

Joint Briefing on Clause 69 – Social Fund for Welfare Reform Bill Report stage – June 2011

Age UK, The Association of Directors of Adult Social Services, Barnardo's, Child Poverty Action Group, Citizens Advice, Community Links, Crisis, Disability Alliance, Family Action, The Family Fund, Family Rights Group, Gingerbread, Homeless Link, National Housing Federation, Oxfam, Platform 51, The Prison Reform Trust, Save the Children, Scope, St Mungo's

Proposed Amendment:

For Clause 69(1), substitute:

Section 138(1)(b) of the Social Security Contributions and Benefits Act 1992 (discretionary payments out of social fund) may be repealed, if the Secretary of State:

(a) publishes a detailed proposal for a replacement scheme, or schemes, based on wide consultation with relevant stakeholders

(b) ensures that such a scheme, or schemes, will provide financial protection for all UK citizens for basic living expenses in an emergency or crisis

(c) demonstrates the feasibility of such a scheme, or schemes, through a pilot or pathfinder process, and

(d) demonstrates how an independent appeals mechanism will be implemented as part of a replacement scheme, or schemes.

For Clause 69(2), substitute:

In consequence of the provision made by subsection (1), the office of the social fund commissioner may be abolished

Purpose of the Amendment

The aim of the amendment is to ensure that the existing national system of welfare support for people trying to set up or maintain a home, or experiencing financial crisis, is not abolished before a robust and effective alternative has been fully explored.

Briefing

The Discretionary Social Fund consists of Budgeting Loans for managed expenditure, Crisis Loans (CL) for emergencies, and non-repayable Community Care Grants (CCGs) for essential household items, such as cookers and beds. It is a national provision, and acts as a safety net for benefit recipients who face essential expenditure which they cannot meet. This amendment relates only to CCGs and CLs.

In 2009/10 there were 640,000 applications for CCGs, 3.64 million for CLs and 1.69 million for Budgeting Loans. These resulted in 263,000, 2.70 million and 1.20 million awards respectively for these payments. Expenditure was £139 million gross and net for CCGs, £229 million gross (£109 million net) for CLs and £482 million gross (£19 million net) for Budgeting Loans.¹ **This is a very large scale activity, of vital importance to the financial wellbeing of many of the poorest and most vulnerable people in our society.**

In a Call for Evidence published in February 2011, the government briefly outlined proposals to transfer the funds currently used for CCGs and CLs (but not Budgeting Loans) to local authorities, with guidance – but no new statutory duty – on how this money should be used. **We consider these proposals to be incomplete and inadequately justified, and we call for them to be suspended until a comprehensive review has been undertaken in consultation with relevant stakeholders. The review should discuss current problems, and assess how to guarantee continuation of this vital safety net - or an appropriate equivalent.**

February's Call for Evidence argues that central administration is too remote to manage CCGs and CLs efficiently. Yet, in response to criticisms from the National Audit Commission and the Public Accounts Committee, the DWP recently ran a home visiting pilot in the West Midlands to check on the validity of CCG claims. It found that one in five applicants had been underpaid, and that the home visiting procedure speeded up the claims process rather than delaying it. We understand that this scheme will be rolled out nationally from May 2011.

Based on the argument that local management will more accurately assess the needs of local people, the government envisages local schemes which will make use of a range of provision to support people in need. They emphasise the potential use of credit unions and charitable support, as well as recycled furniture outlets and food banks. We have concerns about relying on second-hand goods (especially white goods), which often represent false economy in the long term, and also about the continued use of tinned foods, which are less healthy than fresh foods. We also question whether charities will be able to sustain the continuing demand for such support, and whether such provisions will adequately protect the dignity of the individual. This emphasis on providing goods in kind also runs counter to the 'personalisation' and empowerment agenda followed in other areas of statutory provision.

The government does not expect local authorities to manage loan schemes. **This will effectively abolish the provision of crisis loans, which gives us grave concern.** It is very likely to drive more people to use high-cost lenders and therefore reduce their chances of managing their debts successfully.

¹ Annual report on the Social Fund 2009/10 – The Stationery Office, 2010

We welcome the proposal to introduce advance of benefit to avoid further use of crisis loans for alignment payments, and we support the retention of budgeting loans by the DWP. We believe, however, that the provision of crisis loans for living expenses is a third vital element in supporting people on very low incomes. **We cannot see why the Department should not retain a crisis loan facility to help people manage acute financial hardship in emergencies.**

The current proposals expect local authorities to devise their own schemes for emergency support. **Without ring-fencing or specific accountability attached to the funds, this is likely to result in numerous different policies and in vulnerable people losing the right to apply for emergency support.** We believe that in the current economic climate, it is highly likely that some or all of the funds may be diverted into other local priorities, and a crucial financial safety net would disappear.

Localised support will also make it impossible for claimants to challenge or appeal against decisions, unless each local authority is required to set up an independent appeals mechanism to replace the current central appeals service. Without an appeals mechanism, individuals will lose their right to challenge decisions made on their behalf, and could effectively face a post-code lottery in trying to obtain life's necessities.

The Association of Directors of Social Services are also strongly critical of the government's proposals, and they raise concerns about the allocation of these funds against competing demands and priorities, as well as difficulties in distribution within authorities (and with Health) between different service functions.

As planned cuts to benefit levels are implemented – including HB cuts, reductions in childcare support, CPI up-rating and benefit caps – people on the lowest incomes are likely to face further financial problems. When Universal Credit is introduced, it is most unlikely that the system will be entirely trouble-free. All this is likely to cause significant need for emergency payments such as crisis loans, just as the government plans to abolish them. It further supports our call to delay changes and review these proposals.