



Social Fund reform: debt, credit and low-income households

June 2010

Child Poverty Action Group
94 White Lion Street
London N1 9PF
www.cpag.org.uk

CPAG welcomes the opportunity to comment on proposals to reform the Social Fund.

Introduction

Access to low interest credit and additional support via the payment of grants and loans are two separate issues and need to be considered separately. CPAG's comments relate to reform of the social fund payments rather than with the question of a new form of low interest credit. It is however, CPAG's view that claimants need access to responsibly organised credit offered at very low interest rates. However this will be totally insufficient on its own to solve current problems of individual debt without giving claimants and others on very low incomes access to additional income in the form of grants to help meet the essential costs of living and to ensure their children's well-being. These needs also apply to other groups within the claimant community including young people, disabled people, those who are homeless and many elderly people.

CPAG's comments and proposals are concerned primarily with the needs of low income families including those in low paid work, whether full or part time. CPAG is aware that the government is planning a series of cuts to public services, a mechanism for dealing with the fallout from the banking crisis and the resulting economic slowdown. To date, this has been given far greater prominence than the possibility of dealing with the public deficit by means which are less likely to harm low income families and their children. CPAG's proposal for a series of highly targeted grants are made in the knowledge that these payments will be essential to allow some of the poorest children a reasonable start in life and will deal with some of the more expensive and unexpected needs that families face. Given the Government's drive to encourage people back to work and the fact that many of the jobs will be insecure and low paid it is not enough to target social fund payments at those on benefits; these grants must also go to those on low wages.

Our comments also take account of the fact that the system of benefits has changed radically since the introduction of the Social Fund and that most families will receive assistance for their children via child tax credit and child benefit, and not through the means tested benefit system. This means that the applicable amount of a person on income support and other means tested benefits will be very low (£65.45 for a lone parent, less if under 18; couple £102.75, less if either of the couple are under 25 and could be as little as £51.85) (2010/11 benefit rates). Eligibility for the discretionary element of the Social Fund is therefore somewhat subscribed and without a change to the formula to decide entitlement a general structure to the social security system will effectively have withered the social fund. Was this intentional? CPAG assumes that the Government will be committed to reform so that the criteria are at least the equivalent of when the Social Fund was introduced.

Furthermore we argue that the assistance must be in the form of grants rather than loans; the latter simply reduces ongoing income and create additional hardship in later months as the loan is recovered. The cost of some necessities has and is likely to continue to rise disproportionately given the need to respond to climate change – fuel and therefore heating costs will rise disproportionately and any increase in VAT will fall most heavily on those on lowest incomes.

CPAG's proposals in brief

These are largely in the form of targeted, regulated grants but we also leave open the possibility for back up discretionary grants and loans.

- An Early Years Grant paid for a child annually between 0 and 5
- A Child Development Grant paid at the start of the school year to contribute primarily towards schooling costs.
- A Health and Safety Grant to pay for replacement of basic household electrical/ gas appliances and beds/cots.
- A Secure Homes Grant - broadly equivalent to the Department's proposal for a Resettlement Grant.
- A back up Discretionary Social Fund Grant
- A top up Discretionary Social Fund Loan

Income adequacy and the origin of lump sum payments

As the DWP paper acknowledges the origins of lump sum payments under the social fund go back several decades to at least 1948 when discretionary exceptional needs payments were made to those on national assistance payments (p.23 Box 4). These were grants, not loans, and the discretion related to the need of the claimant. It was recognised that the level of benefits was insufficient to meet all the needs of those on means tested benefits. Although payments were discretionary they were not subject to a cash limit. The Supplementary Benefits Act 1976 gave the Supplementary Benefits Commission, responsible for managing the payments of supplementary benefits the power to make single payments to claimants in receipt of supplementary benefit. The following guidance on payment of lump sum grants is given in the SBC's A Code:

The scale rates are not intended to provide for the purchase or replacement of major items of bedding or household equipment. If therefore a claimant shows that he is in need of an essential item, action should be taken in accordance with paras 2887- 2892 to consider how the expense should be met.

(Para 2887 listed the items that were [then] essential and included bedding, household furniture and furnishings, beds, and household appliances such as cookers and gas fires.)

Means tested benefits have since been put into regulations, special additions replaced by premiums and/or components but there has been no fundamental upgrade of benefits or reassessment of the amount of benefit that should be paid to meet a minimum income standard (see below) and thus enable the claimant to cover the cost of recognised and more expensive necessities. More recently increases in child tax credits and child benefit *have* increased family income, but there is still no formal assessment of the amount a family will need to meet both day to day necessities and save for more expensive items or meet emergency needs.

The virtual removal of grants amounted to a cut in the level of means tested benefit income. Having been made in 1988, this has never been corrected and hardship has been the result.

This is shocking when you consider the reality of family poverty.

- Families living in poverty have only about £10 per day per person to buy everything they need such as food, heating, toys, clothes, electricity and transport.
- For those families in the bottom twenty percent of the income distribution, almost 1 in 5 can't afford to have their friends over for tea or a snack once a fortnight.
- One third of British children are forced to go without at least one of the things they need, such as three meals a day or adequate clothing.

Over 90 percent of low income parents say they often go without to ensure their children have enough.

[Barnardos 2010]

This hardship is hardly surprising. Benefit levels are below the poverty line, defined as 60% of median household income *after* housing costs. This is adjusted for the size and make up of the family. The poverty line for a lone parent with two children aged 5 and 14 is £239 and a couple with two children (same ages) is £322 (2008/9 figures). Benefit rates for these families (income based jobseekers allowance plus child tax credit and child benefit) £182.52 and £216.97 respectively (for 2008/9) – both well below the poverty line. The figures are lower if the parents are young.

The poverty line is a figure reached assuming housing costs have been paid but for many families the rules for calculating housing benefit / local housing allowance will mean they have to pay some costs out of their weekly means tested benefit allowance thus reducing the value of their benefits still further below this benchmark. Many claimants will also have deductions to their benefit to collect arrears of rent, heating costs or previous social fund loans again thus reducing the level of weekly benefit. Moreover a majority of families on low wages or benefits will probably have deductions made to their working and / or child tax credits because of deductions made to recover overpayments. Often this is not the claimant's fault.

Over and underpayments are designed into the tax credit scheme as these are based on an annual income test. The mechanism for assessing a tax credit award means that there will almost inevitably be inaccuracies and thus under and overpayments and this is even more likely where income changes from year to year, particularly if it is fluctuating below the level of the previous year's income level. Reporting changes in income as they occur will not remove this type of overpayment. Changes of personal circumstances even if reported as they occur may also create small overpayments because although the Revenue is allowed 30 days to implement a change the overpayment starts to build up immediately. Obviously much larger overpayments can accrue for other reasons and the lack of a face to face service exacerbates this problem. Many families thus do not have even the officially agreed accepted income, whether it be from means tested benefits or tax credits, on which to budget to meet all the week's needs.

The poverty line however is itself not even an adequate measure of the income people need. A series of attempts have been made to establish a minimum income standard which would cover people's needs including being able to set money aside to pay for bills and meet more expensive or sudden needs. (A minimum income standard (MIS) is a 'defensible standard of adequacy for minimally acceptable levels of living or income needs'. [*Setting adequacy standards - John Veit Wilson*]) A more recent study of what a minimum income standard should be was carried out by a team from the Centre of Research in Social Policy at the University of Loughborough, the University of York and the Family Budget Unit for the Joseph Rowntree Foundation. Their findings for 2008 showed that:

- a couple with two children needs £370
- a lone parent with *one* child needs £210

(Note the benefits figure for a lone parent with *one* child for 2008/9 was £129.87)

These figures are the amount after income tax (if relevant) and do not include housing or child care costs. The child care costs which are met via the child care element of WTC only meet 80% of costs up to a certain limit and no extra is assumed for the cost of child care if there are three or more children or if any are disabled.

The minimum income figures are calculated working out a household budget combining expert knowledge with in depth consultation with members of the public (both those on benefit and those who do not receive means tested benefits.) MIS budgets are based on a detailed list of what is required by different household types and includes food, clothes, accommodation, utilities, fuel, household goods, personal goods and services, transport and social and cultural activities. The researchers conclude that the figures demonstrate that the great majority of households below the poverty line cannot afford a standard of living that members of the public participating in the study considered to be the minimum acceptable for Britain in 2008. Although there is often a great deal of criticism of those who claim benefits much of the criticism is based on an assumption that benefit levels are far higher than they actually are. The fact that families are forced to live at a level way below both the poverty line and a minimum income standard must have serious health and developmental consequences for the children in these families, which in turn have economic consequences for both the individuals themselves and the cost of other services provided via the local authorities, schools, and the health service.

As long as weekly allowances for those not in work are insufficient to meet both everyday expenses and unexpected or more expensive needs, such as the replacement of electrical or gas appliances, beds and bedding, access to additional payments in the form of grants is essential. They should be seen as a critical part of the government's programme to combat child poverty just as much as the payment of child tax credit and increased child benefit. It is with the above figures in mind that CPAG urges the government to use the occasion of reviewing the social fund to create a series of targeted grants that will help to meet need if not to actually close the gap between need and what should be met in 21st century Britain. We also argue that these grants should be extended to those in low paid work otherwise claimants face a loss of important sources of assistance as soon as they move into work, which is totally at odds with the Secretary of State's objectives. The findings of the minimum income standards research above demonstrate that most families relying on one person working full time but on the minimum wage would be unable to

reach the standards of living required. The researchers say that a couple with children would need a wage well over the double the minimum wage to reach the minimum standard. For lone parents help with child care would need to be boosted to enable them to work at least 30 hours.

What is wrong with the Social Fund?

In this section we examine problems relating to the size of the budget for grants, the lack of transparency in the rules of eligibility, the quality of decision making and the fact that a large number of initial decisions are overturned on review, whether internally or by the Independent Review Service.

The budget and discretion

The Social Fund has failed those on low income because it relies largely on the payment of loans and not grants, the *grants* budget was originally set at one sixth of a year's grant payments under the previous scheme of single payments and although it has been increased it has not kept pace with inflation. In 1990/91 it was £63 million; between 1994/95 it was either £97 or £98 million, between 2000 and 2006 it increased to £141 and it has remained at that level since. Allowing for inflation this means an inadequate budget for grants has increased since its inception in real terms by a mere 25%. Unlike the loans budget which from 2009/10 is a national budget, the grants budget is allocated locally to the 23 Jobcentre Plus budgets which are administered through 20 Social Fund Benefit Delivery Centres. The fact that the budget is distributed to different areas creates a post code lottery and combined with the use of discretion creates a system in which claimants cannot know what the outcome will be of any application. This is a system which does not meet need and is unclear to claimants.

The Social Security Select Committee in 2002 when taking evidence on the social fund were critical of the inadequate amounts of money going into the Fund and recommended that the grants budget should be increased so as to enable grants to be made to those who had high and medium priority. It also described the Fund as 'the forgotten end of the of the social security system'. It too reinforced the point that its operation worked against the key aim of reducing child poverty. (para 117 Select Committee Report on the Social Fund)

In its latest white paper four objectives for the Social fund are listed but not the crucial underlying aim. When it was created this aim was to 'curtail and control expenditure on special needs payments' [*The Social Fund – is it working? Richard Berthoud Policy Studies Institute*]. This is why a fundamental reform is needed and it cannot be achieved by minor changes to provisions relating to processing different types of loans. If the child poverty targets are to be addressed the Social Fund must be seen as part of the mechanisms for raising family income and that means families must have access to grants whose purpose is clear and where the conditions of entitlement are clear and are not subject to cash limits or a budget.

Problems with community care grants

The use of discretion and the lack of clarity of the rules setting eligibility are a problem quite apart from the budget. The imprecise wording of the directions listing the circumstances in which a person may qualify for a community care grant has been criticised by Richard Berthoud as requiring an 'essentially discretionary judgement' even before the exercise of deciding whether the application comes within a high priority. Many families may qualify for a community care grant if it would 'ease exceptional pressures on the claimant and their family' under direction 4. But because of the vague nature of the test of eligibility it is very unclear in advance of a decision whether a person will qualify. Even if successful they must then cross the hurdle of the system of priorities. A similar criticism was made by the Select Committee (para 115) – that the criteria for getting CCGs are narrow and subjective.this leads to a majority being refused even though they may have exactly the same needs as those that are awarded payments. This is born out by statistics for refusals of CCGs.

The eligibility criteria for receiving Community Care Grants (CCG) are set out in Direction 4 and this includes the 'ease exceptional pressures' test. In the annual report by the Secretary of State for Work and Pensions on the Social Fund 2008/9 a disproportionate percentage of reasons for refusals are attributed to claimants failing to satisfy the eligibility criteria. It is not unreasonable to assume that one of the reasons for this is the lack of clarity in the eligibility conditions and in particular the vagueness of the easing exception pressures test. It is also the eligibility criterion that is most likely to be used by families needing to apply for a CCG. Lone parents and the unemployed (these will in most cases be couples with children where at least one adult is unemployed) suffer disproportionately from rejections because they fail the eligibility criteria. Insufficient priority is the next favoured reason for refusal of a CCG.

Despite the high number of refusals more than half the total spend on social fund CCGs goes on families under exceptional pressure.

Problems associated with loans

According to para 2.11 the Fund was intended to focus support on those facing the greatest difficulties *managing their normal income*. [our emphasis]. Loans, which are the bulk of payments made out of the Social Fund, do not add to a claimant's income; they initially add but then take it away in the forthcoming months as the DWP recovers the loan – this simply moves benefit income around. This may be a statement of the obvious, but budgeting loans are often described misleadingly in our view as giving people extra help.

The largest number of budgeting loans are made to people with children – over 57% in both 2007/8 and 2008/9. The main reason for refusals is the level of existing debt – according to the formula the person is unable to repay. By categories this affects those who are disabled, lone parents and people who are unemployed (probably those with families). In terms of percentages 81% of those who were disabled were refused on this ground and 63% of lone parents, two of the most potentially vulnerable groups.

The deduction rate varies but was around £11 per week for those on income support or pension credit; at that time thus affecting lone parents, carers, sick claimants and

those over 60. By far the greatest percentage of the amounts being recovered are from budgeting loans rather than crisis loans. It is the former that are generally for needs that would once have been met by the payment of a grant.

Reviews and quality of decision making

Community Care Grants

Less than half of CCG decisions are revised on review. However of those cases that go to an IRS review (only 18,370 go on to this stage), 49 % confirm the reviewing officer's decision but 51% are overturned by the IRS. This calls into question the quality of the decision making of the staff managing CCGs. It may also reflect on the lack of contact with claimants and decisions may be made without full knowledge of the circumstance but also without full regard to the directions and the budget. The IRS are similarly constrained yet reach different decisions in over half the cases that come to them.

The quality of decision making also varies dramatically between offices – this may reflect budget and varying demands in the community served. The Social Fund Commissioner's report for 2008/9 gives the following information on decisions made at different offices:

- Balham 65.5% of confirmed decisions, and 85.8% of substituted decisions
- Newcastle 21.50% and 50% respectively
- Chorlton 54.20% and 77.6% respectively
- Overall: 40.4% and 68.4%
- Overall at IRS level of review: new information contributed to a change in the decision in 84.6% of cases.
- Clearance times for initial decisions for CCGs are also inadequate: 49.1% are made within 9 days; the average time is 10.8 days.

The increased demand for crisis loans (made by phone) has diverted staff from processing community care grants to dealing with these emergency claims. This is a problem to which the Annual Report for 2008/9 refers and confirms that this has impacted on national clearance times for Community Care Grants and reviews. The report refers to 'over 2.5 million applications for Crisis Loan living expenses'; in itself an indictment of the overall service of the JCP and an indication of the extent of poverty and need in society.

Both the system of deciding eligibility and the structure of payments creates a level of work which appears to be unsustainable with present staff.

Budgeting Loans

A relatively small number of Budgeting Loans go to review (the system for decision-making is more formulaic and judgements are therefore not required). Of those that reach the Independent Review Service (IRS) only 10 were overturned.

Principles that should be the basis of the new payments

There is a need for fundamental changes to the Social Fund which should be seen as part of a programme to reduce child poverty. Our proposals assume a set of principles underlying these payments, as follows:

- The payments should be in the form of grants, not loans. The latter simply reduce the ongoing value of benefits as the loan is recovered and make it more difficult for families to budget and meet the cost of essentials.
- Payments should be rationed according to clear legal rules of entitlement so that claimants understand what is available to them. Inevitably a system based on discretion is less clear and lacks accountability.
- The purpose of payments should be clear again for the benefit of claimants.
- Decisions should be subject to a right of appeal. This is a means to improve the standard of decision making.
- Where appropriate the claim for a payment should be made to the social fund as a whole so that if the claimant makes a mistake the claim can be considered under a different provision. This is not the case at present.
- The payments should not be cash limited or subject to a budget. If a person meets the conditions of entitlement then a payment should be made as now for a regulated grant.

This paper therefore calls for a series of targeted grants, mostly but not necessarily delivered via the DWP to meet specific needs.

Additionally as far as possible in order to simplify delivery and reduce departmental time spent on administration, some grants should be automatic and/or require little or no investigation by the DWP (or the department responsible for payment). The payment in some cases would be, according to our proposals, automatically linked to a particular date in the year or the date at which the child reaches a particular age. This would free up time to investigate those payments where some information must be presented as a condition of getting a payment. The objective should be to keep to a minimum the numbers of payments that are complex to administer. It is important that the purpose of these grants are viewed as a necessary part of increasing family income so that families now struggling below the poverty line will receive the assistance they need.

These grants may need to go not just to those in receipt of income based benefits but also to those who receive child tax credit at the maximum rate. This will then take account of two important issues:

- The need to revise the means test governing entitlement to these grants so that they take account of changes to the structure of the benefit system and the fact that most families receive assistance for their children via child tax credit and child benefit. This is broadly the same as that paid in child allowances in the income support/income based job seekers allowance benefits. We suggest a new formula for deciding eligibility in the appendix to this response.
- The need to make work pay. It should not be automatic that a claimant in low paid work should lose access to these payments because they are no longer in receipt of an income related social security benefit. To exclude from these payments those who are in low paid work undermines overall objectives of ensuring that moves into work are financially beneficial.

It may also be necessary to extend entitlement where the adult is receiving a contribution based benefit but not any means tested top up and this is their only income (apart from children's benefits). The level of an award to a single person who is on contribution based JSA or contribution related employment and support allowance is the same as the means tested payment. If the person has no other income there is no logic or fairness denying them access to social fund payments. The couple rate for the means tested benefit is different, so this consideration applies to those who are single or lone parents.

General evidence to support reform

There is much evidence in addition to the work on minimum income standards pointing to the need for reform of the Social Fund. The Joseph Rowntree Foundation carried out research into the operation of the Social Fund in 2006. Although there have been changes in relation to the formula for recovery of social fund budgeting loans there have not been changes to grants. They found that 'people on means tested benefits:

- have insufficient income to pay basic utility bills and purchase low-cost food. '
- 'have insufficient money to participate in everyday activities that are enjoyed by others' – they are effectively socially excluded.
- 'cannot afford to pay for clothes and shoes, school trips and activities, replace household items.'

They found that these unmet needs are 'not one off or intermittent but persistent and regular'. They also found that these claimants were also likely to have other forms of debt indicating that claimants have to meet their needs through other loans.

Most worryingly it also appears that ethnic minority households are less likely to receive help from the social fund. They found that those most likely to receive help were families with children, disabled people, have two or more dependent children; but this was from budgeting loans and not grants.

Claimants' major concern was the rate of repayment of loans and that it reduced their income in future weeks. The report summary quotes a repayment rate as high as £45 a week, but the average was 8% of local income. The researchers also say that 'as families with children tend to borrow more than other groups, they also tended to

repay more per week and at a higher repayment rate, implying the children are at increased risk of poverty.’ Repayments gave claimants no choice but to try to manage on less income. These research findings provide support for CPAG’s proposals for change.

In addition this briefing also refers to previous publications dealing with reform of the Social Fund; *Lump Sums – Roles for the Social Fund in Ending Child Poverty* by One Parent Families (now Gingerbread) Family Welfare Association (now Family Action) and Child Poverty Action Group, (reprinted 2004) *2 skint 4 School – Time to End the Classroom Divide* Gabrielle Preston (CPAG) 2008 and *Poverty Bites* CPAG Policy publication 2000.

CPAG’s proposals in detail

Although in some of the grants we propose below we have suggested a possible level of the grant this is an issue which needs more assessment particularly if there are changes to benefits currently available to families or there are changes to VAT which would increase the cost of children’s clothing, food, and other necessities.

Child Development Grants (£545-1000)

Purpose:

These would be paid at the start of the school year and would be intended to meet/contribute to clothing, uniform and equipment needs that in practice parents have to pay to enable their children to participate fully in school. There is currently no duty on local authorities to provide assistance with school uniform costs, nor are schools required to provide help but children can be excluded from school for not wearing the right clothes. Although governments have advised that schools should devise uniforms that can be bought more cheaply from the main stores this is not necessarily followed by schools and children and parents pay the price of this. Under current social fund rules a CCG cannot be made to assist with the cost of uniform – it is expressly excluded by the directions.

This income given direct to the parent could help to redress the disadvantages of children from low income homes and facilitate more active participation in school and school activities. As the report *2 Skint 4 School* points out:

‘the links between socio-economic disadvantages and educational failure are complex’.

The report lists four of which two are most relevant in relation to this proposed grant, inadequate income and health inequalities.

Inadequate income:

‘Research indicates that in the UK income has an independent effect on children’s outcomes, on top of key aspects such as family background and children’s measured ability ‘

[P.Gregg. ‘Childhood poverty and life chances’ in ‘Why money matters: Family income, poverty and children’s lives’.Eds J. Strelitz and R. Lister Save the Children p.76]

Low achievement is closely associated with economic disadvantage. The report continues that parents are left struggling to provide nutritious food, warm and appropriate clothing for their children which has adverse consequences for their capacity to engage with the educational process.

Health inequalities: The report points to the marked differences in cognitive development and behaviour between children from advantaged and disadvantaged backgrounds.

The report lists a number of ways in which children from poor homes are prevented from getting the most out of school; for example the costs that may be imposed when a child starts school. In the report a lone parent says:

'The fuss the school made about school uniforms is a disgrace ...when he started I also had to buy an introductory kit for £22 – a plastic folder with stationery with the school logo.'

Child Development Grants will thus be particularly important if paid at the start of a school year when the child is moving to a new school when there are likely to be additional expenses.

The report refers to recent research showing that costs

'vary considerably between schools and can cause difficulties for low income families.'

Poorer children may not be able to go on school trips.....they may not attend social, school based events or concerts because of entrance costs or expensive dress code.

[*Adding up: The range and impact of school costs on families.* School Cost Coalition September 2007]

There are ongoing costs associated with home work – poorer children may not be able to buy set books or revision guides and are less likely to have access to computers and the internet at home.

[*Children and the internet: Research undertaken by OFCOM* indicates 'a stark social contrast between children from low income households who have internet access at home and those who do not'. (OFCOM June 2007)]

It is likely that with changes to the educational structures envisaged by the new government that the new Academies will be independent and not subject to guidance. It may be all the more necessary to protect the children who attend such schools so that they do have a real choice to go to academies. However it is worth reiterating that the direct and indirect costs of education have been rising despite the fact that it is termed a free education system. If this is the case children from low income homes deserve to have the resources that will enable them to participate fully in school.

Political context: It could well be argued that such a payment compliments the proposed pupil premium but in this case it goes to the parent rather than the school.

Apart from contributing towards school related costs CPAG recommends that the grant could also go towards sudden clothing needs created by growth spurts. This need is not covered by weekly benefit rates and an additional annual payment would

assist the parent replace, for example, reasonable quality footwear and other clothing.

Amount:

Realistically it would seem that a low income parent will need approximately £1000 – although a lower rate might be payable in a year in which a child does not change school. A lower rate might be the equivalent of the family element of child tax credit which is £545. However there is a need for further consideration and research as to what level of grant might be payable if such a payment was agreed.

Early Years Grants (or Child Development Grant) £545 - £1000

Purpose:

These should be paid to mark a child's birthday for the first four years of their life and before the child enters school and would go towards the child's development – would assist with clothing provision, suitable material to assist learning and development. It could also go towards nursery costs where this is not provided free when the child is 3 and 4.

Arguably the amount payable might be £545 (the amount of the current family element for a child under one) or a higher figure of £1000 particularly once the child reaches five and starts school.

The importance of adequate support in the child's early years has been emphasised frequently in research and CPAG believes the above proposals would be consistent with furthering the wellbeing of the child. In CPAG's report *2 skint 4 school*, Gabrielle Preston states that research from a wide spectrum of disciplines has indicated that a child's earliest experiences have a life-long impact on their development. Cognitive development lags behind those of more advantaged children. Moreover as CPAG's report points out 'children born into poor families are more likely to have a low birth weight and experience disability and ill health.'

A more detailed discussion of the role of Child Development Grants is set out in a joint publication by One Parent Families, Family Welfare Association and Child Poverty Action Group.

The payments of both of the above grants could be made by either DWP, DCSF via Children Centres or health visitors.

Annual winter fuel payments for low income families

Purpose:

An annual payment to help families meet heating costs.

Fuel poverty exists where a family must spend more than 16% of household income on fuel to obtain adequate heating. The level of fuel poverty has been increasing – in September 2008 it was 4 million households living in fuel poverty as against 1.2 million in 2004.

Energy prices have been rising rapidly in recent years – for example in January 2008 Npower put up its domestic electricity prices by an average of 12.7% and gas by 17.2%. It has been estimated that a 1% rise in energy prices results in a further 40,000 households falling into fuel poverty. An annual report on Fuel Poverty Statistics (Dept of Energy and Climate Change 2009) listed the following points:

- around 16% of all households live in fuel poverty
- fuel poverty rose rapidly between 2003 and 2007 to 13.2% of households
- Fuel poverty is a particular problem in vulnerable households, for example where there is a child, or a person who is elderly, long term sick or disabled.

National Energy Action has estimated that at least 13% of fuel poor households contain dependent children – this means there were in 2007 760,000 children living in fuel poverty in England without even looking at Scotland and Wales.

Moreover in the UK's Fuel Poverty Fifth Annual Progress Report (December 2007) the government admitted it would fail to meet its 2010 target of eradicating fuel poverty among vulnerable households by 1.2 million.

Either prices must be radically altered or those on very low incomes who do not currently have access to additional help should receive a winter fuel allowance. As prices continue to be very high with every sign that this will continue the government must provide this additional support to low income families by the payment of a winter fuel payment.

Assistance to make the existing housing stock more energy efficient is relatively limited. The capacity to reduce fuel costs also varies with the person's housing status as owner or tenant and those who live in houses in multiple occupation have very restricted scope for taking action to reduce heating costs.

Amount and when payable:

This could be set at a standard rate or reflect the size of the family. CPAG would welcome a higher rate for families with three or more children if such a payment was to be introduced.

It could be either an automatic payment for which a family would not need to make a claim or a simple claim form could be completed to indicate income and size of family. Alternatively information could be passed from the relevant section of DWP and HMRC depending on the type of means test used. CPAG recommends that receipt of either a means tested benefit or maximum CTC could act as a passport. (See appendix for details of a new formula for entitlement to payments from the Social Fund.)

We would suggest that the payment is made during February or March which is likely to coincide with a period of the coldest winter weather and the family will be likely to be spending more on heating.

CPAG proposes that this payment is delivered by DWP along with the other winter fuel payments to other groups.

Core Homes Grant/ Child Health and Safety Grant

Purpose:

To enable those on low incomes replace or repair certain vital items of household equipment in particular electrical and gas appliances accepted as essential in most family homes. What counts as essential has been identified by those involved in setting minimum income standards and usually includes the main electrical equipment a parent would need in the home. In the report 'Lump Sums' the organisations involved included in their list heating appliances, cooker, washing machine and fridge, the last particularly essential for those with young children and also if there is disability in the family. Non electrical/gas goods would include beds (and cot if appropriate) and bedding. Fridges are now essential because most homes do not have pantries or the space or facilities in which food can be safely stocked to keep cool and most food bought from a supermarket (the cheapest for most buyers) must be stored in a fridge. It is also particularly dangerous for families to have to rely on faulty gas appliances.

Such a grant is therefore essential to protect the health and safety of a child. There is no guarantee that the absence of one or more of the above items would enable a family to receive a CCG – a system of discretion and cash limited does not allow it. Instead, in order to obtain these essential items they would usually have to take out a loan from the social fund or from a private lender. Replacing what most people take for granted will be done by paying back a loan, and for many families this means going without food or warmth to pay the debt. The quotes below demonstrate the general hardship suffered by some families but although rates of benefit for children have increased in the last decade the costs of other essentials, such as fuel and water gone up disproportionately.

'One family had been living on benefit for over eight years and budgeted extremely rigidly. They set aside a fixed sum for bills and savings each week and the remainder they spent on food. If the bills were higher than expected they spent less on food... For example one week the family could not afford to eat anything other than beans on toast because an electricity bill was higher than expected.'

'[When money for food is running out] I improvise. One week I had only milk and flour so I made milk buns; they really filled us up.'

'It's horrible when she [the child] has a banana and then says 'Can I have an apple?' and you've got to stop her because it's got to last.'

Poverty Bites: Food Health and Families Elizabeth Dowler and Sheila Turner with Barbara Dobson CPAG policy publication 2000.

It is important that recognition of the need to replace electrical and gas appliances is accepted. In the original Lump Sums report the organisations stated that it might not be clear how often low income families may need to replace items because of wear and tear. The average lifetimes of durables may not reflect the longevity of poor quality, cheap or second hand items. However more recently even John Lewis has

suggested that electrical appliances are likely to have a life of around seven years!
[Comment made by customer services to CPAG staff member in 2009]

Other reasons apart from wear and tear may create the need for replacement:

- Loss of items through fire, flood, theft or other emergency
- Need for an additional item eg. because of a new child joins the household or child grows out of their cot.
- Additional needs reflecting illness or disability.

[this list is quoted in Lump Sums]

Level of grant:

We suggest that such a grant could be set at two levels – a standard higher rate aimed at funding several replacements where there is need – possible figure £500 and a lower amount to replace a particular item which was needed. Standard amounts for particular items could be updated on an annual basis and the higher grant could also be upgraded accordingly.

This grant is one which requires factual evidence of need from the claimant to enable a decision to be made by the DWP. This should be the only new targeted grant we recommend that requires more intensive work by the DWP.

Homes Resettlement Grant/ Secure Homes Grant

CPAG welcomes the proposal in the white paper to introduce a resettlement grant for those who are rehoused. Our concern would be that the criteria for qualification may be somewhat limited and we would recommend that this is reconsidered.

In Lump Sums (p.37) it was proposed that the grant should be made to assist those who are rehoused to enable them to provide the basics to furnish a home. The groups eligible should be a person fleeing domestic violence, those in need of a home because of relationship breakdown or homelessness, and other groups subject to threats of violence for different reasons eg. racist violence or threats against a family because of their religion.

A standard list of items for furnishing a home need to be priced and this total paid to the claimant unless they already have some or all the essentials.

In CPAG's view the criteria for eligibility need to have some flexibility because it would be reasonable to argue that if the person has to move to new accommodation for a broader range of reasons and has a need for these items then a grant should be available. A person who becomes disabled may need a different type of accommodation but might still need some new furnishings.

The amount to be paid might cover a range of items and it would be appropriate for the grant to be set at maximum at the sum total for all items.

Community Care Grant (rename Discretionary Social Fund Grant)

Provided claimants have access to regulated based grants to meet such necessities as we have outlined, CPAG does not oppose the provision of discretionary payments. It is important that they are seen as additional to payments that are paid as of right if certain conditions are met. It is our view that the name of the existing grant may be somewhat misleading unless the Department chooses to keep one that does relate to the concept of community care while introducing another which is general in its scope. It is important that claimants are not deterred from claiming a benefit because of its name.

Additional Discretionary Loan

It could be useful to retain a power to pay a top up loan to leave the Department with some scope to meet unusually high costs. However it is CPAG's view that these payments should be monitored to check if they create additional debt and indirectly more hardship for claimants.

New financial eligibility criteria for access to Social Fund proposed

It is not sufficient or fair that only those on means tested benefits should have access to social fund payments. An appendix sets out the different ways in which payments are made for children and includes two calculations relating to the impact of tax credits on eligibility criteria covering:

- those not in work
- those in low paid work

The DWP also need to consider whether a single person (including a lone parent) should have access to a grant if they receive a non means tested benefit such as jobseekers allowance or employment and support allowance but have no other income.

In the case of lone parents there is also the impact of part time work. Currently a small number of pilots have allowed lone parents with younger children to work part time (under 16 hours) and continue to claim means tested benefit. The earnings disregard is increased as part of this pilot. Again it will be a problem for these families if they are unable to access grants because they have tried to return to the job market by taking part time work.

Other comments on the white paper

Referral for debt advice

There are a number of proposals which suggest that families need help dealing with debt and managing access to social fund loans. This may more be a reflection of the problems of trying to manage on an extremely low income. However it is would be appropriate for any family who is repaying a social fund loan to be advised about

independent debt advice available from Money Advice Services and any information about loans from the Social Fund should give claimants advice about their services. In some cases there may be negotiations with debtors that are possible to arrange and as a result the claimant may not need to access a social fund loan.

A single gateway?

We think it is helpful if claimants are allowed to apply to the social fund as a whole – in this sense we refer to the ‘Discretionary Social Fund’ and this was the case when the system was first introduced. It then means that an application under one heading can be reconsidered under another. A person who has been awarded a social fund budgeting loan (assuming no change is made to provision) should have their application considered for a community care grant. The processing of the BLs is normally quicker because it is done by computer and in accordance with a formula but that may mean in some cases that a person who has need for a certain item is refused the loan because of the outstanding debt on a previous loan but a CCG should be considered instead.

Financial independence for a person who receives a resettlement grant

The very fact that the claimant has received a grant and not a loan will reduce the problems of budgeting. Again any additional financial management should be a question referred to experts in that field eg. Money Advice Services.

Students and payments from the social fund

CPAG’s paper has not addressed the question of the needs of students. Where students have children for whom they are responsible it seem fair that they have access to the fund on the same income basis as a person in work or whose income is the equivalent of a means tested benefit. If they have children in receipt of maximum CTC could be a passport to additional assistance.

Scotland

CPAG has not taken a view on where powers should lie between Scottish and UK government. Our concern is that wherever those powers lie they are used to prevent and alleviate child poverty. As set out elsewhere in this response CPAG believes there is a need for fundamental change to the Social Fund based on the principle that grants are best made according to clear rules of entitlement, rather than discretion, and clearly recognise the fact that current UK benefit and tax credit rates are inadequate to protect children from poverty. Any proposals for further devolution would need to be considered in the context of the more fundamental reforms we propose, the smaller role discretionary payments would play in such a model and be in line with the underlying principles we have set out for social fund reform.

CPAG is concerned that if there is no fundamental reform of the social fund the devolution of the currently inadequate community care grant budgets, in isolation from the wider benefit and tax credits system, would not in itself contribute to

reducing and preventing child poverty. There is then a real risk the specific devolution proposed would risk exacerbating rather than reducing the postcode lottery associated with discretionary payments, fixed budgets and local delivery.

Consideration must also be taken of the need to understand social fund payments as an integral part of wider, currently reserved, benefit and tax credit mechanisms for raising family income as mentioned earlier.

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.

Beth Lakhani
Welfare Rights Worker
Child Poverty Action Group
94 White Lion Street
London N1 9PF
tel: 020 7837 7979
fax: 020 7837 6414
email: blakhani@cpag.org.uk

Child Poverty Action Group is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339), and is a company limited by guarantee, registered in England (registration number 1993854). VAT number: 690 808117

Appendix

Alternative formulas to decide entitlement

I have included two, one of which preserves the existing situation as though the child allowances are still included in the income related benefits and the second which suggests a more generous version so as to allow those who have moved into work to qualify.

NB. The figures are based on calculations for levels of benefit and tax credits in 2009/10.

Note on the level of support for children

The following are weekly figures:

First child:

Child tax credit £53.41 (this includes the family element of CTC)

Plus

Child benefit £20.00 (child benefit rate for first child)

Total is £73.41

Second child:

Child tax credit (without the family element) £42.91

Plus

Child benefit (at the rate for second child) £13.20

Total is £56.11

Calculated via income related benefits (paid as part of income support and occasionally as part of income based jobseekers allowance)

First Child:

£56.11 child allowance

Plus

£ 17.30 family premium

Total is £73.41

(Child benefit counts as income if the income related benefit is paid with a child allowance. The child benefit thus reduces the amount of the total income based benefit but the total payable is the same).

Second child:

£56.11 child allowance

The family allowance is only paid once and the child benefit is taken into account so that the total payable is £56.11

Thus the children's rates however compiled total

£73.41 (first child) and after that £56.11 per child

[There are special rules relating to children under one.]

The two formulas

1. To ensure that those who lose access to the fund purely because the child element is no longer included in the means tested applicable amount nevertheless retain eligibility for social fund payments.

Calculate a notional applicable amount consisting of:

- The adults' applicable amount, plus
- The children rates (according to the number of children in the family)
- The total is the figure to use to check if the claimant has an income that will allow her/him/ them to qualify for a social fund payment.

Calculate the claimants' income, but disregard any payment for children from tax credits and child benefit. If this is the same or more than this notional applicable amount then there is no eligibility for a social fund payment on income grounds. If it is less then eligibility for a social fund is established.

The above simply re-establishes the old test of entitlement to a social fund payment as though the child allowances were part of the income related benefit applicable amount.

2. To extend entitlement to those with a limited income from work whether full or part time using a specified threshold to decide eligibility for the social fund.

CPAG believes that people who move into work should also have access to the social fund. Given the emphasis of current policy of encouraging most people to work subject to sanctions (although with certain exceptions) it nevertheless remains true that many of those who move into work are living on a low wage. CPAG believes it is

unfair and unrealistic to exclude those who are in low paid work from entitlement to assistance from the social fund. Moreover a lack of access to the Social Fund if in work is yet another disincentive to take employment and takes no account of the fact that claimants may have very little additional money in work if any and may also have expenses associated with working. The additional payments made to lone parents in the first year of a return to work are only limited. After a year the lone parent will probably experience a drop in the tax credit award (because it will then be assessed on a year in which there is some income from work rather than a nil income figure while on means tested benefits) plus the loss of the Return to work payments. Access to the fund will be all the more important if wages are low.

CPAG would recommend some investigation of what might be an appropriate threshold but would suggest the following should qualify

- A person in receipt of maximum WTC
- A person in receipt of maximum WTC and maximum CTC,
- A person in receipt of WTC and maximum CTC.
- A person in receipt of maximum CTC but no WTC but this category might be subject to a fixed threshold.

The level at which maximum CTC starts to be reduced may be higher where a person in receipt of WTC is able to claim the child care element of WTC. It may be appropriate to fix the level of income for this purpose either at an agreed figure at or above the existing threshold for paying maximum CTC to those not in work or in order to recognise the importance of encouraging people to take up work or at least not be a disincentive to doing so. Many low paid claimants have insecure work and are not able to make use of the existing child care element of WTC.