

Poverty

The Social Fund: a review of selected literature

Communities Analytical Services (Dec 2010)

Following the Calman Commission's recommendation in 2009 that the discretionary Social Fund be devolved to Scotland, a literature review was undertaken to examine what the Social Fund consists of, how it operates and who benefits from it. The review also considers how the Social Fund could be more fully aligned to Scottish Government priorities and what the possible consequences would be of enacting the Calman Commission proposal to devolve responsibility for it.

Main Findings

Administration, approval and appeals:

- The research highlights criticism of the administration of the Social Fund, with the accessibility of the application process for some users (lengthy forms and unanswered telephone enquiries for example) causing particular concern. This criticism is balanced by some evidence of more positive experiences, however, and for some the experience of seeking help from the Fund is considered both straightforward and positive.
- Approximately one third of all applications are unsuccessful and DWP data suggests this is due to applicants failing to meet the strict eligibility criteria. Rates of revised decisions at appeal are high, which may be indicative of poor decision making at the earlier stages.

Repayment:

- The requirement to repay Social Fund loans can further reduce the income of Social Fund users, placing some in debt and others into increased financial hardship after the immediate benefits of the loan have receded.
- Those repaying loans do not receive statements to inform them of their outstanding balance and how much they are required to pay. This can make budgeting more difficult for those in receipt of awards.

Users and benefits:

- Older people have particularly low rates of take up of all parts of the Fund. Other demographic groups access the Fund in different ways, with unemployed people accounting for the largest share of Crisis Loan use whilst the other two awards are used most by lone parents and disabled people.
- The most impoverished and vulnerable of eligible groups are the primary applicants to the Social Fund. Awareness of the Fund, as well as need, does influence the decision to apply, which indicates that within this most vulnerable group there is a further sub category of better informed individuals who actually apply.
- Although there is little evidence regarding benefits for users, DWP research suggests the Social Fund often had a significant impact on people's personal situation, enabling them to purchase essentials, pay bills and improve their homes. Budgeting Loans were identified as being highly valued by recipients.
- Repeat usage of the Fund is common which implies that while the Fund may satisfy short term requirements, it may also create longer term dependency. There is some evidence to suggest that those with more knowledge of the Fund are more likely to be successful and may therefore be placed at a disproportionate advantage.

Evidence:

- Significant evidence gaps exist, including; the use of the Fund in Scotland; the everyday experiences of applicants; the views of the Jobcentre Plus staff who administer the Fund and; the extent of repeat applications.

Background

Introduced in 1988 as part of the Social Security Act 1986 to replace the Supplementary Benefit 'Single Payment Scheme', the Social Fund is currently administered by the Department for Work and Pensions (DWP). The Fund aims to provide support to individuals on low incomes to meet unexpected expenditure that cannot be accommodated from other benefit payments they receive.

The Social Fund comprises of two parts: the **regulated** Fund and the **discretionary** Fund. The regulated Fund includes Sure Start Maternity Grants, Cold Weather Payments and Funeral Grants. For each of these awards, certain groups have an entitlement. By contrast, the **discretionary** Social Fund does not entitle anyone to support as of right. It has three elements; Community Care Grants, Budgeting Loans and Crisis Loans. The regulated Social Fund is not considered in this review as the Calman Commission specifically suggested devolving only the discretionary Fund.

The Social Fund is a UK wide scheme with priorities decided by the Secretary of State for Work and Pensions. It is administered by Jobcentre Plus. As part of the Calman Commission on Scottish Devolution, it was recommended that Scotland should consider whether increased devolution of the Social Fund, which was seen as closely aligned to current responsibilities, would allow the "Scottish Parliament to serve its people better. Calman suggests that this could be achieved by devolving a baseline amount of funding based on historic spending. In addition to the Calman Commission's recommendation, there has been significant criticism of the administration of the Social Fund. The consequences of such criticism have resulted in considerable research on the area, and regular small changes to the Social Fund.

More recently, the DWP (2010) released a consultation document on the Social Fund. The consultation suggested that administration of Community Care Grants and a per capita proportion of the Community Care Grant budget could be devolved to the Scottish Government. This proposal was less far reaching than Calman's recommendation that all three parts of the Social Fund should be devolved to the Scottish Government.

Detailed Findings

The Social Fund and key policy priorities

The Social Fund is clearly consistent with a number of UK and Scottish Government priorities. In relation to UK policy priorities, it supports the Care in the Community agenda, tackling poverty, and in more recent years, the financial

inclusion agenda. Within Scotland, the same broad aims are supported. However, the Social Fund also supports other key Scottish Government policy priorities including the commitment to advance wellbeing, the joined up approach to Social Work, the early intervention approach to tackling homelessness and local authorities' responsibility to promote the welfare of children in their area.

How the Social Fund currently operates

There are three awards available as part of the Social Fund:

- **Community Care Grants** – payable to vulnerable individuals who are leaving, or at risk of entering care, and families under exceptional pressures
- **Budgeting Loans** – for expenditure on major items such as furniture and clothes
- **Crisis Loans** – to prevent damage to health and safety.

Applicants for Community Care Grants must be claiming Jobseekers Allowance (income based), Employment and Support Allowance (income based), Income Support or Pension Credit, or be about to leave care and believe that they will be eligible to claim one of these benefits once they have left care. Budgeting Loans are only available to those who have claimed one of the above benefits for six months. Crisis Loans do not have any such conditions, although they are means tested. Receipt of a Social Fund award does not have any impact on other benefits claimed by the recipient.

The Budget

The Fund is a UK wide scheme administered by Jobcentre Plus. The budget for 2009/10 was £792m, although only £300.1m of this is net funding, with the remaining amount coming from the repayment of loans. The gross discretionary Social Fund budget for 2010/11 is £802m with £482.3m coming from forecast loan recovery. During the year 2008/09 approximately five million applications were made to the Social Fund – just under 6 million applications were received in 2009/10.

Applying for the Social Fund

Applications can be made on paper forms available from Jobcentre Plus offices or online, although some research found that potential applicants had been refused a form or discouraged from applying. The primary method of applying for Crisis Loan applications is by telephone, currently free for the majority of users. However, the literature indicates that applying by phone has proven impossible for many, with only 45% of calls answered in 2008/09. A home-visit may be made for the most vulnerable applicants.

All three awards have high rates of initial refusals. In particular, over half of applications for the Community Care Grant are refused. Evidence suggests that in the majority of cases refusals are made because applicants do not meet the strict criteria for eligibility, although this should not be confused with applicants not being in need. Research by the voluntary sector suggests it is likely that alongside the high rates of refusal, many awards are for less than the full amount applied for (although there is a lack of administrative data to confirm this).

Making an appeal

The first tier of the appeals process involves a review within Jobcentre Plus. Following such a review, if an applicant is still dissatisfied they can appeal to the Independent Review Service headed by the Social Fund Commissioner. At review, a decision and/or the amount awarded can be revised if the original decision was based upon an incorrect application of the law or it was not a fair use of the Officer's discretion. However, when carrying out a review, officers must consider local budgets. This can create a conflict between satisfying the strict application criteria and the amount of funding available to give out in awards.

Applications for review are much higher for Community Care Grants than the two types of loans. It is possible that for Crisis Loan applicants the immediacy of their need and the requirement to apply for review by post makes the possibility of review less accessible. The literature shows there are high rates of revised decisions (although this may not be wholly in the applicant's favour) upon further review. This may be indicative of poor decision making at earlier stages.

Repaying loans

There are three different levels of loan repayment available; 5%, 10% and 12% of weekly income, including child benefit but excluding housing costs. Where possible, repayments are made directly from benefits and consequently users are not given statements. This can make budgeting difficult for those in receipt of awards.

The literature indicates that the requirement to repay loans can further reduce the income of Social Fund users, placing some into debt and/or further financial hardship. If a user experiences a change in circumstances they can ask for their repayments to be rescheduled, although this facility is not widely known about among users.

Who benefits from the Social Fund?

Administrative data divides users into five groups: pensioners, the unemployed, disabled people, lone parents and others. Take up rates of all three elements of the Fund are particularly low for older people. The majority of Crisis Loan use is by unemployed people, and the majority of Budgeting Loan and Community Care Grants are awarded to lone parents. Disabled people account for between a fifth and a third of spending on the three different awards.

The data available also breaks down use of the individual awards. Over half of the Community Care Grant budget is used to support families under exceptional pressure, with almost a third used to support people to remain in the community. Families also account for over two thirds of expenditure on Budgeting Loans. Almost one third of Crisis Loan use is for 'alignment payments' to provide subsistence to benefit claimants while their claims are being processed.

Research has found that the poorest of those eligible to apply to the fund are the primary users. Evidence further indicates that, as awareness of the Fund is limited, it is only the most aware of this particularly vulnerable group who are able to access the Fund.

Benefits of Social Fund use

Research shows that use of the Social Fund allows applicants to purchase essentials and pay bills. Although research descriptions of the application process were largely negative, the effect of having an award from the Social Fund was seen as positive.

The research provides limited evidence that the Social Fund is a cost-effective investment for the state. For example, the Fund is likely to prevent other more costly Government interventions such as placing an applicant, or their child(ren), into care. Although the full extent of repeat use is unknown, it is apparent that repeated use of the Fund is common. The Social Fund cannot, therefore, be assumed to address long term financial issues, and indeed could be interpreted as sustaining a pattern of dependency.

Conclusions and Alternative Models

The majority of the literature focussed on the administration of the Social Fund and was mainly critical of this aspect. Significant evidence gaps exist, including; the use of the Fund in Scotland; the everyday experiences of applicants; the views of Jobcentre Plus staff who administer the Fund; administration costs and; the extent of partial awards and repeat applications.

The literature suggests that if the Fund were devolved to Scotland it should have an increased focus on:

- early intervention to prevent individuals reaching a crisis point
- linking with existing services in order to provide more holistic support
- increasing support for those re-entering the community (those leaving local authority care, hospital or prison for example) and entering or leaving the workforce
- key life events that are not currently covered by the Social Fund

Alternative models

Drawing on the literature reviewed, three possible models for reforming the Social Fund could be considered, these consist of:

1. Improving the current system
2. Developing a new system of grants
3. Implementing a holistic model based on Scottish Government priorities

The first of these models involves retaining the structure of the current system but improving its administration. This would include providing all of those repaying loans with regular statements and increasing signposting to alternative sources of support, for example. The second model, as advocated by the voluntary sector, would involve modifying the structure of the current system by retaining Budgeting Loans and Crisis Loans but replacing Community Care Grants with a more extended set of grants – such as child development grants, health and safety grants and, if financially viable, regular grants.

The final model would involve taking an entirely different approach in which the aims of the Social Fund were integrated into a holistic model of client support focussed on early intervention to prevent people reaching a crisis point. Drawing on findings from the Working for Families Fund, this model would ensure clients receive holistic, flexible support in response to their individual needs and circumstances. If any of the models were adopted, it is suggested that administration and delivery methods should be closely considered. In particular, ease of access for users should be a priority.

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