

SCOTTISH WELFARE FUND DELIVERY OPTIONS 2016/2017 ONWARDS

1.0 EXECUTIVE SUMMARY

- 1.1 This paper provides an options appraisal on how the new permanent Scottish Welfare Fund (SWF) could be delivered by the Council in future within the resources made available for this purpose by the Scottish Government. Under the interim scheme, the Council has supplemented the resources provided utilising carried forward grant monies from DWP but these resources will largely be exhausted from the end of this financial year, and so it is necessary to re-examine how this service is to be delivered for the future.
- 1.2 There are four options identified in the options appraisal as follows:
- Do nothing
 - Make all payments by cash instead of goods
 - Shared Service
 - Outsource
- 1.3 The distribution of SWF programme and administration funding is currently being considered by the Distribution and Settlement Group. We will have to contain programme expenditure within whatever amount is allocated. At best, we might expect a small increase in the amount of administration funding provided. This report examines the options for providing the new SWF scheme and proposes that it should be retained in-house. From 1 April 2016, it is proposed that all awards should be in the form of cash instead of goods, and that the telephony service is no longer available over the lunchtime period. Two temporary staff contracts would be ended at 31 March 2016. Over time, more claimants would be encouraged to apply online and by 2018/19, it is hoped that costs can be sufficiently reduced so that it is within Scottish Government funding. In the meantime, the excess costs would be absorbed within the wider benefits services budget.

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2.0 INTRODUCTION

2.1 This paper provides an options appraisal on how the new permanent Scottish Welfare Fund (SWF) could be delivered by the Council in future within the resources made available for this purpose by the Scottish Government. Under the interim scheme, the Council has supplemented the resources provided utilising carried forward grant monies from DWP but these resources will be exhausted from the end of this financial year, and so it is necessary to re-examine how this service is to be delivered for the future.

2.2 There are four options to consider as follows;

- Do nothing
- Make all payments by cash instead of goods
- Shared Services
- Outsource

3.0 RECOMMENDATIONS

3.1 It is recommended that from 1 April 2016 all SWF awards will be made by cash as described as Option 2 in the detail of the report.

3.2 It is recommended that customers are encouraged to apply for SWF grants online wherever possible in order to reduce administration costs.

3.3 The Committee is asked to note the financial and staffing implications of the proposed option as described within the report, and that the telephony service will only be available from 1 April 2016 Monday to Friday from 9 a.m. to 12.30 p.m. and from 1.30 p.m. to 5.00 p.m. excluding public holidays.

4.0 DETAIL

BACKGROUND

4.1 The SWF is a scheme devolved by the Scottish Government to Scottish local authorities under the Welfare Funds (Scotland) Act 2015 to administer applications for Crisis Grants (CGs) which provide a safety net in a disaster or an emergency when there is an immediate threat to health and safety, and Community Care Grants (CCGs) which enable people to live independently or continue living independently preventing the need for institutional care and includes assistance to families facing exceptional pressure. This revised scheme is expected to come into effect from 1 April 2016. The council has previously responded to the consultation on the draft regulations and statutory guidance for the new scheme. These have not yet been finalised.

- 4.2 The Welfare Funds are essentially discretionary enabling local authorities to provide support where they identify need in a wide range of circumstances. They aim to achieve local delivery while maintaining a national character for the Funds, with a framework for eligibility to support consistency, but discretion on how to take applications and how to fulfil awards. This allows councils to align the funds with other relevant services, make effective links with local organisations, and ensure that delivery meets local needs.
- 4.3 The cost to the Council of delivering the service in 2014/15 was £114,690. We receive a grant of £55,000 from Scottish Government to offset this cost. Total programme funding for CGs and CCGs is £372,760 per annum. The distribution of SWF programme and administration funding has recently been considered by the Distribution and Settlement Group. Currently these monies have been distributed based on historic information provided by Department of Work and Pensions relating to their case volumes and expenditure when they previously operated this scheme. In future, the plan is to base distribution on the Income Domain of the Scottish Index of Multiple Deprivation and to transition to this on a phased basis, and the outcome will be notified in the settlement circular expected in December 2015. At this point, we do not know what funding we will get but we expect, at best, a small increase in administration funding. We will have to contain programme expenditure within whatever amount is allocated.
- 4.4 The Council received 1,818 applications for Crisis Grants (CG) in 2014/2015 and awarded 1,362 grants and the average was £66 per award. It received 785 applications for Community Care Grants (CCG) of which 531 were successful and the average award was £670. In 2015/16 to end of October the average award for crisis grants has increased to £72 and for community care grants has decreased to £632 reflecting a decision to only support medium and high priority items this year.
- 4.5 The Council agreed on 21 March 2013 that two members of staff would be employed by the Benefits team to process SWF claims in the back office and two additional members of staff were recruited on a two year temporary contracts to cover the intended duration of the interim scheme. It was subsequently reported to Council on 14 February 2014 as follows:

“The Council receives enough administration funding to employ 2 FTE staff to work on SWF. To date, the Council has needed to employ 4 FTE to handle the volume of claims. This is based on a telephone only service with no face-to-face service and no out of hours service. There has also been significant supervisory and management time expended in dealing with reviews, supplier arrangements, monthly reporting requirements, and practitioner meetings. This has all had to be met from resources within the benefits service to the detriment of benefit processing times. In effect it is costing c £113k to pay out c £300k this year which is not administratively efficient.”

Currently there is a team of 3.8 FTE assessment staff delivering the service to customers supported by a team leader who spends 60% of her time on SWF. Cover is also provided from the Discretionary Housing Payments staff member when required.

- 4.6 CG awards are fulfilled by making a payment of cash vouchers redeemable at Paypoint outlets across the council area. CCG awards are fulfilled by procuring

goods and services on the customer's behalf using a national procurement contract through Scotland Excel. Customer feedback on the standard of service delivered is very positive. Partner agencies including the housing support providers and the council's own Housing Service are all very happy with the standard of service provided. They state that the provision of goods and services instead of cash (as delivered previously by DWP) is making a positive impact on outcomes for claimants and their ability to sustain tenancies and thereby prevent homelessness.

4.7 Four options have been identified for future delivery of the SWF as follows:

- Do nothing
- Make all payments by cash instead of goods
- Shared Service arrangement with another local authority
- Outsource

4.8 These options are intended to bring the cost of the service back within the currently budgeted funds available – they do not propose any additional savings beyond this.

OPTION 1 – DO NOTHING

4.9 Crisis Grants are fulfilled by issuing a payment by Paypoint voucher delivered to a mobile phone or issued in the post. This is efficient in its administration and the cost of delivery is relatively modest.

4.10 Community Care Grants, on the other hand, are fulfilled using a national procurement contract through Scotland Excel which has been a major issue for the Council in terms of administration. Items such as carpets and curtains need to be measured, cookers installed and the process can take a long time between the issuing of the award decision to the delivery of goods and the reconciliation of the invoice. Customer feedback is extremely positive as this type of service removes stress from vulnerable customers at a time of need. By using the national contract it ensures that the programme funding of £372,760 per annum is stretched as far as possible, capitalising on the economies of scale that this contract brings to us.

4.11 By delivering the service locally, the Council can be reassured that access and signposting to other local support services is carried out when it is appropriate to do so, thereby giving the claimant as much support as possible to deal with the issues that they face.

4.12 However, it costs nearly £1 to administer every £3 given out in grant which is not sustainable and hence alternative delivery mechanisms need to be looked at alongside the introduction of the new permanent scheme.

OPTION 2 – MAKE ALL PAYMENTS BY CASH INSTEAD OF GOODS

4.13 An alternative in house delivery service for SWF is proposed as option 2. This means that for CCG's Allpay's payment cards will be issued instead of the provision of goods and services to claimants. This will give claimants access to money or credit to allow them to make their own choices in spending their award. This affects CCGs only as CGs are already fulfilled by the payment of cash vouchers. West Dunbartonshire Council already provides fulfilment solely through cash and other local authorities are considering this change in order to reduce

costs. DWP previously made all their payments in this way when they administered the scheme.

- 4.14 This method of payment increases the risk of the money given for community care grants being spent on something other than what is intended. For crisis grants the draft regulations prescribe that payment has to be “in a form which does not require the applicant to make over the payment to a particular person or otherwise to use in a particular way”. This means it has to be in cash or cash equivalent.
- 4.15 The Allpay option is a new Prepaid programme on the Mastercard platform. Cards can be loaded with credit and posted out by the SWF administration team to the customer after a successful claim for CCG. Any funds that the customer doesn't spend can be redeemed by the Council and put back into the programme. The claimant can use the card online or in retail outlets to purchase the goods for which they received an award for. There is no charge to the retail outlet. This will give the claimant more choice as to what goods they would like to purchase for their tenancy but they will have all the administrative hassle involved in organising delivery of things like carpets and cookers. Many people receiving assistance through CCGs will have support from a social worker or a voluntary agency, and they may be able to assist them with these matters.
- 4.16 The cards will have certain standard blocked merchant credit codes to prevent spending on certain types of goods and services such as wine merchants and gambling sites. Optionally, the Council can allow cards to be used at ATM machines to withdraw cash. The Council will be able to access data on card usage which could potentially allow cards to be suspended or cancelled should it become apparent that the claimant is not using the funds to buy the goods that the award was based on. This allows the Council to maintain a level of control and potentially detect / prevent fraud and error.
- 4.17 Issuing payment cards will significantly reduce the administrative burden on the team and remove all contact with furniture suppliers and discussions on delivery times, chasing invoices and such like. It would be much more straightforward to balance the financial ledger with the SWF system. It is envisaged that this service would be delivered by 2 FTE which is a reduction of 1.8 FTE from the current staffing complement, ending the two temporary contracts. This reduction is already reflected in the Trade Union consultation log associated with Service Choices.
- 4.18 The service is currently predominantly a telephony based service. The reduced staffing complement will mean that it will not be possible to offer a service at lunch times from 12.30 to 1.30 p.m. each day. The service will be accessible online 24/7 and by telephony from 9 a.m. to 12.30 and 1.30 p.m. to 5 p.m. Monday to Friday excluding public holidays. In future years the intention would be to shift claimants to making the majority of claims online. The staffing complement would be further reduced to 1.5 FTE through natural wastage so far as possible, and the level of management support would also be reduced and absorbed into the management of the broader benefit operation by the start of 2018/2019.
- 4.19 Delivering the service in this way will ensure that the Council maintains full management control of the service. The local knowledge networks, close relationship with social work and access to Carefirst system, and use of the ABAN (Argyll and Bute Advice Network) referral network can all be maintained. The cost

to the Council of delivering Option 2 is £25,604 per annum in 2016/2017 and 2017/2018, and should be reduced to nil for future years.

- 4.20 This could have a detrimental effect on processing times for housing benefit and council tax reduction scheme due to the resource being diverted away to SWF. However this is considered a manageable risk. The council has the ability to call on overflow capacity from Capita, and has some bank staff which allows it to manage any peak processing periods, and ensure that processing times are kept to reasonable limits. The only other detrimental impact is that support workers may be required to assist more vulnerable applicants in sourcing the goods they require.
- 4.21 On balance, this is the recommended option.

OPTION 3 – SHARED SERVICES

- 4.22 All Scottish Local Authorities are tasked with delivering the same SWF scheme to their local area. However the method of delivery can be different but will always be within the bounds of the same guidance which is currently in development. Contact has been made with other Scottish local authorities to see if they might be interested in a shared service model. A number have responded and indicated that they could provide a service for the Scottish Government grant of £55,000 per annum. This is feasible as they will have economies of scale, they will not have the pressure of additional systems costs, and should be able to absorb the management overheads all of which increase the cost of delivery for us.
- 4.23 This option would be progressed by a tender process. The proposal would be that the service would be delivered in the same manner that the Council is currently delivering the service with fulfilment of CGs being made by Paypoint voucher and CCGs by utilising the national procurement contract for goods and services.
- 4.24 As it is a transfer of undertakings, TUPE would apply. Initial indications are that it is most unlikely that the contracting local authority would want to take our staff which would leave the Council with redundancy costs for 1.8FTE in addition to ending the two temporary posts already on the Service Choices consultation log. We estimate additional redundancy costs might be in the region of £35,000.
- 4.25 The main disadvantage is that this would remove much of the local nature of the SWF delivery. Referral of customers to local services is likely not to be as good as it is currently or with option 2. There would also be less flexibility for the future which could be important for the ongoing roll-out of Universal Credit and wider changes to welfare following the Smith Commission.

OPTION 4 – OUTSOURCING

- 4.26 At present no company offers this service in Scotland. Northgate provides this service in Wales on behalf of all Welsh local authorities but the Welfare Fund in Wales is different to the Scottish Welfare Fund. It is therefore not thought that this option is viable.

5.0 CONCLUSIONS

- 5.1 The recommended option for the future delivery of the permanent SWF is option 2, which is to retain delivery of the service in-house but to make all awards as cash

payments instead of goods. This has the advantage of the Council retaining flexibility for the future and would minimise compulsory redundancies at this time. There would still be a net cost of c £25.6k p.a. to the council for delivery of the service for the next two years which would have to be absorbed by the benefits service.

6.0 IMPLICATIONS

- 6.1 Policy: This proposes a change to way in which SWF is delivered
- 6.2 Financial: This proposed option will reduce costs of operating SWF to a net cost of c £25.6k for 2016/17. With further reductions in staffing the costs should be brought back within the Scottish Government allocation by 2018/19. In the meantime, the net cost will be absorbed within the overall budget for the Benefits Service.
- 6.3 Legal: The proposal is in accordance with the Welfare Funds (Scotland) Act 2015 and the draft regulations.
- 6.4 HR: Two FTE on temporary contracts to 31/3/16 will be ended at that date. Further reduction of 0.5FTE staff on this activity by end of 2017/18
- 6.5 Equalities: No impact.
- 6.6 Risk: There is a risk that the reduced staffing levels might not be sufficient to meet customer demand.
- 6.7 Customer Service: Customers will perceive this as a lesser quality of service.

Background Papers

- Consultation on regulations and guidance under the Welfare Funds (Scotland) Act 2015 Policy & Resources Committee 20 August 2015
- Consultation on Welfare Funds (Scotland) Bill Policy & Resources Committee 21 August 2014
- Consultation on Scottish Welfare Fund Council 13 February 2014
- Welfare Reform Council 21 March 2013

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