

“Local Support to replace Community Care Grants and Crisis Loans for living expenses – A call for evidence”

Department for Work and Pensions

Response from Barnardo's, April 2011

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Introduction

1. Barnardo's works directly with more than 100,000 children, young people and their families every year in 415 services across the UK. These services are located in some of the most disadvantaged neighbourhoods. We work with children affected by today's most urgent issues: poverty, homelessness, disability and abuse. Barnardo's aims to reduce the impact of poverty on children, young people, families and communities through social, economic and community action – around one third of our work focuses on the alleviation of poverty, and it is an inescapable element of nearly all our services.

Summary of key points

2. We understand that in the light of criticism from the National Audit Office and the Public Accounts Committee, there is a need to review arrangements for Community Care Grants. We also recognise that Government is concerned that demand for Crisis Loans has grown enormously in recent years and that the introduction of Universal Credit in 2013 is an opportunity to reform the current system. We would welcome the involvement of the voluntary sector in delivering new local services to vulnerable families in need.
3. However, we are very concerned that these reforms will impact negatively on the most vulnerable families and children in the UK. This consultation response sets out our concerns on the following issues:
 - Abolishing Community Care Grants and most elements of the Crisis Loan
 - Removal of ring-fenced funding and lack of guidelines for Local Authorities
 - Abolition of the Office of the Social Fund Commissioner
 - How the new system will work for the Devolved Administrations
 - Timing and implementation of the proposed changes.

4. Barnardo's is extremely concerned about the way in which the Government is proposing to abolish Community Care Grants and most aspects of Crisis Loans. Replacing these with 'emergency help' administered by Local Authorities and Devolved Administrations without ring-fenced funding or guidelines is likely to impact negatively on the poorest families. Government should review the impact that this would have on disadvantaged families; particularly lone parents, those with disabilities and families where one or more parents are unemployed. At a time of rising fuel, food and housing costs and high levels of unemployment there could be dire consequences for the poorest families and their children.
5. Barnardo's also opposes the abolition of the Social Fund Commissioner¹, the independence of which makes an important contribution to the operation of the fund; with over 47,000 decisions reviewed in 2009/10². Without an independent commissioner to scrutinise how the new system will be implemented, there will be a lack of transparency, huge regional variations and the potential for many disadvantaged families to be refused much needed emergency support.
6. We are concerned over the timing of the implementation of the new system in 2013 when Universal Credit is introduced. To make changes to a vital safety net at a time of other transitions, could leave many families without basic necessities whilst they adapt to their changing circumstances.

Current use of the Social Fund

7. There is clearly increasing need for the support of the Social Fund, particularly with many people feeling the effects of the recession. According to Social Fund Annual Reports³, demand for Community Care Grants and Crisis Loans has risen for the last three years in a row. The Budget in 2009 announced additional net funding for Social Fund Loans in 2009/10 and 2010/11 to cover increased demand during the recession.⁴ Applications received for Community Care Grants increased from 588,000 to 640,000 in 2009/10 and applications for Crisis Loans increased by 25.9% from 2,895,000 to 3,645,000.
8. We are concerned that recent changes to the Social Fund will impact on the most vulnerable families at a time when demand is growing. Barnardo's has seen an increase for emergency help from its small grants programme. From April to December 2010 we gave 1312 emergency grants totalling £328,000. This represents an increase of 17% compared with the previous year. We make emergency payments because in our experience more and more families do not have the small amounts of money needed to buy basic household goods such as a cot, or a bed or school uniforms. Emergency measures implemented in March 2011 such as restricting the number of crisis loans a person can apply for, to reduce the rate paid for living expenses from 75% to 60% of benefit rate and to stop paying crisis loans for cookers and beds affect the poorest the hardest. Any further restrictions under

¹ Welfare Reform Bill, 2011, <http://www.publications.parliament.uk/pa/cm201011/cmbills/154/11154.51-55.html#j4001>

² Social Fund Annual Report, DWP, <http://www.dwp.gov.uk/docs/2009-annual-report-social-fund.pdf>

³ Social Fund Annual Reports, DWP, <http://www.dwp.gov.uk/publications/corporate-publications/#sfannualreport>

⁴ Social Fund Annual Report, DWP, <http://www.dwp.gov.uk/docs/2010-annual-report-social-fund.pdf>

- the new system will again disproportionately affect the most vulnerable, and voluntary organisations do not always have the resources available to pick up the pieces.
9. Barnardo's services often come into contact with families where no one is in paid employment and who struggle to access mainstream financial services, such as bank accounts, on demand overdrafts and affordable loans and credit cards. Barnardo's 2009 Report, *Counting on Credit*⁵, examined the financial circumstances of families living in poverty. The Social Fund played an important role in the lives of many of the most disadvantaged families.
 10. The majority of the families involved in the research had previously resorted to the Social Fund when in crisis and many had received support on more than one occasion. In the absence of this they resorted to doorstep lenders⁶. Barnardo's has found an example of a washing machine listed with a cash price of £479.99 that could be bought online elsewhere for £337. When the cost of credit – at 49.9 per cent APR – and maintenance were added, the total amount repayable was £1,137.24 – more than three times the cash price elsewhere.⁷
 11. In our experience families become trapped in a cycle of debt and have few options other than doorstep lenders or 'pay as you view'. The range of options available for families to save for emergencies are very limited. For example, Credit Unions can play an important role in building financial capability, but their availability across the country is limited, and for the most vulnerable families it can be difficult to borrow if they have not already saved with the Credit Union.
 12. Some of the main recipients of the Social Fund include lone parents, those with disabilities, and the unemployed; with lone parents receiving £31.9 million of Community Care Grants and £16.8 million in Crisis Loans⁸. By removing the current system of financial support, many of the most disadvantaged families will suffer and will be forced to turn to doorstep lenders who charge extortionate rates of interest. In Barnardo's report, *Below the Breadline*⁹, one of the families in our research had a loan of £100 over 31 weeks from the Provident at a rate of 367 per cent APR. **Barnardo's recommends that when families are in need of the new emergency help system, they should also be offered support and advice around financial capability and debt problems to ensure their needs are fully met. Local Authorities should also link this to work around financial inclusion, to ensure that vulnerable and disadvantaged families have access to a bank account.**

⁵ Counting on Credit, Barnardo's, 2009. http://www.barnardos.org.uk/280709_counting_on_credit.pdf

⁶ Doorstep lenders: Doorstep lending is usually offered to people on low incomes who would find it difficult to borrow money from other sources. They are able to borrow small sums in cash over short periods of time and are charged very high interest rates. They repay the money on a weekly basis to a local agent who calls to their home.

⁷ Counting on Credit, Barnardo's, 2009. http://www.barnardos.org.uk/280709_counting_on_credit.pdf

⁸ Social Fund Annual Report, DWP, <http://www.dwp.gov.uk/docs/2010-annual-report-social-fund.pdf>

⁹ Below the Breadline, 2009, Barnardo's, http://www.barnardos.org.uk/11325_breadline_report_final.pdf

CASE STUDY: Gregory's Place, Manchester

Gregory's Place provides advocacy and rights support for children and families in the asylum system, predominantly to young people who have been trafficked, and to those with health needs such as being HIV+.

These families have access to very little financial support, and most of Gregory's Place's service users have accessed Community Care Grants when they received Indefinite Leave to Remain and their children and families greatly benefited from them. Many of Gregory's Place service users have accessed Crisis Loans – which enabled them to feed and clothe their children.

Implementation of the proposed changes – key concerns and recommendations

13. Our key issues for the proposed changes include:
 - Geographical consistency
 - Allocation of budgets
 - Emergency provision and unforeseen circumstances
 - Capacity of Local Authorities to deliver support
 - Start-up costs for the new system
 - How the new system will work for Devolved Administrations
 - Forcing disadvantaged families to doorstep lenders
 - A lack of analysis in the DWP Impact Assessment
 - Abolition of the Office of the Social Fund Commissioner.

14. The Government needs to review the proposals to abolish the current system of Community Care Grants and most elements of Crisis Loans, as they are likely to have serious consequences for the most disadvantaged families already living in poverty. **The Government should delay the proposed changes to the Social Fund, as it will be a vital safety net for families migrating over to the Universal Credit in 2013.**

15. Non ring-fencing of the Social Fund budget could lead to the funding being spent in different ways and on different services. For example, with Budgeting Loans geographical consistency for applicants has been in place since 2009, with people in similar personal circumstances able to borrow the same amount, irrespective of where they live. This was achieved by all local decision makers applying the same Budgeting Loan maximum amounts, and by making in year re-allocations to local budgets.¹⁰ The new system could lead to different thresholds across the country so that families in similar circumstances, living in different regions, could be entitled to very different levels of support. **If the Government continues with these proposals they need to set clear guidelines to Local Authorities on how the new system should be administered and how they will work with the voluntary and community sector to do this. Clear guidelines will ensure that everybody who is in need of emergency support will have access to it.**

¹⁰ Social Fund Annual Report, DWP, <http://www.dwp.gov.uk/docs/2009-annual-report-social-fund.pdf>

16. Barnardo's is concerned about how budgets will be allocated to each local area, and would like to see further details of how the funding will be distributed. If the allocations are based on previous demand, how will the fund cope with unforeseen circumstances – such as a high volume of job losses in one area, or a localised emergency situation, such as flooding for example? This could lead back to the issues of limited cash allocations before central management of the system – whereby funding would run out half way through the year as demand in certain areas would be high. This has already been evidenced in 2011 with emergency restrictions in place to cope with demand.¹¹ **The Government needs to have a clear strategy on how the funding will be allocated to local areas, and needs to set out how it will prevent previous problems of the limited cash allocations. We would urge that the money is allocated as cash payments to families and not in the form of vouchers or goods in kind.**
17. Local Authorities who have high rates of deprivation in their local areas, such as some inner London Boroughs for example, could already be well equipped to support the most disadvantaged families who need emergency help for living expenses. However, Barnardo's is concerned that other Local Authorities around the country will not be prepared to support clients who need emergency help, particularly in rural areas, or areas where there are low levels of deprivation. In these areas vulnerable families could be overlooked and lose out. **Local Authorities should be transparent in how they allocate support under the new system, by publishing details online alongside their other expenditure. They should highlight how it supports people in need in their local areas and should also set out local plans for financial inclusion.**
18. Barnardo's is also concerned about the timeliness of payments and support for families in need. We are concerned that Local Authorities will not have the resources to process a crisis payment or support for the most vulnerable families on a Friday afternoon, or over the weekend, for example. **Local Authorities should set out clear plans as to how they will support the most vulnerable during out of office hours; this could be done through partnerships with the voluntary sector.**
19. The consultation document highlights that Local Authorities will be fully funded to distribute emergency funds. Barnardo's is concerned that start up costs for new Local Authority arrangements will be taken from the existing budgets, thereby limiting the funds available for the most disadvantaged families. Administration costs in some areas may also be higher than in others, and ultimately lead to less support for the poorest families in those areas. **Barnardo's recommends that groups of Local Authorities could work together to reduce administration costs and to ensure more support goes to those families who need it.**
20. Whilst we recognise that the consultation applies only to England, Barnardo's operates across the UK and is concerned about the lack of clarity as to how the new system will function in the Devolved Administrations. We would expect there to be some coordination in policy across the nations. A literature review was issued by the Scottish Government social policy team in December 2010, which concluded

¹¹ DWP Press Release, <http://www.dwp.gov.uk/newsroom/press-releases/2011/mar-2011/dwp024-11.shtml>

by saying “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.”¹² We therefore have serious concerns over how this would work if it were devolved to local areas in Scotland. **Devolved Administrations need to conduct further research and find evidence as to how the new system could work for their nations. The Government should work with the Devolved Administrations to ensure consistency of approach and implementation based on best practice.**

21. The Impact Assessment covering the proposals for the new system is also worryingly lacking in detail. Further analysis of the impact on the affected client groups should be undertaken before any radical measures are taken. The Impact Assessment also states that there will be no Post Implementation Review of the localisation of emergency payments, to assess costs and benefits and identify unintended consequences. **If this is the case then Local Authorities should be required to report on the outcomes of the provision in their local areas.**

Social Fund Commissioner

22. Abolition of the Social Fund Commissioner¹³ means that nobody will independently scrutinise the way emergency payments are allocated to support the most disadvantaged families. Social Fund Inspectors are appointed by, and are accountable to, the Social Fund Commissioner. In 2009/2010, Social Fund Inspectors reviewed nearly 47,000 reviewing officer decisions; demonstrating a clear need for independent review and scrutiny of decisions.¹⁴ **The Social Fund Commissioner should be retained to add independent scrutiny to the new structure. The role of the independent Commissioner is even more important during the transition process to a new model of delivery, to ensure that the most vulnerable clients are still given access to the support that they need. We believe there is a clear need for:**

- **A set of national guidelines for applications to the new scheme**
- **An independent appeal structure attached to these guidelines.**

¹² The Social Fund, A Review of Selected Literature: Research Findings, The Scottish Government 2010, <http://www.scotland.gov.uk/Publications/2010/12/22083549/0>

¹³ Welfare Reform Bill, 2011, <http://www.publications.parliament.uk/pa/cm201011/embills/154/11154.51-55.html#j4001>

¹⁴ Social Fund Annual Report, DWP, <http://www.dwp.gov.uk/docs/2010-annual-report-social-fund.pdf>