs and BLs are different with users of CL’s primarily Jobseeker’s Allowance claimants under the age of 35 and recipients of CCGs more likely to be lone parents and people with a disability.
6. It is also recognised that it is difficult in a centrally administered system for staff to exercise a high degree of discretion – such as in the case of Crisis Loans, where it is necessary to determine if there is a severe risk to the applicant’s health or safety. These services can be more effectively run locally where they are linked to other support services.

### Options considered

#### Do nothing

7. As outlined above, if the current process is not changed then CLs would begin to take a disproportionate amount of the budget ultimately leaving fewer CCGs or budgeting loans available. This would impact on both lone parents and benefit recipients with a disability.

#### Jobcentre Plus face to face CL service

8. In order to manage CL applications an option is to move back to a face to face system where customers would be dealt with by trained Jobcentre Plus staff to assess the extent of the risk to customers’ health or safety. In 2009/10 there were 3,645,000 applications and to interview all

face to face would create serious capacity issues and increased administrative costs. This approach is not consistent with the direction of delivery Jobcentre Plus is currently taking.

9. To test the effectiveness of face to face interviews a pilot of interviews at a third application for living expenses was developed and delivered. However, the evaluation concluded there was insufficient impact on loan applications and that the costs outweighed the benefits.

### **Transfer the provision and budget to local authorities and the devolved administrations**

10. A key element of the Coalition Government's agenda has been to devolve power and localise services where appropriate. This approach is consistent with the policy requirements of the Social Fund as customers accessing the service are known to have complex needs (long-term benefit claims, lower incomes) which may benefit from a local and integrated approach. For example local authorities could identify local services applicants are accessing, allowing for a multi-agency approach or to combine the budgets with locally available funds.

### **Summary and preferred option (with description of implementation plan)**

11. The preferred option is to transfer the provision and budget to local authorities and to the devolved administrations, who will determine which delivery model is the most appropriate to their needs. CLs and CCGs will be abolished in their current form.
12. At this point the exact nature of the delivery systems LAs will use to administer the funds allocated to them is not known. However, there will be an initial set up cost and ongoing costs to administer the provision. It is not known what costs will be incurred for the new welfare assistance, but new burdens will be fully funded by the Department.
13. For CCGs it is anticipated that the total funding for the SR period will be transferred to local authorities and the devolved administrations.



## Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

### Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<b>Basis of the review:</b>
<b>Review objective:</b>
<b>Review approach and rationale:</b>
<b>Baseline:</b>
<b>Success criteria:</b>
<b>Monitoring information arrangements:</b>
<b>Reasons for not planning a PIR: The policy responsibility for local welfare assistance will sit with the Scottish and Welsh Governments and local authorities in England.</b>