



Local Support To Replace Community Care Grants And Crisis Loans For Living Expenses

A briefing by Child Poverty Action Group

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Summary of main points

- CPAG believes that the Social Fund needs improvement and not partial abolition; preferably grants paid on a regulated basis with discretionary payments as back up only.
- The decision to devolve provision to local authorities without placing clear legal duties on authorities combined with the decision not to ring fence additional funds is unsatisfactory. Given the financial cuts faced by local authorities they will not be in a position to deliver this additional 'service' effectively.
- Reliance on a range of alternative type voluntary schemes, as suggested by the consultative paper are inappropriate. The reason that claimants need to apply for community care grants and/ or crisis loans for living expenses is the need for additional money to meet the cost of meeting urgent costs or lumpy/ more costly household equipment and furniture. Claimants deserve to be treated with dignity and schemes providing food parcels and second hand furniture do not achieve this.
- Responsibility should only be handed to local authorities if there is a clear business case and if local authorities are properly resourced to do the job (Public Accounts Committee).
- A business case has been made demonstrating that local offices of Jobcentre Plus can deliver and administer community care grants effectively. The East Midlands Pilot will now be rolled out nationally from May 2011. It is not necessary to devolve a part of the existing Social Fund to local authorities at all. The Government ignores the fact that part of benefit delivery will have to be at local level and it is through these officers that applications for CCGs and crisis loans could be considered.
- The lack of clarity of how support will be provided to the most vulnerable by local authorities and the suggested mix of partners that could be involved means no organisation is clearly accountable for the service. The government at national level has also washed its hands of responsibility.
- Those who gained from CCGs, in particular disabled people and lone parents are likely to lose out as a result of the changes.

Introduction and context

The Government has issued a call for evidence in February 2011 in connection with the proposed part abolition of the Social Fund so that a rump is still administered by DWP as part of a national scheme but Community Care Grants and Crisis Loans for living expenses are to be abolished. The Government hesitates to use the word abolition but the type of schemes suggested for operation to meet particular needs combined with the statement that no additional duties will be imposed on local authorities mean these payments will be abolished in all but name. Certainly there will be no national system if the plans as outlined go ahead.

We note that the Welfare Reform Bill includes the provisions which abolish the existing social fund has already gone into committee stage yet we are asked to submit comments to a consultation with a deadline after the Bill has started its progress through parliament. Nevertheless we hope that the government will take account of our serious concerns about these proposals; we believe are unhelpful, will not assist those who are most vulnerable and will certainly be at odds with any child poverty objectives.

What legal changes the government proposes

Clause 69 provides for the abolition of discretionary payments from the social fund by the repeal of s. 138 (1)(b) Social Security Contributions and Benefits Act 1992. Budgeting loans and alignment loans will be replaced by payments made under clause 98 (see below). The clause also has the effect of abolishing the Independent Review Service and the role of the Social Fund Commissioner. Under subsections (3) and (5) unused monies from the social fund and repayments of social fund loans and overpayments of social fund payments can be transferred into the Consolidated Fund. This enables the Secretary of State in the future to reallocate monies for expenditure on payments that were previously allowed under s.138(1) (b) for social fund discretionary payments.

Clause 70 provides for the payment of a budgeting loan for maternity and funeral expenses – this is achieved by amending s.138 (1) (b) and will continue only until the discretionary social fund is abolished. As more claimants will not qualify for a Sure Start Maternity Grant there are likely to be more applications for budgeting loans for this purpose.

Clause 71 provides for the amount that can be made for a budgeting loan.

Clause 98 makes provision for a variety of payments on account:

- interim payments pending a decision being made on a claim

- cases of need (this appears to be crisis loans to meet need pending the first payment of a wage)
- in accordance with prescribed criteria and provided the payment can reasonably be expected to be recovered (broadly equivalent of a budgeting loan under the present scheme)

It is unclear whether payments to cover more expensive but needed items could be paid under (ii). Until the criteria are set out in relation to (iii) it will be impossible to know the scope of this provision and what limits are set on eligibility for payments. Having admitted that people may need assistance under (iii) it is unclear on what basis a payment will be made towards school holiday periods in recognition that adults will temporarily be without the subsidy of free school meals. Where payments are made for this reason it seems more logical to pay out a grant to make good the additional costs during the school holiday.

CPAG would of course prefer the government to introduce a system of grants which are event related or automatic and which could thus reduce the demand for discretionary loans.

Why Lump Sum payments are an important part of the financial safety net

For decades claimants of means tested benefits have had access to discretionary or regulation based grants to supplement their weekly allowance. In 1988 these were replaced by Social Fund discretionary payments which comprised both loans and grants but the former took the bulk of the budget. Now these are largely financed by the repayment of previous loans; the main area of government support is the amount set aside for discretionary community care grants (CCGs). Those not on benefits could access crisis loans. The whole system was cash limited which meant rationing by guidance, a system of priorities and the budget rather than a restriction based on rules of entitlement. Need no longer governed the award of budgeting loans after the process was amended in 1998 and awards were governed by the length of time on benefit and family size plus importantly the size of any outstanding loan. Grants are a particularly important part of the financial safety net but claimants also value interest free loans – partly because there is no alternative but private sources of high interest credit.

It has been the view of governments that the basic means tested allowance when delivered entirely by DWP/DSS/DHSS was inadequate to meet the more expensive costs of necessities which most families take for granted. Some families as a result of a particularly high utility bill also needed additional help. This last winter has demonstrated the problems for those on low income trying to budget on weekly benefits faced with long spells of extremely cold weather and many will have had to ration heating their home at the expense of providing the necessary food. Removing this type of financial support is denying these families assistance with the costs of everyday expenses which are not regarded as luxuries but are essentials. There is simply not sufficient in the weekly benefit to allow for this type of saving to meet the

cost of these lumpy items. Families will go without food or other necessities in order to pay bills or replace more expensive household items. This is a policy that does not square with an objective of tackling child poverty.

In the next few years the level of benefits will be cut by a variety of measures including caps on overall benefit, caps on and other cuts to housing benefit, combined with the freezing of child benefit and reduced annual uprating of benefits. Families also face the consequences of increased inflation and the increase in VAT. Although it may be argued that children's clothes are protected, children often reach adult sizes well before they become adults and thus VAT increases the prices of these clothes. The capital test that excludes some from means tested benefits but which did not exclude access to child tax credit will return so some adults will lose direct assistance for their children apart from the frozen child benefit.

The social fund is effectively the final part of the safety net; to cut provision here is to remove support from the poorest and most vulnerable in society and CPAG is therefore opposed to these changes. We would prefer to see reform of the social fund with more emphasis on event related payments and automatic payments – not reliant on judgements about priorities and thus simpler to administer. A discretionary system of grants could remain as a back up to the main support programme. The costs would be relatively small - even the single payments scheme that existed before the social fund took just under 1% of the total social security budget.

The localism proposals

The consultation paper states that:

The Government is committed to improving the delivery of support to the most vulnerable people.

It is intended that the new form of local support will be delivered from April 2013. However the consultation paper states that the government is committed to removing burdens and controls from local government. There will therefore be *no new statutory requirement to deliver the new service* (our emphasis). The Government must decide where it stands; if it wishes to ensure additional support for claimants and others who might once have looked to the social fund for help then it cannot wash its hands of what happens locally, merely issuing advice and examples of projects that could be helpful.

Given the severe cuts to local government funding, there is a real risk that the offer of small amounts of additional funds, without controls or ring-fencing, will prove to be too tempting and be simply absorbed into general funding or used for other purposes.

CPAG recommends that, if the proposals are implemented, a statutory framework is established in which guidance sets out how the delivery of support will work, how local authorities are expected to use this funding and what will happen in areas where the delivery of support is inadequate. This would help limit the harm of introducing a postcode lottery of support for vulnerable families.

The proposals also contain no commitment to review the situation at a later date. Because the service ceases to be DWP business, the Government does not intend to monitor the impact of the policy change so there will be no post implementation review. These are normally undertaken within three to five years after implementation of a new policy. A Post Implementation Review would expect to assess the extent to which new rules and arrangements have achieved their objectives. As this will not happen we will not know what impact the changes have on claimants apart from ad hoc reports from social services departments, most likely to face additional demands as a result of the changes and feedback from local agencies on any problems created. However as many charities and advice agencies are also subject to serious financial cuts knowledge about the impact of the cuts may be buried.

CPAG recommends, if the government proceeds with fundamental change, that a review of the impact of the changes should be conducted at a fixed interval after implementation.

Localism and accountability

Accountability for the use of public money has been the subject of a report by the Public Accounts Committee and was published 5 April 2011. The committee makes a number of important points directly relevant to the localism central to the government's agenda and underlying the proposed changes to social fund provision and meeting the needs of the most vulnerable.

'The reform agenda anticipates a plethora of delivery and accountability models, some of which are untested'.

It is not clear in the case of social fund localism how the local authority will be held accountable for the way in which the monies are spent, given the suggestion in the discussion document that the government foresees a variety of charities and not for profit organisations being used to deliver support to those vulnerable people who can no longer look to the existing social fund for assistance.

The committee states that where resources are devolved to local providers, performance is likely to vary. However in this case it is not even clear that the monies devolved to the local authority would be used to assist organisations that might provide direct support to some applicants. The discussion paper gives a number of examples of small groups or non local authority organisations that might provide support, for example small groups who collect and provide second hand furniture, organisations providing food parcels and credit unions.

The Public Accounts Committee has strongly criticised the way in which Community Care Grants are administered under the current system – ‘a large number of decisions are challenged and overturned and administrative costs are unacceptably high’. However the Committee says that ‘responsibility should only be handed to local authorities if there is a clear business case to do so , and *if local authorities are properly resourced to do the job* (our emphasis). Devolution does not absolve the Department of its responsibility to ensure greater fairness in the scheme.’ [Public Accounts Committee report on The Community Care Grant – prepared 16 December 2010]

The Committee was concerned about the lack of fairness in the existing scheme because of the way in which money was not distributed fairly across the country by district. This can be remedied as happened in the case of Budgeting Loans but a postcode lottery is far harder to avoid if monies are allocated to local authorities where cuts in local government grants have impacted variably on different districts, if the allocations are not ring fenced and the local authority is not obliged to use it in a way consistent with the objectives of the social fund.

Localism: Types of schemes proposed to deliver assistance

The consultation paper suggests a number of examples of projects that could provide different types of help to vulnerable people. ‘We do not expect local authorities to recreate Community Care Grants and Crisis Loans locally’, but ‘local authorities will be given the funding and flexibility to redesign emergency provision and crucially the paper adds ‘in the way they think best’. There then follows the suggestion that they may want to do this in partnership with charities and not for profit organisations. The examples given raise serious questions about whether as a result people will receive the help they need and/or whether it will be in an appropriate form, or sufficient scale to meet additional demand.

Questions of stigma can arise where people are required to ask for second hand goods and food parcels as their only option. Organisations providing this type of assistance are given as useful examples of how local authorities might help people meet need. For those who make a choice to buy second hand clothes for certain occasions or second hand furniture this may be no problem but when a person without adequate money is forced to do this because there is no alternative this becomes more like 19th century charity but delivered in the 21st century.

Another type of organisation cited in the discussion document as potentially useful is a credit union. However previous research by the DWP showed that people using the social fund did not have sufficient reserves to be able to use a credit union and that this was not therefore a suitable option for claimants in severe need. The fourth example was Solihull Community Housing. This in fact is the organisation responsible for managing Solihull council housing and the only additional support that is available is a rent deposit guarantee scheme made to private landlords (not always

accepted) and the power to make certain adaptations for disabled people living in their own home. Its statutory duties relating to maintenance of council properties take priority. The report in the consultative document is potentially misleading implying that they could provide funding to help people stay in private rented accommodation. The list of potential partner organisations who could deliver the assistance once given by CCGs is therefore inadequate and potentially unsuitable or misleading.

Alternative solutions

There are two alternative solutions mentioned:

- Do nothing, or
- Use staff in local jobcentre plus offices to process crisis loans. This could extend to assessing CCGs but no mention is made of this.

The Government rejects the use of local JCP staff arguing that the remote administration of the benefit system no longer allows for proper assessment of the need for Community Care Grants (CCGs) and Crisis Loans (CLs). This ignores the results of a local pilot which effectively makes the business case for retaining social fund processing and checks within JCP/DWP locally.. In a pilot in the East Midlands, staff from local Jobcentre offices visited applicants for CCGs, checked on applications and this proved effective. As a result, we understand the pilot scheme will be rolled out nationally from May 2011. There is no mention of this in the call for evidence despite the fact that it showed that in the pilot area 1 in 5 applicants had been underpaid and that home visiting *speeded up* the claims process (our emphasis). This demonstrates it is perfectly possible for the government to run CCGs via local offices of the Jobcentre Plus (JCP) or local office of the Department of Work and Pensions (DWP).

The government's assertion that JCP/DWP business is remote and therefore investment in processing social fund grants and loans through JCP offices is not worthwhile ignores the fact that many DWP/JCP services will need to operate locally. The more personalised service required to operate Universal Credit means that those with additional or special needs or whose circumstances are complex will need a face to face system of contact. As the HMRC found to its cost in the delivery of tax credits one system does not fit all. When Universal Credit goes live in 2013 we understand the DWP expect that 80% of claims will be made on line but that the remaining 20% will either require staff to provide assistance or that a different system of claiming and reporting will be needed.

CPAG believes that this demonstrates a local service will still be needed and it is these staff who will be able to administer social fund applications locally more effectively from these DWP offices whether it be CCGs or loans. At present claimants claiming benefits while looking for work also have access to discretionary payments from the Advisers Discretion Fund where personal advisers feel that circumstances act as a barrier to taking up work.

Right of review of social fund decisions

The right to an independent review or appeal of decisions is an essential part of the social security, social assistance and tax credit systems and will be retained after the introduction of universal credit. Discretionary Social fund payments although not subject to appeal are open to an independent review, vital given the fact that 42% were overturned by the Independent Review Service (IRS). [Executive summary Report for 2009/10 by Social Fund Commissioner]. The right to seek an independent review is also to be axed by the Welfare Reform Bill (clause 69), a measure to which CPAG is also opposed. Transferring support to a locally managed system without a right of review and relying on payments, goods or services from a variety of types of charitable or not for profit organisations gives no access to a second independent review and provides no checks on the quality of decisions or the service provided.

Who benefits from the Social Fund and who will lose as a result of the changes

General

The Government admits that the recession has contributed to a 26% increase in Crisis Loan applications yet is now proposing to end those made for living expenses. It is these payments that have in particular helped the single unemployed, or couples not in work and/or without children. Most of these groups will not be able to access other local authority help or the social fund monies allocated to local authorities. The priorities are likely to be disabled people and adults with children who currently are most likely to be successful in claims for community care grants (see below). Local and national charities are also likely to be swamped with requests for help and again it will not be the single unemployed person who is top of the list for assistance. It is unclear to what extent help for these type of applicants may still survive at national level (see legal changes above).

Disabled claimants

In the Equality Impact Assessment (March 2011) the report states that disabled customers are well served by the Community Care Grant system. 33% of claims for these payments are made by disabled people and the success rate is higher than for non disabled applicants. The assertion that a locally based system would better identify disabled people is based on the assumption that the existing system is unable to do so and that local authorities, hard pressed for finances and already cutting their own staff and services and funding to local charities, will have the capacity to do so effectively. Moreover the important aspect which this proposal ignores is that people apply for community care grants because they need additional money to buy specific goods and services; their need for such grants would often not arise if their weekly income were not higher. Moreover the cost of being disabled is often greater and these costs are not always sufficiently met by additional premiums to means tested benefit and receipt of disability living allowance.

Lone parents

The Equality Impact Assessment refers to the higher proportion of single women who received grants as against single men or couples. If a single woman claimed then the odds of her receiving a payment were greater than single men – 49% as against 42% and the report concludes that this is because single women are likely to be caring for children. The report then asserts that there is no evidence that this will change under a locally delivered system using similar criteria. But there is no requirement for the local authorities to operate the additional funds in accordance with similar criteria so the assumption is worthless.

Those who would have claimed crisis loans

However the figures are very different when it comes to crisis loans; the success rate for single males and single females is 76%. Also importantly the majority of applications are made by those in receipt of JSA as unemployed claimants. This is a group who unless they have children would find it difficult to get assistance from local authority sources. Again the report asserts that there would be likely to be no change if a similar assessment of eligibility was applied in a locally delivered system – but this is unlikely and thus a meaningless assertion.

Standard of the assessment

The general impact assessment on localising grants and loans is and finally asserts that the changes will have no impact on people's health and well being. No reasons are given but if even a small proportion of those who need extra financial help do not receive it, it is self evident that there will be adverse consequences in the form of stress, other health problems and people going without food, heating and other basic essentials.

Conclusions

The government is rightly concerned about the administration of the social fund given the criticisms of the National Audit Office and the Public Accounts Committee, [16 Dec 2011]. However it is CPAG's view the system is capable of making service improvements, as can be seen from the East Midlands pilot.

CPAG believes that the government has a duty to examine ways in which the Social Fund can be improved, both in substance and administration. The case has not been made to devolve CCGs and CLs for living expenses to local authorities and certainly not in the manner envisaged. The government should think again. If these proposals go ahead then child poverty will increase and more people will be pushed into the arms of loan sharks and other private lenders offering only high rates of interest.

The government's justification against leaving the system unchanged is that it would involve a large increase in expenditure and would not represent value for money. It is also argued, but without any evidence, that to leave the system unchanged fails to deal with the need for an integrated support system for vulnerable claimants. The Equality Impact Paper then goes on to state that locally delivered support will mean improved targeting and a local response to the most relevant issues in the local area. As the proposals mean that central government will have no control over what happens locally, and that major cuts are already being made to local services, this assertion seems unlikely and, it appears, has little factual basis.

It asserts that there is a lack of integrated support for vulnerable claimants and that many have complex needs. In so far as the DWP is the part of government primarily responsible for ensuring that the vulnerable receive income that they need it makes better sense to deliver the lump sum payment through the organisation delivering the *weekly* (or in the future monthly) benefit support. Staff are already in place with knowledge of the systems, although further training would be desirable. Given the greater emphasis on a personalised service with the introduction of universal credit it makes sense for most lump sum payments to be delivered via the DWP whether means tested, regulation based or discretionary.

About CPAG

CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

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