

**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

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# Executive Summary

The review of the Social Fund is welcome and necessary in order to reflect the needs of a society that is very different to that in 1988 when the Fund was established. I welcome the intention to reform the Fund so that it not only offers financial help but also offers support to tackle underlying problems. I believe the reforms should be developed with a focus on the quality of the customer journey and to achieve value for money.

## Reforming the Loans Scheme

- Allowing customers to access a budgeting loan from day one of their benefit entitlement is an important step forward; which should improve access to affordable credit and financial advice.
- I support the principle of a single gateway for the Social Fund loans scheme. However, the need for very different information, in order to decide which type of loan is most appropriate, means that the process would not be as simple for the customer or the decision maker as it first appears.
- In deciding the type of support to offer customers, its timing and whether to attach conditions to any award of a loan, the action taken should be proportionate to the nature and extent of the problems in order to achieve effective targeting and value for money.
- Customers' ability to plan and manage their income would be enhanced if loans were recovered from benefit at a consistent rate and in way that does not prevent access to further budgeting loans.
- Customers in the greatest financial difficulty are often those who are refused an award because of their outstanding debt and/or inability to repay a loan. It will be necessary for an appropriate level of support to be extended to customers who are refused a loan.

## Reforming the Grants Scheme

- The potential for negotiating discounted rates to provide goods or services instead of cash should deliver better value for money and make the budget go further. It will ensure customers get items of good quality which should lead to fewer repeat applications. Although a standard range of choice is likely to be appropriate in many cases, it may not be suitable for customers with unusual or particular needs.
- I support the principle of resettlement grants for vulnerable people to set up home and the notion of professional involvement, which resonates with the holistic approach aimed at helping customers move to independence.

- Whilst standardizing the amount of the grant has some attractions, there are likely to be some situations where a standard grant is insufficient because the customer has non standard needs.
- Some vulnerable people who are resettling without the help of a professional may be in greater need of support and should be referred to an appropriate professional.
- A number of people who qualify for a grant under the current scheme are unlikely to do so under the reformed scheme. Ministers will need to give further thought as to how the needs of such customers will be met.
- I believe there is a case for considering the provision of grants rather than loans for very vulnerable customers who are unlikely ever to be able to work, as they have no opportunity to increase their income in the short or long term.

### Citizen Redress

- Due to the urgency of applications, and the length of time it can take for customers to have their cases resolved, I believe there is a case for shortening and simplifying the end-to-end process; by having a single tier of decision-making within Jobcentre Plus, followed by direct access to an independent tier of review. This should reduce administration costs, as well as simplifying the process for customers and enabling speedier resolution of disputed decisions.
- In order to realise and maximise the potential savings that a single tier review system could deliver, it will be necessary to invest in improving the standard of first line decision making. I am aware that Jobcentre Plus embarked on a programme of improvement during 2008 which began with developing and implementing a comprehensive quality assurance framework. This focus on quality should help to increase the proportion of decisions that are right first time.
- The Welfare Reform Act 2009 signifies the intention to exclude some aspects of Social Fund decision making from independent review. It is a fundamental tenet of administrative justice that citizens should have recourse to an independent grievance process. Whatever shape the eventual reforms take, the citizen's right to an independent grievance process should be an integral part of the system.

# 1. Introduction

1.1 The Green Paper represents the first time in 22 years that there has been an extensive consultation process in relation to the Social Fund, and is a welcome opportunity to reflect on a number of issues. I note that there was a more limited consultation process in December 2008 which presaged the Welfare Reform Act 2009.

1.2 The United Kingdom of 2010 is a very different society from that of 1988 when the discretionary Social Fund was first established. Changes in demography, such as an ageing society and diversity of new communities; labour market changes; other macro-economic developments; and financial pressures in the public sector have emerged during that period, as well as personal challenges facing individual citizens such as access to credit, low income or increases in debt. Poverty is also a constant feature in the lives of some of our fellow citizens who suffer other forms of multiple disadvantage. In the light of this, the challenge for Ministers will be to shape the Social Fund, and public services in general, in order to:

- respond in the most effective way to the complex needs and chaotic lifestyles of some of the poorest and most vulnerable citizens in today's society;
- deliver services in ways that are customer focussed, responsive and forward looking;
- ensure that organisational boundaries do not hinder effective and efficient partnership working to address citizens needs; and
- deliver better value for money for the taxpayer, particularly during a period of austerity.

1.3 We need to recognise the diversity of individual life experiences which Social Fund casework highlights are part of the daily reality for our poorest and most vulnerable citizens. It is salutary to remember that the Social Fund can only play a defined and specific role in addressing the challenges of accessing credit, reducing debt, tackling poverty, entering the labour market and dealing with other inequalities. Social Fund customers often suffer multiple disadvantage and it is important to design a scheme which is flexible enough to respond to changing and emerging needs, for example, those of an ageing society with attendant health issues such as Alzheimer's disease that may give rise to caring responsibilities.

1.4 Although the Green Paper does not mention the concept of an external or independent element in Social Fund decision making, I believe that an overriding concern must be the issue of how we give voice to our most vulnerable citizens. This should not be interpreted as a narrow defence of existing external review systems, but rather willingness to emphasise the importance of the concern.

1.5 I have sought to respond to the opportunity offered by this consultation in the most constructive way possible, by highlighting a number of general issues before answering the questions posed in the Green Paper.

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

Karamjit Singh CBE  
Social Fund Commissioner

## 2. The Background Context

2.1 I am responding to the Department's Consultation Paper *Social Fund Reform: debt, credit and low-income households* in my capacity as the Social Fund Commissioner for Great Britain. I also hold a separate statutory office as the Social Fund Commissioner for Northern Ireland. Further details about the Northern Ireland context are set out in my response to question 12. I am an independent statutory office holder who was appointed by the Secretary of State for Work and Pensions. My role is to head up the Independent Review Service (IRS) which consists of Social Fund Inspectors and other staff and provides an independent grievance process for users of the discretionary Social Fund across Great Britain. My statutory responsibilities include:

- appointing Social Fund Inspectors and support staff;
- monitoring the quality of Inspectors' decisions and providing advice and assistance as I see fit to improve the standards;
- arranging appropriate training; and
- reporting annually on the standards of Inspectors' reviews to the Secretary of State for Work and Pensions who publishes the report.

2.2 The discretionary Social Fund was set up in 1988, as a scheme of grant and interest free loan payments, targeted at the poorest and most vulnerable in society. The initial proposal was that an internal review within the local office (of what was then called the Benefits Agency) would provide the only route by which discretionary Social Fund decisions could be reconsidered. However, the absence of an independent element in the grievance process attracted criticism<sup>1</sup>. It was accepted during the committee stage of the 1986 Social Security Bill that there should be an independent line of accountability and the Social Security Act 1986 included provision for independent review by Social Fund Inspectors and created the role of the Social Fund Commissioner "*... to entrench the independence of Social Fund Inspectors*"<sup>2</sup>.

2.3 As Social Fund Commissioner the matters at the forefront of my mind are:

- the extent to which we add value to the simplicity, quality and purpose of the citizen's journey through the totality of the Social Fund decision making process;
- the extent to which we ensure the customer is at the centre of our concerns;

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<sup>1</sup> See, for example, SSAC, Fourth Report (1985) HMSO and also Council on Tribunals, Special Report, and Social Security – Abolition of independent appeals under the proposed Social Fund CMND. 9722 (1986)

<sup>2</sup> Hansard, HC Official Reports, Standing Committee B, col 1306 (10 April 1986)

- how we make best use of our unique insights, gleaned from over two decades of casework experience, to benefit Social Fund customers; and
  - the extent to which our service provides value for money for the taxpayer.
- 2.4 Since the inception of the IRS in 1988 Inspectors have reviewed over 520,000 Social Fund decisions. In 2009/2010 they reviewed almost 50,000 decisions; the highest number since the start of the Fund accounting for almost 10% of all IRS reviews. This has given us a great deal of insight into the difficulties and problems people face, whether in relation to money management, indebtedness, health, housing or family.

## Social, economic and political backdrop

- 2.5 I am mindful of the social, economic and political backdrop to this consultation. There has been an increasing focus on policies designed to reduce poverty and to increase levels of financial inclusion and capability. The economic downturn has sharpened the minds of many commentators in relation to the distribution of public funds and this will clearly remain a preoccupation which is linked to budget deficit reductions. The recent publication of a report dealing with poverty, worklessness and welfare dependency<sup>3</sup> highlights the multi-faceted nature of the disadvantages faced by the low income groups that the Social Fund is designed to support. I am aware that the Total Place<sup>4</sup> initiative is exploring ways of testing new approaches to the efficient use of public sector resources and service improvement in local areas.
- 2.6 The Public Service agenda for personalisation of services was identified in a Ministerial concordat aimed at promoting a cross-sector commitment to personalising public services and the need for the state to empower citizens to shape their own lives and the services they receive.<sup>5</sup> Welfare reform plans have previously taken note of the Gregg review which places increased emphasis on conditionality and personal responsibility within the welfare system. Gregg defines conditionality as *“the principle that entitlement to benefits should be dependent on satisfying certain conditions”*<sup>6</sup>.
- 2.7 In addition to these developments, I am aware that the Department for Work and Pensions is pursuing its internal Change Programme and is in the process of transforming the operational delivery of the Social Fund within Great Britain. I am aware from comments made by welfare rights advisers and Members of Parliament that they perceive inconsistencies across Great Britain in the needs being met by community care grants. In any reformed grant scheme the

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<sup>3</sup> State of the nation report: poverty, worklessness and welfare dependency in the UK, HM Government May 2010

<sup>4</sup> Total place: a whole area approach to public services, HM Treasury, March 2010

<sup>5</sup> Hansard HC vol 469 Col 7WS (10 Dec 2007)

<sup>6</sup> Realising Potential: A vision for Personalised Conditionality and Support, Professor Paul Gregg, DWP December 2008

challenge will be to ensure that all high priority needs can be met whenever and wherever they arise.

- 2.8 Against this backdrop, I do not underestimate the challenge of modernising and simplifying the Social Fund scheme at a time when public expectations for public services are high.<sup>7</sup>

## Independent Review Service evidence

- 2.9 Our experience of dealing with Social Fund reviews tells us that the Social Fund provides a vital source of help for many and indeed a lifeline for some. However, without the knowledge and skills to understand and manage their finances we have seen that many customers become reliant on such help. I welcome the intention to reform the Social Fund from a passive to an active scheme. It is important that it makes a meaningful contribution to the wider welfare reform and financial inclusion agenda.
- 2.10 My response is focused on the customer's perspective. It is enriched by evidence drawn from our casework across both grants and loans and from the feedback we have received from around 3,400 delegates in the course of some 126 meetings and workshops with welfare rights and other third sector organizations during the past year.
- 2.11 We have also undertaken a desk-based analysis of 600 cases which were received at the IRS for review during April 2010; of which 500 were community care grant applications and the remainder were loan applications. I note that as a result of the necessary recruitment method used in the external research DWP commissioned<sup>8</sup> there were more crisis loan users than any other users of the Social Fund. I hope my response will add to the evidence base you already have, and will be helpful as you seek to develop a modern Social Fund that meets the challenges of today's society. I have also recently commissioned a desk-based analysis of some 500 cases which will highlight the characteristics and experiences of our customers. I hope this will be seen as a welcome addition to the evidence base for policy makers.

## Citizen redress

- 2.12 I note that the Green Paper does not make any reference to citizen redress. The Welfare Reform Act, however, expressly excludes independent redress in relation to awards of community care grants by way of goods rather than cash. It is silent on the right of independent redress in relation to External Provider Social Loans, albeit I note that this aspect of the reforms is not being pursued at this stage. Whatever shape the eventual reforms take, the citizen's right to

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<sup>7</sup> What do people want, need and expect from public services? 2020 Public Services Trust at the RSA, March 2010

<sup>8</sup> The Social Fund: Customer experiences and perspectives: Qualitative research with Jobcentre Plus customers, DWP Research Report No 625

an independent grievance process should be an integral part of the system. The Administrative Justice and Tribunals Council advocates that where a dispute develops it must be clear that users have recourse to independent adjudication when they require it.<sup>9</sup> Whilst the best outcome for the citizen is the right decision first time, there will inevitably be cases that go wrong; particularly given the volume of workloads processed. Where a dispute is not resolved, even with an internal review, an independent examination of the decision is a crucial part of ensuring the process is fair and is seen to be fair. As Lord Denning said, "*Justice is rooted in confidence*"<sup>10</sup>. The existence of an independent grievance route provides that confidence.

- 2.13 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, in the interests of fairness and justice for the citizen, I believe there must be independent redress. I believe the basis for determining the nature of such a process should be 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.

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<sup>9</sup> Principles of Administrative Justice, The AJTC's Approach, Consultation Draft , March 2010

<sup>10</sup> Metropolitan Properties Co Ltd v Lannon [1969] 1 QB 577

### 3. The Social Fund – Increasing Support and Developing Responsibility

3.1 I very much support the strategic aims for a reformed Social Fund outlined in paragraph 2.4 of the Green paper which sets out the essential elements of a scheme which:

- is active rather than passive;
- is simpler for customers to access;
- offers more support to frequent users of the fund to tackle underlying problems; and
- provides better value for money for the taxpayer.

3.2 In this section I set out my thoughts in relation to those aims and the more detailed proposals relating to each. In doing so, I have drawn on evidence from our casework and from the feedback we received in the course of 126 meetings and workshops over the last year which were attended by delegates from a range of welfare rights and third sector organizations.

3.3 We examined in detail 600 cases (by means of a desk top review) which were received by the IRS for review during April 2010. The sample included 50 crisis loan cases where the customer applied for living expenses and 50 cases where the customer applied for a budgeting loan. The loan cases were selected from our intake of work during week commencing 26 April 2010. Our case sample also included 500 cases where the customer had applied for a community care grant. The grant cases were selected from our intake of work during weeks commencing 19 April and 26 April 2010. All of the cases in our contemporary case study were selected and analysed before they were dealt with as part of the independent review process. My response also includes detailed case vignettes which are drawn from this sample of cases, in order to illustrate various points.

#### Active rather than passive

3.4 The Social Fund provides much needed help in the short-term for many people. As the consultation paper indicates, the scheme currently does little to encourage or actively support customers to tackle their underlying problems. Debt advice can have a positive impact, not only in improving ability to manage finances and reduce debts, but also on health and well-being.<sup>11</sup> This suggests that debt advice may have a positive effect across a wide range of Government objectives and cross-cutting policy areas that have both a social and economic impact.

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<sup>11</sup> See for example, Twelve months later: does advice help? The impact of debt advice – advice agency clients study. Ministry of Justice Research Series 6/07 and also Public Accounts Committee, 'The Department for Business, Innovation and Skills: Helping over-indebted consumers HC (2009-10)

## Social Fund Debt

- 3.5 We frequently see cases at the IRS involving multiple applications to the Social Fund which contain evidence of significant financial difficulties. The Social Fund is only one route through which people seek financial help to meet their needs. The consultation paper recognises that Social Fund customers may also seek help from sources such as home credit or doorstep lenders, who provide a relatively high-cost but often flexible and easy to understand service.
- 3.6 We looked at levels of Social Fund debt presented in the 600 cases we selected for our contemporary case study. These cases are analyzed in the following table.

**Table 1 – Analysis of 600 Cases at the IRS during April 2010**

### **Social Fund Debt**

- 170 customers had no outstanding Social Fund debt
- Total debt in the remaining 430 cases was £295,059.47
- Of these the average debt was £686.18
- The debts ranged from £32.46 to £2,500
- In 9 cases the outstanding debt was above the maximum of £1,500 permitted

### **Repayment Period**

- The average repayment period was 51 weeks
- The repayment periods ranged from 1 week to 193 weeks
- The repayment period for 47 customers was longer than the normal maximum period of 104 weeks
- Of these 14 customers had a repayment period longer than 130 weeks which is the maximum allowed in exceptional circumstances.

- 3.7 These findings show that over 70% of the customers in our case sample already had a Social Fund debt by the time their case arrived at the IRS for action. Several customers' Social Fund debts exceeded £1,500 and the highest amount of debt was £2,500. In this context, I would wholeheartedly support an active scheme that involves effective intervention at the right time, to help customers manage their financial affairs before levels of debt become unmanageable. I strongly support the principle of a scheme that plays an active role in helping customers to build financial capability, tackling underlying problems and moving them towards financial independence. Case Study 1 illustrates the level to which some customers have become dependent on the Social Fund.

## Case Study 1

This customer is a single man claiming Jobseeker's Allowance of £130.90 per fortnight. His benefit had been disallowed because he was failing to look for work. He was last paid Jobseeker's Allowance's on 1 April 2010 which he had spent and was awarded a crisis loan of £45.62 on 15 April 2010 which he had spent. He applied for a further crisis loan on 22 April 2010 for food and electricity.

This is the customer's 73<sup>rd</sup> application to the Social Fund. He has an outstanding Social Fund debt of £1,526.86 comprised of 25 crisis loans and one budgeting loan of £163.32, all of which are repayable at £13.09 a week. He is also paying fines at £10 a week and rent arrears at £20 a calendar month.

## Interventions

- 3.8 The nature and extent of problems vary considerably from one individual to another. Consequently, I endorse the proposal for progressive support and interventions; to reflect the differing levels of financial capability across the Social Fund customer base. The nature and extent of support should be proportionate to the nature and extent of the problems, so that resources are targeted appropriately and represent value for money for the taxpayer.
- 3.9 I consider there is merit, in certain circumstances, in requiring action on the customer's part as a condition of an award. I discuss interventions in more detail in our response to the consultation questions.

## Reform of Community Care Grants

- 3.10 Some of the key findings from our examination of 500 community care grant cases are set out in the table below.

### Table 2 – Analysis of 500 Community Care Grant Cases at the IRS

212 cases met the current qualifying conditions for a grant. Of these:

- 24 (11.3%) met direction 4(a)(i) – help to establish in the community following a stay in care
- 62 (29.2%) met direction 4(a)(ii) – help to remain in the community rather than enter care
- 117 (55.2%) met direction 4(a)(iii) – to ease exceptional pressures on the family
- 22 (10.4%) met direction 4(a)(v) – to set up home as part of a resettlement programme following an unsettled way of life
- 7 (3.3%) met direction 4(b) – help with expenses of travel

*Some of the 212 cases that met the qualifying conditions for a grant met more than one of those conditions.*

- 3.11 These findings are the result of a summary assessment by experienced Social Fund Inspectors and are based on the information available in each case when it first reached the IRS. The findings do not take account of any new information that the customer may have provided in the course of the independent review process. New information is capable of leading to a different finding about whether an application fits one of the qualifying conditions for a grant.
- 3.12 I appreciate that the detail of a reformed discretionary grant scheme is yet to be developed. The high level proposal, however, suggests that many people who qualify for a grant under the current scheme are unlikely to do so under the reformed scheme. I set out below some of the reasons I believe this to be the case.
- 3.13 Under the current scheme the largest proportion of the grants budget is paid to families facing exceptional pressures. In 2008/2009 £76.7m (55%) of the grants budget went to such families.<sup>12</sup> Our extensive experience and contemporary case examination suggest that families under exceptional pressures are those who are least likely to meet the conditions for a grant under the proposed revisions. Of the 117 cases in our examination that met the ‘families under exceptional pressures’ test, 13 revealed an ‘independent living’ issue, 24 revealed a resettlement issue, leaving 80 (68.4%) that are unlikely to qualify under the proposed revisions. Some would have access to loans and so their needs, including their support needs, would be addressed through that route. For others their outstanding loans would rule out the possibility of a further loan: as illustrated in Table 3 below. Where the possibility of a further Social Fund loan is ruled out, this raises the question of how customers’ financial and support needs will be met. Against this background Ministers will need to give further thought as to how the needs of such customers will be met.

**Table 3 – Social Fund Debts of Families Unlikely to Meet the Proposed Grant Criteria**

Our case examination of 500 grant cases showed that 80 families who qualified for a grant under the current scheme would be unlikely to do so under the proposed scheme. Their Social Fund debts were as follows:

▪	None	34
▪	Up to £500	10
▪	£501 to £1000	22
▪	£1001 to £1500	12
▪	Over £1500	2

<sup>12</sup> Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2008/2009

3.14 The following two case studies illustrate our earlier point about ‘families under exceptional pressures’ who are unlikely to qualify for a grant under the proposed scheme; but whose level of Social Fund debt is likely to either remove or restrict their access to a further Social Fund loan.

### **Case Study 2**

This customer is a 26 year old lone parent of two children aged two and three years. She has depression for which she takes anti depressants and both children have asthma and use inhalers. The local authority had recently treated the property for serious damp problems, particularly in her children’s bedroom which damaged their beds, carpet, curtains, wardrobes and clothing. The children are sleeping on borrowed mattresses directly on the bare floor which is aggravating their asthma.

She applied for a grant to replace the damaged items. Her outstanding Social Fund debt is £968.10 repayable over 85 weeks at £11.44 per week.

### **Case Study 3**

This customer and his wife have three children. Their ten year old son lives with them but the other two children live apart at two different addresses. His wife has liver and kidney problems, asthma and heart problems but is seeking work and is receiving income-based Jobseeker’s Allowance. They applied for a grant for carpets, curtains, bedding and clothes. They have 94 previous applications to the Social Fund and a combined Social Fund debt of £2,423.76 repayable over 193 weeks.

3.15 Those who have depended on grants rather than loans until now may find themselves accruing Social Fund debts. Those with no access to a grant or loan are likely to be in the greatest need of active support to help them on their journey to financial capability and independence. There is a risk that those who can no longer access a community care grant or a Social Fund loan will turn to lenders that offer high cost loans. The challenge will be to ensure that the support needs of people in this situation are addressed; whether through Social Fund or welfare to work interventions; or through the wider financial inclusion programme.

3.16 An active scheme must also involve meeting need in the most appropriate way. The consultation document recognizes that for some people, including the most severely disabled, those with full time caring responsibilities and many people above state pension age, work may not be a realistic option. They have little or no opportunity to increase their income above benefit levels.

3.17 The proposal indicates that a grant would only be appropriate when a loan is not feasible. The lack of capacity to improve their financial position over the

longer term, as illustrated in case study 4, suggests that for these groups there is a case for grants rather than loans; at least for expensive items.

#### **Case Study 4**

This 63 year old customer has high blood pressure, clinical depression, anxiety, osteoporosis and arthritis in her neck, knees and ankles. She is a former alcoholic and had a mental breakdown in 2007. She neglected herself and her home for nine years because of her alcoholism. She is getting help from an integrated care centre, a mental health team, a befriender and a CPN. Social Services have provided her with some aids around the home. The customer applied for a grant to replace a number of household items that were in very poor condition including, a cooker, a fridge-freezer, a bed, bedding, a vacuum cleaner, and carpets.

She receives Pension Credit and Disability Living Allowance (mobility and care) and has an outstanding Social Fund debt of £472.14.

3.18 I believe there is a case for considering the provision of grants rather than loans for very vulnerable customers facing multiple disadvantage and with no opportunity to increase their income in the short or long term.

### **Simpler to access**

3.19 The consultation document indicates the intention to reform the Social Fund so that it offers ease of access, speedy decisions, more certainty and clarity for customers and addresses issues of complexity associated with the current scheme. Such changes to the scheme are essential for the benefit of customers and they will also contribute to making administration more efficient.

3.20 Our casework experience bears out the confusion that many customers currently face in deciding which type of application to make. During 2008/2009 Inspectors dealt with almost 29,000 applications for community care grants.<sup>13</sup> They decided that, for around a quarter of these applications, a crisis loan was the appropriate type of payment for some or all of the needs.

3.21 Currently there is no power to determine a budgeting loan if an application is made for a community care grant or a crisis loan. Similarly there is no power to determine a grant or crisis loan if an application is made for a budgeting loan. The only option for the customer is to make a separate application for the appropriate type of payment.

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<sup>13</sup> The Social Fund Commissioner's Annual Report, 2008/2009

## **Awareness of the Social Fund**

3.22 Knowledge of the Social Fund is varied, with some eligible people having little or no knowledge of it.<sup>14</sup> No matter how simple a scheme is to access and how efficient the decision making process, if people are unaware of the scheme they will not use it. Information for potential users is vital in terms of increasing financial inclusion and capability and avoiding the consequences associated with costly borrowing.

## **Eligibility for Budgeting Loans**

3.23 Removal of the requirement to receive benefits for 26 weeks from the eligibility criteria for budgeting loans is welcome. This is likely to provide earlier access to interest free credit for people moving on to Income Support, income-related Jobseeker's Allowance, income based Employment and Support Allowance or Pension Credit; some of whom might also benefit from support with managing their financial affairs to avoid debts becoming unmanageable. Over a number of years there has been a pattern, for some people, of movement between low paid work or part-time work and unemployment.<sup>15</sup> As a consequence these people have had little opportunity to build financial stability and they may need financial help soon after claiming benefit.

## **Loan Repayments**

3.24 The variable weekly rates at which loans are recovered, together with the order in which loans are recovered, can impact on the customer's ability to access a budgeting loan and to manage their finances. It might also lead to increased applications for crisis loans; since once the budgeting loan limit is reached the only recourse for a customer is to a crisis loan.

3.25 Social Fund loans are recovered in the order they are awarded. This can mean that there may be a significant time lapse between the award of a budgeting loan and the start of its recovery. From the customer's perspective, if different loan awards are recovered at different rates the fluctuation in income must add to the difficulties of managing on a low income; particularly for those who have underlying problems.

3.26 Case Studies 5 and 6 illustrate these issues.

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<sup>14</sup> See for example, Experiences and consequences of being refused a Community Care Grant. DWP Research Report No 210 also The Discretionary Social Fund and money management, DWP Research Report No 241

<sup>15</sup> Britain's Poorest Children: Severe and persistent poverty and social exclusion, Save the Children – UK, 2003

### **Case Study 5**

This customer, a single man, applied on 11 March 2010 for a budgeting loan of £1,600 for furniture and household equipment, clothing and footwear, rent in advance, removals and to clear hire purchase and other debts. He receives income-based Jobseeker's Allowance at £65.45 a week.

He had an outstanding Social Fund debt of £815.25, including a budgeting loan of £348 (the maximum amount for a single person) awarded on 19 February 2009 against which no repayments had been made. A further budgeting loan could not, therefore, be awarded.

There were eight crisis loans scheduled for repayment over 40 weeks before repayment of the budgeting loan. The customer applied for and was awarded three further crisis loans following refusal of his March budgeting loan application.

### **Case Study 6**

This customer is a single parent of two children aged eight and four years. She receives benefit of £166.75 a week made up of Income Support, Child Benefit and Child Tax Credit. She applied for a crisis loan on 22 April 2010 for money for food as she had lost her money the day before whilst shopping.

She has made a number of applications for all three types of discretionary Social Fund payments and has a Social Fund debt of £1,500 comprised of 16 separate loans, repayable over 122 weeks. Her loans are to be repaid at £14.43 a week for 96 weeks, increasing to £21.23 for seven weeks and then decreasing to £6.43 for six weeks and £3.22 for the remaining 13 weeks. Each of the 16 loans has a final payment which is less than the agreed repayment rate, for example, the final payment on the current loan will be £4.53.

3.27 Some changes to the way in which loans are recovered would, I believe, complement and enhance the overall aims of the reforms. One option would be to deal with all outstanding loans to the Fund as a single debt with a single repayment rate. This would mean there would only be one 'final' payment at a rate lower than the agreed repayment rate so the overall debt would be recovered quicker. It would ensure a consistent rate of repayment and consequently a consistent level of benefit income. Such a change would enable repayments to be apportioned against budgeting loans first, allowing earlier access to a further budgeting loan.

### **Eligibility for Community Care Grants**

3.28 Paragraph 4.4 of the consultation paper states that it is envisaged that a grant could be applied for when it would support independent living. Paragraph 4.3

of the paper proposes that the eligibility criteria for community care grants will remain the same as at present. The eligible pool for grants includes people receiving income-based Jobseeker's Allowance; a group which is likely to include a significant proportion of people who do not present a need for support with independent living. Unless they have a dependent who needs support with independent living, these customers will continue to be eligible for a grant under a reformed grant scheme but their grant applications would fail: given that a grant would not support independent living.

- 3.29 In contrast, customers receiving Incapacity Benefit or contributory Employment and Support Allowance (particularly those placed in the support category) will continue to be ineligible for a grant under the proposed reform of the scheme. However, these customers are likely to be vulnerable and to have significant health problems. But, even where their level of vulnerability demonstrates that a grant for those particular customers would support independent living, this group will continue to be ineligible for a grant.
- 3.30 Customer representatives frequently express concern that receipt of Incapacity Benefit and contribution-based Employment and Support Allowance does not make customers eligible for community care grants or budgeting loans; yet these benefits are paid at the same, or 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.
- 3.31 The following case study illustrates a situation where a customer is vulnerable and demonstrates a need for help with independent living, but does not receive the type of benefit that would make him eligible for a grant.

### **Case Study 7**

This customer is 45 years old and lives with his partner and young baby. He gets Incapacity Benefit and Disability Living Allowance consisting of middle rate care and low rate mobility component. His partner is on maternity leave, receiving statutory maternity pay. The customer has mental health problems, including paranoia, and cannot go out alone. Around the time the family moved to an unfurnished local authority property the customer applied for a grant for household items. He has borrowed money from family and friends to buy some items and is paying this back in small amounts. The couple are still without a bed. They are sleeping on camp beds, which they are finding uncomfortable. They lack carpets and the floor surfaces in the home are either concrete or MDF.

### **Access to Reviews**

- 3.32 Currently the customer has a statutory right of review against discretionary Social Fund decisions – first to an internal review by Jobcentre Plus and then to an independent Social Fund Inspector. In order to pursue a right to

independent review the customer has to make two separate applications for review and at each stage give grounds for review. This is a complex and lengthy process for people who are often in difficult circumstances and need their disputes resolved quickly.

- 3.33 Community care grants are intended to help vulnerable people to live independently. In 2009/2010 the average time taken to process a case from initial grant application at Jobcentre Plus, through to independent review decision at the IRS, was three months; with over 3% taking longer than six months to reach the end of the process. This data is based on all of the grant applications that were reviewed by the IRS during the 2009/2010 financial year.
- 3.34 A customer who is unhappy with the decision on any application to the discretionary Social Fund may apply for a review of that decision. Applications for discretionary Social Fund payments are made at Jobcentre Plus. If a customer is unhappy with the initial decision, the first review is conducted in the Jobcentre Plus by a Reviewing Officer. If the customer is unhappy with the resulting decision, there is a right to an independent review by a Social Fund Inspector at the IRS. When the IRS receives a customer's application for an independent review, we ask Jobcentre Plus to send us the relevant papers promptly, so that the Social Fund Inspector can carry out the review.
- 3.35 As soon as we receive the papers, we process cases quickly. Before completing the review, the Inspector must take steps to gather any crucial information from the customer that is missing from the case. The time allowed for the customer to respond to the Inspector is included in our overall completion times, which are measured from the date we receive the papers from Jobcentre Plus.
- 3.36 The following table shows the time taken at each of the decision making and review stages in community care grant applications reviewed by the IRS in the 2009/2010 financial year.

**Table 4 – Average Time to Process Community Care Grant Applications and Reviews**

▪ Date of application at Jobcentre Plus to first decision	17 days
▪ Date of review request at Jobcentre Plus to internal review decision	24 days
▪ Date papers at the IRS for review to Social Fund Inspector's decision	14 days

- 3.37 Due to the urgency of applications, and the length of time it can take for customers to have their cases resolved, I believe there is a case for shortening and simplifying the end-to-end process: by having a single tier of decision-

making within Jobcentre Plus, followed by direct access to the independent tier of review. However, in the interests of fair and prompt outcomes, it will be important for Jobcentre Plus to retain a power to correct obvious errors within a short time frame. Overall, the principles underpinning this suggestion unite the quality of the customer experience with the principles of good administrative justice, to ensure value for money. I return to this theme in the section headed *Better value for money for the taxpayer*.

## **Future Demand for Budgeting Loans**

3.38 Some of the proposals in the Green paper may lead to an increase in budgeting loan applications.

- During 2008/2009 over 125,000 applications for budgeting loans were refused because the customer had not been receiving a qualifying benefit for 26 weeks<sup>16</sup>.
- Not everyone who is eligible for a budgeting loan applies for one. Easier access and better information has the potential to increase the number of applications.
- The high level proposal for discretionary community care grants is likely to mean that fewer people would qualify for a grant than do under the current system and people failing to qualify would be more likely to seek, or be signposted to, a loan.

3.39 I do not suggest that these are reasons that militate against the proposals; rather they are factors for policy makers to consider in their assessment of potential case loads and related impact for resources and the effective and timely delivery of decisions.

## **Support for frequent users to tackle underlying problems**

3.40 I support the underlying principles of greater support for those making frequent applications to the Social Fund; conditionality<sup>17</sup> in certain circumstances; and holistic support for those with more complex needs such as homelessness, mental health or drug and alcohol misuse.

3.41 Customers in the greatest financial difficulty are often those who are refused an award because of their outstanding debt and/or inability to repay a loan. Almost 214,000 applicants for loans in 2008/2009 were refused for those reasons.<sup>18</sup> For such customers there is likely to be a compelling case for support and intervention. In the absence of an award, conditionality cannot be

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<sup>16</sup> Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2008/09

<sup>17</sup> Conditionality is the principle that entitlement to benefits should be dependent on satisfying certain conditions. Gregg Report DWP (2008)

<sup>18</sup> Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2008/2009

imposed. Nevertheless, I would hope that an appropriate level of intervention and support would be extended to those customers who are refused a loan. I discuss these matters in more detail in my response to the consultation questions.

## Better value for money for the taxpayer

3.42 Public bodies have a responsibility to keep administration costs to the minimum, commensurate with providing a good quality service to users in order to achieve best value for money for the taxpayer. I consider that a number of the proposals in the Green Paper represent better value for money for the taxpayer.

### Provision of Goods and Services instead of Cash for Grants

3.43 The provision of goods and services instead of cash for grants is a welcome initiative that should deliver better value for money for the taxpayer. As well as the potential for negotiating discounted rates that would make the budget go further, this initiative is likely to lead to a reduction in repeat applications for replacement items.

3.44 The following two case studies illustrate situations in which repeat grant applications for the same goods were made within a year of earlier grant awards for the same items.

#### Case Study 8

This customer gets income based Jobseeker's Allowance and lives with his partner and daughter aged two years. He has asthma and diabetes. He cares for his partner who has learning difficulties, depression and panic attacks for which she receives Disability Living Allowance. He also cares for his daughter who has a lot of sickness and fits. He applied for a grant for a number of items including a cooker, double bed and sofa.

The customer has previously been awarded a grant for a cooker of £200 on 7 October 2008, £150 on 13 January 2009, £150 on 11 June 2009 and £240 on 3 November 2009. With the grant in November 2009 he bought a second hand cooker with no guarantee which he says is no longer usable.

He had also received earlier awards for a double bed of £140 on 7 October 2008 and £168 on 3 November 2009 which he said had a three month guarantee. He had bought a new bed with the award in November 2009 but a leg snapped and the bed collapsed.

He was awarded a grant for seating of £250 on 7 October 2008 and £150 on 11 June 2009. He explained that he had an electrical fire on 26 January 2010 which caused smoke damage to the front room. He could not get the smell out of the sofa which in any case had springs sticking through.

## Case Study 9

This lone parent of three children aged 8, 5 and 4 years old receives Income Support and Disability Living Allowance. She has epilepsy, depression, high blood pressure, a weak bladder, foot problems and fits 2-3 times a week. She has physiotherapy to help her bladder problems and wears incontinence pads. She is also an insulin dependent diabetic. Her 5 year old child has stomach problems and vomits daily. This is under hospital investigation and her 8 year old has asthma. She has help from her mother, family members, a social worker and a community nurse who help with shopping, personal care, cleaning, cooking and taking the children to and from school.

The customer applied for a community care grant for a wide range of household items, including a cooker, a washing machine and three single beds. She explained that all appliances and furniture have been damaged. The customer was awarded a grant for a cooker, a single bed and a washing machine 12 months prior to this application.

3.45 Feedback we received at our regular meetings with people who support and represent customers of the Social Fund is that this development is, on the whole, a positive one. I discuss the issues for customers later, in my response to the consultation questions.

## Simplifying the Review Process

3.46 As discussed under the section entitled *Simpler to access*, the existing grievance process is a complex and lengthy one for customers, requiring as it does two separate applications for review to two separate bodies. In 2008/2009 there were around 5 million applications to the discretionary Social Fund and around 191,000 applications for first tier review by Jobcentre Plus. Of these, Jobcentre Plus revised just over 82,500 decisions. Over 28,500 customers were dissatisfied with the review decision made by Jobcentre Plus and applied for review by an independent Social Fund Inspector.<sup>19</sup>

3.47 A single tier of review would reduce complexity and streamline processes and should reduce administration costs, as well as simplifying the process for customers and enabling speedier resolution of disputed decisions. For the reasons I gave under the heading *Citizen redress*, I consider the single tier review must be independent and external to the Department. It would be appropriate, however, for Jobcentre Plus to have a power to correct obvious errors within a short timescale.

3.48 In order to realise and maximise the potential savings that a single tier review system could deliver, it would be necessary to invest in improving the standard of first line decision making. There have been longstanding concerns about the

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<sup>19</sup> Annual Report by the Secretary of State for Work and Pensions 2008/2009

quality of Social Fund decision making at Jobcentre Plus.<sup>20</sup> Our contemporary casework examination of 500 initial grant decisions made at Jobcentre Plus indicates that there is still work to be done to improve standards.<sup>21</sup> However, I also note that Jobcentre Plus embarked on a programme of improvement during 2008 which began with developing and implementing a comprehensive quality assurance framework. This focus on quality should help to increase the proportion of decisions that are right first time. With the right investment and improvement in first line decision making there will be greater customer and representative confidence in the standard of initial decision making. Over time I would expect this to lead to a reduced demand for reviews. For these reasons, I do not anticipate that the existing levels of first tier review activity are a reliable indicator of the likely demand level for independent review.

3.49 This revised review model would ultimately ease the administrative burden for Jobcentre Plus and provide better value for money for the taxpayer, as well as improving the customer experience.

### **Payments on Account of Benefit**

3.50 In 2008/2009 £55.2m (33.2% of crisis loan expenditure) was paid out to cover living expenses up to the first payment of benefit or wages.<sup>22</sup> This situation placed additional pressures on the loans budget, impacting on the maximum amount available to budgeting loan customers. We frequently receive feedback from customer representatives of problems their clients encounter in getting a payment whilst waiting for benefit to be processed.

3.51 The following case study illustrates the type of situation that can arise.

#### **Case Study 10**

This customer applied for benefit and was awaiting a decision on entitlement, which had been delayed. She had been awarded two crisis loans, for short periods of time. The period covered by the second crisis loan had expired and her benefit claim had still not been processed. She called the crisis loan telephone line to apply for a further crisis loan, but was told she could not make a third application.

(Source: Welfare Rights Worker, 15 January 2010)

3.52 The Welfare Reform Act 2009 will enable regulations to be made to provide for payments on account of benefit, based on need, where benefit is yet to be awarded or claimed. This is a positive move which I welcome and it has been

<sup>20</sup> See, for example, The Social Fund Commissioner's Annual Reports 2006/2007 – 2008/2009

<sup>21</sup> As part of our desk-based analysis of 500 community care grant applications we examined the standard of the initial decision made by Jobcentre Plus and found that 294 contained a fundamental error.

<sup>22</sup> Annual Report by the Secretary of State for Work and Pensions 2008/2009

well received by representatives we meet who deal with Social Fund customers.

## 4. The Consultation Questions

### Interventions - loans

- 1. What types of intervention would be most useful for customers?**
- 2. When do you feel it is most effective to intervene in a customer's interaction with the Social Fund, for example following a second loan application?**

4.1 As the consultation paper indicates, the extent of financial dependency on the Social Fund varies considerably from one individual to another. We examined 100 cases involving applications for Social Fund loans: 50 budgeting loans and 50 crisis loans for living expenses. Our methodology for selecting cases was explained earlier, in paragraph 3.3 of this report. A summary of our findings is provided in Table 5.

**Table 5 – Analysis of Loan Applications**

#### **Social Fund Debt**

- Debts ranged from £32.46 to £1,700.93
- 8 customers had no outstanding Social Fund debt
- 37 had a debt up to £500
- 35 had a debt between £501 and £1,000
- 15 had a debt between £1,001 and £1,500
- 5 had a debt of over £1,500
- 24 customers declared other debts including fines, catalogues, rent arrears and commercial loans

#### **Repayment Period**

- The average repayment period was 68 weeks;
- The repayment periods ranged from 7 weeks to 187 weeks;
- For 17 customers the repayment period was between 104 and 130 weeks
- For 8 customers the repayment period was longer than 130 weeks

#### **Use of the Social Fund**

- The average number of applications to the Social Fund was 40
- The number of applications by individual customers ranged from 2 to 173
- 14 customers had made more than 50 applications

- 4.2 In recognition of the varying levels of difficulties which customers face and their dependence on the Social Fund, I agree with the concept of progressive support and intervention. Interventions should be proportionate to the extent of the problems. Holistic interventions are likely to be complex and resource intensive; so should be targeted at those in greatest difficulty in order to ensure efficient use of resources and value for money for the taxpayer.
- 4.3 Case Study 11 illustrates a situation that is likely to need only a light-touch intervention.

### **Case Study 11**

The customer, a single parent with one child, applied for a budgeting loan of £1,200 for furniture on 7 April 2010. This is her second application to the Social Fund. She is repaying a previous budgeting loan of £800 which was awarded in February 2009. The balance outstanding is £142.28 payable at £15.66 a week over 10 weeks. She has not declared any other debts.

- 4.4 A light-touch intervention, by means of a leaflet to signpost the customer to available money guidance services, appears appropriate here. Some people may be concerned about approaching such an organization for a number of reasons. The leaflet is likely to be more useful to customers if it provides some context, such as the type of help available and the different channels people can use to access advice. It would also be important to give customers some assurance about confidentiality.
- 4.5 In general this type of intervention would seem to be suitable on a second application for a budgeting loan where there have been no applications for a crisis loan. In some instances, however, there may be indications of more deep seated problems; for example, a second application in quick succession, or a number of other debts declared on the application form, or deductions from benefit in addition to recovery of the first loan award.
- 4.6 Case Study 12 illustrates a case where the most appropriate intervention might be a full benefit check by Jobcentre Plus and referral to a dedicated money/debt advice agency.

### **Case Study 12**

This 20 year old customer receives income-based Jobseeker's Allowance of £101.90 fortnightly. She applied for a crisis loan for food and fuel. Her benefit has been spent on fuel, food and taxis and bank charges of £42.97 have been taken from her account.

This is her sixth crisis loan application in twelve months which relate to bank charges. Her outstanding Social Fund debt, consisting entirely of crisis loans, is £903.75 repayable over 132 weeks

- 4.7 The following case study exemplifies a customer who clearly has difficulty managing her income and her circumstances indicate that she may be vulnerable. I suggest that a full benefit check would be appropriate and also a referral for more holistic support by an appropriate provider.

### **Case Study 13**

Estranged from her family and living alone, this 17 year old college student receives Income Support and Educational Maintenance Allowance and has £58 a week to live on. Money had been taken fraudulently from her bank account and she was without money for food or fuel. This is her 33<sup>rd</sup> application to the Social Fund.

She has an outstanding Social Fund debt of £893.78 repayable over 125 weeks. Her Social Fund debt is made up almost exclusively of crisis loans.

- 4.8 The next case study illustrates more complex problems that suggest the customer might benefit from holistic support.

### **Case Study 14**

The customer is a recovering alcoholic who gets Incapacity Benefit only. He had recently left residential care having completed a 28 week treatment programme and returned home. He knew people in the area who also had alcohol problems and found himself relapsing. He wanted to move away from the area and these influences and applied for a grant for removal costs. He had a Social Fund debt of £768.60 repayable over 104 weeks and several other debts including council tax and rent arrears, outstanding utility bills and money owed to associates.

- 4.9 I have met with organizations that appear to be effective in the field of debt management and counselling, such as Christians Against Poverty which has a national focus. In addition, I have met with organizations like Fair Finance, currently based in East London, which provides micro credit loans and advice about money. Both of these organizations also deal with some Social Fund customers in their client base and they provide a diverse and vibrant approach.
- 4.10 Interventions could be viewed as intrusive by some customers; and yet the co-operation of customers is vital to the ultimate success of the investment. For this reason a balance needs to be struck between encouragement and compulsion, in order to achieve the necessary behavioural changes. If this balance is not achieved, some customers may opt to borrow from lenders who charge high rates of interest, ask few questions and do not provide any money advice.
- 4.11 One approach to encouraging customers to take up support to manage their finances, or to deal with underlying issues, might be to ask people - in the

course of a full benefit check - if they would appreciate this help. For those who are less willing to take up the offer of support, conditionality might be triggered when their debts are becoming unmanageable – for example where they have applied for repeated crisis loans to tide them over, or have used up a set amount of their credit limit. Conditionality cannot apply to those for whom an award is not possible, yet they may be in the deepest financial difficulty. All of this is overlaid by the fact that many customers will already have substantial Social Fund and other debts if the changes come into force.

- 4.12 A further option that may be worth consideration is for an element of loan repayments to be saved - either on a voluntary or compulsory basis.

## Identify needs in an automated system

### **3. How best can we identify the support needs of our customers in a more automated system?**

- 4.13 From the papers we see in connection with Inspectors' reviews we are aware that the Jobcentre Plus' Social Fund Computer System holds information about:

- the number of applications made to the Social Fund;
- the history of applications including dates made and outcomes;
- the amount of Social Fund debt outstanding;
- the repayment rate and period over which repayment is being made;
- other deductions from benefit; and
- other debts.

- 4.14 The combination of this information should provide a reasonable basis on which to decide on the timing, extent and nature of any interventions. An automated system can flag up cases where interventions might be appropriate; but because of the variety and complexity of problems I believe some human analysis will be needed in order to decide on the appropriate support.

### **4. Who do you think would be best placed to carry out these interventions?**

- 4.15 Jobcentre Plus is best placed to carry out full benefit checks. On balance, I consider that delivery of money and debt advice would be more appropriate from external organisations already active and expert in the financial inclusion arena; such as Citizens Advice Bureau, Christians Against Poverty, Fair Finance and Moneymadeclear. There is a wide range of organisations that provide money advice, debt counselling and other support. For those with more complex needs, I believe that additional support should be given by those who are specialists in the relevant field; or by a group of specialists working together where there are multiple problems. In the process of negotiating effective contracts with providers, an accurate estimate of the likely volume of

referrals and a particular organisation's capacity to manage the case work effectively would be necessary.

## Single gateway

### 5. Do you think a single gateway to deliver the loans scheme is a good idea?

- 4.16 I support the principle of a single gateway to deliver the loans scheme. This would make the process easier for customers and have the benefit of reduced administration costs. However, there are some matters that need to be addressed to ensure a single gateway operates in a way that is customer focused. The eligibility and qualifying conditions for budgeting loans and crisis loans are very different. This means that the information required in order to determine whether an award is appropriate is also very different.
- 4.17 In the case of a budgeting loan the decision maker is not required to have regard to all the circumstances of the case; the concern is only with whether the needs fall into one or more generic category. In the case of a crisis loan, which may be for items, services or living expenses, the decision maker must address the nature, extent and urgency of the needs, and have regard to matters such as health, living conditions, the circumstances that gave rise to the needs and the impact of being without the item or items requested, in order to decide whether the conditions for an award are met. Assuming the criteria for budgeting loans and crisis loans remain as now, the customer would need to give a lot of information, some of which may turn out to be unnecessary, in order for the decision maker to reach an informed decision as to the appropriate type of award. If the single gateway were to be extended to include discretionary and regulated community care grants the amount of information needed would be even greater.
- 4.18 In the following case study it was not until the independent review stage that the customer was made aware that a crisis loan rather than a budgeting loan was the more appropriate route.

#### **Case Study 15**

This customer applied for a budgeting loan for furniture and household equipment and clothing and footwear. He was not eligible as he had not been receiving benefit for 26 weeks. The Decision Maker refused Mr E a budgeting loan as he had not been in receipt of a qualifying benefit for 26 weeks.

Although not required to provide any detail about his needs or his circumstances for the purposes of a budgeting loan, the customer did so. He had moved from furnished to unfurnished accommodation. He has Type 1 diabetes and depression and provided a letter from a nurse that said his insulin needs refrigerating and that it is important he follows a healthy diet. He has been through the grievance process to independent review only to find out that he may be able to have a crisis loan; but this will mean making a separate application.

4.19 Currently applications for budgeting loans and crisis loans for items are made by post and those for crisis loans for living expenses generally by telephone. It is unclear whether the intention is for the single gateway to be operated as a telephone application process, as for most crisis loans for living expenses, or by post as for budgeting loans.

## Interventions – grants

### **6. What support is most needed by those applying for multiple discretionary grants?**

4.20 The consultation paper suggests that it might, for example, be appropriate to require customers who apply for a second discretionary grant to attend an interview to assess what further support might be needed. A second application may not be an indicator of financial or other difficulties. It may simply be that need for two separate expensive items have arisen in a short space of time.

4.21 The information given in the current application form for a grant often reveals multiple problems which may include details of physical and mental health problems, drug or alcohol addiction, and housing problems. The form does not expressly ask about the customer's financial position; but Jobcentre Plus will have details of the history of Social Fund applications, outstanding Social Fund debts and deductions from benefit.

4.22 An interview seems an appropriate way of assessing support needs and then making a judgement about who is best placed to provide that support. However, as with interventions for people applying for loans, I think it will be important to gain the customer's cooperation. A second grant application seems too soon to compel attendance at an interview. Where financial or other problems are identified, it would be appropriate on a second application to offer an interview in order to assess support needs rather than require attendance at an interview.

4.23 The history of Social Fund applications, and the circumstances revealed by the application, will be important factors in deciding whether and at what stage compulsion to attend an interview would be appropriate.

## Goods and services

### **7. Do you have any views on possible issues in putting the legislation around the provision of goods and services into practice?**

4.24 The evidence-based research commissioned by the Department for Work and Pensions indicated that customers had mixed views about the provision of

goods.<sup>23</sup> There was some concern about the possibility of stigma associated with having a 'dole sofa'. Customers also expressed concern that the choice of goods might not meet the needs of all customers, for example, the sizes of fridges, freezers and washing machines for families versus single people or preferences for bunk beds or beds with storage. Many of the support workers we meet expressed similar concerns and related examples including the need for:

- a larger or sturdier bed for people who are significantly overweight;
- built-in cookers for people privately renting a home that only has space for something built-in; and
- gas cookers used in multi-occupied houses/flats that must have a safety flame suspension device.

- 4.25 I am pleased to see that the scheme will encompass an element of choice. Inspectors often see repeat applications for a range of items because the customer spent the earlier award on second hand goods as illustrated by case Study 8. Awarding quality goods with a guarantee will help to reduce repeat applications and also ensure the safety of items such as cookers and fires. A number of the support workers we meet tell us that they are in favour of the provision of goods, which they feel will help to ensure people get what they need and remove the temptation of those in debt to spend or use cash for other purposes.
- 4.26 There is a balance to be struck between autonomy and choice and the objective of making the funds go further; and there are a number of benefits for customers in the proposed scheme. I am aware that some registered charities that distribute discretionary grant payments provide goods rather than cash. The Family Fund, for example, provides goods through a contract arrangement in order to offer quality and good value products that meet families' needs.
- 4.27 The Welfare Reform Act 2009 expressly excludes from internal review, and consequently from independent review, decisions to award a community care grant by way of goods rather than cash, other than in circumstances to be prescribed. The absence of any statutory right of redress is a matter of concern. It is a fundamental tenet of administrative justice that citizens should have recourse to an independent grievance process.
- 4.28 Notwithstanding that direction may require a payment to be expressed as a payment for goods; the decision about what goods to award - if any - is discretionary. In making this decision the decision maker is bound by the statute to have regard to all the circumstances of the case: including the nature, extent and urgency of the need and the position of the grants budget.

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<sup>23</sup> The Social Fund: Customer experiences and perspectives: Qualitative research with Jobcentre Plus customers, DWP Research Report No 625

As such there is scope for error, particularly in cases where there is a need for a non standard item. A relevant fact may be overlooked; an irrelevant fact taken into account or the exercise of discretion may be unreasonable in the circumstances of a particular case.

- 4.29 Where the appropriateness of an award by way of goods is challenged, there needs to be a process in place to deal with the challenge; that process must be fair and be seen to be fair. As Lord Denning said “*Justice is rooted in confidence*”<sup>24</sup>. The existence of an independent grievance provides that confidence. The absence of an independent grievance route in the Government’s proposals for the introduction of the Social Fund and in the subsequent Social Security Bill 1986 attracted strong criticism.<sup>25</sup> It was accepted during the committee stage of the Bill 1986 that there should be an independent line of accountability<sup>26</sup> and the Social Security Act 1986 included provision for independent review by Social Fund Inspectors and created the role the Social Fund Commissioner “... *to entrench the independence of Social Fund Inspectors*”.
- 4.30 In the absence of a statutory independent grievance route, the only recourse for the customer is to the High Court on Judicial Review – a disproportionately costly route that is not in keeping with the principles of early dispute resolution.

## Resettlement grants

### **8. In what circumstances do you think a resettlement grant should be given?**

- 4.31 I support the principle of resettlement grants for vulnerable people to set up home. I consider these would be appropriate in the following circumstances:
- people leaving institutional or residential care
  - people without a permanent address who are living in temporary accommodation or on the streets, including refugees granted asylum or leave to remain
  - People fleeing domestic violence
  - those who need to set up home as a consequence of a disaster such as fire or flood, and have no Insurance.
- 4.32 There may be some circumstances in which although not setting up home from scratch, a resettlement grant may be appropriate. I have in mind a situation where children are returning to live with their parents after a

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<sup>24</sup> *Metropolitan Properties Co Ltd v Lannon* [1969] 1 QB 577

<sup>25</sup> See, for example, SSAC, Fourth Report (1985) HMSO and also Council on Tribunals, Special Report, and Social Security – Abolition of independent appeals under the proposed Social Fund CMND. 9722 (1986)

<sup>26</sup> Hansard , HC Official Reports, Standing Committee B , col 1306 (10 April 1986)

significant spell in care. Although there is no question of setting up home from scratch, there may nevertheless be a substantial need for furniture and equipment in order to ensure the children are properly accommodated.

- 4.33 The findings of our case work examination indicated that 43 of the 212 cases that met the existing conditions for a grant were resettling and setting up home in situations likely to attract a grant under the proposed regulated scheme. The average award in these cases was £736.32 ranging from £251 to £2,360. The items awarded varied from case to case as illustrated in the following two case studies.

#### **Case Study 16**

This 20 year old man of had lived with various friends and then in April 2009 found temporary accommodation in a young persons' hostel. His support worker helped him, as part of a wider plan, to find permanent accommodation which he was due to move to on 8 February 2010. He was refused a grant and awarded a crisis loan of £750 for a cooker and connection, a single bed, a lounge carpet, kitchen utensils, pots and pans, crockery, cutlery, lounge and bedroom curtains and rails, bedding and seating.

#### **Case Study 17**

This customer was living in National Asylum Support Service accommodation with his wife and two children, one aged five years and the other a newborn baby. The family was moved to a hostel having been assessed as homeless where they remained for four months before being offered a permanent local authority tenancy.

The Decision Maker awarded a grant of £964.94 for a double bed, a single bed, bedding, a settee, a cooker, crockery, cutlery and pots and pans.

- 4.34 Award sizes may vary because of the position of the local grants budget or because of a different approach by officers in deciding the priority of needs. In principle, the proposal for a standardized grant would ensure equitable treatment for those setting up home from scratch. However, the amount of the standard grant will need to take account of family size. Other matters that will be relevant in deciding the amount of the grant will be the range of items the standard grant is intended to cover. If, for example, it was sufficient to meet only the most basic of needs, customers may find themselves getting into debt through Social Fund and other forms of credit.
- 4.35 There are likely to be some situations where a standard grant is insufficient because the customer has non-standard needs.

4.36 The current provision in direction 4(a)(v) is that the customer must be setting up home as part of a planned programme of resettlement following an unsettled way of life. This has led to a number of difficulties; adviser organizations frequently relate problems such as:

- lack of clarity about what is required as part of a planned programme of resettlement; and
- insistence by some decision makers on a written resettlement plan, although the direction does not require this.

### **Case Study 18**

A decision maker at Jobcentre Plus told a representative of the Supporting People initiative that because their plans are called support plans and not resettlement plans they would not be accepted irrespective of what they contained.

Representative Support worker 27 April 2010

4.37 The reform of the grants scheme provides an opportunity to set out clear and unambiguous criteria for the award of a resettlement grant to avoid the type of confusion that has arisen under the existing scheme for resettlement. I note that there is no reference to a resettlement plan in the proposals outlined and I consider that to be positive. The existence of 'a resettlement plan' is not in itself the crucial consideration as to whether a vulnerable person needs help to set up in a permanent home from scratch. The proposed approach should help to move away from the over technical approach often taken under the existing criteria. The proposed new approach simply requires professional involvement and evidence from the professional of the customer's need. I note the suggestion of a professional such as a social worker or general practitioner. It is rare, particularly in cases where the customer is moving from a hostel, for a social worker or general practitioner to be involved; more usually it is a support worker at the hostel.

4.38 I support the notion of having evidence of the need from a professional who is working with the individual, which resonates with the holistic approach to help customers move to independence. However, people without a permanent address and setting up home who do not have the help of a professional may be in greater need of support. In the interests of taking an active rather than a passive approach such customers who apply for a grant would benefit from an explanation of the criteria and referral to an appropriate professional.

4.39 It is unclear whether awards under the regulated scheme will be in the form of goods or cash or a combination of both. An award in the form of goods with perhaps an additional amount in cash would have the same benefits as those described for the discretionary grants scheme.

4.40 The Welfare Reform Act 2009 made no provision for the introduction of regulated grants and so primary legislation would be required in order to take this forward. At the same time, consideration should be given as to the appropriate method for customers to challenge decisions. For the reasons expressed in paragraph 2.12 of this response customers should have access to an independent grievance process.

## Support for resettlement grant customers

### **9. What additional support could be offered to resettlement grant customers to help them move towards increased financial independence?**

4.41 The consultation paper (paragraph 4.16) includes a proposal that all successful applications for a resettlement grant should be supported by evidence as to need from a relevant professional who is working with the individual and their family. In such circumstances, the professional working with the individual (and their family where applicable) is likely to have assessed their needs and to have put in place a package of support. Support packages which are coordinated by a relevant professional are likely to include a variety of components; and be personalized to reflect the particular circumstances of the individual who is receiving that support. This might include support with a combination of the following: basic skills, education, preparing for work, budgeting and money advice, benefits advice, tenancy issues, signing up for utilities, obtaining furniture, emotional issues, health issues, substance abuse issues and referral to other agencies specializing in particular forms of follow-up support that are relevant to the particular individual and their situation. To add value for the customer, and to provide best value for the taxpayer, any additional support offered to resettlement grant customers should be well thought through; so that it complements rather than duplicates the support package already in place.

## Financial help with funeral payments for students

Questions 10 and 11 relate to Social Fund funeral payments. As these are part of the existing regulated Social Fund they are outside the remit of the IRS, and so I do not consider it appropriate for me to comment on the proposals.

## Devolved community care grant budget

### **12. Should the power to make Community Care Grants and a per capita proportion of the Community Care Grant budget be devolved to the Scottish Government? What would the benefits of devolution be?**

4.42 Since this Green Paper consultation exercise began on 15 March 2010, I note that the Coalition Government launched its programme on 20 May 2010,

which says that they will implement the proposals of the Calman Commission.  
<sup>27</sup>

- 4.43 Recommendation 5.22 of the Final Report of the Commission on Scottish Devolution (often referred to as the Calman Commission)<sup>28</sup> is relevant to the question posed above. It says that:

*“As part of its considerations as to the future reform of the Social Fund, the UK Government should explore devolving the discretionary elements of the Fund to the Scottish Parliament.”*

- 4.44 The model set by my appointment as the Social Fund Commissioner for Northern Ireland may be of interest to policy makers here. The Northern Ireland discretionary Social Fund is legally distinct from the Social Fund scheme in Great Britain and is established under separate legal instruments. The Social Fund Commissioner for Great Britain and Northern Ireland are two separate appointments made under section 37 of the Social Security Act 1998 and Article 37 of the Social Security (Northern Ireland) Order 1998 respectively. The discretionary Social Fund for Great Britain and for Northern Ireland have distinct budget allocations. In operational terms there is a separate office, based in Belfast, which deals with independent reviews of discretionary Social Fund decisions for Northern Ireland. This office is sponsored by the Department for Social Development and I provide an Annual Report each year which is published by the Minister for Social Development, Northern Ireland Assembly.
- 4.45 This established model provides a basis to work from which policy makers may find informative; as they explore the possibility of devolving the community care grant element of the discretionary Fund to the Scottish Government. I am conscious that the political landscape has changed significantly since 1988, when the Social Fund was established, with the emergence of devolved Governments and institutions at Edinburgh, Belfast and Cardiff.

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<sup>27</sup> HM Government (2010), *The Coalition: our programme for government*, p. 28, available at [http://www.cabinetoffice.gov.uk/media/409088/pfg\\_coalition.pdf](http://www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf)

<sup>28</sup> Commission on Scottish Devolution, *Serving Scotland Better: Scotland and the United Kingdom in the 21<sup>st</sup> Century*, p. 207, available at <http://www.commissiononscottishdevolution.org.uk/uploads/2009-06-12-csd-final-report-2009fbookmarked.pdf>