

DEPARTMENT FOR WORK AND PENSIONS SOCIAL FUND REFORM CONSULTATION PAPER

Response by the Money Advice Trust (June 2010)



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INTRODUCTION

About the Money Advice Trust

The Money Advice Trust (MAT) is a charity formed in 1991 to increase the quality and availability of money advice in the UK. We work with the UK's leading money advice agencies, government and the private sector to increase the availability of money advice, improve its quality, and enhance the efficiency and effectiveness of its delivery.

MAT's vision is to reduce levels of unmanageable debt by:

- Ensuring high-quality money advice through training and support for advisers
- Collecting and disseminating information on debt, credit and the money advice sector
- Improving efficiency and effectiveness within the money advice sector via research and policy work
- Providing advice via National Debtline and Business Debtline
- Raising funds for the sector.

How we have drawn up this response

In preparing this response, we have consulted our partner agencies in the free-to-client money advice sector in order to achieve a consensus view. These partners include:

- Advice NI
- Advice UK
- Citizens Advice
- Citizens Advice Northern Ireland
- Citizens Advice Scotland
- Institute of Money Advisers
- Money Advice Scotland
- National Debtline and Business Debtline (where relevant)
- Payplan.

Some of these partner agencies will also submit their own separate responses to this consultation paper. These submissions may include issues not covered below. Please note, our partner agencies may not have provided views on this response where this consultation paper does not cover their specific jurisdiction.

Please note that we consent to public disclosure of this response.

Introduction

Whilst we welcome the opportunity to comment upon the questions outlined in the consultation paper, we do not feel the proposed reforms to the social fund go far enough in assisting low-income households with credit and debt. The short-term and medium term proposals for change are not sufficient to address what we regard to be key flaws in the current system.

It is worth pointing out that benefit levels are at such a low level that it is not possible for anyone to live at benefit level income long-term without there being a need for help to pay for one-off items. We would therefore favour a system of grants over loans where possible. Deductions from benefit to repay loans, reduces a minimum level income even further and is not sustainable long term. More could be done to address the levels at which deductions from benefits to repay loans are set to minimise the impact of repayment on household finances. Often the level of repayment proposed is unaffordable from the outset but benefit claimants either do not realise that they can ask for a lower repayment rate or worry that this will jeopardise that loan. Advisers often see people who are repaying social fund loans who also have priority debts and/or direct deductions from their benefit, who are under huge financial stress. Only after the intervention of a money adviser does the issues of the level of repayment for the social fund get addressed.

We would welcome a debate about expanding eligibility for social fund payments to groups of very low-income households who are currently excluded from provision such as those on Child Tax Credit (where their gross annual income is less than a specified amount), Housing Benefit and Council Tax Rebate. Unless the social fund is reformed or there is a massively increased injection of funding into third-sector credit union provision, there will continue to be little option for low-income families except to resort to high-cost credit and even loan sharks to meet their needs.

We also suggest that the budgetary limits for the discretionary social fund should be removed. An inequitable fund allocation arrangement creates a 'postcode lottery'. According to which if the fund in a given benefits agency jurisdiction has run out, no more budgeting loans or community care grants will be awarded within the financial period in question. Decisions on eligibility for the social fund should not depend upon budgetary constraints or where someone lives. That individual's application should be decided upon its merits, and not that of the district budget.

We are also concerned that the social fund operates under a framework for decision-making that sits outside the structure applying to other benefits, and does not allow for access to an appeal tribunal.

Responses to individual questions

Question 1 What types of intervention would be most useful for customers?

Clearly, this will depend upon the circumstances, vulnerability and coping ability of the applicant. Even those identified in the paper as being highly skilled budgeters, may benefit from signposting to a range of organisations, as listed in our response to question 6 below. The paper says at 3.5:

“We would do this with the clear recognition that not all our customers suffer from poor budgeting skills. Many people who make use of Social Fund loans and grants are highly skilled budgeters – their use of the limited resources available to them emphasises this.”

It must be recognised that anyone who is eligible for the social fund is clearly on an extremely low income derived from the benefits they receive. Even if they are coping well, they may not be aware of other help available to them.

Question 2 When do you feel it is most effective to intervene in a customers’ interaction with the Social Fund, for example following a second loan application?

It would appear reasonable to intervene after a second crisis loan application and to offer support through an interview to look at the needs of the applicant in a more holistic fashion. However, there needs to be further thought given to this as to whether this will happen automatically or on consideration of the nature of the loan applications. For example, the two applications could be due to completely unconnected events and follow no pattern that makes intervention necessary.

Although we would urge the DWP to make sure their staff take a cautious approach to following this up in the interview with “more stringent checks on what they need the money for” as suggested at point 3.9 of the paper, to avoid this becoming an exercise in discouraging the application.

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

We feel that this is a difficult question to answer. We question whether or not a more automated system is appropriate? Clearly, the point of an automated system is that there is little human intervention. An automated service is not necessarily a better service. If the automated system does not serve people well the first time round, then further demand is generated as a result. Increased resources needed to resolve the failure of the automated system.

We would draw your attention to the Council on Social Action research which has pointed to the importance of good one-to-one relationships between the service provider and their client.¹

We can only suggest that the application system would need to include trigger questions that would aid identification that the applicant may have further support needs. Such questions could be built into a phone or face-to-face interview but decision makers would need careful training in how to approach such issues.

It would need careful thought as to what questions would be helpful here. We would suggest this be worked out with the assistance of specialists from the third sector. This could involve, for example, the Money, Tax and Benefits Cluster.² Applications could be accompanied by a plain English leaflet (with versions in other languages) or online “extra help” alerts outlining what help is available and how to access it. However, it is doubtful that this is the optimum way of engaging with vulnerable social fund applicants who are under many pressures in their lives.

Question 4 Who do you think would be best placed to carry out these interventions?

It would appear likely that social fund decision makers would be the most likely to be in a position to assess that intervention is needed. It clearly depends upon the detail of the more “automated” system the DWP puts into place. We would suggest that the assistance could possibly be provided by third-sector organisations once the need has been identified. In addition it would be vital that full independence be maintained by third-sector organisations, whose position would be compromised by being seen to be any part of the decision-making process. Any third-sector involvement would need to be subject to rigorous selection for expertise and capacity. If social fund staff were to carry out the assessments, then further specialist training would be required.

¹ Time well spent <http://www.community-links.org/our-national-work/publications/time-well-spent/>

² The Money Tax and Benefits cluster is a Ministry of Justice initiative driven by the need to ensure that all citizens and businesses are able to find timely and effective advice and support to help them resolve their problems. The cluster is designed to bring helplines that provide information and advice on similar or linked topics together to support and strengthen both individual and collective provision to helpline users.

Concerns expressed by our partners include:

- Depending upon the resource allocations attached to these contracts, contractual requirements may incentivise providers to focus on targets to the detriment of the wellbeing of clients;
- Services may be directed towards those 'easiest to help' and be skewed from those hardest to help as these people may require longer term support; may need more resources in terms of support and may affect the contractors 'statistics';
- We would advocate involvement of service users and potential service providers in the contract design and commissioning stages as well as delivery stage. This inclusive approach should enable a more robust and effective approach – utilizing the expertise, skills and experience of all stakeholders;
- There must be clear accountability processes in place. Social security benefit claimants are used to dealing with, in the main, civil service staff. Any withdrawal from direct provision, replaced by third party involvement may serve to blur and confuse claimants; perhaps leaving them susceptible to unethical work practices as the provider is more concerned with achieving targets than providing a high quality service for the claimant. Claimants may feel unable to oppose or complain about such an approach by a service provider because they may feel that their benefit could be jeopardised;
- Whilst services may be 'contracted out', ultimately the particular Government Department must retain responsibility for the effectiveness of the service. A strategy for robustly monitoring and evaluating the performance of providers must be in place, and must include effective and independent mechanisms for garnering the views of service users;
- Tendering for a contract must place heavy reliance on quality as opposed to price – due to the vulnerable nature of the client group;
- There must be sufficient resources within contractual arrangements to ensure that work can be carried out not only to the required specification but also to the highest standard. Partners believe that the vulnerable clients concerned deserve no less;
- If such contracts are subject to competitive tendering, then the price will be driven down and as such will serve to reduce the resources available;
- Moves towards third party delivery must ensure equality of access. Coverage is important because the particular client group may not have the means to travel and compensate for the providers' own lack of coverage across a particular geographical area.

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

Whilst we support the aim of a single gateway in simplifying the process for applicants, we have concerns that there would be a temptation to “gate keep” access to community care grants. Rigorous mechanisms would need to be put into place to avoid staff dissuading applicants from making applications for grants due to budgetary restraints. However, a single gateway could have the effect of removing the “post code lottery” element of decision making if local budget restraints were removed. This would enhance conformity and consistency of decision making.

We are concerned about the suggestion in the paper at point 3.20 that an adviser would assess needs and decide upon the most appropriate form of help.

“Instead they would only need to make one application and then an adviser would consider their individual needs, taking account of their Social Fund history and any extra support that was required, and decide upon the most appropriate form of assistance.”

There needs to be clarification as to how the review process will be affected by such a move. We do not see how the current review system where a review is sought for an individual decision to refuse a grant or loan would work in this context. Would there be scope for a review of the overall decision taken by the “adviser” as to “*the most appropriate form of assistance*” in a particular case?

Careful thought needs to be given to the mechanisms for delivering a single gateway given the potential vulnerability of the applicants, particularly for crisis loans. The application should be dealt with by the most appropriate channel. Will the application go to a central team, or to local offices? Will further information and support be provided via interview or telephone? Will a central or local helpline be provided for support?

Question 6 What support is most needed by those applying for multiple discretionary grants?

We welcome the proposal for a full financial health check to be offered to applicants. As suggested in the paper at point 3.13:

“This could include a check to see if they are receiving the appropriate benefits, are able to access the right financial support, are getting additional help to move into work and resolve housing problems, and so on.”

It would be advantageous to provide such services by a combination of provision, depending upon the needs of the applicant. In principle, the idea of a full financial health check is extremely attractive, but we would suggest that DWP staff would need full training to carry out such highly skilled tasks. Alternatively, a funding stream would be required for third-sector organisations to be contracted to take on such a role.

However, we would provide a note of caution regarding the concept of “referral fatigue”. It is all very well to provide a list of referral agencies, or the number of a helpline, but this requires potentially vulnerable people in distress to ring that helpline, or make an appointment with possibly a variety of other organisations. Either referrals would need to be made as seamless as possible, or services provided via a “one-stop shop” type system which we imagine would be costly. We can see an advantage to contracting with third-sector organisations that could provide key services in-house. However, there needs to be considerable thought given to the capacity of third-sector organisations to deal with these demands.

As well as financial support, those applying for multiple discretionary grants may be in need of a variety of other support. The following list is clearly not exhaustive and provides examples only.

- Money guidance from Moneymadeclear;
- Holistic debt advice from free, independent money advice providers;³
- Savings and loans with local credit unions;
- the Post Office as both a developing basic bank and in providing access to credit union accounts and as a collection point for social fund payments;
- The Stop Loan Sharks helpline;
- Housing advice from Shelter and local housing aid centres;
- Partnerships with social landlords such as housing associations;
- Benefits advice from Welfare Rights agencies and local authorities;
- Advice on charitable grants available from Turn2us;
- Energy advice from the Energy Saving Trust;
- Community Legal Advice (England & Wales only);
- The Savings Gateway;
- A range of subject specific charitable organisations such as AgeUK, Dial UK, gambling and addiction charities, One Parent Families, Relate, Rethink and so on.

³ For a list of the main free-to-client providers of money advice in England, Wales, Scotland and Northern Ireland please see <http://www.moneyadvice-trust.org/section.asp?sid=23>.

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

We are generally supportive of this idea. However, partners have concerns as to whether this approach can work. AdviceNI in particular state:

“Government frequently highlights that financial inclusion is a high priority. Advice NI fails to see how the proposal to award goods and services ‘in kind’ will promote financial inclusion. Depending on the process (on which there is no detail) this may well further marginalise, exclude and stigmatise benefit claimants.”

There should be a cautious approach to this matter. Any development should be subject to the caveats identified in the paper relating to retaining an element of choice, that goods are of a high quality and not identifiable as being sourced from the social fund and an increase in the overall grants budget as a consequence of savings made. Restrictions on the resources available to third-party providers may well drive down the quality of the services and goods provided, as providers strive to provide these goods and services at least cost.

There may be very valid practical reasons why a “one size fits all” approach to bulk supply of goods may not be appropriate. For example there may be particular needs related to a disability such as hypoallergenic bedding that would be not met by standard bedding items.

We have some concerns around the proposal in the paper to provide a guarantee for a limited period only with the aim of reducing the need for repeat applications. Where the item in question is a consumer durable such as a fridge, cooker etc, we would expect the guarantee to be equivalent to the usual commercial guarantees provided by vendors under consumer law. Where a large-scale contract has been agreed for the supply of such goods between the manufacturer or vendor and the social fund contractor, replacement of faulty goods would need to be negotiated as part of that contract. This would help reduce the need for repeat applications still further.

Great care would need to be taken over the choice of partner agencies and suppliers to ensure the most cost-effective deals that are both good value and ensure the quality of the goods provided. There is a risk that scarce resources could be deflected to administration of this third party provision rather than directly to the people who need the help.

Also, where a payment/gift card is provided for a particular supplier such as the Family Fund model for Argos, Comet and so on, there will presumably not be any savings for bulk supply. We recognise that this approach maximises individual choice (within budget).

We would seek clarification as to whether the scheme would also cover delivery and fitting charges for items such as white goods.

We would also seek assurances that a redress mechanism would be in place to allow a review of the decision to award particular goods and services. As an example, if a decision maker decides to order a particular item that it transpires is inappropriate or inadequate for the needs of the applicant, what would be the right of redress in such circumstances? It does not seem acceptable that the applicant would be made to accept the items even if not suitable.

Question 8 In what circumstances do you think a resettlement grant should be given?

We strongly support the introduction of a resettlement grant as part of the regulated Social Fund. As the consultation paper says at point 4.3:

“This could be delivered through the regulated part of the Social Fund, making it more automated, easier for applicants to understand, and more straightforward to administer, which could speed up payment times.”

However, the effectiveness of a resettlement grant will largely depend upon the financial level that it is set at and what items of expenditure it is intended to cover.

We would expect that our colleagues in the not-for-profit sector who deal with particular client groups in emergency situations or who deal with residential care will be better placed to comment. However, we would envisage that at the very least the following circumstances would indicate the need for a resettlement grant:

- Leaving residential or institutional care;
- Fleeing domestic violence;
- Surviving a disaster such as fire or flood;
- Relationship breakdown in some circumstances;
- Currently homeless;
- In hostel or night shelter accommodation;
- In temporary accommodation;
- Moving between family or friends without permanent accommodation;
- Vulnerability due to another substantive reason such as an addiction, mental health problem, disability or illness and so on;
- Those setting up home permanently for the first time in the UK e.g. following a successful application for asylum where granted refugee status, discretionary or exceptional leave to remain or humanitarian protection;

- Coming out of prison (which we understand is subject to a separate review).

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

As indicated in the consultation paper in point 4.18, there is likely to be a wide range of needs for additional support given the diverse groups that may be eligible for a resettlement grant. We are pleased to note that the paper recognises the need for flexibility and variation in the support provided, as one size will most definitely not fit all.

“We recognise the range of needs of those who are likely to apply for a resettlement grant, given our initial thinking on the circumstances under which people may be eligible, so the support provided would need to be flexible, personalised and varied enough to meet those needs.”

However, it is possible to look at a range of support that could be provided for each applicant using a personalised approach to formulating a plan. This might involve support with any of the following:

- Housing deposits and rent in advance;
- Work related expenses;
- Education and training expenses and advice;
- Budgeting and money management skills;
- Benefits advice;
- Debt advice;
- Literacy skills;
- English language skills;
- Relationship counselling;
- Addiction rehabilitation and counselling;
- Domestic skills such as cooking, cleaning, house maintenance and so on.

Question 10 Do you think that students not in receipt of welfare benefits should qualify for financial help with funeral payments? If so, how should we identify these students?

We would support extending the scope of the social fund to cover funeral payments for students who are not in receipt of welfare benefits. Where higher education students have been assessed under the income eligibility rules for student loans and grants, then this could passport them through to qualify for help with funeral payments. Identification of qualifying students could be based on eligibility for the full income-assessed element of the maintenance grant in England, and the equivalent for Wales, Scotland and Northern Ireland.

Question 11 Should we restrict access to students in full-time higher education? Should we consider an age limit? Any other criteria?

We would be supportive of a scheme that ensures wide access to as broad a range of students as possible. We see no merit in an age limit as the eligibility criteria should be based on the status of the applicant as a student rather than their age. We cannot see a good reason for restricting access to those students in full-time higher education only.

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

We do not have a strong preference either way. Our concern is that overall, the functionality and effectiveness of social fund access and delivery is improved whichever Government is responsible.



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