

Appendix 1

Localisation of Social Fund

Financial implications

1. Draft SLA costs

From April 2013, the Department for Work and Pensions will abolish the discretionary elements of the social fund. The following funding will be transferred to Essex County Council;

Financial year	Set up/Administrative funding	Programme funding
2012/13 Set up	£ 24 613	
2013/14	£520 096	£2 461 324
2014/15	£476 724	£2 461 324

This funding will be transferred to ECC as specific ring fenced grant. Set up funding is expected this month (December); DWP have yet to set dates for next year's payments.

There has been no announcement by DWP about funding beyond 2014/15. In the current economic climate, it is prudent for councils to plan to ensure that any welfare provision becomes self sustaining beyond 2014/15.

As this report indicates, there is no requirement for local authorities to replicate the current scheme administered by DWP. Programme funding will be directed towards the arrangements for delivering local emergency welfare as described in more detail in this report. Programme funding is cash limited from the DWP but there is no requirement to ring fence this funding; therefore demand for welfare needs to be contained within these amounts to avoid pressure on the council's overall budget.

Set up funding is intended to compensate Essex for setting up a local welfare scheme. It is estimated that set up costs (for project management and officer time) for 2012/13 will be contained within the DWP funding allocation.

Administrative funding is intended to be used to administer a local welfare scheme; in broad terms to handle applications, assess need and eligibility and then to put people in contact with the services they require to meet their needs.

Given the very short timescale imposed upon Essex to implement a local welfare scheme, this report asks members to approve in principle a Service Level Agreement with Southend Borough Council to administer the scheme. The SLA will be funded from the administrative funding allocated by DWP.

Southend have provided draft costs for the SLA proposal. These are in summary;

Staff costs to receive and assess applications including	£304 750
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management supervision	
Software required to administer applications	£ 50 000
Accommodation and IT for staff assessing applications	£ 24 200
Staff training and recruitment	£ 20 000
TOTAL	£398 950

The draft costs have been scrutinised to assess their robustness and whether they represent value for money.

Staffing

Staffing levels are based on the assumption that each application for welfare assistance will take approximately 40 minutes and that each member of staff will complete 10 applications each day. Based on the annual number of applications for community care grants and crisis loans provided by DWP, 10 staff would be needed to handle applications anticipated across Essex excluding Southend and Thurrock. Southend have then assumed a need for one full time manager for the team and 0.25 for senior management involvement.

Based on comparisons with other benefit assessment functions within¹ and outside ECC, a typical contact with a client to assess need and financial means will take between 40 minutes and an hour. The resource levels in the SLA therefore appear reasonable.

Staff costs have been calculated at £25000 per full time equivalent including on costs. This is comparable to the former NJC scale including on costs but excluding London weighting (£25520 – £27007). Comparing grade rates for similar types of functions is not straightforward given that local authorities will have their own job evaluation schemes and local pay scales but from an initial exercise, these costs are similar to a sample of other local authorities using benefits adviser type staff and to the DWP's assessor grade for the eastern region (£24000 in 2009/10)².

ECC's finance and assessment benefits team employ between band 3 and band 4 staff to undertake assessments with clients. This is a range of between £23371 and £31178 including on costs. Although the exact nature and purpose of the assessment will differ from the requirements of the social fund, it again appears that the SLA is offering reasonable value for money.

Software costs are for the acquisition of software to manage applications including document management, set up and security (£40000) and software management (£10000). These costs and the software requirements are currently being reviewed by ECC's IS strategy group. It is important to ensure that the software costs represent only the marginal costs of servicing Essex only welfare applications and that there is a clear

¹ Finance and Benefits Assessment team, ECC

² DWP 'updating the costs of housing and council tax benefit administration report 705, 2009/10)

distinction in the SLA between contributions to initial or marginal purchase costs and on-going costs for software.

Accommodation and IT costs have been calculated based on floor rental costs per desk and then the IT to provide a workstation. These costs have been reviewed based on ECC's own facilities management/ICT. On accommodation, it is difficult to be specific given the wide variety of office space and utilisation but the costs quoted are within a range that property services would regard as reasonable. In terms of IT, again costs appear reasonable but there needs to be more clarity on what is actually covered in terms of software and telephony. ECCS' IS team are looking into this issue in more detail.

Southends proposal includes £20000 for staff recruitment and training. This amounts to £2000 per FTE. The average cost for recruiting staff in ECC is between £1500 and £3000 depending upon the role requirements, complexity and advertising media used.

In summary, the draft proposal from Southend appears to represent good value for money.

Demand management

It is essential that administrative and programme (delivery of welfare) costs remain within the funding allocations to be provided by DWP.

Administration costs will vary according to the number of applications given that they have been calculated on the basis of number of applications processed. An increase in applications of over 29% would bring the administration costs up to the level of funding that will be provided by the DWP for next year (£520096). Southend have however indicated that they will cap the SLA costs to those quoted and set out above.

Delivery costs are more difficult to predict at this stage. There is data available on the number of applications in each district and for each unitary, and within this by lone parent status, age of children, age of recipient and household type (couple, single female or single male).

Delivery - in terms of support provided – will vary according to the client profile; whether a single person, male or female, a family with one or more children with two adults or a lone parent family with one or more children. But the data is not grouped by client profile. Although unit costs per type of support will soon be available (for example the unit cost of providing furniture and white goods to set up a home, the unit cost for weekly food vouchers or parcels, average cost of fuel top up or travel etc.) it is not possible to accurately calculate at this stage the total potential delivery costs.

What we do know from DWP data is that couples account for between 11 and 15% of current social fund support, single females account for between 39 and 50% of support, and single males for between 35 and 50% of support.

Workshops are being held with delivery partners in December and January to map out potential sources of support and it will be possible after these workshops to estimate the costs of welfare support. Further analysis of DWP data will also be undertaken in the new year to forecast future demand.

Monitoring and payment

Given the above, it is essential that the SLA arrangements provide robust arrangements to prevent funding from DWP being exceeded. The DWP paid out £2.705m for community care grants and crisis loans in 2011/12. Although ECC will not be replicating the DWP scheme, this spending is over £200k more than the allocation DWP will provide in 2013/14.

Southend have indicated that they will monitor applications, awards and spend on welfare support on our behalf. The budget for delivery of welfare support will be profiled monthly allowing for potential peaks during the year (potentially more demand in winter or during the run up to Christmas). Southend have also stated that they will prioritise applications to ensure that the funding allocation for welfare support is not exceeded. No awards will be made in excess of the funding allocations either to ECC, Southend or Thurrock.

It is essential that the SLA provides Essex County Council with accurate and timely (at least monthly) information on spend in relation to welfare support, by type of client, by district and by type of support provided. This will enable ECC to forecast spend and to model financial demand for the subsequent year) it is not anticipated that funding will be available from DWP after 2014/15). It would be prudent for the SLA monitoring arrangements to include some 'buffer ' or headroom below the funding allocations to allow for a response to any significant major emergency that might have a welfare effect (for example the failure to implement welfare reform, natural local disaster).

The SLA must explicitly state that Southend will be responsible for ensuring that scheme costs both for administration and delivery of welfare are not exceeded.

Payments will be made by ECC to Southend for administration and welfare delivery on a quarterly basis upon receipt of information from Southend on spend to date.