

The Social Fund Commissioner's Response to the 21st Century Welfare Consultation Paper

Introduction

I welcome the opportunity to respond to the Department's consultation paper *21st Century Welfare*. I reply in my capacity as Social Fund Commissioner, having been appointed by the Secretary of State for Work and Pensions to head up the Independent Review Service (IRS)¹ which, across Great Britain, provides an external review of Jobcentre Plus' decisions on applications to the discretionary Social Fund.

The discretionary Social Fund is a scheme of community care grant and interest free budgeting and crisis loan payments, which is designed to help people on low income with costs that are difficult to meet. Grants and budgeting loans can only be accessed by people in receipt of one of a number of means-tested welfare benefits, including working-age benefits such as Income Support and the income related parts of Jobseekers Allowance and Employment and Support Allowance. This means that the vast majority of people using the Social Fund (and the independent review process) are direct users of the welfare system and recipients of the particular welfare benefits that are the subject of this consultation paper.

The Social Fund differs from other welfare benefits in that it is a scheme designed to provide one-off support to people in particular circumstances when their needs exceed their resources. The community care grant scheme within the Social Fund is primarily intended to meet a need for community care by helping vulnerable people on specified benefits who are facing difficulty arising from special circumstances. It is worth noting that when the scheme was established in 1988 it was in the context of the need to support the policy of large scale movement of people out of institutions such as psychiatric hospitals and long-stay care homes into their own homes within the community.

¹ The Social Fund Commissioner's statutory duties and powers are set out in primary legislation at section 37 of the Social Security Act 1998 and include appointing Social Fund Inspectors and other staff as he thinks fit; arranging training as appropriate; monitoring the quality of Inspectors' decisions; providing advice and assistance as appropriate to improve standards; and reporting annually to the Secretary of State for Work and Pensions.

My response is based on Social Fund customers' perspective and experience. I have drawn on evidence from our extensive case work and a recent in-depth desk-based analysis of 500 review applications that were received in June 2010. During 2009/2010 Social Fund Inspectors in my office reviewed almost 50,000 decisions that had previously been taken by Jobcentre Plus staff. My response also includes some references to the feedback we have received from around 2650 delegates in the course of some 75 meetings/workshops with welfare rights and similar organisations during the past 12 months. I believe this case-based evidence offers a unique insight to policy makers about the characteristics and experiences of people who are users of the welfare benefits system.

Our customer base includes a range of poor and vulnerable individuals and families who are in receipt of multiple benefits. This provides a great deal of insight into the situations and challenges people face, whether in relation to the benefit system, money management, indebtedness, health, housing or family.

I hope this knowledge and insight assists discussions on the broader welfare reform agenda. My comments have also been supplemented by case studies to illustrate customer experiences where I believe it is helpful to do so, given that people and their personal challenges are at the heart of this debate.

A handwritten signature in black ink, appearing to read 'Karamjit Singh'.

Karamjit Singh CBE
Social Fund Commissioner

Broader Themes and Questions Raised in the Consultation Paper

Our Customer Experience

I have referred to the extensive case work experience and insight which the Independent Review Service has of the issues facing citizens who apply for Social Fund grants and loans. Most of them have access to the Fund solely because they receive other welfare benefits. Our case research sample of 500 cases (attached at Appendix 1) shows that applications were made by people from workless households, where the lack of work was due predominantly to unemployment, ill-health, caring responsibilities or retirement. The report provides contemporary data on a wide range of personal issues of relevance to the welfare reform agenda. These include family composition, health, housing status, caring responsibilities, income and financial commitments. It illustrates the nature of requests made by vulnerable people for additional targeted support in particular circumstances.

Poverty and multiple disadvantage

Our case work experience indicates that a number of citizens experience multiple disadvantage, as defined in the recent *State of the nation report*². Some of these are likely to act as a barrier to social mobility, independence and/or a move into work. Our research sample showed that 232 (49.75%) of those of working age were facing similar disadvantages. I believe that the experiences of this particular group of citizens highlight some of the challenges facing any reforms designed to deliver a new welfare benefit system that works effectively for its users and also provides value for the taxpayer.

It is clear that there is a significant group of people who will need additional assistance. This will require a responsiveness from a benefit system that takes account of their background and their current situation in deciding the support which should be provided. It will not be possible for people to move from backgrounds that include homelessness, addictions and alcoholism directly into sustained employment. Any reform of the welfare benefit system will need to take account of the situations and needs of all the people using it.

² *State of the nation report: poverty, worklessness and welfare dependency in the UK*, HM Government May 2010

The consultation paper is based on a recognition that poverty cannot be tackled through treating symptoms alone. From our casework we can see that awarding money to treat the symptoms of poverty does not always tackle the underlying issues. The nature and extent of the difficulties people face vary significantly. Improving health and quality of life, tackling inadequate housing and living conditions, managing debt, ensuring access to affordable credit and living with low income levels demands a holistic approach.

The following example from our research sample illustrates how an applicant who has faced very real and difficult problems has already improved her situation significantly with assistance from other organisations. The financial support provided by a community care grant would enable her to furnish her home with basic items. Even though she currently remains out of work the fact that she is able to establish a stable home should improve the circumstances for her and her family both now and in the future.

Case example 1

Miss B is 18 years old with a newborn baby. She gets Income Support with a disability premium.

She spent some years in foster homes. When she left foster care she was given a property of her own. At that time she was taking drugs and as a consequence she sold her furniture to feed her habit. Because of this her baby was staying with her mother.

With the support of local health and third sector support groups Miss B is no longer using drugs and has custody of her baby but as she has no household items she spends most of her time at her mothers. Her mother is caring for her own parents so looking after Miss B puts a lot of strain on her. Miss B regularly sees a psychiatrist and a drug support worker.

The Social Fund Inspector decided that this family was facing exceptional pressures. A grant to provide basic things for their home would significantly ease these pressures and enable the applicant and her child to have a home of their own which will have a significant impact on their future.

Another case study (case example 2 below) which is drawn from our research sample, shows an individual with health and alcohol problems who needs financial help with a washing machine and dryer. While these

items will undoubtedly improve her ability to manage on a day-to-day basis, they will have limited impact on her underlying situation.

Case example 2

Ms A is 44 years old. She receives Income Support with a severe and enhanced disability premium.

She has depression, panic attacks and double incontinence. She is prone to self harm and is unable to go out without somebody with her. She is a recovering alcoholic, attends weekly appointments at hospital and has a mental health worker. Her washing machine has broken down and she is unable to dry her washing.

She applied for a washing machine and dryer and was turned down by Jobcentre Plus. The Social Fund Inspector contacts the applicant and as a result concludes that she is at risk of having to go into care because of the extent of her problems. She is awarded a community care grant for a washing machine and dryer, as these items will help her to stay in her own home.

Continue to support those most in need and reduce the number of workless households and children in poverty and ensure that interactions with other systems of support for basic needs are considered

I note the consultation paper signals an acceptance that there will be some people who are not able to work, or prepare for work, and emphasises that the levels of support for people in the most vulnerable circumstances would not be reduced. It is important to ensure that the support provided is well targeted on those vulnerable people who are on low incomes irrespective of whether they are receiving benefits or in employment.

I also note the principles in the consultation paper continue to support the need to reduce the number of children living in poverty. In the *State of the nation report* it was found that families are more at risk of multiple disadvantage if they are single parents; have three or more children; are younger mothers under twenty five years of age; or when one or both adults in the household have health problems. In 182 (36.4%) of the 500 Social Fund review applications in our research sample the customer had indicated that they had one or more children living at home. These and

other characteristics are set out in Appendix 1. In many of these cases there is additional evidence of multiple disadvantage, which is likely to need wider support and interventions.

The next case example, also drawn from our research sample, illustrates a situation where the customer is very vulnerable and is facing disadvantage in a number of areas. She is already receiving support from other agencies in relation to her mental health and her need for help to settle in her home and the financial assistance provided by a Social Fund community care grant would complement this.

Case example 3

Miss C is 24 years old and receives Income Support, DLA (higher rate care and lower rate mobility), Disability Premium, Severe Disability Premium and Enhanced Disability Premium.

She suffers with paranoid schizophrenia, anxiety, depression, psychosis and epilepsy. She suffered abuse when she was younger, which has contributed to her poor state of mental health. She regularly sees a psychiatrist and a worker from the local mental health team, and is also following a resettlement plan with a registered charity. Miss C spends a significant proportion of her benefits on taxis as she has difficulty getting out on her own and normally needs to have somebody with her.

She is moving to a new property as she is constantly being harassed by people in the early hours of the morning and she has been burgled a number of times in the last year. Miss C wants help with the cost of removals and new items for her new property. She has few items of her own and needs to replace a number of items because they have either been stolen or damaged. She has asked the Social Fund Inspector to consider her application.

The current community care grant scheme is not intended to replace other provision or to displace other agencies that have the major responsibility for community care. Instead community care grants are intended to complement care provided by Local Authorities, by other Government departments and voluntary agencies and to contribute to the overall aims of care in the community. Case example 4 below illustrates some of the issues that can arise.

Case example 4

Mr A is a 50 year old man who has mobility problems linked to health conditions. His wife helps him with personal care, getting out of bed and everyday tasks. He receives Income Support and the care and mobility components of Disability Living Allowance.

He applied for a grant and, amongst other requests, asked for help with the costs of a wheelchair. He explained that a wheelchair would reduce the problems he and his wife experienced when attending hospital appointments and when transferring from bed to the bathroom during the night. Mr A's weight made it difficult for his wife to lift him. In the past the NHS provided him with a wheelchair after referral by an occupational therapist, but that chair was not longer serviceable. He had not approached the NHS or local Social Services about a new wheelchair and was last assessed by an occupational therapist a couple of years ago.

This type of case highlights the tension between different agencies within the welfare and social care arena. Local Authorities, through their Social Services Departments, have the lead role in community care, although the discretionary Social Fund includes community care grant provision intended to complement LA and other agencies' provision. This situation can raise uncertainty about boundaries and responsibilities, which in turn can cause confusion for customers about which agency they should approach for help.

Our report on our research sample (at Appendix 1) shows that some cases contained evidence of customers already receiving help from other support services. Any payment from the Social Fund was seen as forming part of a package of support to help improve their situation and promote community care. This can include support from a counselling service or medically qualified person, a housing agency, probation officer, rehabilitation worker, and other non statutory organisations such as refugee centres, community groups, or the Citizen's Advice Bureau. These experiences resonate with the ethos of adopting a holistic approach to help customers move out of dependency and poverty. It also provides confirmation that there already are ongoing local interventions that could be enhanced by reforming the delivery of some aspects of the welfare system.

It is also clear from our examination of the case research sample that whilst some customers are already receiving appropriate support from other bodies, there are still a significant number of vulnerable people who receive no support. Some of the most vulnerable citizens are ill-equipped

to seek out the right level of support that they need. Any reforms to the welfare system need to take this into account.

Increase fairness between different groups of benefit recipients and between recipients and the taxpayer

Fairness: consistency of approach and difference in outcome

One of the fundamental principles in relation to any welfare benefits scheme, whether it is delivered centrally or locally, is the need for consistency of approach in relation to the application of the scheme so there is fairness between different groups of citizens. Outcomes may differ across localities or communities where this is appropriate to reflect local needs and circumstances. Any difference in outcome should relate to the needs of individuals using the local service, rather than the needs or preferences of the organisations delivering that service.

Using the Social Fund as an example, the community care grant scheme is a national centrally funded benefit that is cash limited by a national allocation of money. Currently the national budget is distributed between 23 Jobcentre Plus Social Fund districts across Great Britain.³ Our casework experience shows that the current legislative structure in relation to the grant scheme results in a central welfare benefit that delivers different outcomes for Social Fund customers dependent upon where they live. This may fluctuate across the year depending upon demand on the budget. However, some districts are consistently able to meet a wider range of priorities than other districts. The different outcomes do not relate to the needs of individuals, the particular difficulties faced by citizens living in that area or even the levels of deprivation experienced in that area. They are linked to the budget constraints occurring because the central allocation of budgets does not take account of contemporary local issues. This issue has also been commented on by the Committee of Public Accounts in 2005⁴ and a recent National Audit Office report⁵.

³ The decision makers in each district are responsible for managing their part of the budget so that they do not spend more than their allocation. The Area Decision Maker in each district must specify the level of priority that may be met from that district's grants budget. Decision makers, including Inspectors, must take account of the Area Decision Maker's guidance when deciding whether an application has enough priority to be paid from the limited budget.

⁴ *Helping those in financial hardship: the running of the Social Fund*; Committee of Public Accounts, 12th Report of 2005-06, November 2005 HC601.

⁵ National Audit Office – *Department for Work and Pensions The Community Care Grant Report* HC286 Session 2010-2011

Case example 5 below has been modelled to demonstrate the different outcomes in terms of items and amounts customers are likely to receive due solely to the budget position in different parts of Great Britain.

Case example 5

In considering the scenario set out in Case Example 1 above, the Social Fund Inspector in my office concluded that this young woman and her family (including her baby and her mother) were facing exceptional pressures. A grant to provide basic things for the home would significantly ease these pressures and would enable the customer and her child to have a home of their own. The Social Fund Inspector considered which items were most important and would make a significant difference to the family to enable them to establish a home given their background. He decided that a bed and bedding for the customer (the baby already has a cot); a cooker and items to cook and eat with; a fridge; something to sit on; some curtains for the main rooms and some floor covering for the living room were all high priority items.

Based on this priority decision and the current budget position in different areas of Great Britain a decision maker, adopting a consistent approach to decision making, would award the following to this family:

In Sheffield, the district budget is currently able to meet all high priority items at the lowest prices for durable quality items from national retailers. In this case the family would receive an award for all the high priority items above but at the lowest prices that the appropriate items can be bought for. The limit on the amount of money available for each item may mean the family will receive less than requested for certain items.

In Springburn, the district budget is able to meet all high priority items at reasonable prices for serviceable items available nationally. The family would again receive an award for all the items that are high priority but this time at reasonable prices; the amounts awarded for items would, therefore, be higher than in Sheffield.

In Newcastle, the district budget is only able to meet some high priority needs at lowest prices. The Inspector would have to decide which high priority needs are most important in this applicant's situation and can still be met. In this case this is likely to be the items needed for sleeping, cooking and storing food, and somewhere to sit. The items paid would be at the lowest prices.

In Essex, the district budget is able to meet all high priority and all medium priority needs. The Inspector would pay all the high priority needs but in this case may also decide to award a washing machine (which was assigned a medium priority in this case) given the young age of the applicant and her baby.

Inconsistent decision-making caused by differing approaches to either the interpretation or the application of the law governing the system will lead to poor standards and unfairness within that system, whether it is delivered centrally or locally. With statutory responsibility for reviewing decisions that have been made across Great Britain, my office is able to identify whether and patterns in decision-making occur. My office has a longstanding arrangement to provide feedback to Jobcentre Plus on the quality of decision making and this feedback incorporates these issues. In my Annual Report for 2009/2010 I published a list of outcomes in terms of whether Social Fund Inspectors made a different award to that made by Jobcentre Plus staff or confirmed the outcome of the original decision.⁶

A regular subject of feedback to my office from customer representatives is the inconsistency of decision making and the fact that they do not understand how this diversity occurs. They argue that this makes it harder for them to support their clients in these cases when they cannot understand the rationale for the decisions being reached. The important issue here is to ensure that there is a consistency of approach to decision-making whilst recognizing that differences in outcome can occur for legitimate reasons. This is not to argue against localization of decision making but to emphasise the important principle of equity of treatment.

Fairness: Independent redress

The process for citizen redress within the context of any reformed welfare system should be as simple and efficient, with as few layers of bureaucracy as possible.

I believe that the citizen's right to an independent grievance process should be an integral part of any welfare benefit system that seeks to meet the needs of poor and vulnerable customers. Fairness is a fundamental component of such decision making. Whilst the best outcome for the citizen is the right decision first time, there will be cases that need to be

⁶ *The Social Fund Commissioner's Annual report 2009/2010*. This shows a range of outcomes from 38.7% of community care grant decisions changed in Sheffield to 53.8% of decisions changed in Bristol. These figures include cases that were incorrect and also cases where the Inspector has obtained additional evidence that has contributed to a different decision.

looked at again. Where a dispute is not resolved, an independent and transparent examination of the decision is a crucial part of ensuring the process is fair and is seen to be fair.

Currently, the independent grievance process for the Social Fund is delivered by means of an independent review conducted by independent Social Fund Inspectors. It would not be appropriate for me, as the Social Fund Commissioner, to argue for retention of the independent review process in its present form. However, I believe there must be a system of independent redress not only for Social Fund customers but for users of all welfare benefits. I also believe any independent process should be underpinned by productivity and performance measures which take into account accessibility, clarity of communication with customers, speed and quality of decision making, and customer confidence in its impartiality.

Fairness: targeting resources

Another key factor in ensuring fairness within any welfare system is the effective targeting of resources to ensure that they are focused on the objectives that the system is setting out to deliver.

At the present time Social Fund resources for community care grants are focused on particular needs by virtue of a range of tests including those related to eligibility and qualification for an award. Grants should be awarded to those people who are most in need of the support that the grant scheme is intended to provide. However, as pointed out in my response to the Green Paper considering reform of the Social Fund⁷, current eligibility tests do not focus the limited resources on those people who are most likely to meet the qualification tests, that is those most in need of community care.

The eligible pool of applicants for community care grants includes people receiving income-based Jobseeker's Allowance. From our case experience we know this is a group that is likely to include a significant proportion of people who do not present a need for community care unless they have a dependent who needs this type of support. In contrast, customers receiving Incapacity Benefit or contributory Employment and Support Allowance (particularly those placed in the support category) are ineligible for a community care grant. However, in our experience these

⁷ *Social Fund Commissioner's Response to the Department for Work and Pensions Consultation Paper - Social Fund Reform: debt, credit and low-income households*, June 2010

customers are far more likely to be vulnerable and to have significant health problems that demonstrate a need for community care.

We have received feedback at many of our conferences and workshops from customer representatives that highlights their concern that the receipt of Incapacity Benefit and contribution-based Employment and Support Allowance does not make customers eligible for community care grants or budgeting loans. They make the point that these benefits are paid at the same, or only a slightly higher rate, than income based benefits. Representatives tell us that, from the customer's perspective, this distinction between customers in relation to their eligibility for a community care grant appears illogical and unfair.

In some instances these particular customers may not be able to move into work or prepare to work in the foreseeable future and are likely to remain on welfare benefits for some time. In other cases the customer is facing a difficult situation that has had a significant impact on their ability to work and require support during this period.

The following case study illustrates a situation where a customer is vulnerable and demonstrates a need for help with community care, but does not receive the type of benefit that would make him eligible for a grant.

Case Example 6

Mr G is 47 years old and receives Contribution Based Employment and Support Allowance.

He has arthritis in his hands and knees, heart disease, angina, post traumatic stress disorder and mental health problems. He has difficulties getting out himself and needs help with household tasks. He visits a counsellor to talk about combat stress.

His bed base has broken and the springs are coming through the mattress and this impacts on his ability to sleep which is making his mental health worse. His bedding is worn and full of holes. He has also applied to replace other household items which are breaking down.

A simpler system

I note that the consultation paper emphasises simplicity and clarity both in understanding and accessing the welfare benefits system. It is suggested that a simpler application process would require citizens to make one claim that would be assessed for the appropriate working age benefit(s) for their circumstances. Also that there would be fewer benefits and fewer layers of bureaucracy to administer those benefits.

Based on our experience any reform initiatives that would make it easier for individuals to understand what they are entitled to and to make a claim or change a claim to benefit would have a significant positive impact. We have seen a range of difficulties in relation to people who are making a new claim to benefit and those moving from one benefit to another, for example from Employment Support Allowance to Jobseekers Allowance. These difficulties and delays in payment may contribute to the reluctance of individuals to take short-term or temporary work or to put themselves forward for training. Any improvement in this area, so that people experience a seamless journey through this process, is likely to encourage them to move towards work.

Currently people who have claimed benefit but have not had their benefit paid and as a result are in hardship can apply for an interim payment of benefit. If they are refused an interim payment they can apply for a crisis loan. We regularly receive feedback from representatives and support workers that their clients find it extremely difficult to access interim payments of benefit. This leads them to apply to the Social Fund for a crisis loan, which in itself can create problems. It can take some time to apply for and receive a decision on a crisis loan and even if the individual is subsequently paid a crisis loan they then have an unnecessary debt. By this point the person has applied for their benefit, an interim payment of that benefit and a crisis loan. This requires them to have a sound knowledge and understanding of the system and also has the added dimension of absorbing a substantial amount of administrative resource.

The proposal that there would be fewer working age benefits is likely to mean that there would be less need for specialisms and therefore, fewer hand-offs between different parties within the system. This would undoubtedly be of benefit not only to the customer but also in terms of administration costs. It should also lead to the development of greater expertise within all aspects of welfare benefit decision making which will contribute to higher standards of decision making and increased confidence in outcomes.

The number of different benefits that are currently dealt with across the working age welfare benefit system can be confusing for customers and for administrators and advisers alike. From our recent research we identified that 467 of the 500 applications were from people of working age. The customers within that sample received at least 10 different types of benefit ranging from Income Support, both types of Jobseekers Allowance, both types of Employment and Support Allowance, both components of Disability Living Allowance to Child Benefit. In addition to this some people received a range of different premiums as well as housing benefit and council tax benefit. A significant number of the customers in our research sample were receiving a combination of these different types of benefit. This variety of benefits with different rules that confer different rights and entitlements or are passports to other benefits can be extremely difficult to navigate not only for customers, their representatives (if they have one) but for those administering the system. I believe that simplifying the current range of benefits, while continuing to ensure that those with particular vulnerability are catered for, would bring a welcome clarity for customers and administrators.

Supporting the move into work

In the current Social Fund scheme customers can apply for a budgeting loan for “expenses associated with seeking or re-entering work”. We have examined this particular issue in 100 budgeting loan review applications received in my office during August and September 2010. Of this sample 24 applications either specifically included a request for these work related expenses or included a request for other expenses such as clothing that they said would indirectly help them get back into work or attend interviews. The vast majority of these customers (75%) were receiving income based Jobseekers Allowance.

An application for a loan for these types of expenses is an indication of an acceptance of personal responsibility to move into work, even though some financial assistance may be needed. The fact this is a budgeting loan leaves the individual with a Social Fund debt, albeit a debt that is interest-free. Our experience tells us that debt is one of the factors that can create a barrier to moving into work. It would, therefore, be helpful to consider incentives to help people deal with existing Social Fund debt should they obtain sustained employment.

Specific Responses to Questions in the Consultation Paper

My previous comments have set out my views in relation to the broad themes and questions raised in the consultation paper. I include below comments in relation to a number of the specific questions it poses.

Question 5. Has the Government identified the right set of principles to guide reform?

The principles set out in the consultation paper outline the Government's aim to make work pay, reduce the number of workless households, reward positive behaviour, minimize disincentive effects, increase fairness between different groups, reduce scope for fraud and error, support those most in need and ensure that the benefits and Tax Credits system is affordable. I support these guiding principles, but would like to draw attention to the following points.

I have not expressed a view on whether benefit sanctions or compulsion would be effective in promoting positive outcomes because I have no evidence on this issue. I believe that any application of conditionality should be proportionate and have clear links to the wider guiding principles for reform. Any reformed scheme should promote and reward responsible and positive behaviour.

My support for the principle relating to automated processes and maximised self service is also informed by the experience of my office in dealing with vulnerable people. Self service delivery channels are attractive to many customers in that they offer a convenient service around the clock. However, the needs, preferences and abilities of some vulnerable customers are likely to make it necessary to provide targeted self service channels. It may be that savings in staff time resulting from increased take-up of self service channels could be directed towards those customers who need more traditional methods of contact.

Any restructuring of the welfare benefit system should aim to reduce complexity for the customer, increase efficiency in its operation, promote fairness in treatment and outcomes, reward positive activities, remove barriers for those who are capable of moving into work and provide appropriate support for customers recognised as having legitimate reasons for being outside the labour market.

Question 6. Would an approach along the lines of the models set out in chapter 3 improve work incentives and hence help the Government to reduce costs and tackle welfare dependency and poverty? Which elements would be most successful? What other approaches should the Government consider?

Complex economic arguments are involved in identifying the specific design of a formula that would best achieve the Government's aims in relation to strengthening work incentives and reducing rates of welfare dependency and poverty. I am aware of the extensive research work invested in this subject by researchers in efforts to identify a model that will deliver a simpler system with improved work incentives.

Each of the models set out in the consultation paper presents advantages and challenges. It is possible that a combination of elements from separate models would result in a preferred or ideal model. Accordingly, I have outlined the key elements which - in my judgement - are needed in order to achieve the aims set out in this consultation question:

- whatever model is adopted it must be one that is fair, easy for customers to interact with, proves reliable enough to create confidence and financial stability for customers, and is one which reduces scope for fraud, error, administrative complexity and related costs;
- to avoid a disincentive effect the right amount of benefit must be paid promptly in real time, to avoid the need for later readjustment: which can generate extra administration costs, disrupt household budget management, result in benefit overpayment and/or lead to household debt;
- the system should be sufficiently clear and easy to follow, so that it enables customers to understand the rate of benefit in payment and provides them with confidence that the rate is correct and that they are not accumulating an overpayment. A single set of consolidated rules would improve clarity and understanding;
- ideally a customer should need to complete one benefit application form (and deal with one agency) in order to access benefit designed to cover basic ongoing living expenses, including regular housing and basic health related payments;

- the need for self-reported notification of any changes in household income should be minimised, wherever this would not compromise the accuracy of benefit payments; and
- the model should help to smooth the transition into work, but - to avoid perceptions of unfairness - should do so in a way that does not place new earners in a more favourable position than low earners (in comparable circumstances) who may already have been in employment for some time.

A model that takes benefit income away from people gradually as their earnings begin and then as they rise, may be the most effective to negate the perceived risk of migrating from welfare to paid work. This brings its own challenge, in that the threshold set for any related earnings/benefit taper will be the key to its success and must balance a number of factors. I am aware that the level for the taper will be informed by competing demands, government objectives and steps being taken to reduce the financial deficit.

Set alongside this, I am mindful that migration from welfare to work is likely to bring with it increased expectation/demand from other parties which may impact on perceptions about whether work is actually seen to pay. For example, creditors may be less accepting of the low levels of debt repayment that were agreed when their debtors' sole income was from welfare benefit. Around 15% of the 500 cases examined in our research sample were from customers who had a Social Fund debt of more than £1000; and for many this was in addition to other debts to third parties. The point of withdrawal in relation to the provision of currently "passported" benefits such as free prescriptions, free school meals, help with hospital fares and access to Social Fund payments is also relevant when considering the operation of a taper mechanism.

Question 9. If you agree that there should be greater localism what local flexibility would be required to deliver this?

I am aware of the argument that local providers are well placed to understand local conditions and - through more frequent personal contact - the needs of individuals. Any local approach that is adopted in the delivery of benefits needs to balance innovation and responsiveness with equal treatment and has to ensure this occurs in practice. A distinction also needs to be made between the nature of programme and the mode of delivery. A programme may be centrally organised and conceived but its delivery could be through locally based bodies, or indeed both programme and delivery could be local. I anticipate that that evidence-based findings from recent Total Place initiatives are likely to inform this debate.

The challenge, as with any localised initiative, will be to avoid, either in fact or perception, inconsistency of treatment from location to location. Retaining an overview (perhaps through an independent grievance mechanism or some other process) might help to promote public confidence in any locally based delivery of welfare benefit.

I have previously drawn attention to the perceptions and experiences of Social Fund customers in relation to the need for consistent decision-making, which is relevant to this issue.

Concluding comments

Structural reform on the scale proposed in the consultation paper is likely to have an impact on all citizens at some point in their lives. I am mindful of the current social, demographic and economic pressures that form a backdrop to the reform agenda. The current economic circumstances have sharpened the minds of many commentators and taxpayers in relation to the distribution of public funds. At the same time, there has been increased financial pressure on the low income groups that the welfare benefits system is designed to support.

The existing system has evolved over time. Much has changed in our society since the 1940s, when the Beveridge Report set out guiding principles for post-war reform to the system of social welfare in the United Kingdom. These changes encompass demography and the emergence of new communities; family structure; education and health access; labour market and other economic developments; and current financial pressures.

I welcome the proposal to retain support for people in the most vulnerable circumstances and ensuring that this support is targeted effectively. Many Social Fund customers fall within this category.

Various commentators have argued that the current benefit system is too complex⁸ and successive Governments have advocated simplification. A single or universal benefit would undoubtedly simplify the application and delivery process and result in a more streamlined system. It would, nevertheless, leave policy makers with the longstanding challenge of how, or indeed whether, the system should respond to individual needs that are not captured by regular weekly benefit rates (even when weekly rates incorporate regular housing and health related costs). Over time receipt of certain benefits has been designated as a passport to both additional premiums added to the mainstream benefit; or other indirect support, such as Social Fund payments, free prescriptions and free school meals. In a revised scheme, policy makers may opt to retain some forms of support outside the mainstream subsistence benefit model for reasons of effective targeting and affordability.

⁸Work and Pensions Committee, 2010. Second Report of session 2009 – 2010, *Decision making and appeals in the benefits system*, Work and Pensions Committee, 2007. Seventh Report of session 2006 - 2007, *Benefits Simplification*, National Audit Office, 2005, *DWP: Dealing with the complexity of the benefits system*.

However a more effective welfare system should be capable of delivering a service that is forward looking, responsive to customer need, smoothing the migration from welfare to work and where appropriate supporting those in most need; whilst also delivering better value for the taxpayer. I believe that effective targeting of support on the most vulnerable should continue to be an important element of a reformed scheme.

I support any proposals to simplify the benefit system and would emphasise that they should be evidence based. This should make it easier for customers to engage with, understand and improve their journey through the system; ensure it is straightforward and efficient for administrators to deliver an important public service; help to tackle the financial barriers facing those who are capable of moving into work; whilst continuing to support those in most need.

I would re-emphasise that my response is based on case work experience from Social Fund customers, which I believe is relevant to discussions about the wider welfare benefit reform agenda.