

SOCIAL FUND REFORM IN THE WELFARE REFORM BILL: ABOLITION OF COMMUNITY CARE GRANTS AND CRISIS LOANS

LORDS REPORT STAGE BRIEFING, JAN 2012

- **Clauses 69-72 of the Welfare Reform Bill outline the abolition of the discretionary Social Fund, which includes Community Care Grants and Crisis Loans.**
- These are the very last safety net in the social security system for the very poorest and most vulnerable in society who are suffering emergency situations and traumatic events such as homelessness, domestic violence, or sudden hospitalisation of a relative.
- Some of the funding used to provide these will be passed to local authorities and the devolved administrations – **but the 22 charities and organisations listed below have serious concerns related to the lack of safeguards in the proposals.**
- This briefing outlines our concerns and three amendments which have been tabled to address these. **We urge you to consider these arguments and attend the debate, which is likely to be on Wednesday 11 January.**



AMENDMENTS ON THE ABOLITION OF CRISIS LOANS AND COMMUNITY CARE GRANTS BRIEFING FOR HOUSE OF LORDS WELFARE REFORM BILL REPORT STAGE (JAN 2012)

This briefing has been prepared by Family Action and is supported by:

Barnardo's	Buttle UK	Church Action on Poverty	Grandparents Plus
Citizens Advice	Children's Society	Child Poverty Action Group	Community Links
Crisis	Homeless Link	Family Rights Group	Gingerbread
Platform 51	St. Mungo's	National Housing Federation	Save the Children
Scope	Shelter	Twins and Multiple Births Association	
Women's Aid	Oxfam GB		

Family Action supports 45,000 families every year, providing early intervention services that help people parent their children safely and move towards employment, training and volunteering. We are also a voluntary provider of welfare grants to people in financial difficulties who have often applied to the social fund but received an award which was insufficient to meet their needs, or were turned down.

What are Crisis Loans and Community Care Grants?

These form part of the discretionary Social Fund and act as the very last safety net in the social security system for the very poorest and most vulnerable in society who are suffering emergency situations or traumatic life events, such as a family member who is unexpectedly taken into hospital, homelessness, or a violent relationship breakdown.

Community Care Grants are paid to people receiving out-of-work benefits to enable them to remain living in their home, or set up their own home. This avoids the loss of independence and high cost a move into supported accommodation would entail.

Key users of the scheme include women who have fled domestic violence, recently homeless people who have been housed, young people leaving a children's home or foster care, and those with chronic health conditions or disabilities who need aids or adaptations to avoid them going into hospital or residential care.

The Grants help applicants buy basic yet essential items such as beds and bedding, clothing, cookers, cooking equipment, and curtains. In 2010/11 254,000 awards were made and the average amount awarded was £466ⁱ.

Crisis Loansⁱⁱ are interest-free loans payable when there is an immediate threat to the health and safety of an applicant and/or their family – for instance for bus or cab fares when a child is taken into hospital, after disasters such as a flood or fire, or when a fridge or freezer breaks down ruining a family's food and they have no money to buy more. In 2010/11 2.7 million awards were made and the average award was £83ⁱ.

The proposals in the Welfare Reform Bill

Clauses 69-72 abolish the discretionary Social Fund. DWP will retain responsibility for two elements of this fund, in a different form – Budgeting Loans (paid to people on some benefits to help them budget for regular but relatively expensive purchases) and Alignment Payments (paid as a form of Crisis Loan to people waiting for their benefit claim to be processed).

However, Crisis Loans for all other purposes and Community Care Grants will be abolished. Instead, local authorities and the devolved administrations will be given some funding to deliver replacement services. DWP argue this will enable a more responsive, local service to be provided. However, there are a lack of safeguards in the bill and we are seriously concerned about these proposals for number of reasons:

"The CCG [grant] meant such a lot, I had been in a refuge, I had very few possessions as I had had to leave them all behind, and I had no money for personal belongings like furniture and white goods.

The CCG helped me make my flat into a home.'

A woman who fled domestic violence and was supported to move to private rented accommodation

- There will be no statutory duty for local authorities to provide any emergency assistance, potentially leaving the poorest in society with no access to emergency cash when their health and safety is at risk, or their families are under exceptional pressure through bereavement or illness.
- The replacement local funding will not be ringfenced and is being cut from £293m in 2010/11 to £178m when the new system starts in 2013ⁱⁱⁱ. Councils themselves have suggested this money will be diverted to plug gaps in other budgets, and some favour a ringfence to avoid this.^{iv}
- Many groups who use the social fund – such as women fleeing domestic violence and homeless people – are mobile and they will not be protected from any test of local connection councils may choose to apply in order to ration their limited funds.
- There is a lack of accountability in the proposals. There will be no duty on councils to report how they have spent their funding, and the independent review service for rejected applicants is also being abolished. The social fund supports society's poorest, most vulnerable groups, who often lack the public profile or means to hold councils to account for the support they provide.

Grants and loans from the social fund can make a life-changing difference to people who are suffering extreme hardship, who need to be protected from the cuts in support and postcode lotteries which will result from the proposals in the Bill. **Three amendments to address these issues have been tabled and are described on pages 3-5. We urge Peers to consider the arguments in favour of them and attend the debate, which is likely to be on 11 January 2012.**

"I am feeling better... [without financial help] I would still be sitting here with nothing. I probably would have ended up back in supported housing."
Family Action service user with a mental health condition, London

Grant-giving charities are already overstretched and unable to meet existing demand. In 2010/11 Family Action's welfare grants service saw a 9% increase in demand on the previous year, at the same time as their available funds are shrinking due to lower returns on their investments. 27% of applications were from women fleeing domestic violence, up from 18% in 2009/10.

Lisa was awarded a Community Care Grant after being forced to leave her furniture and most of her possessions behind when she fled a violent partner with her three sons. She lived in a refuge and then temporary accommodation. When she moved into permanent accommodation, she had hardly any belongings and no money to furnish the partially-furnished house.

Lisa's fear of being isolated and lonely in her unfurnished, unpainted room was exacerbating her mental health problems, making her unable to unpack any of the items from her move. She slept in the bed of her middle son and her social worker emphasised how important it was to furnish her room, so she could sleep alone and move towards an independent and organised life.

Lisa was awarded a grant for a bed, bedding and drawers, which helped her feel more at home, gave her the emotional strength to start unpacking her boxes, and meant her and her middle son were able to sleep comfortably, alone.. She said *'I've been waiting for this flat for six-and-a-half years, and for once in my life I can call a place home for the first time. For once in my life, my kids and I have a home... I just want to get myself better.'* This to this help, Lisa was able to start rebuilding her shattered confidence.

Paul lived in supported housing for eight years due to mental health issues. When his condition improved, he was offered his own flat more quickly than he expected. He had no money for a cooker and washing machine, but received one offer of accommodation he had to either accept or forfeit. He didn't want to reject it and wait another year for his own home.

Paul was receiving Income Support and had no savings to fall back on to furnish the property. He needed a cooker and washing machine to cook and freeze cheap, healthy meals and live independently. Paul received a social fund Community Care Grant of £300 for a cooker. These made a crucial difference to him – ensuring his health and wellbeing did not deteriorate, meaning he stayed out of supported

accommodation, and enabling him to continue taking his cooking class, which helped him socially. He told Family Action *'without a gas cooker I wasn't eating healthily... now I can make healthy food and put it in my freezer... before I had to eat out which is expensive.'* Without help from the social fund Paul thought he would have ended up back in supported housing.

AMENDMENT 1: RINGFENCING THE REPLACEMENT FUNDING TO LOCAL AUTHORITIES

- 1.1 This amendment is designed to ensure the replacement funding to local authorities is ringfenced solely for the purpose it is intended for, providing emergency support to people and enabling them to live in, or remain living in, the community.

Clause 69, page 54, line 8, at end insert:
“providing those amounts are ring-fenced for the purpose set out in that Act”

- 1.2 This amendment was tabled at Lords Committee stage, prompting a wide-ranging debate during which Conservative, Crossbench, Labour and Liberal Democrat Peers spoke in favour of ringfencing. For the Government, Lord Freud acknowledged the Committee had made *'some pretty powerful argumentation'*^v in favour of ringfencing, and promised to consider this matter further.

- 1.3 There will be no statutory duty on local authorities to provide a social fund-type service. Without ringfencing of the funds, hard-pressed local authorities may use money allocated to them to replace the social fund to supplement funding of other services, leaving applicants subject to a postcode lottery.

- 1.4 These concerns are confirmed by recent DWP research^{iv} (December 2011) looking at local authorities' plans to replace the social fund. Paragraph 46 states:

'A number of authorities were concerned that without a ringfence and some level of reporting funding would quickly become amalgamated into existing budgets and as a result its identity, visibility and purpose would be lost. A second concern was that Councillors or Directorate heads would redirect the funding to plug gaps in other budgets. The most common example mentioned was the Social Care budget.' (page 13)

This DWP publication reiterated Lord Freud's promise to consider the issue, stating DWP is 'taking stock' of these concerns. It will therefore be important to use Report stage to press for further commitments.

Other local services for the poorest in society which are not ringfenced have seen cuts in funding

- 1.5 Recent experience with Supporting People's funding – which is paid to help local authorities house vulnerable homeless people – shows what can happen when ringfences are removed. Research by Homeless Link^{vi} has found that removing the ringfence from this has resulted in almost half of councils cutting their spending on this by more than their grant from Central Government was cut.

- 1.6 Examples of severe cuts to this funding include 45% in Nottingham and Hull, and 40% in Cornwall. This has put vulnerable people at risk and shunted costs elsewhere in the system, for example when people with severe mental health problems are unable to maintain their tenancy and have to be moved into expensive institutional care.

- 1.6 The lack of ringfence for the Supporting People's funding means the Government is powerless in the face of these large cuts. Those drove the Housing Minister Grant Shapps to write to the Local Government Association in January 2011, stating *'It is difficult to understand why some councils appear to be targeting any disproportionate spending reductions on programmes that support the most vulnerable people in their communities.'*^{vii}

- 1.7 We believe the localised social fund must be ringfenced to protect the final safety net for the poorest at times of acute need, and to help ensure local authorities can be held to account for the type of support they choose to provide.

AMENDMENT 2: PREVENTING LOCAL AUTHORITIES FROM USING LOCAL CONNECTION TESTS TO DENY SUPPORT TO VULNERABLE GROUPS

- 2.1 The Social Fund is used by people from a range of groups who, by their nature, are highly mobile with no or few links to a particular area. The funding local authorities will have to deliver a replacement service will be significantly lower than DWP's current expenditure. This amendment would ensure local authorities cannot use a test of local connection to ration their funding by refusing support to those without a connection.

Clause 69, page 54, after line 8, insert new section—

- () Where amounts are re-allocated to local authorities in accordance with subsection (5), the Secretary of State shall first publish local connection eligibility rules, which must provide that persons falling into the following categories are not made ineligible for support on the basis of any test of local residence or local connection—
- (a) people fleeing domestic violence;
 - (b) young people leaving local authority care;
 - (c) people who are homeless, or who have been homeless within the last 12 months;
 - (d) people leaving institutional or residential care, including a hospital, prison or young offenders' institution.

- 2.2 Users of the social fund are unlikely to be highly visible and able to hold local councils to account. Although some local authorities will respond to their needs, as the expert on financial capability and inclusion Professor Elaine Kempson said to the Public (Welfare Reform) Bill Committee in oral evidence, *"Some will provide a better service than we have now; many will provide a worse service; and some, I fear, will provide almost no service."*^{viii}
- 2.3 Recent analysis of 500 discretionary Social Fund applications^{ix} showed that:
- Twelve per cent involved someone leaving institutional or residential care;
 - Twenty per cent involved someone who had experienced a period of homelessness; and,
 - Eight per cent involved someone leaving prison.
- 2.4 These groups of people are much less likely than others to be able to demonstrate local connection. Without crucial assistance from a Community Care Grant to buy essential items such as cooking equipment and bedding, they may struggle to set up and maintain a home. This puts them at risk of reoffending or moving back into temporary or institutional accommodation, which is far more costly and means they lose their newly-found independence.
- 2.5 The issue of vulnerable groups and local connection is recognised in housing legislation, where people with no local connection anywhere must be assisted by the local authority they originally apply to. We believe similar provisions should apply to protect these groups in the absence of a standard, national social fund, especially as the Welfare Reform Bill also abolishes the Independent Review Service which reviews refused social fund applications.

Women fleeing domestic violence

- 2.6 We are particularly concerned that, in the absence of a national Social Fund scheme which treats all applicants equally, women who have experienced domestic violence will be discouraged from moving elsewhere to flee their violent partner, or return to their partner because they are unable to provide basic household items such as a cooker to prepare cheap, healthy food for themselves

and their children. Family Action has calculated the cost of establishing a *very* basic family home using a cheaper shop such as Argos as £2,268^x.

- 2.7 Women's Aid's Annual Survey shows that 17,000 women and 18,000 children used refuge accommodation last year (2009-10). Feedback from their national network of domestic violence services shows that many survivors rely on the Social Fund to provide basic furniture, cookers and white goods once they have left their partners and are living in new, permanent accommodation. CLG figures^{xi} show that, in 2009/10, 5,620 households were in priority housing need due to the violent breakdown of a relationship.

Homeless people

- 2.8 A recent survey of 343 housing advisers^{xii} conducted by Crisis shows the importance of the Social Fund in helping homeless people move into settled, permanent housing:
- 72% said the Social Fund was 'vital' to their work with a further 23% saying it was 'important'.
 - Over 80% said they used the Social Fund to help homeless people furnish their properties.
 - The amount most commonly applied for was between £250 and £500 – an extremely modest amount given The Care Leavers' Foundation estimated the cost of basic furnishings for a one bed flat at £2,556 in 2009^{xiii}.
- 2.9 Crisis Loans can be used to pay for rent in advance for homeless people who have found their own tenancy. 69% of the housing advisers surveyed said they used the Social Fund to help vulnerable people access private rented sector accommodation. With this sector increasingly being used to meet housing need and resolve homelessness, it is deeply worrying this vital funding is likely to be harder to access, with only partial replacement through benefit advances and discretionary housing payments – funding which can also be used for other purposes - proposed.

AMENDMENT 3: MANDATORY REPORTING ON LOCALISED SOCIAL FUND ALLOCATIONS AND EXPENDITURE FOR THE FIVE YEARS FOLLOWING THE CHANGES

- 3.1 This amendment is based on recommendation 25 from the Communities and Local Government Select Committee enquiry on localisation issues in welfare reform^{xiv}, which recommended monitoring local spending on the social fund for the first five years of the new arrangements.
- 3.2 This would increase the accountability of local authorities by requiring the Government to publish the amount allocated to each area to provide emergency assistance, and also to account for the way this money is spent in each area.

Clause 69, page 54, after line 8, insert new section—

“() Where amounts are re-allocated to local authorities as described in subsection (5), the Secretary of State must publish the following information annually for five years following the first re-allocation—

(a) the amount of money which has been re-allocated from the Consolidated Fund in each local authority; and,

(b) an annual report accounting for the expenditure of these amounts in each local authority area.”

- 3.3 An explicit commitment from Government to account for the expenditure of these funds would discourage local authorities from diverting their Social Fund allocations elsewhere, for example to social care, as some councils suggested will happen when interviewed in recent DWP research^{iv}.

- 3.4.1 It would also improve local accountability for the delivery of the localised social fund by enabling local voluntary organisations and advice services to monitor and hold councils accountable for the emergency support they provide, whilst also allowing monitoring of national trends in Social Fund-style assistance once the national service has been abolished.
- 3.4.2 The localised nature of the support means there is no guarantee of the right to a timely, independent appeal service for decisions, as the current Independent Review Service for the Social Fund is also being abolished. This makes it all the more important that there is a mechanism to hold local authorities to account.

REFERENCES

ⁱ DWP (2011) *Annual report by the Secretary of State on the social fund*
<http://www.dwp.gov.uk/docs/2011-annual-report-social-fund.pdf>

ⁱⁱ There are two main types of Crisis Loan – one is paid for living expenses in a crisis, the other is an ‘alignment payment’ paid by DWP to cover delays in processing benefit claims. DWP will continue to provide alignment payments using a new system when, so this briefing is focused on Crisis Loans for living expenses, which will be localised.

ⁱⁱⁱ £293m is the sum of 2010/11 spending on Community Care Grants and Crisis Loans for general living expenses, rent in advance, and items and services detailed in DWP’s 2010/11 annual report referenced above.

The future expenditure of £178m is referenced in paragraph 60 of DWP (2011) *Local support to replace Community Care Grants and Crisis Loans for living expenses in England*,
<http://www.dwp.gov.uk/docs/social-fund-localisation-response.pdf>

^{iv} See paragraph 46 of DWP (2011) *Local authority fieldwork summary report*,
<http://www.dwp.gov.uk/docs/social-fund-la-fieldwork-summary.pdf>

^v House of Lords Committee Stage Welfare Reform Bill Debate, 10 November 2011, Column GC139
<http://www.publications.parliament.uk/pa/ld201011/ldhansrd/text/111110-gc0002.htm>

^{vi} Homeless Link (2011) *Counting the cost of cuts to homelessness support*
http://homeless.org.uk/sites/default/files/Homeless_Link_Counting_the_Cost_of_Cuts_final.pdf

^{vii} <http://www.communities.gov.uk/documents/localgovernment/pdf/28908820.pdf>

^{viii} Response to question 135 at
<http://www.publications.parliament.uk/pa/cm201011/cmpublic/welfare/110324/am/110324s01.htm>

^{ix} Independent Review Service for the Social Fund (2010) *Experiences of social fund customers*
<http://www.irs-review.org.uk/infocent/reports/sfc/ExpSFCustomersReport.pdf>

^x A breakdown of this figure is available upon request from Family Action.

^{xi} Communities and Local Government, *Homelessness Prevention and Relief 2009/10*,
<http://www.communities.gov.uk/publications/corporate/statistics/homelessnessprevention200910>

^{xii} Crisis survey of housing advisers on the Social Fund (2011) report available from Crisis on request.

^{xiii} <http://www.thecareleaversfoundation.org/documents/APlacetoCallHome-ASurveyonLeavingCareGrants.pdf>

^{xiv} September 2011,
<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/1406/140602.htm>