

The Social Fund Commissioner's written evidence to the Work and Pensions Committee on the White Paper on Universal Credit

Introduction

I support, in principle, welfare benefit reforms aimed at delivering a simple system with a focus on helping people into work and tackling financial barriers facing those who are capable of moving into work, whilst continuing to support the most vulnerable.

Our expertise is within the discretionary Social Fund. This is a scheme of community care grant and interest free budgeting and crisis loan payments, designed to help people on low income with costs that are difficult to meet. The White Paper makes clear the intention to reform Social Fund; retaining some parts within the Universal Credit framework and devolving other aspects to Local Authorities in England and to the Devolved Administrations in Scotland and Wales¹. There is no other detail about its future structure or delivery and this is the focus of my response.

¹ White Paper on Universal Credit: welfare that works Cm 7957 page 47

Executive Summary

- Effective targeting of support on the most vulnerable should continue to be at the centre of the reformed scheme, which needs to support and complement the government's policies to promote work for those who can work and help those who are most vulnerable.
- There is no detail in the White Paper to show how local delivery would work in practice. I believe national criteria should be drawn up to ensure a consistent approach to the exercise of discretion, whilst allowing for outcomes that reflect local circumstances.
- Any criteria for a reformed scheme should ensure that grants are targeted at supporting vulnerable people who may be unable to help themselves because of factors such as age, chronic illness or disability; and supporting people who need help to re-integrate into society. To achieve this, the criteria should be more tightly drawn than that currently in existence. Grants should be aimed at meeting one-off needs with a sharper focus on community care.
- With the qualifying criteria drawn more tightly it is likely fewer individuals would receive an award and the money would be targeted at those in most need.
- The Government has already included a power for the provision of goods and services instead of cash payments. In addition, I understand the Department is considering changing the law in relation to repeat applications. I support these principles.
- To ensure public funds are targeted fairly there should be adequate funding for both the programme and administration costs; and separation of the budget from other Local Authority services.
- Budgets should be allocated to different Local Authorities taking account of particular problems facing local communities.
- Some customers seeking assistance from the existing Social Fund scheme already receive help from other support services. This demonstrates that

there are local interventions that could be enhanced by reforming the delivery of some aspects of the grants scheme.

- It is also clear there are a significant number of vulnerable people without support. Some of the most vulnerable citizens are ill-equipped to seek out the right level of support they need.
- The current budgeting loan scheme is straightforward and does not require complex administration. The reformed scheme should retain key elements of this but could also widen access to interest free loans to help smooth the transition to work and improve work incentives.
- On the basis that the eligibility and qualification criteria for grants target those most in need alongside widening access to budgeting loans, I do not envisage a need for a crisis loan facility to meet larger one-off expenses.
- It would seem appropriate that crisis loan payments for alignment of benefit and wages payments are made through Universal Credit as opposed to a separate loan scheme.
- It will be important to retain a safety net to cover emergency living expenses. The current process is costly to administer, can lead to a perception that it is open to abuse and runs the risk of leaving someone very vulnerable without the means to meet emergency living expenses. A fairer, simpler and more cost effective option would be for each applicant to have access to an advance of benefit facility within the Universal Credit framework.
- Careful consideration needs to be given to the recovery of loans under a devolved scheme. At the moment recovery in most cases is simple and straightforward.
- The citizen's right to an independent grievance process should be an integral part of any welfare benefit system seeking to meet the needs of poor and vulnerable customers. This should include any reformed, devolved Social Fund scheme as well as wider welfare provision.

Reformed Social Fund Scheme

1. The current Social Fund has existed for over 20 years, providing a safety net for vulnerable people. I believe that effective targeting of support on the most vulnerable should continue to be at the centre of any reformed scheme. Our experience of casework over the past two decades indicates that the Social Fund has a part to play in supporting and complementing the government's policies to promote work for those who can work whilst helping those who are most vulnerable.
2. In order to incentivize work for those who can work I note that people in this group cannot be provided for more generously than those who are in work on low incomes. I am also mindful of the administrative difficulties experienced by the Jobcentre Plus in coping with the volume and frequency of Social Fund applications. A reformed scheme will need to tackle these issues.

Grant Facility

3. The White Paper and the Government's response to the 21st Century Welfare consultation paper outlines the intention to reform the current system of community care grants and crisis loans and enable Local Authorities and the devolved administrations to deliver a grant facility locally. The Government believes that "localising these discretionary elements would make them better tailored to local circumstances and more effectively targeted at genuine need".
4. I support in principle the conclusion that help may be better targeted if delivered locally. However, there is no detail in the White Paper to show how this would work in practice. There appear to be two options. Funding could be given to Local Authorities to use at their complete discretion; alternatively, national criteria could be drawn up to ensure a consistency in approach to the exercise of discretion, whilst still allowing for outcomes that reflect local circumstances.
5. One of the fundamental principles in relation to any welfare benefits scheme, whether 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. But any difference in outcome should relate to the needs of individuals using the local

service, rather than where the individual lives or the needs or preferences of the organisations delivering that service.

6. The existing discretionary scheme for grants operates within a framework of criteria, alongside guidance issued by the Secretary of State. We have clear evidence from our casework and research that the scheme targets help towards the needs of many vulnerable citizens. However, even within this national framework we have seen significant and ongoing problems with the standard of decision making, with some Jobcentre Plus benefit offices having higher error rates than others. To ensure fairness for all applicants, the reasons for these problems need to be addressed in both the current and any future scheme. I note the Committee of Public Accounts in its recent report has identified that, “In the light of the Government’s proposals to devolve grant administration to local authorities, the Department needs to provide assurances that training and quality measures will not be cut and to clarify how its quality improvement measures will apply to local administrators”².

7. Taking account of our experiences and the clear intentions behind the welfare reforms, any criteria for a reformed scheme should ensure that grants are targeted at supporting vulnerable people who may be unable to help themselves because of factors such as age, chronic illness or disability; and supporting people who need help to re-integrate into society in order to play a full and active role in the community in the longer term. To achieve this, the criteria should be much more tightly drawn than that currently in existence. Grants should be aimed at meeting one-off needs with a sharper focus on community care, for example to:
 - Help someone establish in the community when leaving care or in other exceptional circumstances; or remain in the community where the circumstances indicate there is an identifiable risk of the person not being able to live independently without this help. The need may be for the use of the person themselves or for a carer to enable support to continue.
 - Prevent people living rough.
 - Meet the needs of a child under 17 years of age where the need arises out of a chronic illness or disability and an award is needed to provide a secure and safe environment for that child.

² *The Community Care Grant*; Committee of Public Accounts, 11th Report of Session 2010-11, November 2010 HC573

8. It follows that the sharper focus on community care issues would result in a different pool of applicants who are likely to qualify for a grant. In particular, far fewer families would meet the criteria compared to the current scheme but may instead access help in the form of an interest-free loan.
9. I envisage there would still need to be an element of discretion in deciding whether to make an award. Importantly, one would expect to see a clear causal link between the need under consideration and the relevant grant criterion. Other relevant considerations would include:
 - the difference an award would make in helping to improve the circumstances giving rise to the person meeting the qualifying criterion
 - the extent of the person's vulnerability and the likely consequences of refusal
 - the budget position in that particular locality.
10. With the qualifying criteria more tightly drawn I envisage fewer needs would be considered for a payment, thereby reducing the need for multiple priority bands to just two classes of needs: either 'critical' or 'non-critical'.
11. I note there are concerns that the current scheme is subject to abuse. The Government has already included a power for the provision of goods and services instead of cash payments. In addition, I understand the Department is considering changing the law in relation to repeat applications. In particular to bar further payments for the same need within 12 months of a previous award. I support these principles.
12. Another important aspect in ensuring that public funds are targeted fairly and in the right way is the overall national allocation of funding for the reformed grants facility and the subsequent distribution of local budgets. This requires adequate funding for both the programme and administration costs; and separation of the budget from other Local Authority services.
13. In distributing budgets to different Local Authorities it would be appropriate to take account of particular problems facing local communities, such as high levels of homelessness, a large proportion of elderly people or high levels of deprivation.
14. The current grant scheme highlights problems when the central distribution of the budget fails to take account of the needs of individuals or particular local

difficulties. This issue has also been commented on by the Committee of Public Accounts in 2005³, a recent National Audit Office report⁴ and the Committee of Public Accounts in its latest report⁵.

15. Any reformed scheme must have clear, understandable criteria that are applied consistently along with a fair and equitable distribution of resources. As noted by the Committee of Public Accounts, “Tight funding makes it even more imperative that the scheme is fair and reaches as many of the people in the greatest need as possible”.
16. There is already a precedent for Local Authorities managing limited budgets within a national framework. I am aware that in relation to adult social care, Local Authorities work with national criteria when assessing individual care needs and take account of local circumstances including the budget when deciding precisely what needs can be met.
17. It is not clear in the context of Scotland and Wales whether the administration of a reformed scheme would fall to Devolved Governments or Local Authorities. The comments in this paper apply wherever the administration sits.
18. Our casework and research shows that some customers seeking assistance from the existing Social Fund scheme already receive help from other support services. This can include support from a counselling service or medically qualified person, a housing agency, probation officer, rehabilitation worker, and other organisations such as refugee centres, community groups, or Citizen’s Advice. Any payment from the Social Fund has formed part of a package of support to help improve their situation and promote community care. These experiences resonate with the ethos of adopting a holistic approach to help customers move out of dependency and poverty. Such ongoing local interventions could be enhanced by reforming the delivery of the grants scheme.
19. Our experience shows that there are a significant number of vulnerable people who receive no support. Some of the most vulnerable citizens are ill-equipped

³ *Helping those in financial hardship: the running of the Social Fund*; Committee of Public Accounts, 12th Report of 2005-06, November 2005 HC601.

⁴ National Audit Office – *Department for Work and Pensions The Community Care Grant Report* HC286 Session 2010-2011

⁵ *The Community Care Grant*; Committee of Public Accounts, 11th Report of Session 2010-11, November 2010 HC573

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

Loans

20. It is clear from the White Paper that the intention is for budgeting loans to become an advance of benefit facility available in certain circumstances which will become part of Universal Credit. However, crisis loans will, like grants, be devolved to Local Authorities where they will be linked to other support services. Under the current scheme there is provision for crisis loans to meet both emergency living expenses and larger one-off expenses. The budgeting loan scheme is aimed at helping eligible applicants meet intermittent expenses.
21. The current budgeting loan scheme is simple and straightforward and does not require complex administration. I believe that the reformed scheme should retain many of the key elements, but there is also a case for widening access to interest free loans. It will be particularly important during the phased roll-out of Universal Credit. The availability of interest free credit will help those people on a low income who are moving into work but still receiving Universal Credit. This will help smooth the transition to work and improve work incentives.
22. At the moment the applicant needs to be in receipt of a qualifying benefit for 26 weeks before they have access to a budgeting loan. Removing this qualifying period would also help extend interest free credit facility to those people moving back into work.
23. On the basis that the eligibility and qualification criteria for grants target those most in need, alongside widening access to budgeting loans I do not envisage a need for a crisis loan facility to meet larger one-off expenses.
24. In 2009/2010 over 30% of crisis loan expenditure was for alignment payments to cover living expenses up to the first payment of benefit or wages⁶. Given the benefit and work link it would seem appropriate that payments are made through Universal Credit as opposed to a separate loan scheme.
25. A further 31% of crisis loan expenditure in 2009/2010 was for general living expenses. It will be important to retain this safety net. However, the current

⁶ Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2009/2010

application and decision making process is costly to administer, can lead to a perception that it is open to abuse and runs the risk of leaving someone very vulnerable without the means to meet emergency living expenses. A fairer, simpler and more cost effective option would be for each applicant to have access to an advance of benefit facility, which would be determined by that person's overall borrowing capacity based on an automated credit rating formula. On this basis there is a case for these loans to remain within the Universal Credit framework and to be included as part of the advance of benefit facility already outlined for the current budgeting loan scheme.

26. Careful consideration will also need to be given to the recovery of loans under a new scheme. At the moment recovery in most cases is simple and straightforward because it is coordinated by a single point of contact and is administered by the same organisation that pays weekly benefits.

Independent redress

27. 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.

28. 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 inevitably be cases that go wrong and the potential for errors may be heightened during the initial phase of a brand new scheme. Where a dispute is not resolved an independent, transparent examination of the decision is a crucial part of ensuring the process is fair and is seen to be fair.

29. Currently, the independent grievance process for the Social Fund is delivered by means of an independent review conducted by Inspectors. I believe under any welfare reforms there must be a system of redress independent from local decision makers not only for Social Fund customers but for users of all welfare benefits. In the proposed devolved scheme, local decisions should be subject to independent scrutiny outside Local Authority structures and control. This could assure Ministers as well as the public that decisions were credible and fair.

30. Any independent process should be proportionate and underpinned by productivity and performance measures which take into account accessibility, clarity of communication with customers, speed and quality of decision making, customer confidence in its impartiality and value for money.

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