The Social Fund

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The Social Fund

Current role and future direction

Kate Legge, Yvette Hartfree, Bruce Stafford, Monica Magadi, Jacqueline Beckhelling, Line Nyhagen Predelli and Sue Middleton

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Summary

This report considers the role of the discretionary Social Fund in combating poverty and possible reforms to the scheme. It is mainly based upon secondary analysis of the Family Resources Survey and the Expenditure and Food Survey and qualitative research with benefit recipients: both discretionary Social Fund applicants and non-applicants, and people from a range of socio-economic backgrounds. Participants in the qualitative research discussed times of particular financial hardship, experiences of the Social Fund and possible reforms to the Social Fund.

Key findings

Current role of the discretionary Social Fund

Living on benefits

In general, living on benefits was a 'struggle'. Although recipients had sufficient income to pay utility bills and purchase low-cost food, they did not have enough income for clothes and shoes, children's school trips and activities, going out, holidays, gifts, or replacing household items. Both applicants and non-applicants were acutely aware that benefits did not provide a sufficient income for them to have items which society, and participants themselves, expected to be able to have, or to participate in the everyday activities enjoyed by their contemporaries. These unmet needs were not one-off, intermittent expenditures or emergencies, but were more persistent and regular.

Strategies for 'getting by'

- Benefit recipients coped on a day-to-day basis by:
  - minimising expenditure on, for example, food and clothes
  - carefully managing their money by spreading the cost of paying for items, where possible building up savings
  - juggling the payment of (usually utility) bills.

- When participants had an immediate need but no money their main options were:
  - using savings
  - asking family members for support
  - borrowing money from family or friends that had to be repaid
  - cutting back on expenditure even further by, for example, buying less or buying even cheaper grocery items, going without meals or heating and not paying utility bills
  - taking out loans or buying on credit through catalogues or hire purchase
  - applying to the discretionary Social Fund
  - selling (non-essential) possessions such as a stereo, TV or car – things which participants may have saved up for a long time to buy
  - seeking help from a charity
  - various forms of crime and fraud.

Characteristics of discretionary Social Fund recipients

- Analysis of the Family Resources Survey showed that people's chances of being awarded a discretionary Social Fund award vary by applicant characteristics.
  - Recipients of the discretionary Social Fund are more likely to: be families with children (for loans); be aged under 44 years; live in social or private rented accommodation; have, or live with an adult with, a disability; have two or more dependent children (for Budgeting Loans only); and live outside the South and East of Britain (for Budgeting Loans only).
  - Those less likely to receive a discretionary Social Fund award are pensioners, and households headed by an Asian, Asian British, Black or Black British person (for Budgeting Loans only).

Participants' experiences of Social Fund applications

- Although there were participants who were satisfied with the help they had received from the Social Fund, the overwhelming experience of participants was of the discretionary Social Fund not helping them meet their needs – often applications were refused or only a partial award was granted. Administrative data show that in 2004/05 the average amounts awarded were £390 for Community Care Grants, £405 for Budgeting Loans and £78 for Crisis Loans.

Repayment of Social Fund loans

- A major criticism of the Social Fund is that the repayment of loans from benefits further reduces the income of some of the poorest members of society. Loans are often repaid within 78 weeks, and the rate of repayment can be between 5 and 15 per cent of the weekly income depending upon personal circumstances. Administrative data reveal that in February 2003 the average weekly deduction was £10.58 from Income Support and £7.24 from Jobseeker's Allowance. The secondary analysis of the Expenditure and Food Survey (ESF) showed that the average weekly repayment was £10 (median £9), but could be as high as £45. The average repayment rate was 8 per cent of weekly income. 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 that children were at increased risk of poverty.

- The main issue for participants was not the principle of having to repay a loan whilst living on a low income but the level of the repayment, which was felt to be too high. The impact of having loan repayments deducted from benefits was that participants had to economise even further and had no choice but to manage on less income.

The use of Social Fund loans

- Social Fund loans are used mainly for furniture and furnishings, carpets and other floor coverings, and to some extent household textiles and appliances (refrigerators/freezers, washing machines and cookers).

Future direction of the discretionary Social Fund

Participants in the qualitative research discussed both reforms to the existing discretionary Social Fund and more fundamental reforms to the system.

Reforming the existing scheme

- Although views differed within and across discussion groups, most participants said that the Social Fund should cover the following needs:
  - household appliances, such as washing machines, cookers, refrigerators and boilers
  - holidays for families with children
  - Christmas for low-income families
  - fuel for heating and cooking
  - TV Licence
  - school uniform
  - school trips
  - transport, in particular travel to work.

- Participants were, in general, keen to extend the coverage of the discretionary Social Fund to recipients of other benefits (notably, Incapacity Benefit, Disability Living Allowance and Carer's Allowance, and contribution-based Jobseeker's Allowance for Community Care Grants and Budgeting Loans) and to people in low-paid work. However, participants found it difficult to determine an income threshold for eligibility. They were also in favour of abolishing the rule that people must be in receipt of a qualifying benefit for six months before being eligible for a Budgeting Loan. In addition, a higher threshold before savings were taken into account was proposed.

- Although participants found it easy to suggest priority groups for support, there was a strong feeling that those with immediate need had primacy rather than predetermined categories of people.

New models of support

- Participants in the discussion groups were asked to discuss whether the needs which they had identified as requiring government support should be met by grants, loans or some other form of provision. In some discussion groups there was strong support for grants rather than loans because they did not make people worse off. Nonetheless, Social Fund loans were seen to have some advantages: they were a welcome alternative to other forms of credit; they encouraged budgeting and care in expenditure decisions; and they could be repaid when in employment.

- Participants thought Social Fund loans should be made available more easily and there should be fewer restrictions on their use than at present because they were repaid.

- Social Fund awards are usually made as cash payments, and the participants discussed other forms of payment, in particular the use of vouchers. Whilst the shortcomings of a voucher system were acknowledged, including the risk of stigmatising users, participants saw some merits to the proposal. Their support was in part because they believed that vouchers would reduce the potential for misuse of the current Social Fund scheme and thus increase payments to 'genuine cases', and that vouchers would cover the full cost of items and so overcome the problems encountered by partial cash awards.

- Participants wanted awards to cover the costs of new items rather than second-hand or reconditioned goods. Views on whether the goods should be bottom or middle of the range varied.

Policy options

- Participants in the workshop were presented with the following six policy options:
  - Regular Winter Grants – grants could be paid at a certain time of the year, such as Christmas or in the summer, to help towards a day trip or holiday, or they could relate to key stages in children's lives, such as starting school.
  - Life Event Grants – grants could be made available to help at times of significant life events, such as moving into a new home or starting a new job.
  - Essential Items Grants – there could be a list of items that are seen as essential and for which there would be an entitlement to a grant. Examples of essential items could be: a cooker, refrigerator, beds and bedding, carpet, curtains and washing machine.
  - Crisis Payments (either grant or loan) – there could be provision similar to the current Crisis Loan for when people are unable to pay for something and when it is a serious risk to their health and safety. This would be a quick source of help for an emergency.
  - Interest Free Loans.
  - Low Interest Loans.

- In breakout groups (of single people, parents and retired people), workshop participants were asked to discuss these options and which they would combine in a reformed Social Fund scheme. The views of the three breakout groups differed. All groups excluded at least one scheme. Only Regular Grants and

Essential Items Grants were included in the final designs of all three groups, but the role of the Essential Items Grant differed between groups. For the parents group it was to be restricted to people setting up home for the first time. Notwithstanding the popularity of a grants-based system, all three groups included a loan scheme, mainly to limit the total cost of their preferred system. The Social Fund systems the three groups devised are shown in Table 1.

Table 1 Social Fund systems devised by policy groups

Options	Single persons' group	Parents group	Retired persons' group
Regular Grants	✓	✓	✓
Life Event Grants		✓	✓
Essential Items Grants	✓	✓ (when first setting up home only)	✓
Crisis Payments	✓ (grant)	✓ (loan)	
Interest Free Loans	✓		✓
Low Interest Loans		✓	✓

Conclusions

The discretionary Social Fund can help people on low incomes cope with expenses they cannot meet from regular income and reduces the material deprivation of those who are successful in receiving an award. Three groups of people were all more likely to receive a discretionary Social Fund award and were therefore more likely to be helped out of poverty:

- families with dependent children
- people with disabilities
- people living in accommodation rented from a social landlord.

However, overall, the discretionary Social Fund, in its current form, is making only a very *limited* contribution to reducing poverty. This is because:

- The discretionary Social Fund does not help certain groups who can be reasonably expected to need support – pensioners and households headed by a member of an ethnic minority are less likely to get a discretionary Social Fund award.

- The overwhelming experience of participants was of the discretionary Social Fund not helping them meet their needs as, often, applications were refused or only a partial award was granted. Where awards were received, within the context of their wider circumstances the contribution of the Social Fund to reducing their poverty was welcome, but minimal.

- The Social Fund does not reduce poverty when awards are received as loans rather than grants, as repayment of loans increases hardship.

There was no evidence to suggest that the discretionary Social Fund contributes to reducing social exclusion.

Recommendations for improving the existing Social Fund

- Quicker processing times for applications.

- Lower and negotiable loan repayment rates.

- More publicity about the review process and a quicker review process.

- More information in general about the Social Fund.

- A more fundamental review of the discretionary Social Fund.

Proposals for reform of the Social Fund

- The research team proposes:
  1. Regular Winter Grants to support people with additional winter expenses such as fuel bills or Christmas.
  2. Regular Start of School Grants to assist parents with buying school uniforms, shoes and equipment.
  3. Essential Items Grants to help with the cost of buying essential household items such as furniture, furnishings and appliances.
  4. Interest Free Loans to encourage social inclusion.
  5. Crisis Loans to assist in emergencies.

Grants and loans would be available to *all* benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

1 Introduction

The Social Fund provides grants and repayable loans to help people on a low income meet one-off expenditure on necessities (for example, beds and cookers), and to cope with emergencies (such as fire or flood damage to goods or property). The expenses incurred are those that applicants could not reasonably be expected to meet normally from their regular (benefit) income. The Social Fund comprises two different systems: a regulated scheme and a discretionary scheme. The former comprises Cold Weather Payments, Funeral Payments, Sure Start Maternity Grants and Winter Fuel Payments, whilst the latter consists of Community Care Grants, Budgeting Loans and Crisis Loans. The research reported here is concerned only with the discretionary scheme. This report covers both the current role of the discretionary Social Fund in tackling poverty and social exclusion and the public's views on its possible reform.

This chapter briefly discusses the aims and main features of the (discretionary) Social Fund, as well as the main criticisms that have been made of its design and operation. It next considers the aims and design of the research and then outlines the structure of the rest of the report.

The discretionary Social Fund

Aims of the Social Fund

The Social Fund, which was established by the Social Security Act 1986 and came into operation in 1988, replaced single payments of Supplementary Benefit for one-off needs. Its introduction was part of a wider package of measures designed to target means-tested benefits on low-income households. More specifically, the original aims of the Social Fund were:

- to support the Government's economic objectives by containing expenditure within the Social Fund budget;
- to handle the arrangements in a way that did not prejudice the efficiency of the main Income Support scheme;
- to concentrate attention and help on those applicants facing greatest difficulties in managing on their income;

- to enable a more varied response to inescapable individual need than could be achieved under the previous rules;

- to break new ground in the field of community care.

(National Audit Office, 1991, para. 1.5)

Description of the discretionary Social Fund

As already mentioned, the discretionary Social Fund has three elements: Community Care Grants, Budgeting Loans and Crisis Loans. In recent years there has been an increase in the number of discretionary Social Fund applications but there was a decrease last year. In 2003/04 there were 3.7 million applications to the discretionary Social Fund, which was an increase of 3 per cent on the number in 1999/2000 (3.6 million) but in 2004/05 applications decreased to 3.5 million (DSS, 2000; DWP, 2004b, 2005a). From 1999/2000 to 2002/03 the number of awards increased from 2.2 million to 2.5 million, and have remained at over 2.5 million since 2003/04 (DSS, 2000; DWP, 2001a, 2002, 2003, 2004b, 2005a).

Community Care Grants are non-repayable and intended to help people in specific circumstances to live independently in the community. Grants may be awarded to people who are leaving accommodation in which they received care, to help people to continue to live in the community rather than enter care, to help people in a resettlement programme to set up home, to ease exceptional pressures on families and to assist with certain travelling expenses (DWP, 2004a). They are currently only available to people getting Income Support, income-based Jobseeker's Allowance, Pension Credit or payment on account of one of these benefits, or to people who are leaving care within six weeks and who are likely to be entitled to one of these benefits on discharge. The rules in relation to capital stipulate that when capital exceeds £500 (or £1,000 for people over 60) the excess is deducted from any grant that would be otherwise payable (DWP, 2004a).

The Community Care Grants scheme is the smallest component of the discretionary Social Fund. In 2004/05 there were 566,000 applications for Community Care Grants and 261,000 awards (DWP, 2005a). However, expenditure on Community Care Grants was £127.1 million, which was approximately three to four times the *net* expenditure on Budgeting Loans and Crisis Loans. The average Community Care Grant award was £390.

Budgeting Loans are repayable, interest free and designed to cover intermittent expenses incurred by applicants on eligible benefits. They help people spread the cost of high-expenditure items such as household equipment, furniture and clothing. The loans are for people in receipt of Income Support, income-based Jobseeker's Allowance, Pension Credit or payment on account of one of these, for at least 26 weeks without a break for more than 28 days. The same capital limits apply to Budgeting Loans as to Community Care Grants. The amount of the loan may vary from a minimum of £30 to a maximum of £1,000 (DWP, 2004a).

In 1999 the Government sought to simplify the scheme by introducing the following key changes (DSS, 1999):

- separate fact-based decision making with awards based on factual criteria
- individual maximum possible loans, determined by the personal circumstances of the applicant (defined as the length of time on benefit and by family size)
- a separate and simpler application form
- a set of broad categories based on need for financial assistance for intermittent expenses rather than a demonstrated need for specific items
- no investigation of need, removing intrusive and paternalistic questioning.

Budgeting Loans generate more applications and awards than the other two components of the discretionary Social Fund. In 2004/05 there were 1.6 million applications and 1.2 million awards for Budgeting Loans (DWP, 2005a). In terms of gross expenditure, it is the largest component of the discretionary Social Fund, £490.5 million in 2004/05; but after the repayment of loans the net expenditure is £22.6 million, which is still more than that for Crisis Loans (£13.9 million), but less than for Community Care Grants (£127.1 million: see above). The average Budgeting Loan in 2004/05 was £405, which is the highest of the three components.

Crisis Loans are also repayable and interest free, and are designed to assist people aged 16 and over who need to meet expenses in an emergency or as a consequence of disaster (DWP, 2004a). They may be available to anyone (not necessarily those on any benefits) where they are the only means of preventing a serious risk to health or safety. There are no capital limits as such, but loans are dependent on the applicants having insufficient resources to meet their immediate short-term needs. In recent years the number of applications for Crisis Loans has been increasing so that in 2003/04 there were 1.4 million, and the number of awards was 1.1 million, but in 2004/05 applications decreased to 1.3 million whilst the number of awards was 1 million (DWP, 2004b, 2005a). Despite these relatively high numbers, both gross expenditure at £81.9 million and net expenditure at £13.9 million in 2004/05 mean that the Crisis Loans scheme is the least expensive part of the discretionary Social Fund. The average Crisis Loans award, £78 in 2004/05, is the lowest of the three discretionary Social Fund components (DWP, 2005a).[1]

For the loans, the maximum debt a person can have with the Social Fund depends on their ability to repay and the likelihood of repayment, up to a maximum of £1,000, and any loan should normally be repaid within 78 weeks (18 months) or less (DWP, 2004a). The amount of the weekly repayment rate is determined by the recipient's weekly income and other commitments. Those with no other debts such as hire purchase or bank overdrafts are expected to repay an amount equal to 15 per cent of their weekly Income Support, income-based Jobseeker's Allowance or Pension Credit applicable amount, excluding any housing costs, whilst those who have other payments to make from their benefit such as rent or fuel arrears may have the repayment rate reduced to 10 per cent of their weekly applicable amount, excluding housing costs. Those with larger financial commitments could have the repayment rate reduced further to 5 per cent (DWP, 2004a). Thus, the amount of Social Fund loan obtainable is determined by the requirement that the recipient's total debt to the Social Fund should be repayable within 78 weeks, usually at one of the above standard rates (but up to a maximum rate of 25 per cent).

Other than major reforms to Budgeting Loans in April 1999, there have been no other fundamental reforms of the discretionary Social Fund. Future changes to Budgeting Loans to be introduced in April 2006 are detailed in the section 'Existing proposals for reforms to the discretionary Social Fund' in Chapter 4.

Criticisms of the discretionary Social Fund

Although the amount of public expenditure on the Social Fund is small compared to that for other benefits, the scheme is highly controversial (Buck and Smith, 2005) and a number of commentators have proposed reforms. It is not the purpose of this report to repeat in detail the criticisms that have been made of the Social Fund as there is existing literature on its shortcomings (see, for instance, Select Committee on Social Security, 2001; Barton, 2002; Howard, 2002; Finch and Kemp, 2004; Buck and Smith, 2005). Nonetheless, the discretionary Social Fund has been censured:

- The funding arrangements and the administration of the Social Fund produce a 'postcode' and 'calendar' lottery in terms of whether applications are successful. The Social Fund has an annual budget that is cash limited and each local office has its own budget for grants and loans which can mean that some people are refused an award that they would have received had they applied at another point in time or at a different office (Huby and Walker, 1991; Craig, 1992, 2003; Walker *et al.*, 1992; Cohen *et al.*, 1996; Howard, 2002; NAO, 2005). However, for Budgeting Loans this problem may have been addressed to some extent by recent administrative changes and by revised guidance to staff (DWP, 2003).

- It fails to help those most in need – those granted an award are not necessarily those in greatest need (Huby and Dix, 1992), and some are successful because they know how to 'play the system' (Dalley and Berthoud, 1992; Whyley *et al.*, 2000; Rowe, 2002). Reform of Budgeting Loans in 1999 may mean that the more needy are getting awards under this component of the discretionary Social Fund (Whyley *et al.*, 2000). However, Community Care Grants and Budgeting Loans are restricted to people on specific benefits – Income Support, income-based Jobseeker's Allowance and Pension Credit – and so exclude other potentially vulnerable groups such as those claiming Incapacity Benefit. Indeed, for Budgeting Loans they must have been in receipt of a qualifying benefit for six months, but this may exclude people who, for instance, 'churn' between short periods of unemployment and low-paid work. Research has shown that these transitions are times of particular hardship (Adelman *et al.*, 2003).

- The combination of the cash limit and it not necessarily addressing those in most need implies that the Social Fund is underfunded to meet the needs of all of those requiring support (Becker and Silburn, 1989; Barton, 2002).

- There is inconsistent decision making by Social Fund Officers (Ward, 1989; Dalley and Berthoud, 1992; Huby and Dix, 1992; Smith, 2003), and for applicants the process can appear to be arbitrary and irrational (Rowe, 2003). The quality of some of the decision making by Social Fund Officers is poor (NAO, 2005), especially on Community Care Grant applications.

- The loans are discretionary and not awarded as a right to those in need.

- The loans are repaid direct from benefits and this further reduces the income of some of the poorest people, forcing some people into further debt and financial hardship so that they do not have enough to live on (Smith, 1990; Huby and Dix, 1992; Cohen *et al.*, 1996; Finch and Kemp, 2004). Although for some users direct deductions aid household budgeting, for others the repayment rates are too high.

- Shortfalls in amounts of the award can mean people use other forms of more expensive credit, buy (unreliable) second-hand goods or are reliant upon charity (Huby and Dix, 1992; Whyley *et al.*, 2000; Kempson *et al.*, 2002). Unsuccessful applicants may suffer either because their need is unmet or they have to obtain funding from other (more expensive) sources.

- Shortfalls in award amounts and refusals of Social Fund applications deflect demand for financial support and place increased pressure on voluntary organisations, charities and local authorities, particularly social services (Craig, 2006).

- Take-up by certain groups, notably older people and members of minority ethnic communities, is low (Huby and Dix, 1992; Sadiq-Sangster, 1992; Kempson *et al.*, 2002; NAO, 2005).

- Some applicants have relatively little knowledge of how the Social Fund works (Whyley *et al.*, 2000; Kempson, 2001; Kempson *et al.*, 2002; NAO, 2005; Pettigrew *et al.*, 2005), and find it difficult to assess their chances of making a successful application. This can deter potential applicants or lead to inappropriate applications and hence to poor use of Jobcentre Plus resources (NAO, 2005).

- Applicants can find the process of applying to the discretionary Social Fund a negative experience (Smith, 1990; Huby and Dix, 1992). Applicants can receive a poor service. There can be inadequate information for (potential) applicants (NACAB, 2001; NAO, 2005) and they can be poorly advised by staff (Select Committee on Social Security, 2001; Barton, 2002).

- The rate of refusal of Social Fund applications is high and there is a relatively high rate of second-time approval on 'appeal' (via review by the Independent Review Service) (Barton, 2002).

- The Social Fund is relatively expensive to administer (NAO, 1991; Lakhani, 2003).

Notwithstanding these criticisms, the Social Fund remains part of the Government's strategy for tackling poverty and social exclusion (DSS, 2000).

In its inquiry into the Social Fund in 2001, the Select Committee on Social Security questioned whether the Social Fund was succeeding in helping the poorest and most vulnerable in society. It concluded that:

> Above all, the present Social Fund system is working against the Government's key aim of reducing child poverty … in its present form, the Discretionary Social Fund is adding to the poverty and social exclusion of families with children by in many cases denying them access to basic necessities and increasing their indebtedness.
> (Select Committee on Social Security, 2001, para. 117)

> [Indeed, without reform], there is a strong possibility that the wider social policy objectives of the Government will be endangered.
> (Select Committee on Social Security, 2001, para. 118)

In response, the Government placed the Social Fund in the context of its wider welfare reforms and reiterated its commitment to tackling the causes of poverty and social exclusion (DWP, 2001b). It also rejected the Select Committee's claim:

> The Government does not accept that the operation of the Social Fund works against its wider social policies such as the eradication of child poverty.
> (DWP, 2001b, para. 51)

However, no evidence was given to support this argument. Thus, the impact of the Social Fund on wider social policies is contested. Nevertheless, the Government was willing to review the operation of the Fund:

> [in order] to see whether further improvements can be made to its operation and to ensure that the Fund plays its part in reducing poverty in general.
> (DWP, 2001b, para. 52)

The most recent report by the Secretary of State on the Social Fund described changes to the Budgeting Loan scheme and consideration of further reform of the Social Fund 'in the context of greater financial inclusion' (DWP, 2005a, Preface). (See section 'Existing proposals for reforms to the discretionary Social Fund' in Chapter 4 for details of the forthcoming changes to the Budgeting Loan scheme.)

Research aims and methods

Research aims

Within this context, the research reported here has the following aims:

- to explore what contribution the discretionary Social Fund makes to reducing poverty and social exclusion
- to assess whether proposals for changes to the discretionary Social Fund are likely to further government objectives of combating poverty and social exclusion
- to produce policy recommendations for reform of the discretionary Social Fund based on the experiences, reflections and deliberations of both eligible and non-eligible groups that will contribute to government objectives of combating poverty and social exclusion.

Research methods

The research design is multi-method and consisted of three strands: a brief literature review, secondary analysis and qualitative research.

Strand 1: literature review

A short review of literature on proposals for reforming the discretionary Social Fund was conducted. This informed the later stages of Strand 3 (the qualitative research).

Strand 2: secondary analysis

Secondary analysis was undertaken of both the Family Resources Survey (FRS) and the Family Expenditure Survey/Expenditure and Food Survey (EFS).[2] The Family Resources Survey is a cross-sectional study of private households in Great Britain south of the Caledonian Canal and is collected annually. The annual target sample size is 24,000 private households. The FRS has data on whether respondents have received any of the elements of the discretionary Social Fund in the last six months, and on people repaying Social Fund loans. The EFS is a continuous survey of household expenditure and income in the United Kingdom, and samples around 10,000 households each year. The EFS has data on the number of households repaying a Social Fund loan and those who received a Community Care Grant in the previous 12 months. It also has data on how the Social Fund loan was used. These data sets are used to establish the socio-economic and demographic characteristics of users of the discretionary Social Fund. Comparisons are also made with eligible non-applicants. For each survey a combined data set of the most recent three releases (2000/01, 2001/02 and 2002/03) was created. Using these data sets ensures that data relate to the period following the introduction of reforms to the Social Fund in 1999, as well as generating sufficient cases for analysis. The data have been weighted to scale figures to the total population and to compensate for non-response. Analysis of these data sources is supplemented by Department for Work and Pensions administrative data for the United Kingdom.

Strand 3: qualitative research

A series of focus groups were conducted to explore the role of the Social Fund from the perspective of applicants and eligible non-applicants, and policy options that would better enable the Social Fund to contribute to the Government's agenda on poverty and social exclusion. This qualitative research was conducted in three stages:

1 Eleven groups were held with (successful and unsuccessful) applicants and eligible non-applicants to explore: how low-income households deal with times of particular financial hardship; preferred funding sources; and overall views and experiences of using the Social Fund. These groups were stratified by household type and by whether respondents lived in urban or rural settings, as the experience of hardship and access to the means of dealing with it differ by area (Harrop and Palmer, 2002).

2 Five groups discussed possible reforms to the discretionary Social Fund. This stage comprised two groups of benefit recipients who had taken part in Stage 1, a group of people in work but on low incomes who could be potential users of the Social Fund if eligibility criteria were extended, groups of people who were on middle to high incomes and a mixed group of people on low to high incomes. In this way a range of stakeholders, notably taxpayers on moderate incomes and current and potential users of the discretionary Social Fund, considered possible policy changes. Each group was also mixed as far as possible in terms of gender,

age and family status. Again, the groups were stratified by urban/rural location. These focus groups explored:

- the needs or events for which people should receive financial help from the Government
- views on whether these needs should be met by grants, loans or another form of provision
- views on how help should be provided, e.g. through cash payments or payments in kind, and what types of goods should be provided.

3 A one-day workshop, comprised of representatives from Stages 1 and 2, considered policy options for the reform of the discretionary Social Fund. The purpose of the workshop was to consider options for reform in more depth and to provide an opportunity for participants to alter their views when discussed with participants from other socio-economic backgrounds. In particular, the workshop participants explored in more depth:

- who the Social Fund should be for and eligibility criteria
- different types of grant and loan options and the circumstances under which each should be received.

The participants who attended the workshop were selected to ensure a mix of household types, socio-economic backgrounds and urban and rural locations. For further details see Appendix B. The policy options discussed at the workshop were based on proposals identified during the literature review and the discussions in Stages 1 and 2.

At each stage, all of the respondents lived within the same Jobcentre Plus district as this ensured that they experienced a similar Social Fund ‘regime’ and had access to similar alternative sources of support in times of hardship. Whilst the research was based in just one Jobcentre Plus district it is expected that the views and experiences of participants would also be found in other districts. Indeed, some of the findings of this research reflect wider criticisms of the Social Fund made in the research literature.

Structure of the report

This report is divided into two parts. Part 1 is concerned with the existing discretionary Social Fund, and comprises two chapters. Chapter 2 covers the circumstances and needs of those eligible for a discretionary Social Fund award. Chapter 3 examines the characteristics of discretionary Social Fund recipients, the factors associated with receipt of a grant or loan, people’s views and experiences of applying for an award, the amounts and repayment of loans and what items are purchased with the awards.

Part 2 is concerned with possible reform of the discretionary Social Fund. A distinction is made between reforms *to* the existing scheme (Chapter 4) and reform *of* the discretionary Social Fund (Chapter 5). The former tend to be more incremental than the latter in that they assume that the broad structure of the current regime continues. Some conclusions are drawn and recommendations made in Chapter 6.

Conventions used in tables

- Throughout this report, percentages based on fewer than 50 cases are enclosed in square brackets [ ], and should be interpreted with caution (those based on fewer than ten cases are suppressed and shown as [-]).

- All percentages and other data presented in the tables are weighted, except for a number of cases that reflect unweighted base populations.

- Percentages are rounded up or down to whole numbers, and therefore may not always add up to 100.

Part 1

Current Role

2 Circumstances and needs of the eligible population

This chapter explores the circumstances and needs of the eligible population and the options they consider when confronted by an immediate financial need. It is intended to provide a context to the research: to illustrate the wider difficulties and issues faced by people who are eligible to apply to the Social Fund. People's experiences of living on benefits and coping strategies to control expenditure are described. This chapter also presents participants' views towards using the Social Fund in relation to other options that are used when their money runs out. The chapter draws upon the focus groups with discretionary Social Fund applicants and non-applicants.

General experience of living on benefits

It was a widespread experience – voiced by both applicant and non-applicant groups and all household types – that benefits did not provide an adequate income to live on. Managing on benefits was described as being 'hard' or a 'struggle'. Participants distinguished between 'living' and having 'a life'. Benefit recipients were able to live on benefits in terms of meeting the cost of essential bills (gas, electricity, water) and food, but benefit income was not sufficient to meet all of their needs. It did not cover the costs of: clothes and shoes; children's school trips and activities; going out; holidays; gifts; or replacing household items. Having 'a life' consisted of being able to afford to buy all the things they needed, being able to socialise with friends, or go out to places such as the cinema or for day trips with the family, and being able to buy non-essential items:

> [Benefits support] … just basic living. You have got no money to go out, to buy presents. You can't have a life outside of anything if you are on the social.
> (Urban, single, successful applicant)

Thus both applicants and non-applicants were acutely aware that benefits did not provide a sufficient income for them to have items which society and participants themselves expected to be able to have, or to participate in the everyday activities enjoyed by their contemporaries. These unmet needs were not one-off, intermittent expenditures or emergencies, but were more persistent and regular. There was a gap between income from their benefits and that required to meet their needs.

However, there were exceptions to this experience that arose where participants were not struggling financially. This included a participant in the urban eligible non-applicant parents group who had savings to draw on as well as a credit card. The other exception was the rural non-applicant retired persons' group where participants reported that they managed quite comfortably since the introduction of Pension Credit.[1] Although these participants were not struggling to get by, they were still careful with how they spent their money. Indeed, additional expenses such as buying birthday and Christmas presents were difficult to manage and 'luxuries' such as holidays, day trips or nights out were not affordable.

How benefit recipients managed and made decisions about their lives on a day-to-day basis and in relation to their future circumstances is described below. The analysis draws upon three of the four types of agency proposed by Lister (2004): 'getting by', 'getting out' and 'getting back at'. (The category not used is 'getting organised', because it was not a feature of participants' discussions.)

Strategies for 'getting by'

'Getting by' describes how people cope and budget on a day-to-day basis. Participants employed two main strategies to enable them to get by on a low income: minimising expenditure and carefully managing their money.

Minimising expenditure

Economising and minimising the amount of money spent on items was a key strategy for trying to stretch income as far as possible. Food and clothing were the main areas of everyday need where participants minimised their expenditure.

Food

Participants minimised expenditure on food by:

- buying only the basic/essential items and cutting back on non-essentials (such as crisps, biscuits and yoghurts)
- shopping at discount stores

- buying supermarket economy brands
- buying special offers and reduced goods near to their sell-by date
- buying at local markets where produce is reduced towards the end of the day
- buying cheaper items of food such as baked beans, pasta, potatoes, cheaper cuts of meat, or tinned fruit instead of fresh fruit.

Parents recognised that in buying the cheapest products their food choices were not always the healthiest, but that this was all they could afford.

Clothing

(Adult) clothes were also bought as cheaply as possible: from charity shops and markets and in sales. New clothes from high street shops were not affordable and so were obtained as Christmas or birthday presents. Hand-me-downs from friends and family were also worn.

Buying clothes for children was an area where parents felt under particular financial pressure. This was because of the rate at which children grow and because of peer pressure on children to keep up with the latest fashion. Mostly, parents tried to resist children's demands for expensive brand-label clothing by explaining that they could not afford it, by buying it as a birthday or Christmas present, or by asking other relatives to help out. Expenditure was minimised by buying children's clothes at charity shops, supermarkets and in sales, looking for special offers and using hand-me-downs. However, as children got older and became more fashion conscious and aware of peer pressure, they became less willing to wear second-hand clothes.

Parents also faced pressure from schools in having to meet school uniform requirements. The consequences of not meeting school uniform requirements were that children would get into trouble and be singled out. Members of the wider family were an important source of financial help in buying school uniforms.

Other areas

Other areas where participants typically minimised their expenditure included:

- restricting consumption of gas and electricity – participants across all household types did not have their heating on as much as they would have liked

- transport, whereby participants walked instead of using buses or relied on friends and family for lifts. However, this had caused some difficulties with getting to job interviews and to hospital in an emergency.

Participants and their families went without a variety of things because they could not afford them, such as:

- going out, for example to the cinema or for a drink with friends

- day trips with children

- school trips

- family holidays

- household appliances

- home repairs and maintenance – a particular difficulty reported by pensioners who owned their own homes.

Christmas was a particularly difficult time for participants. Expenditure was minimised by buying the cheapest version of an item, by not buying presents, or by asking family members to buy presents on their behalf. Parents felt particularly guilty about not being able to buy what their children wanted.

Rural dimension

In the rural area, participants reported that the cost of living was higher because the cheaper, economy-brand shops were not available locally. Whilst there were two local supermarkets in the location where the fieldwork was conducted, respondents reported that these tended to be more expensive than other supermarkets. Without a car, getting to cheaper supermarkets and discount shops was difficult.

Money management

Spreading the cost of paying for items

Participants preferred to spread the cost of relatively large items of expenditure over weekly or monthly periods rather than make a single payment. The advantage was not having to find a lump sum to pay, say, a quarterly bill and a lower risk of accruing a debt. Bills were paid on a weekly or monthly basis through standing orders or direct debits, or through the use of prepayment meters and cards. However, in order to be granted a prepayment meter or card system people had to get into arrears first: utility companies would not give them to customers on request. Spreading expenses such as Christmas and school uniforms by shopping over a period of several months was also mentioned in the parents groups.

Building up savings

An alternative strategy for paying bills was to put aside some money each week to cover a quarterly bill when it arrived or to pay for household appliances, Christmas, family holidays and for 'a rainy day'. Saving for 'a rainy day' meant having money to pay for unexpected emergencies such as needing to have the washing machine repaired, having to get a taxi to hospital and having money to live on if benefit payments did not arrive.

Saving up was used to pay for larger expenses by parents and pensioners (although it was not a feature of discussions among single households). However, both parents and pensioners maintained that generating savings was difficult. It was not possible to set aside money every week and it was a common experience that savings had to be dipped into to meet other more immediate needs.

'Robbing Peter to pay Paul'

With limited financial resources the prioritisation of expenditure was a strategy used across all household types, but was a particularly strong feature of discussions in the parents' groups. The phrase 'robbing Peter to pay Paul' was used to describe how participants juggled their finances.

Paying utility bills was the main area where participants juggled payments, but loan and credit repayments were also juggled. Where income was insufficient to be able to pay bills participants would pay one bill and leave another until the following week when it was hoped that they would have the money to pay for it. One parent described it as a constant battle. ‘Robbing Peter to pay Paul’ also occurred when specific needs arose, such as needing to buy new household appliances, school uniforms or children’s shoes. The latter items were seen as having a higher priority than paying utility bills, and these bills had to wait regardless of the consequences of getting into arrears.

Difficulties managing money

The difficulties, as described above, that arose from managing money on a low income were at times intensified as a result of benefit payments arriving late. The late payment of benefits was experienced across all household types, and could occur at the start of a benefit claim as well as during a claim. Delays meant that people were left with no income to live on, and in some cases this situation had lasted for several months. Participants either sought help from friends or family, or applied for a Crisis Loan. Parents had also experienced financial problems as a result of not receiving child support maintenance payments from ex-partners.

Options for when the money runs out

As already mentioned above, even with careful budgeting participants lacked the income to meet all of their needs. The phrase ‘beg, borrow, or steal’ was often used to describe how they managed to meet needs that they could not afford. When participants had an immediate need but no money their main options were:

- using savings
- asking family members for support. Across all household types families were an important source of help and support with: buying clothing; paying for children’s activities; buying food and providing meals; and buying household appliances as Christmas or birthday presents
- borrowing money from families or friends that had to be paid back
- cutting back on expenditure even further by, for example, buying less or buying even cheaper grocery items, going without meals or heating and not paying utility bills

- taking out loans or buying on credit through catalogues or hire purchase
- applying to the discretionary Social Fund
- selling (non-essential) possessions such as a stereo, TV or car – things which participants may have saved up for a long time to buy
- seeking help from a charity
- various forms of crime and fraud.

Both within and across groups opinions varied about these options, depending on individuals' experiences, attitudes and circumstances. Thus, there was no consistent view as to which options participants preferred or least preferred[2] although common issues and themes arose.

Using savings

Clearly, using savings to meet a financial need was not an option for those who had been unable to save money whilst on benefits. Among other groups, using savings was their first option for meeting a financial need. However, there were exceptions among parents who had savings, who thought that they should be kept for an emergency or to spend at Christmas and would prefer to apply to the Social Fund than use savings.

Seeking help from friends and family

After using savings, asking friends or family for support was commonly participants' first port of call when faced with an immediate need that they could not afford. Although friends and family were turned to in preference to other options, participants did not necessarily like asking or find it easy to ask friends and family for help. One advantage to approaching friends and family first, compared to other options, was that they were able to get an immediate answer.

Whilst asking friends and family as a first option was common, not all participants had family or close friends. Others had friends and family, but their circumstances meant that they were not in a position to assist. For some participants applying to the Social Fund was a preferable option and friends and family would only be asked if they were unsuccessful in their application.

Wanting to be independent was another reason why participants preferred not to approach friends and family for help. This theme was particularly prominent in the rural retired household group. Whilst retirees were happy to receive items as gifts, they would not ask friends or family for money if an immediate financial need arose unless all other options had failed. It was felt that family members had ‘their own problems’ and retirees did not want to ‘put upon them’.

Using bank loans and credit cards

Bank loans and credit cards were not an option participants tended to consider. Without employment participants were unable to access these financial services. Even participants who were able to access bank loans and credit cards (who tended to be in the eligible non-applicant groups) were reluctant to use them because of worries about both being able to repay the loan amount plus the interest charged and incurring additional charges if repayments were missed.

Buying from catalogues

There were mixed views about using catalogues to purchase goods. Reasons for not using catalogues were largely based on cost. Catalogues were reported to be more expensive than buying the same item from a shop, with the additional risk of having further costs added if payments were missed. Some felt using catalogues could easily lead to debt and so were avoided. Catalogues were not an option for participants who did not have a permanent address or whose address was ‘blacklisted’.

Among those who did use catalogues, which included participants from across all household types, the main reason for doing so was they enabled payments to be spread on a weekly basis which could be budgeted for, despite the extra overall cost incurred. Where catalogues were considered to be an option, they were rated after friends and family. Compared to the Social Fund preferences varied: some preferred catalogues to the Social Fund, whilst others rated them after the Social Fund.

Using home collected credit agencies

Participants in the parents and single household groups reported using loans from home collected credit agencies, such as Provident Financial and Shopacheck. The main reasons for using these agencies were that the loans were easy to obtain and for some participants they were the only organisations prepared to offer them a loan.

Other participants would not or could not use such agencies. Those without a permanent address, or whose address was 'blacklisted', or who were already in debt with a home collected credit agency were unable to obtain a loan. Participants who chose to avoid using home collected credit agencies did so because of the high interest rates levied and the concern that if they did take out a loan they would be unable to repay it.

Among those who would consider using a home collected credit agency to meet an immediate financial need, the extent to which they were a preferred option varied. For some they were a last resort, whereas for others they were preferred to applying for a Social Fund loan.

Applying to the Social Fund

There were no groups in which participants did not consider the Social Fund to be an option for meeting an immediate financial need.[3] The Social Fund was the first option among those who did not have any savings or friends or family whom they could ask for help. Some considered the Social Fund to be their only option.

For others the Social Fund was an option they would use after asking friends or family, but in preference to other forms of loans or credit. Compared to loans or credit the Social Fund was preferred because loans are interest free. Among pensioners who did not like to ask friends or family for help, the Social Fund (now that they knew about it) was something they would consider applying to in preference to other forms of loans or credit.

An alternative view among parents and single participants was that applying to the Social Fund would be their last resort for meeting an immediate financial need. Applying to the Social Fund was considered to be less preferable than applying to home collected credit agencies for two main reasons:

- credit agencies offer instant access to money whereas it can take several weeks to get a decision from the Social Fund

- there is no guarantee of being successful with an application to the Social Fund and the perceived 'hassle' of applying was considered to outweigh the (potential) benefits.

Other reasons for viewing the Social Fund as a last resort included:

- higher weekly repayment rates compared to home collected credit agencies
- concern over having loan repayments deducted at source which would mean a lower household income each week.

Using charities

Seeking help from charities was also discussed as an option. Participants were aware of a variety of charities and organisations that provided assistance. However, there was a distinction between knowing about sources of help and actually using them. Overall, asking charities for support was not a preferred option. Retired participants were particularly aware of charities who could help; however, a sentiment expressed in one of the retired household groups was that some elderly people do not like to ask for help or want to appear to be ‘begging’.

Another option commonly mentioned by parents and single participants as something they had used was a local charity that collected unwanted furniture and appliances in order to pass them on to people in need. The scheme was accessed through social services. For a nominal fee participants had obtained various second-hand items of furniture and kitchen appliances.

Crime and illegal activities

Crime and illegal activities were a feature of discussions among both parents and single people as an option for getting by. The kinds of activities participants took part in included:

- buying goods from shoplifters
- working in the informal economy, which ranged from taking on a part-time job or agency work to one-off cash-in-hand opportunities
- shoplifting/stealing
- credit card and catalogue fraud
- social security fraud.

Those who admitted to participating in illegal activities held the view that undertaking illegal activities was something that had to be done because income from benefits did not provide enough money to live on and at times of desperate need there was no alternative. Others who did not participate in illegal activities empathised with those that did and agreed that sometimes people had no choice.

Participants did not carry out criminal and illegal activities as acts of defiance or in resistance to the rules and values of society (described by Lister (2004) as ‘getting (back) at’), but because they had to. The exception was a single unsuccessful applicant who saw claiming to have lost his giro in order to get a Crisis Loan as ‘playing them at their own game’.

Crime was used to meet everyday essential needs such as food and clothing, but was also used to enable participants to have things that they would otherwise not be able to afford to have or do.

> Sometimes I have had a chicken in my basket and I must admit I do know it is in there when I have pushed my trolley through. I know it is wrong and I know it is stealing, but it is nice to have.
> (Urban, parent, unsuccessful applicant)

Crime was also conducted in response to particular pressure, such as Christmas and birthdays or to help pay off debts.

Arrears and debts

A number of the options described above for when the money ran out involve accumulating arrears or debts. Among both parents and single people arrears and debts were a common feature of living on benefits. The types of arrears or debts participants had included:

- rent arrears
- utility bills – gas, electricity, water
- telephone bill
- credit cards
- bank loans and overdrafts

- loans from home collection credit companies
- hire purchase and catalogue debts.

Arrears and debts had various consequences for participants. Arrears with utility bills had resulted in participants having pre-payment meters installed and having their telephone disconnected. Other arrears and debts resulted in having items bought on hire purchase or from catalogues repossessed.

Some participants had managed to repay debts by: cutting back on expenditure even further; remortgaging their home; renegotiating repayment rates with the help of a Citizens Advice Bureau adviser; or working in the informal economy to raise additional income.

Being taken to court for arrears such as non-payment of rent, gas, TV Licence and credit card bills was a common experience among participants. Two participants (both single parents) had spent time in prison for non-payment of court fines.

'Getting out'

Lister (2004) refers to 'getting out' to describe the strategic agency used by people to move out of poverty. Among some parents and single people there was a clearly expressed desire and intention to 'get out' through moving into work, or by returning to education or starting a training course. One single participant was already studying at college and supporting herself by claiming benefits. However, for others it appeared that they did not foresee their circumstances changing because of a number of barriers that were preventing them from taking steps to move off benefits and to 'get out'. These barriers were viewed as being systemic and beyond the scope of individuals to overcome.

The most commonly discussed barrier to moving into work was the view that participants would be financially worse off in work compared to being on benefits. Other barriers to moving off benefits included:

- the cost and availability of childcare
- the cost and availability of transport
- lack of suitable clothes to wear to job interviews

- concern that if a job did not work out and the person left voluntarily or got sacked, then they would not be entitled to claim any benefits
- having no fixed abode, combined with a criminal record – reported by participants in the homeless group.

3 Recipients and awards

This chapter examines the characteristics of discretionary Social Fund recipients, the factors associated with receipt of a grant or loan, participants' views on applying for an award, the amounts and repayment of loans and what items are purchased with the awards. The findings are based primarily on the secondary analysis of the Family Resources Survey (FRS) and Expenditure and Food Survey (EFS) and to a lesser extent on administrative data and the qualitative research.

The data from the FRS and EFS are used to address different issues. Data from the FRS are used to examine receipt in the six months before the surveys, for each type of discretionary Social Fund award, whilst the analysis using the EFS involves comparing respondents repaying a Social Fund loan or who had received a Community Care Grant in the 12 months before the surveys with eligible non-users of the discretionary Social Fund (that is, Income Support or income-based Jobseeker's Allowance recipients[1] who were neither repaying a Social Fund loan, nor received a Community Care Grant during the past 12 months) and others on a low income (that is, those whose equivalised disposable household income was below 60 per cent of median). In the analysis, household income (before housing costs) is equivalised based on the modified OECD scale. With EFS data it is not possible to distinguish between the two types of Social Fund loan. However, it does include information on the amount of a loan awarded, its repayment and what loans and grants are used for.

The data are reported for *benefit units* because that is the level of assessment for Social Fund applications. A benefit unit is a single person or couple living as married and any dependent children. (A household is a single person or group of people living at the same address as their only or main residence, who either share one meal a day together or share living accommodation.) There can be more than one benefit unit per household, although the majority of households comprise one benefit unit.

Characteristics of discretionary Social Fund recipients

Administrative data show that for 2003/04 the overwhelming majority (96 per cent) of discretionary Social Fund recipients were of working age (Table 2). Overall, only one-twentieth of recipients were pensioners, and this ranged from one in a hundred recipients for Crisis Loans to one-tenth for Community Care Grants. This pattern is also broadly found in the analysis of the FRS (Table 3). Pensioners accounted for the smallest proportion of discretionary Social Fund recipients in the previous six months (1 per cent for couples and 4 per cent for single pensioners); again around one in ten recipients of Community Care Grants were pensioners. However, the FRS analysis suggests that slightly more pensioners, 4 per cent, had received Crisis Loans.

The FRS analysis also reveals that within the working-age population there is some variation in the receipt of the Social Fund across types of benefit unit. In general, families with children were more likely to be in receipt of a discretionary Social Fund award. Almost half of all Social Fund recipients in the previous six months were lone parents (47 per cent) and a further eighth were couples with children (13 per cent). However, nearly one-third were single people without children (30 per cent). The proportion of recipients who were couples without children (5 per cent) was similar to that for pensioners. Whilst there was a similar pattern for Community Care Grants, the proportion of lone parents who had received a Community Care Grant was much lower (35 per cent), and the proportion of other benefit unit types in receipt was correspondingly higher, particularly single pensioners and couples without children. For Crisis Loans the distribution changes in that single people without children received a greater proportion of Crisis Loans than lone parents (47 per cent compared with 32 per cent).

The proportion of Social Fund receipt amongst families with children is almost double their proportion within the eligible benefit population. The proportion of receipt amongst working-age benefit units without children is slightly less than their proportion in the eligible benefit population. For pensioners, Social Fund receipt is almost one-sixth that of the eligible benefit population.

These results are consistent with findings from previous studies based on different data sets which also observed relatively low use of the discretionary Social Fund by pensioners and particularly high use by lone parents (Huby and Dix, 1992; Finch and Kemp, 2004).

Table 2 Discretionary Social Fund awards by applicant group, 2003/04

	Community Care Grants		Budgeting Loans		Crisis Loans		Total	
	No. (thousands)	%	No. (thousands)	%	No. (thousands)	%	No. (thousands)	%
Pensioners	34	11	70	6	11	1	115	4
Working age	284	89	1,190	94	1,072	99	2,546	96
Total	318		1,260		1,083		2,661	

Source: Authors' calculations based on DWP (2005b).

Overall, three-fifths of Social Fund recipients had dependent children. Two-thirds of Budgeting Loan recipients (66 per cent) had children compared with half of Community Care Grant recipients (51 per cent) and just under half of Crisis Loan recipients (46 per cent). Of those recipients with children, two-fifths (43 per cent) of recipients had one or two children, with recipients of Budgeting Loans (47 per cent) more likely to have one or two than Community Care Grant recipients (34 per cent).

One-third of all recipients had at least one child aged under five years. One-quarter of Community Care Grant and Crisis Loan recipients had at least one child under five (26 per cent and 25 per cent respectively) compared with over a third of Budgeting Loan recipients (35 per cent).

Table 3 Characteristics of discretionary Social Fund Award recipients, Great Britain, 2000/01 to 2002/03 (per cent)

	Community Care Grants	Budgeting Loans	Crisis Loans	Total	Eligible population*
Benefit unit type					
Pensioner couple	2	1	1	1	4
Single pensioner	7	4	3	4	24
Couple with children	17	12	13	13	8
Couple without children	9	5	4	5	8
Lone parent	35	54	32	47	24
Single without children	31	24	47	30	33
Age group of head of benefit unit					
16–24	19	18	18	19	12
25–44	52	57	57	56	35
45–64	20	21	22	22	28
65+	9	3	2	4	25
Ethnic group of head of benefit unit					
White	88	94	90	93	89
Mixed	5	2	4	3	2
Asian or Asian British	2	1	2	1	4
Black or Black British	3	2	5	3	4
Chinese or other ethnic group	2	1	<1	1	2
Eligible benefit					
Income Support	77	84	63	79	85
Income-based Jobseeker's Allowance	*9*	*9*	*20*	*12*	*16*
Not on qualifying benefit	14	7	17	10	–

(Continued)

Table 3 Characteristics of discretionary Social Fund Award recipients, Great Britain, 2000/01 to 2002/03 (per cent) (continued)

	Community Care Grants	Budgeting Loans	Crisis Loans	Total	Eligible population*
Adult member of benefit unit has a disability					
Yes	62	47	53	49	55
No	38	54	47	51	44
Tenure					
Social landlord	79	81	79	80	63
Private rent (includes living rent free)	11	14	15	14	13
Own outright or with mortgage	10	5	6	6	25
Number of dependent children					
None	49	34	54	40	68
1	25	26	18	24	14
2	9	21	16	19	10
3	8	11	7	10	5
4+	9	8	5	7	3
Children under five					
No	74	65	75	68	85
Yes	26	35	25	32	15
Region					
North East	7	11	8	10	7
North West & Merseyside	13	16	17	16	14
Yorkshire & Humberside	10	13	11	12	10
East Midlands	6	7	4	6	7
West Midlands	9	9	8	9	10
Eastern	9	4	6	5	7
London	10	9	14	10	15
South East	10	6	7	6	8
South West	8	5	6	6	6
Wales	6	9	7	8	7
Scotland	12	12	13	12	10
Has a current account					
Yes	52	40	43	42	48
No	48	60	57	58	52
Base	162	1,089	317	1,512	11,088

Base: All benefit units who had received a discretionary Social Fund award in the past six months.
** The population of benefit units claiming Income Support and Jobseeker's Allowance at the time of the surveys is given as a reference. It should be borne in mind though that 10 per cent of those who received a discretionary Social Fund award in the past six months were no longer receiving eligible benefits at the time of the surveys.*
Source: Adapted from Legge (2006).

By age group, Budgeting Loans and Crisis Loans showed a remarkably similar distribution of receipt. Of those with loans around three-fifths were aged 25–44, a further one-fifth were aged 16–24 and another fifth were aged 45–64 years. Following the discussion above, few of those with loans were aged 65 or more. Whilst the pattern of receipt was the same for Community Care Grants, the proportion of 25–44 year olds who had been in receipt in the last six months was less (52 per cent compared with 57 per cent for Budgeting Loans and 57 per cent for Crisis Loans) and the proportion of benefit units aged 65 and over was greater (9 per cent compared with 3 per cent for Budgeting Loans and 2 per cent for Crisis Loans). Overall, receipt of Social Fund in the 25–44 age group was higher than expected from their proportion in the eligible benefit population, while receipt amongst the age groups 16–24 and 45–65 was slightly lower than would be expected and much lower than expected for those aged 65 and over.

The vast majority of Social Fund recipients lived in a benefit unit headed by a white person and this was slightly higher than their proportion in the eligible benefit population. This was most pronounced for Budgeting Loan receipt: 94 per cent compared with 90 per cent for Crisis Loans and 88 per cent for Community Care Grant receipt. It appears that Asian or Asian British headed benefit units are particularly under-represented as Social Fund recipients.

As might be expected, a greater proportion of Community Care Grants recipients than Social Fund loan recipients had a disability: 62 per cent compared with 53 per cent of Crisis Loan recipients and 47 per cent of Budgeting Loan recipients. Receipt of grants is higher and receipt of loans is slightly lower than expected from their proportion in the eligible benefit population.

Whilst the majority of Social Fund recipients were renting from a social landlord (80 per cent overall), there were differences in tenure between grant and loan recipients. The proportion of recipients who owned their home was almost double for Community Care Grant compared with Budgeting and Crisis Loan recipients (10 per cent compared with 5 per cent and 6 per cent respectively) and fewer lived in private rented accommodation (11 per cent compared with 14 per cent of Budgeting Loan recipients and 15 per cent of Crisis Loan recipients). Social housing tenants have a higher incidence of receipt than expected by their proportion in the eligible benefit population, while homeowners have a lower than expected receipt.

The distribution of discretionary Social Fund receipt across the regions is similar to the geographical distribution of eligible benefit units, with the exception of London, which has 15 per cent of the eligible benefit units and only 10 per cent of Social Fund awards. Benefit units in London received lower proportions of Community Care Grants and Budgeting Loans than would be expected from their proportion in the eligible benefit unit population. Those in the Eastern region also received a low proportion of Budgeting Loans and those in Yorkshire and Humber and the North East received a higher proportion relative to the size of their eligible benefit unit population. For Crisis Loans, receipt was low for those in the East Midlands and high for those in Scotland and the North West and Merseyside regions.

A greater proportion of Community Care Grant recipients had a current account compared with loan recipients: 52 per cent compared with 43 per cent of Crisis Loan recipients and 40 per cent of Budgeting Loan recipients.

The analysis using the EFS data also shows that recipients of the discretionary Social Fund were more likely to be lone parents, aged 25 to 44 years and living in rented accommodation than eligible non-recipients. Here, eligible non-recipients are defined as recipients of Income Support or income-based Jobseeker's Allowance who were neither repaying a Social Fund loan nor had received a Community Care Grant during the past 12 months.[2]

In addition, the EFS data allow a comparison between the mean incomes of discretionary Social Fund recipients and eligible non-recipients and those on a low income (that is, below 60 per cent of median household income) but ineligible for the discretionary Social Fund. Table 4 suggests that, on average, discretionary Social Fund recipients had lower incomes (£158) than non-recipients on eligible benefits (£193). Furthermore, the average income for Social Fund recipients is slightly higher than that of the comparative group who were not on eligible benefits but had a low income (£145). This is mainly because 66 per cent of this low-income group were in receipt of non-qualifying benefits, although 23 per cent were in employee work or self-employment.

For all benefit unit types, except those headed by single working age adults with no children, there was no significant difference in mean income between Social Fund recipients and eligible non-recipients. However, mean income was significantly lower for the comparison low income group not on eligible benefits, except for benefit units headed by lone parents of working age. The average income by the different types of benefit units show interesting patterns for benefit units comprising single working age adults with no children. This type of benefit unit has the highest average income among the group of eligible non-recipients, yet it has among the lowest income among the other two groups.

Table 4 Mean income of head of benefit unit among Social Fund recipients and non-recipients, 2000/01 to 2002/03 (£ per week)

	Mean equivalised income* (£)			
Benefit unit type	Social Fund recipients**	Eligible non-recipients	Ineligible, low income	All
Single, working age, no children	152 B	214 C	126 A	160
Single, working age, with children	149 A	149 A	140 A	147
Retired single adult	184 B	204 B	154 A	175
Couple, working age, no children	180 B	197 B	136 A	157
Couple, working age, with children	179 B	164 B	142 A	151
Retired couple	193 AB	202 B	164 A	171
All: Mean	158 B	193 C	145 A	163
Cases (unweighted)	630	2393	3636	6659

Base population: Social Fund recipients, Income Support or income-based Jobseeker's Allowance recipients, and others on 'low income'.
** Before housing costs disposable household income, equivalised by modified OECD scale with childless couple as reference.*
*** Social Fund recipients includes those repaying Social Fund loan and those who had received a Community Care Grant during the past 12 months.*
Note: For each benefit unit, means marked with the same letter are not significantly different at the 5 per cent level. When the means are significantly different, the letter A represents the lowest mean, followed by B and C. For the retired couple category, AB is assigned to the Social Fund recipient group because although there is a significant difference between the mean incomes of the eligible non-recipient and ineligible low income groups, there is no significant difference between the Social Fund recipient group and either of the other two groups.
Source: Magadi and Beckhelling (2006).

Factors associated with receipt of discretionary Social Fund

Having considered the characteristics of discretionary Social Fund recipients in the previous section, how the likelihood of receipt varies according to a number of household and personal characteristics is now examined. Some of these characteristics are known to be associated with each other: for example, a disproportionately larger proportion of younger adults aged below 25 years are likely to be single, and those aged 25 to 44 are likely to have dependent children. Hence, the analysis in this section aims to establish, for instance, whether it is age or having children that is the important factor. Logistic regression models are used to investigate which characteristics have an independent association with receipt when other characteristics are held constant. Although there are different eligibility requirements for each scheme, patterns of receipt are explored for each type of Social Fund award in the previous six months for benefit units in receipt of Income Support or income-based Jobseeker's Allowance. Three models were estimated for each award, the first for all eligible benefit units, and the other two models for eligible benefit units of working age only, one for those without children and another for those with children.

The results of the logistic regression models are summarised in Table 5 and further details are given in Appendix A. In Table 5 a '+' means that a factor is associated with an increased chance of the recipient being in receipt of an award, and a '–' that the likelihood is reduced. Where there is no + or – then there is no statistically significant association. As the three types of discretionary Social Fund award are modelled separately, Community Care Grants, Budgeting Loans and Crisis Loans are abbreviated in the table as CCG, BL and CL, respectively.[3,4]

Table 5 Summary of logistic regression analysis of factors associated with receipt of discretionary Social Fund among those on eligible benefits

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Benefit unit type			N/A		N/A	
Pensioner couple	–	BL				
Single pensioner	–	CCG				
	–	BL				
	–	CL				
Couple with children	+	BL				
	+	CL				
(Couple without children)						
Lone parent	+	BL				
	+	CL				
Single without children	+	CL				
Partner status	N/A					
Single		–	CCG	+	BL	
(Partnered)						
Age group of head of benefit unit	N/A					
16–24					+	CCG
					+	BL
25–44			+	CCG		
			+	BL		
			+	CL		
(45–64)						
Ethnic group of head of benefit unit						
(White)						
Mixed						
Asian or Asian British	–	*BL*			–	*BL*
Black or Black British	–	*BL*			–	*BL*
Chinese or other ethnic group						
Adult member of benefit unit has a disability						
Yes	+	CCG			+	CCG
	+	BL			+	BL
(No)						

(Continued)

Table 5 Summary of logistic regression analysis of factors associated with receipt of discretionary Social Fund among those on eligible benefits (continued)

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Tenure						
Council/housing association rent	+	CCG	+	CCG		
	+	BL	+	BL	+	BL
	+	CL	+	CL	+	CL
Private rent (includes lives rent free)	+	BL	+	BL	+	BL
	+	CL	+	CL		
(Own outright or with mortgage)						
Number of dependent children	N/A		N/A			
(1)						
2						
3					+	BL
4+					+	BL
Region (Budgeting Loans model only)						
North East	+	BL	+	BL	+	BL
North West & Merseyside	+	BL				
Yorkshire & Humberside	+	BL			+	BL
East Midlands						
West Midlands	+	BL	+	BL		
Eastern						
London					–	BL
(South East)						
South West						
Wales	+	BL	+	BL	+	BL
Scotland	+	BL	+	BL	+	BL
Year of survey						
2000	–	BL	–	BL	–	BL
2001	–	BL	–	BL	–	BL
	–	CL				
(2002)						

Note: () denotes reference group.
Source: Legge (2006).

All eligible benefit units

The results of the logistic regression analysis presented in Table 5 show that type of benefit unit, ethnicity, disability, housing tenure, region and year of survey fieldwork are all independently associated with use of the discretionary Social Fund amongst all those on eligible benefits.

For all three types of discretionary Social Fund award, single pensioners were significantly less likely to receive an award compared with couples without children. Whilst only significant for Budgeting Loans, pensioner couples had a similar or slightly higher likelihood of receipt than single pensioners, again in comparison to couples without children.

Pensioners receive a lower proportion of discretionary Social Fund expenditure compared with other groups, and this is disproportionate to their size in the eligible population (DWP, 2004c; Social Fund Commissioner, 2004). A number of factors limit the take-up of Social Fund grants and loans for this group, including lack of knowledge, stigma of applying, communication difficulties, high repayment rates for Budgeting Loans and a deep-seated opposition to borrowing (Kempson *et al.*, 2002). The low receipt of Community Care Grants is particularly interesting, given that this is a non-repayable grant and that one of the purposes of the scheme – helping people remain in the community rather than move into residential accommodation – may be relevant to the needs of older people.

For both of the Social Fund loans there were family-type differences in receipt amongst the working-age population. Compared with couples without children, both couples with children and lone parents were significantly more likely to have received a loan. For Crisis Loans there was a significant difference between benefit units without children, with receipt more likely for single people than couples. It is possible that this reflects the more unstable circumstances of single benefit recipients and lack of opportunity to share resources.

Tenure was a significant factor for receipt of all types of Social Fund awards: those in council or housing association accommodation were more likely to have received an award compared with those in their own property. For Budgeting Loans and Crisis Loans, those in private sector accommodation were also more likely to receive an award. Tenure is often seen as a proxy for education and social class, and thus may be indicative of previous socio-economic circumstances. It may be that those who own their home have previously built up more financial assets and consumer durables than those in rented accommodation.

Ethnicity was significant for Budgeting Loans only. Asian or Asian British and Black or Black British headed benefit units were less likely to have received a Budgeting Loan than White headed benefit units.

For Community Care Grants and Budgeting Loans, receipt was significantly associated with having a disabled adult member of the benefit unit. Given that the Community Care Grant scheme aims both to help people establish themselves in the community after leaving residential accommodation and to help people remain in the community rather than entering residential accommodation, it may be particularly applicable to the needs of some disabled people. Indeed, for the period covered by the combined data set, disabled people received the highest proportion of Community Care Grant expenditure (34–36 per cent) compared with other applicant groups (DSS, 2000; DWP, 2001a, 2002, 2003).[5] This suggests that Community Care Grant awards are helping one target client group.

For Budgeting Loans there were also significant differences by region. (Region was not included in the Community Care Grant and Crisis Loan regressions due to small sample sizes.) Benefit units living in the three northern regions, Wales, Scotland and the West Midlands were all more likely to receive a Budgeting Loan than those in the South East. Budgets are allocated to local offices, partly according to local needs, and it is possible that these areas have high levels of need and have received historically higher budgets.

The year in which the benefit unit had been surveyed was significant for receipt of Social Fund loans. Receipt of a Budgeting Loan was less likely in 2000 and 2001 compared with 2002, whilst Crisis Loan receipt was less likely in 2001 compared with 2002 but there was no significant difference between 2000 and 2002. It is not clear why there were differences between years. Each district office is allocated one loans budget from which Budgeting Loans and Crisis Loans awards are made. Nationally, the loans budget increased from £436.7 million in 1999/2000 to £546.4 million in 2002/03 (DSS, 2000; DWP, 2003), and the eligible population decreased by 37,000 to 4.654 million from November 1999 to February 2003 (DWP, 2004c, 2004d).

Eligible benefit units of working age without children

For the subgroup of eligible benefit units of working age without children, the factors associated with an increased likelihood of receiving a discretionary Social Fund award are:

- *Tenure:* compared with those living in their own property, people resident in council or housing association accommodation were more likely to have received an award. For Budgeting Loans and Crisis Loans, those in privately rented accommodation were also more likely to have received an award.

- *Age:* for all types of discretionary Social Fund award, receipt was more likely for benefit units whose head was aged 25–44 than for those whose head was aged 45–64.

- *Region* (for Budgeting Loans only): receipt of Budgeting Loans was higher for people living in the North East, West Midlands, Wales or Scotland compared to those in the South East.

Characteristics associated with being less likely to receive a Budgeting Loan were being surveyed in 2000 or 2001 rather than 2002, and single people were half as likely as a couple to have received a Community Care Grant.

Eligible benefit units of working age with children

For benefit units of working age with children, no characteristics were significant for all three discretionary Social Fund awards. Nonetheless, the factors associated with an increased chance of receipt of an award are:

- *Tenure:* people living in council or housing association accommodation were more likely to have received a loan compared to those residing in their own property. For Budgeting Loans only, those living in private rented accommodation were more likely to receive an award.

- *Number of children:* for Budgeting Loans only, having three or more children increased the likelihood of receipt compared with benefit units with one child. This is not unexpected as under the current Budgeting Loan rules, family size is taken into account when making a decision and a greater ‘weight’ is given to larger families. Of borderline significance for Community Care Grants, having two children in the benefit unit compared to one child decreased the likelihood of receipt and having four or more children doubled it. For all Social Fund awards there was no significant difference associated with having a child under five in the benefit unit. This finding is different to that of Finch and Kemp (2004) who reported that family size was not significant but the age of the children was.

- *Adult member of benefit unit has a disability:* for Community Care Grants and Budgeting Loans, receipt was more likely amongst benefit units with a disabled member than those without.

- *Age:* benefit units whose head was aged 16–24 were more likely to have received a Community Care Grant or Budgeting Loan than those whose head was aged 45–64.

- *Partner status:* lone parents were more likely to receive a Budgeting Loan than couples with children.

- *Region* (for Budgeting Loans only): benefit units living in Scotland, the North East, Yorkshire & Humberside and Wales were all more likely to receive a Budgeting Loan than those living in the South East.

The likelihood of receiving a Budgeting Loan was lower for benefit units:

- headed by people of Asian, Asian British, Black or Black British origin compared to those who were White
- residing in London rather than the South East
- surveyed in 2000 or 2001 compared to 2002.

Participants' experiences of Social Fund applications

In the qualitative research, the participants' main criticism of the Social Fund was that it was not providing them with the financial support they needed. There were participants who had received a Social Fund award and been satisfied with the support they received. However, these participants were the exception. The overwhelming experience of participants was of being refused an award or of receiving only a partial award that did not meet all of their needs.

There was a certain amount of misunderstanding as to how grants and loans are awarded. The system for awarding Community Care Grants, based on prioritising applications according to the needs and circumstances of applicants, was thought to also apply to Budgeting and Crisis Loans. Participants struggled to see how a decision-making system based on prioritising needs was applied in practice, when their own needs, which they felt were a high priority, had been refused or only part met.

Based on experience, participants had formed their own understanding of how they thought entitlement criteria, or rules, were applied by decision makers:

- Loans: a commonly held (mis)perception was that if an applicant was already paying a loan back then they would not be able to get another one (regardless of the size of that loan).
- Community Care Grants were viewed as being very hard to get. One (mis)perception was that nobody could get a grant more than once in their lifetime.
- Priority circumstances: certain circumstances were seen as being more likely to result in an award, including having an ill or disabled child, moving out of a women's refuge or leaving prison. Among single people there was the view that

single people were not entitled to a Community Care Grant unless they were leaving prison or a hostel (this reflects current eligibility criteria but is not wholly accurate).

- Item restrictions: there were thought to be restrictions on the items people could receive help with, from either a loan or a grant. Washing machines, carpets and curtains were reported to be considered as non-essential by Social Fund Officers and help with these items would not be given regardless of applicants' circumstances.

Overall, the system for allocating Social Fund awards was perceived as being unfair. Participants held strong views about whether certain groups were 'deserving' or not of Social Fund awards. A view that was repeated across groups was that Social Fund Officers treated asylum seekers and refugees more favourably than other applicants. There was widespread resentment towards the help they were believed to be getting from the Social Fund as well as the wider benefits system.[6] Participants felt angry, claiming that they did not receive similar help despite (previously) paying taxes or having a perceived entitlement to support as a right of being born in this country. Similar resentment was expressed towards alcoholics and drug addicts who were perceived as receiving an unfair amount of assistance from the Social Fund.

Another view as to why the Social Fund was not working properly was that there were too many people making bogus claims and 'ripping off' the Social Fund. It was thought that some people knew how to 'work' the system, which made it harder for people with genuine needs to receive help.

Being successful in receiving a Social Fund award was also felt to be partly down to luck. Nonetheless, some participants tried to increase their chances of being successful by timing their applications to coincide with certain times of the year. Tactics to maximise the likelihood of an award included:

- waiting until April because this was the start of the financial year
- applying at the beginning of the month
- applying in March, at the end of the financial year, when it was thought the local office would have unallocated money which it would need to spend before April.

The consequences of being refused a Social Fund award were that participants had to turn to other options such as to ask friends or family for help, go to a charity, borrow money from elsewhere, steal, or go without and make do (see Chapter 2). This reflects the findings of another study in which applicants who were refused a

Community Care Grant had to go without essential items and suffered hardship as a result, or had to borrow money from commercial sources (Kempson *et al.*, 2004).

The length of time that it took to receive a decision was another main criticism of the Social Fund. Reported processing times varied widely. The time taken to receive a Crisis Loan varied from an hour to over a day, with participants who had had to wait until the following day reporting having to go without any food. For Budgeting Loans, the time taken to receive a decision varied widely from less than a week to up to eight weeks. Whilst there were reports of processing times for Crisis Loans and Budgeting Loans improving recently, this did not appear to be the case for Community Care Grants. Community Care Grants were reported to take even longer to receive a decision – ranging from two to nine weeks.

With both Budgeting Loans and Community Care Grants the longer processing times had impacts for how applicants managed in the meantime. For example, participants who had applied to the Social Fund for assistance with furniture because they were moving into a new unfurnished home had spent their first weeks without any furniture and had slept on the floor.

Participants raised other issues which were not widespread complaints:

- The ‘double debt’ rule, whereby outstanding loans were doubled in calculating entitlement to further loans, was seen to be unfair.

- It took a long time for participants to have their giro book returned after sending it off to be adjusted to take account of loan repayments. Without a giro book participants were unable to collect their benefit payments.

- Some participants described their experience of making an application and having to explain their circumstances as degrading and humiliating. It was felt that staff looked down on people and applicants were made to feel as though they were to blame for their circumstances.

Reviews

Applicants who are unhappy with a decision have the right to ask for a review of their case. If after the review applicants are still unhappy with the decision, they can ask for an independent review by the Social Fund Inspector. Amongst the participants in the group discussions the term ‘appeal’ was used when talking about reviews.

Among participants who had experience of appealing against a Social Fund decision the general view was that it was not worthwhile. There was no guarantee that an appeal would be successful and the common experience of participants was of being turned down. This does not reflect the national picture where around half of review decisions are revised in the applicants' favour, although this figure is much lower for Budgeting Loans (DWP, 2005a).

The other main issue was that it took too long to get a decision. Appealing to the Independent Review Service (IRS) added even more time to the appeals process. Jobcentre Plus clearance times from receiving a review request to issuing a decision are 11 days on average. When an applicant appeals to the Independent Review Service it takes on average a further six days for the IRS to receive the appeal papers from the Jobcentre and up to 12 days before the IRS makes a decision on a straightforward case (more complex cases have a target completion time of 23 days) (Social Fund Commissioner, 2005). Thus, on average, a straightforward appeal which was taken through to the second review stage could take 29 days before the applicant received a decision.

Amounts of discretionary Social Fund awards

Administrative data show that in 2003/04 the average award for a Budgeting Loan (£384) and a Community Care Grant (£364) was considerably higher than that for a Crisis Loan (£77) (Table 6). Moreover, recipients of working age were, on average, awarded more for Community Care Grants and Budgeting Loans than pensioners. However, pensioners received, on average, larger Crisis Loan awards (£121) than those of working age (£78).

Table 6 Discretionary Social Fund average award amounts by applicant group, 2003/04

	Community Care Grants (£)	Budgeting Loans (£)	Crisis Loans (£)
Pensioners[a]	333	341	121
Working age[a]	374	387	78
Total[b]	364	384	77

Sources: (a) DWP (2005b); (b) DWP (2004b).

Estimates of the average amount of awards are also available from the secondary analysis of the EFS. The average amounts in the EFS for grants and loans (data do not distinguish between Budgeting Loans and Crisis Loans) are higher than those in Table 6. However, whilst the EFS averages may overestimate the amounts received, they do reveal some interesting patterns by type of benefit unit (Table 7). It is these patterns, rather than the amounts involved, that are described here. In general, benefit units with children received a higher average grant or loan than those without children. Couples tended to receive, on average, higher awards than singles, except for lone parents in receipt of a Community Care Grant who had a higher award than couples with children. On average, singles with no children received the lowest grant and loan amounts. These broad patterns are to be expected given that Budgeting Loans, which take into account the size of a family, dominate the total number of loans (see Table 2), and given the objectives of the Community Care Grant scheme.

Table 7 Average amount of discretionary Social Fund loan and grant by benefit unit type, 2000/01 to 2002/03

Benefit unit type	Average amount of loan (£)	Unweighted cases[a]	Average amount of grant (£)	Unweighted cases[b]
Single, working age, no children	317	118	294	51
Single, working age, with children	486	284	476	116
Retired single adult	[370]	16	[412]	12
Couple, working age, no children	[373]	23	[-]	8
Couple, working age, with children	543	91	[468]	22
Retired couple	[-]	8	[-]	3
All	442	540	412	212

Bases: (a) Benefit units repaying discretionary Social Fund loan in 2000/01, 2001/02 and 2002/03; (b) All recipients of Community Care Grants in the 12 months preceding the survey.
Source: Magadi and Beckhelling (2006).

Where participants in the qualitative research had been successful in receiving an award from the Social Fund, their main criticism (as already mentioned) was that they had not received the amount of money requested. Commonly participants reported receiving half the amount sought or less. This could be exacerbated where awards did not cover additional costs such as delivery charges or installation costs. As a result participants tried to get round the system by applying for more than they actually needed.

Receiving a partial award left participants with a number of options:

- to ask friends or family for help
- to go without the item originally wanted and use the money for something else

- to try and save the additional money needed
- to buy the item second-hand rather than new, but with the added risk that second-hand electrical goods could break down which would require another application to the Social Fund for a replacement
- to apply for an additional loan from elsewhere.

Repayment of Social Fund loans

As mentioned in Chapter 1, discretionary Social Fund loans are interest free and repaid mainly by deductions from recipients' benefits. Loans are often repaid within (and usually in less than) 78 weeks, and the rate of repayment is usually between 5 and 15 per cent (but can be up to 25 per cent) of the weekly income depending upon personal circumstances. In terms of average weekly amounts, administrative data (DSS, 2000; DWP, 2003) show (for roughly the period covered by the EFS analysis) that:

- The average deduction from Income Support increased from £9.50 in May 2000 to £10.58 in February 2003.
- The average deduction from income-based Jobseeker's Allowance increased from £7.01 in May 2000 to £7.24 in February 2003.

More recent figures reveal that in February 2005 the average weekly deduction from Income Support was £11.24, from income-based Jobseeker's Allowance £7.33 and from Pension Credit £10.73. (The number of deductions was 743,000, 110,000 and 57,000 respectively.)

The EFS analysis shows that weekly repayments vary from a low of less than £1 to a high of £45, with a mean of £10 (median of £9).[7] Table 8 gives the average amount of weekly repayment by benefit unit type.

Not surprisingly, the average deductions by type of benefit unit vary according to the average amount of the awards and the composition of the benefit unit (see Tables 7 and 8). Working-age couples with children had the highest average repayment (£13 per week), reflecting that they had the highest average loan (£549). In general, Table 8 suggests that families with children tend to make higher weekly repayments compared to those without children. This is possibly because the amount of weekly benefits for families with children is likely to be higher, if benefits for dependent children are taken into account.

Table 8 Average weekly repayment of discretionary Social Fund loan by benefit unit type, 2000/01 to 2002/03

Benefit unit type	Average weekly repayment (£)	Unweighted cases
Single, working age, no children	7	118
Single, working age, with children	10	284
Retired single adult	[9]	16
Couple, working age, no children	[8]	23
Couple, working age, with children	13	91
Retired couple	[–]	8
All	10	540

Base: Benefit units repaying discretionary Social Fund loan in 2000/01, 2001/02 and 2002/03.
Source: Magadi and Beckhelling (2006).

Table 9 Average percentage repayment rates by type of benefit unit, 2000/01 to 2002/03

Benefit unit type	Repayment as a percentage of loan amount	Repayment as a percentage of weekly income	Cases
Single, working age, no children	3.4	6.9	118
Single, working age, with children	2.8	8.1	284
Retired single adult	[2.7]	[5.8]	16
Couple, working age, no children	[2.6]	[5.4]	23
Couple, working age, with children	3.6	9.8	91
Retired couple	[–]	[–]	8
All	3.0	8.0	540

Base: Benefit units repaying discretionary Social Fund loan in 2000/01, 2001/02 and 2002/03.
Note: Weekly income refers to equivalised income for head of benefit unit.
Source: Magadi and Beckhelling (2006).

Table 9 shows the average weekly loan repayment, expressed as a percentage of the amount of loan and of weekly income. Overall, the average repayment rate is 8 per cent of weekly income. Working-age couples with children have the highest average weekly Social Fund loan repayment rate of £3.60 per £100 loan. Couples with children also have a relatively high repayment rate with respect to their disposable income, about double the rate for childless couples, although the number of cases for this subgroup is only 23. The fact that families with children appear to have relatively high loan repayment rates does raise the issue as to whether the provision of Social Fund loans reinforces poverty by placing those already struggling to meet their basic needs into further debt, and undermines the Government's objective to combat child poverty.

Indeed, the main issue for participants in the qualitative research was not the principle of having to repay a loan whilst living on a low income, although this was difficult, but the level at which repayments were set. The impact of having loan repayments deducted from benefit income was that participants had to economise even further and had no choice but to manage on less income. Overall, participants adjusted to having less income by using the strategies that they generally employed to ‘get by’ (see Chapter 2).

Repayment rates above £15 per week were felt to be too high and elicited the following responses from participants:

> *Respondent 1:* When I got a loan I think it was for about £200, I was paying back £25 per week.
>
> *Respondent 2:* Now that is a lot, if you had that much a week to spend you would not need to borrow it in the first place.
>
> *Respondent 1:* Exactly, it is terrible.
> (Urban parents, eligible non-applicants)

Repayment rates of less than £10 per week generally seemed to be more manageable for participants.

Repayment rates were seen as being non-negotiable and participants felt as though they were in a ‘catch-22’ situation – if they did not accept the payment rates offered they thought that they would be refused the loan. Participants tended to accept the repayment rates asked for because they were desperate for the money.

Administrative data on the source of the repayments show that most were deductions from Income Support and Pension Credit: 59 per cent for Crisis Loans and 90 per cent for Budgeting Loans in 2004/05 (DWP, 2004b). This was followed by income-based Jobseeker’s Allowance (24 per cent for Crisis Loans and 6 per cent for Budgeting Loans); however, the proportion from Jobseeker’s Allowance has fallen in recent years, reflecting the reduction in the numbers unemployed. Other sources are deductions from other benefits and cash – with the latter being only 3 per cent for Crisis Loans and 2 per cent for Budgeting Loans in 2004/05.

The use of Social Fund loans

Few studies have examined the use made of Social Fund loans. The existing literature, based on a survey in the early 1990s and some more recent qualitative studies, suggests that the discretionary Social Fund is used mainly for essential items including beds/bedding, carpets, furniture, cookers and washing machines (Huby and Dix, 1992; Buck, 2000; Whyley *et al.*, 2000; Kempson *et al.*, 2002). In this section, items obtained with a Social Fund loan are compared against those obtained with other types of loans. The section begins by examining other sources of credit used by benefit units on low income, with particular reference to those repaying a Social Fund loan.

The section is based on the secondary analysis of the EFS. The analysis involves comparing respondents repaying a Social Fund loan with eligible non-users of the discretionary Social Fund and others on a low income.

Sources of loans or credit for those on low incomes

Information on the sources of loans in the EFS is grouped in four categories: finance house/credit union/second mortgage; employer; Social Fund; and student loan. Information available on other sources of credit includes hire purchase and club credit. Table 10 gives the proportion of Social Fund loan recipients and other eligible and ineligible low-income benefit units using these types of loans or credit.

Table 10 Percentage of recipients of Social Fund loans, other eligible and ineligible low-income benefit units who have other types of loans/credits, 2000/01 to 2002/03

Type of loan/credit	Repaying Social Fund loan	Eligible, no Social Fund loan	Ineligible, 'low income'
Formal loans			
Finance house*	16	8	7
Employer	0	0	0
Student loan	0	0	0
Hire purchase	11	5	4
Club credit	12	6	4
Unweighted cases	551	2,458	3,647

Base: Benefit units repaying Social Fund loan, benefit units in receipt of Income Support or income-based JSA, and others on 'low income'.
** Includes finance house, credit union and second mortgage.*
Source: Magadi and Beckhelling (2006).

Recipients of Social Fund loans were more likely to have had non-Social Fund debts than eligible respondents with no Social Fund loans or other households with a low income. Over one-sixth of those repaying a Social Fund loan were also repaying finance house/credit union/second mortgage loans. This proportion is significantly higher than that of non-recipients of Social Fund loans on eligible benefits (8 per cent) or those on a low income but not on eligible benefits (7 per cent). Hardly anyone in the three comparison groups was repaying other types of formal loans (e.g. from employer or student loan). The proportions of Social Fund loan recipients with a hire purchase agreement or club credit were also notably higher than for eligible non-recipients or those who were ineligible but on a low income.

Among those repaying Social Fund loans, working-age couples with children were the most likely to have had a hire purchase agreement compared to other types of benefit unit. The patterns for single working-age benefit units with and without children were fairly similar: both had a relatively lower chance of having other types of credits/loans compared to their partnered counterparts.

How do items obtained with Social Fund loans differ from those obtained with other loans?

A previous comparison of items obtained with Social Fund loans against those obtained with credit union loans, using qualitative interviews with Budgeting Loan applicants and credit union members, indicated that Social Fund loans were used mainly for necessities, while credit union loans were used for more discretionary items and treats (Whyley *et al.*, 2000). The EFS analysis broadly supports this finding: it shows that overall 62 per cent of Social Fund loans are used for furnishings (mainly household and garden furniture and furnishings, carpets and other floor coverings, and to some extent household textiles and appliances, including refrigerators/freezers, washing machines and cookers) (Table 11), while ‘finance house’ loans were used mostly for non-consumption expenditure (mainly credit repayments and house improvements), transport (mainly car purchase) and recreation. Hire purchase was mostly used for furnishings and recreation (mainly purchase of recreational items such as audio-visual equipment), and club credit was predominantly used for buying clothing and footwear and, to a lesser extent, furnishings. The most notable differences were that Social Fund loans were more likely to be used for food, housing and furnishings, but less likely to be used for recreation, compared to other loans.

Table 11 Comparison of items obtained with Social Fund loan versus other loans (per cent)

	Social Fund loan	Finance house*	Hire purchase	Club credit
Food	7	2	0	0
Alcohol, tobacco	1	0	0	0
Clothing and footwear	17	7	3	57
Housing (mainly maintenance and repair)	15	7	0	1
Furnishings (mainly furniture, carpets and other floor coverings; household textiles; and household appliances)	62	18	53	32
Health	0	0	0	0
Transport (mainly purchase of vehicles)	6	31	16	5
Communication	1	0	0	0
Recreation (mainly: audio-visual, photographic and info. processing equipment; other recreational items, garden, pets; and package holidays)	13	24	34	19
Education	1	1	0	0.0
Restaurants and hotels	1	4	1	0
Non-consumption (mainly housing accommodation costs, repairs and improvements; and savings, investments, money transfers, credits)	18	40	3	2
Miscellaneous	4	5	1	4
Cases	551	606	353	395

Base: Benefit units repaying discretionary Social Fund loan or with other loans and on eligible benefits or low income.
** Includes finance house, credit union and second mortgage.*
Note: The percentages do not add up to 100 per cent since a loan may be used to obtain multiple items.
Source: Magadi and Beckhelling (2006).

Overview of Part 1

Circumstances and needs of the eligible population

A widespread experience amongst participants was of not having adequate income to live on and being unable to participate fully in society. Expenses such as household appliances, school clothing and equipment, children's clothing, and birthday and Christmas presents were difficult to afford, and 'luxuries', such as holidays, day trips and nights out, were too expensive. Parents were conscious that their children were having to 'go without' and sought to protect them from poverty. Rural participants are further disadvantaged because accessing discount stores involves journeys to urban areas and so additional travel and time costs.

This picture of benefit recipients struggling with an income not sufficient to meet all their needs and experiencing poverty and social exclusion is an important context in understanding the current operation of the Social Fund. Rather than their unmet needs being one-off, intermittent expenditures or emergencies as the Social Fund scheme supposes, their unmet needs were more persistent and regular because of the relatively low level of their benefit income.

A more responsive service

The Social Fund was an option considered by participants for meeting an immediate financial need; however, the extent to which it was a preferred option varied. For some it was their only option, whereas for others applying to the Social Fund would be a last resort. This indicates that there is a demand for grants and interest-free loans, but that the administration process and the uncertainty of getting any money at all deterred respondents from applying to the Social Fund. Another reported problem with the Social Fund is that even when an award is given, it may not be for the full amount requested, implying that the need applied for cannot be addressed. Participants felt that repayment rates were too high and were seen as non-negotiable. In contrast, participants saw home collected credit agencies as providing a more responsive service. They gave an immediate decision and offered lower and negotiable repayment rates. The experience of applying and dealing with Social Fund staff was described as degrading and humiliating. These findings provide lessons for a reformed customer-orientated Social Fund.

Better information

Participants had many misconceptions of the scheme and struggled to see how the decision-making system worked in practice, when their own needs were not met. Indeed, being successful in receiving a Social Fund loan was felt to be partly due to luck. The perceived lack of fairness linked to strongly held views that other so-called ‘non-deserving’ groups must be receiving more favourable treatment or were ‘working the system’. There is a need for more and better information about the Social Fund and a more transparent decision-making system.

Review

Amongst participants who had appealed against a Social Fund decision it was not thought a worthwhile endeavour. The review process was too long when applicants had immediate needs to meet and there was no guarantee of being successful.

Receipt and use of the Social Fund

Evidence on receipt of the Social Fund from the Family Resources Survey (FRS) suggests that the Social Fund does assist key groups which might need additional financial support for meeting one-off expenditure: families with children; people with disabilities; and those living in social housing. Furthermore, analysis of the Expenditure and Food Survey (EFS) suggests that the most disadvantaged benefit units are making use of the Social Fund, in that, on average, Social Fund recipients had a lower weekly income (£158) than eligible non-recipients (£193).

However, in the FRS research, groups such as pensioners and ethnic minorities were less likely than other groups to have received some Social Fund awards. For pensioners, there may be issues of take-up. Further research is needed on ethnic minorities’ experience of the Social Fund. The EFS analysis also found that Social Fund recipients are more likely to have other debts than non-recipients, suggesting that they also used other sources of help to meet their needs.

Evidence from the EFS suggests that Social Fund loans are used for intended items. Social Fund loans were more likely to be used for food, housing and furnishing and less likely to be used for recreation, compared to other loans.

Repayment of loans

Evidence from the EFS indicates that repayments range from £1 to £45 per week, with a mean of £10. Repayments make up an average of 8 per cent of weekly income. Evidence from the qualitative work suggests that repayment rates are set too high and led to further economising due to an even lower income.

Other low-income groups

Analysis of the EFS showed that Social Fund recipients had a similar average weekly disposable household income (£158) to those not claiming a qualifying benefit but on a low income (£145). Allowing people with low incomes to apply for Crisis Loans, but not Community Care Grants or Budgeting Loans, is difficult to justify when the 'excluded' have a similar – indeed, slightly lower – average income.

Part 2

Future Direction

4 Reforms to the existing scheme

Several commentators have advanced reforms of the Social Fund. Their proposals are highly varied: some are procedural whilst others in effect involve its abolition and replacement with another scheme. Some commentators accept that a scheme like the discretionary Social Fund is necessary because there will always be one-off household expenditures that people cannot meet from benefits (or low incomes). The research reported here is based on the tacit assumption that, at least for the foreseeable future, benefit rates are not going to be increased by the Government to a level that would negate the need for a safety net like the discretionary Social Fund. Although some respondents in the focus groups called for an increase in benefit rates, this is not a theme that is explored in this part of the report.

In considering reform of the discretionary Social Fund a crude but useful distinction can be made between reforms to the existing scheme and those that require a more radical overhaul of its structure. This distinction between 'minor' and 'major' reforms underlies the structure of this part of the report.

This chapter focuses on reforms *to* the existing scheme. It summarises existing recommendations in the literature, and then considers the views of the participants in the Stage 2 focus groups and the Stage 3 workshop on what needs government support should meet, eligibility for assistance and priorities for support.

Existing proposals for reforms to the discretionary Social Fund

Several suggestions have been made for ameliorating the existing discretionary Social Fund scheme. Indeed, the Government has responded positively to some criticisms. The following changes to the Budgeting Loan scheme were announced for April 2006 (HM Treasury, 2004a, 2004b; DWP, 2005a):

- Abolition of the rule whereby outstanding Budgeting Loan debt is doubled when calculating how much more a budgeting loan applicant can borrow. From April 2006 only actual debt outstanding will be taken into account.

- The highest repayment rates will be reduced – the maximum repayment rate of 25 per cent will be reduced to 20 per cent and the highest standard repayment rate will reduce from 15 per cent to 12 per cent.

- The maximum repayment period will be extended from 78 weeks to 104 weeks (or 130 in exceptional circumstances).
- The minimum Budgeting Loan payment will increase from £30 to £100.
- The maximum combined Crisis Loan and Budgeting Loan debt an applicant can have outstanding will increase from £1,000 to £1,500.
- The introduction of a three-rate system of maximum Budgeting Loan available based on whether the application is from a single person, couple or family (lone parent or couple with at least one child 18 years or under in the household).

These changes will be supported by an increase in funding of £210 million over the three years to 2008/09.

Nonetheless, proposals for improving the working of the Social Fund include the following:

- Provide (potential) users of the Social Fund with better information and advice (Select Committee on Social Security, 2001; Barton, 2002; Wicks, 2004). Increase awareness and knowledge of the Social Fund, including television advertisements aimed at older people, a free telephone information line, and information letters to all new benefit recipients (Whyley *et al.*, 2000; Kempson *et al.*, 2002; Collard, 2003).
- Improve access to the discretionary Social Fund for applicants: this includes making sure access to Crisis Loans is universal (improve access in rural areas) (Barton, 2002), and upgrade existing telephone systems (Social Fund Commissioner, 2004).
- Widen eligibility criteria to encompass those in low-paid or irregular work or all persons on low incomes, or extend eligibility to claimants of other benefits notably Incapacity Benefit and/or Working Tax Credit and Child Tax Credit (HM Treasury, 1999; Buck, 2000; Select Committee on Social Security, 2001; New Policy Institute, 2002; Collard 2003; Regan and Paxton, 2003; Wicks, 2004). For example, both Craig (1992) and Barton (2002) have suggested that eligibility should be based on income level, and that anyone on a low income should receive grants. Moreover, extend the Social Fund to cover people moving off benefit and into work (Hillman, 2004).

- Abolish the rule that an applicant for a Budgeting Loan must have been in receipt of a qualifying benefit (Income Support, income-based Jobseeker's Allowance or Pension Credit) for a minimum of 26 weeks (Barton, 2002; Wicks, 2004).

- Review the rule that Crisis Loan applicants must show they are threatened with serious damage or risk to their health and safety (Barton, 2002).

- Take appropriate measures so that Crisis Loans are no longer needed to provide financial support because of delays in the payment of other benefits (known as 'alignment payments') (Barton, 2002).

- Improve the quality of decision making by Social Fund Officers (Barton, 2002), including introducing checks to identify errors in decision making early on and improve the standard of recording of reasons for decisions (NAO, 2005).

- Improve Jobcentre Plus staff training and guidance (Select Committee on Social Security, 2001; Barton 2002; NAO, 2005).

- Provide regular statements to discretionary Social Fund recipients that show any outstanding balance on loans (Select Committee on Social Security, 2001; Barton 2002). In the longer term users should be able to access their outstanding debt balances online (NAO, 2005).

- Introduce ethnic monitoring of the Social Fund (Select Committee on Social Security, 2001).

- Allow applicants to apply for a review of their case directly to the Independent Review Service (Select Committee on Social Security, 2001).

- Increase the Social Fund budget (Select Committee on Social Security, 2001; Barton, 2002; Kempson *et al.*, 2002; New Policy Institute, 2002; Buck and Smith, 2003; Wicks, 2004). A larger budget will be necessary if eligibility is to be extended to other low-income groups. Some recommendations include budget increases for specific parts of the Social Fund, such as the proposal by the Select Committee on Social Security (2001) to increase the budget for Community Care Grants.

- Increase maximum loan amounts: for example, Barton (2002) has suggested an increase in the maximum possible Budgeting Loan (currently £1,000).

Needs to be addressed by the Social Fund

Participants in the Stage 2 focus groups (five groups in total) were asked to identify needs that people on a low income would have difficulty meeting from their regular income and to consider which of these should receive financial help from the Government. There were some needs that were commonly mentioned as requiring government support and participants supported government help for a broader range of needs than those currently provided for by the Social Fund. The items listed below were thought by participants in three or more groups to require government support, although it is important to note that views varied within groups:

- household appliances
- holidays for families
- Christmas
- fuel for heating and cooking
- TV Licence
- school uniform
- school trips
- transport.

Household appliances

Household appliances, such as washing machines, cookers, refrigerators and boilers, were seen as essential items by all groups and were given a high priority for government support.

In particular, group discussions focused on the need for washing machines which were thought to be particularly important for families with children. Overall, it was argued that nowadays washing machines were an everyday item and were seen as being essential because of:

- the impracticality of washing clothes in the bath
- the cost and effort of getting to and using the laundrette
- the lack of a laundrette in the rural area.

For all household appliances, it was thought to be more difficult to obtain second-hand items as fewer charity shops sold electrical goods because of health and safety concerns, and so this cheaper option is no longer commonly available.

Holidays for families

Whilst it was suggested that everyone should be able to have a holiday, most discussion centred around families with children. Reasons given for government support for holidays included the view that people on low incomes, in particular, need a break because of the hardship they live with throughout the year; people can get depressed if they don't have anything to look forward to; holidays can be educational for children; and children should not be deprived of the experience. However, some participants in the low-income group said that because they or their family had not had a holiday then it could not be considered to be a necessity.

Christmas

Christmas was discussed in all groups and was described as 'horrendous', 'a nightmare' and 'a big struggle' by participants in the benefit and low-income groups, with demands for presents, food and decorations on top of regular bills. Parents were thought to be under particular pressure, both to buy their children what they wanted and from the perception, reinforced by the media, that everybody else is spending and using credit.

Some participants maintained that help at Christmas time for families was 'essential'. Whilst discussions focused on families with children, government support for people *without* children was also seen as important in avoiding exclusion:

> [People without children] should still have [a grant] because you might want to go and visit your family, you might have guests at your house. If you're a pensioner you don't want to be sitting on your own.
> (Rural, parent, successful applicant)

Being able to participate in Christmas was felt to be important for people's quality of life. For this reason it was argued that people on low incomes should receive government support. Moreover, Christmas was described as a time of giving and government support at Christmas was thought to be both necessary, and appropriate, because of inadequate benefit levels throughout the year.

However, some participants thought that 'Christmas is a choice', that as a festival it had been 'blown out of proportion' and that people should live within their means. It was suggested that events such as Christmas could be afforded if people budgeted throughout the year, with lack of ability rather than lack of means to budget blamed. Christmas clubs and club books were suggested as ways of saving. For one group, the suggestion of government loans was dismissed 'because you're going to keep borrowing from there and still be paying it the next Christmas'. Some members of the high-income group also felt strongly that any government support for Christmas would be unfair:

> We'd all like that little bit extra at Christmas, whether you're living in poverty or not, and it can get to the stage where a certain group in society get every possible help going and another group in society think, well that's not really fair, you know. We're a hard working family, my husband works full-time, there are things that we could do with financial help for, but because we're not classed as in the poverty bracket we don't get anything.
> (Urban, parent, high income)

Fuel for heating and cooking

There was general support for the suggestion that the Government should ensure people have enough money to pay for fuel for heating and cooking.

The extension of the Winter Fuel Allowance beyond pensioners to other groups was proposed in all groups. Often this was discussed within the context of a payment at Christmas. For one retired participant receipt of Winter Fuel Allowance provided additional income to spend on Christmas presents, although she suffered in January when there was no money for fuel bills. Another benefit participant felt the Winter Fuel Allowance was a great help because the biggest fuel bill came around Christmas time.

TV Licence

It was thought that a television set could be bought cheaply but that help was needed with paying for a TV Licence. Government support was recommended for all low-income families and from retirement age, rather than from the current age of 75.

Support for government help with the TV Licence was justified because a television was seen as being essential, particularly for children, as:

- there were educational programmes both for children and adults
- children would be excluded by their peers if they did not watch certain programmes
- there was a possibility of a fine for non-payment of the licence.

> I think your TV is a genuine major appliance which is very much part of our lives, part of our culture and is regarded by 99.9 per cent of us as being an essential household item.
> (Urban, retired, high income)

However, views were not unanimous. Among those who were aware that a TV Licence could be paid for in weekly or monthly instalments, which could be budgeted for more easily than paying annually, it was thought that government support was not necessary.

School uniform

School uniform was seen as an essential need by all groups who discussed it and government support was recommended. However, there were different opinions about the cost of school uniform and therefore the amount of government support required. Some reported that school uniforms were expensive; others suggested that low-cost clothing in supermarkets and school schemes selling second-hand uniforms had made them more affordable.

School trips

The main reasons that government support was recommended for school trips was so that children from low-income families were not excluded and because of their perceived educational value. Trips were also seen as integral to the curriculum and an opportunity for social interaction. Discussions covered the range of different types of school trip, including skiing holidays, residential activities, attending a local school play and swimming lessons, and how to determine what kinds of trip should be supported. One suggestion was that if the trip was a whole class or year activity that everyone else was attending then government support should be available so that no child is excluded.

Whilst school trips were seen as requiring government support, the preferred method of support was through additional funding to schools (see Chapter 5 on universal provision) rather than through the Social Fund.

Transport

The groups discussed transport in different, though interrelated, contexts: travel to work; travel to visit friends and family; and the need for a car.

Government help with travel to work was supported because people 'were making an effort to work'. The type of support considered necessary ranged from enabling someone to buy a car to obtain paid work to financial assistance with public transport only.

Travel to visit friends and family as a need was raised in the high-income group only, although even within this group views varied. For some it was seen as a quality of life issue and necessary for emotional support, and should therefore receive government support.

Among rural parents, those who lived in outlying villages thought there were circumstances which made a car essential and should therefore attract government support. Examples given included:

- when a child is ill and has to be collected from school
- when children want to work in the library after school and need collecting

- when children miss the school bus
- to take a child to represent the school in sporting competitions.

Other needs

Other needs which were thought to warrant government support but were less commonly mentioned included the following.

Other children's needs

- Computers and the internet for children to do their schoolwork. It was felt schools expected children to have access to a computer and the internet and that children needed computer skills if they wanted a good career.
- School or college equipment, such as hairdressing kits, scientific calculators, exam books and PE kits.
- Children's shoes were seen as important even though children's clothes in general were not seen as needing government help. Using second-hand shoes was seen as detrimental to children's health.
- Entertainment for children, such as paper and paint, a sandpit and activities including horse riding, music lessons, ballet classes and cinema trips. These forms of entertainment were seen as educational and important for keeping children occupied, interested and integrated in society. Keeping children entertained during the summer holidays was also mentioned.
- Expenses associated with a newborn baby were thought to be greater than the current Maternity Grant provision.

Insurance-based needs

- Life insurance was an important concern for a lone parent with no family. It was seen as something that had to be paid 'no matter what'. Others felt it was something they could not afford on a low income.

- Funeral expenses were thought to be costly. Saving through an insurance scheme was suggested but another view was that it was an extra expenditure that people on a low income could not afford. (Funeral Payments are available through the regulated Social Fund.)

- Home insurance was seen as something that could not be afforded on a low income. A government insurance scheme was suggested as an alternative to grants and loans (see Chapter 5).

- Expenses associated with illness, such as prescriptions, were mentioned. Increasing the rate of Statutory Sick Pay and help with bills when the illness causes a dramatic change in household income were also suggested.

Housing needs

- Items of furniture such as beds and bedding, a sofa and a dining table were seen as essential.

- Help with mortgage/rent payments and Council Tax was supported under certain circumstances only. (Some assistance is currently available, through Housing Benefit and Council Tax Benefit.)

- House maintenance, decorating and gardening were proposed for people who are unable to do it themselves, for example older people. Help with repairs to older properties, such as replacing roof tiles, was also mentioned.

Work-based needs

- Clothes for interviews because when people are on benefit a long time, their clothes wear out and need replacing. The current grant provision available through the New Deal programmes was supported.

- Training to help people into work.

Other needs

- Holidays for people without children.

- Veterinary bills were proposed by those who thought pets taught children responsibility and were companions for older people.

Discussion about the allocation of grants, loans or other forms of provision for the needs participants thought warranted government support is presented in the section 'Models of support' in Chapter 5.

Eligibility and priorities for the Social Fund

In the workshop participants were asked to consider who should be eligible to receive support from the Social Fund. Participants were keen to extend the coverage of Social Fund support to other groups of people on low income, such as those on non-eligible benefits and those in work.

Eligible benefits

It was agreed that people in receipt of Income Support, Jobseeker's Allowance and Pension Credit – the current eligible benefits for Community Care Grants and Budgeting Loans – should be eligible for the Social Fund and that eligibility should be extended to cover all benefits. In particular, Incapacity Benefit, Disability Living Allowance and Carer's Allowance were mentioned.

One group was clear that people on disability benefits should be entitled to support from the Social Fund:

> They need more money. It is not about they get more money because they are disabled, they get it because they need it. They don't have it to save.
> (Urban, parent, low income)

Another group suggested that eligibility for other benefit recipients should depend on individual circumstances.

People who have made enough National Insurance contributions receive contribution-based Jobseeker's Allowance for up to six months before moving on to income-based Jobseeker's Allowance. Both benefits are paid at the same rate but contribution-based Jobseeker's Allowance is not means tested and therefore is not an eligible benefit for Community Care Grants and Budgeting Loans. It was felt that eligibility should be extended to contribution-based Jobseeker's Allowance recipients because they could be in financial difficulties when first signing on.

Duration on benefit

At present, people have to have been in receipt of eligible benefits for six months before they are eligible for a Budgeting Loan. There were strong feelings that people should not have to wait for six months before receiving help because a need can arise at any point in time. Making a new benefit claim was thought to be a time of particular need as claims could take several weeks to be processed.

Some participants concluded that there should be no requirement to be on benefits for a certain time, whilst others proposed a reduction in the time requirement to three months but stipulated that in certain circumstances, such as homelessness or a single parent moving into their first home, people should be able to receive help earlier. One group discussed whether a requirement to be in receipt of benefits for a certain time would act as an 'unemployment trap', as an incentive for some people to stay on benefit longer in order to be eligible for a loan.

People in work

Currently people in work are eligible to apply for a Crisis Loan but not for a Community Care Grant or Budgeting Loan. There was agreement that eligibility for the Social Fund should extend to people in work. Working Tax Credit recipients were mentioned as a group that ought to be eligible for the Social Fund.

Whilst participants thought the Social Fund should be for people on 'low incomes', they found it difficult to define the threshold for a low income. There was agreement that there should be an upper income limit but, again, it was not possible to determine this threshold. In setting an upper income limit, there was concern that means testing could require applicants to fill in complicated forms which participants wanted to avoid.

Savings

The amount of savings an applicant has is taken into consideration in determining Social Fund awards. With Community Care Grants and Budgeting Loans the amount awarded is reduced on a pound-for-pound basis by any savings over £500, or over £1,000 for applicants aged 60 or over. Overall, workshop participants felt that the savings limit should be set at a higher level. It was felt people worked hard to put money aside, possibly for retirement, and also that some savings were needed for living day to day on benefits:

> Gas and electric bills could be a lot more than what they give you and you are going to dip into your savings to survive from day to day.
> (Urban, single, eligible non-applicant)

One group did not think savings should be taken into account when assessing eligibility for the Social Fund, but thought it inevitable that they would be, and so suggested a limit of £7,000 for people of working age and £10,000 to £15,000 for pensioners. The other group thought it was necessary to take savings into account otherwise the system could be open to abuse, and considered a limit of around £1,000, possibly depending on what was being applied for.

It is important to note, however, that there were participants who thought that all savings should be used before receiving help from the Social Fund.

Prioritising awards

The groups also considered if some people or circumstances should be given priority over others. Despite the relative ease with which participants suggested priority groups, such as children, the elderly, people who were homeless or living in hostels, people whose partner died or became ill, in the end participants concluded that awards should be prioritised according to individual circumstances. There was a strong feeling that needing immediate help should be the important thing and that it was ‘circumstances every single time’, rather than categories of people, that was paramount:

> It is difficult to put someone above someone else because if someone is homeless their need is huge, even if they have no children or their health is perfect or whatever.
> (Urban, retired, high income)

Whether people had family or neighbours who could help them out in times of need was seen as an important difference in circumstances. Participants suggested some examples of immediate needs, such as housing, food or heating. However, they were also keen not to be too prescriptive about immediate needs as they were thought to vary for different people.

5 Reform of the Social Fund

This chapter considers workshop participants' views on more radical reform of the discretionary Social Fund. The previous chapter discussed participants' opinions on possible amendments to the existing discretionary Social Fund scheme. Here the discussion focused on reforming the structure of the discretionary Social Fund.

Existing proposals for reform of the discretionary Social Fund

One possible new model of support is to replace the current loan system with a grant-only system. Grant-based models tend to comprise regular lump-sum top-ups for benefit recipients, special payments for crisis needs, and a discretionary element for special needs (see Commission on Social Justice, 1994). A major advantage of the grant-based model is that it does not reduce benefit income, but supplements the overall income of benefit recipients. A grant-based system can be either regulated, discretionary or a mixture of both. For example, provision to cover emergencies could be discretionary, while regular lump-sum grants and event-related grants could be regulated. Lakhani (2003) suggests that payment should be based upon entitlement without any cash-limited budget. This gives clients a personal choice in how to spend the money (Craig, 1992). Craig (1992, p. 77) argues that a regular lump-sum grant would give clients a sense of certainty, would allow personal choice in how to spend the money and would be 'administratively simple and cheap to operate'. The proposal to introduce a grant-based system has been suggested and/or supported by Craig (1992), the Commission on Social Justice (1994), Gill (2001), the Select Committee on Social Security (2001), Howard (2002), the New Policy Institute (2002), Buck and Smith (2003, 2005), Lakhani (2003) and the Work and Pensions Select Committee (2004). The Select Committee on Social Security, in particular, supported the idea of awarding automatic grants to families with children.

Howard (2002) developed a proposal for a new model based primarily on grants. The proposal is mainly intended to help families with children, but it could be extended and applied to pensioners and adults of working age without children. In general, there is a lack of grant proposals in the literature that would include pensioners and adults of working age without children, although, without going into detail about the possible design of a new system, Kempson *et al.* (2002) reported that interviewees suggested a separate service for older people, with its own Social Fund. Howard's proposal is summarised in Table 12.

Table 12 A grant-based model for the Social Fund

Grant type	Target group	Purpose
Child Development Grant	Regular lump sum payments (half-yearly, yearly or at key stages) to parents	Eradicate child poverty, improve health and educational attainment
Health and Safety Grant	Grants to parents for items essential to well-being of children (cooker, beds, etc.)	Eradicate child poverty, improve health and housing
Secure Homes Grant	Lump sum payments for essentials needed after rehousing due to homelessness, domestic violence, etc.	Improve health and housing, eradicate child poverty
Opportunity Grant	Standard payment scheme for ease of transition from welfare to work (childcare costs, travel, work clothes)	Increase employment rates, eradicate child poverty
Reducing debt	Debt buy-out loans or debt reduction scheme, especially for lone parents	Tackle financial exclusion, eradicate child poverty
Low Income Loans Scheme	Extend loans to all on low incomes	Tackle financial exclusion, eradicate child poverty

Craig (1992) has suggested that events-based grants should also include payment for medical needs, removal expenses, housing repairs and maintenance.

Schemes similar to that proposed in Table 12 and a Low Income Loans Scheme providing interest-free credit to people excluded from normal credit markets have also been advocated by Craig (1992), the Select Committee on Social Security (2001), the New Policy Institute (2002), Buck and Smith (2003) and Regan and Paxton (2003). The New Policy Institute (2002) has raised the question of whether it is acceptable to charge interest rates on loans and suggested that a loan should be turned into a grant if the recipient finds paid work. Regan and Paxton (2003) recommend a combined system of loans and grants, with the Social Fund revamped 'as a more extensive social lender' for people on low incomes, and a grant system linked to either life events or life stages, or

> a more radical option [of] providing individuals with a 'life-account' which is a pot of assets which can be drawn on over a life-time.
> (Regan and Paxton, 2003, p. 44)

Models of support

Participants in the Stage 2 discussion groups were asked to discuss whether the needs which they had identified as requiring government support (see Chapter 4) should be met by grants, loans or some other form of provision. There was variation in the systems of support the groups advocated, both in their allocation of grants and loans and in the other forms of provision suggested. This section begins by describing the issues raised in their discussions about grants and loans and then reports how participants allocated grants and loans to the needs identified for government support. The issues they mentioned in the design of a loans system are then discussed. Finally, alternative forms of provision suggested by participants are outlined.

Grants and loans

Grants

In some discussion groups there was strong support for grants rather than loans. In particular, the high-income group allocated grants to all the needs they had identified. The following reasons were given for supporting a grants system:

- A loans scheme was not seen as helping people already in poverty because benefit income is reduced by repayments.
- Grants were seen as enabling people to save and, as a consequence, take more responsibility for helping themselves.

Other groups also had a preference for grants and thought that they were really needed:

> I don't mind paying it [a loan] back, just every now and then you need a lump sum.
> (Urban, single, homeless applicant)

However, there were concerns about the total cost of a grants system and it was thought that the amount paid in individual awards would have to be limited.

Loans

All the discussion groups raised concerns about a loans system of support. There were two main issues. First, it was feared that people would not be able to repay loans out of their benefit income and making repayments would leave them in poverty. When asked to consider the argument that a loans system could help more people because any money repaid can be lent to someone else, it was questioned how much a loan actually helped people on low incomes:

> … the people that have borrowed are usually back in the same position … whatever reason they needed a loan in the first place … they're going to go short in order to pay that back.
> (Urban, single, eligible non-applicant)

Second, many things could go wrong in a short period of time and loan repayments would cause financial hardship when another need requiring additional expense arose. Moreover, it was believed that until a substantial amount had been paid back, having an outstanding loan would prevent someone getting a second Social Fund loan for another need. Nor would they have had any chance of saving for such eventualities whilst making repayments. It was argued that in these circumstances a grant must be available for essential items, such as a bed, a cooker and a washing machine.

There was also concern about the stress induced by having to make loan repayments and living on a reduced income.

Nevertheless, loans were seen as having some advantages. Thus interest-free loans from the Government could be a welcome alternative to using 'loan sharks'. Other reasons high-income participants gave for supporting a loans system were:

- It would encourage budgeting and self-respect.
- People would think carefully about how much they wanted because they would have to pay it back.
- Circumstances change, so that when people were in a better financial position, that is, in employment, they should be able to pay back a loan.

Notwithstanding the objection outlined above, there was also support for the principle that loans ensure that money is recycled and can be used to help others.

Allocation of grants and loans to needs

The various needs that the discussion groups identified for government support are presented in Chapter 4. With the exception of the high-income group, who allocated grants to all identified needs, the discussion groups allocated a mix of grants, loans and other forms of provision. It is possible that, unlike the high-income participants, those in other groups had experience or knowledge of the current system which has a strong loan element, and that this constrained their ability to design a new system. Indeed, despite being reminded that they were designing a system of support, there were discussions about current provision and what participants thought benefit office staff would allow.

With the exception of school trips for which grants were assigned by all groups, there was no commonality between groups in the allocation of grants and loans to the needs identified. This was partly because different needs could be defined in each group and partly because different decisions were reached about the same needs. However, in groups that discussed funeral costs, TV Licences and school uniform, grants were allocated.

Reasons given for assigning grants to certain needs were:

- They supported people who were making an effort to work, examples being training and travel to work.

- The specified needs were things that people could not cope without and were necessities rather than luxuries. Washing machines were given as an example. Determining what were necessities was seen as problematic as it could differ according to family type and circumstances.

- A loan was inappropriate for a particular need. This was for regularly occurring needs, where it was felt that having to pay back a loan would mean being short of money and therefore needing another loan for the same need later on. Examples were utility bills and Christmas.

Certain categories of people were also suggested as priorities for grants, namely people with a disability, pensioners and families with children.

There were few reasons given for allocating loans to particular needs, but when asked if the cost of a holiday should be paid back, one participant felt that ‘you’d have to do that’, ‘you can’t take everything’. For the rural benefit group, accessibility of goods and interest-free credit appeared to be important concerns. They supported help with household appliances through a loan and wanted a special discount shop or catalogues from which benefit recipients could buy goods in instalments with no interest payable.

A loans system

Groups discussed what kind of loans system they thought would be appropriate.

Availability

It was argued that someone on a low income would not ask for a loan for something they did not consider a necessity because the repayments would have to be taken from a small income. Therefore, it was argued that loans should be available more easily than they are at present:

> It's not like you're asking it to come out their pocket, you're paying it back into the system. You're grateful to the system at the time but the system is still getting it back.
> (Urban, parent, unsuccessful applicant)

In the urban benefit group there was a strong feeling that given loans were repaid they should be available to everyone and for any item. However, it was recognised that if government interest-free loans were more freely available, they would always be chosen in preference to a 'high street loan' with interest. Hence it was proposed that the scope of the loan should be reduced either through eligibility or item-based criteria. Suggestions were that loans should be for something you need, not 'to buy a house, a car or a new settee', and that like the Working Tax Credit, it would only be available up to a certain income level.

It should be noted, though, that not everyone would consider applying for a loan. For instance, one participant said she had never borrowed and would prefer to save for an item or go without.

Repayment

There were differences in opinion regarding repayment rules for a loans system. Current repayment rates were perceived as too high. Indeed, when allocating loans to certain needs the rural low/high-income group was keen to stress that the repayment procedure should differ from the current Social Fund scheme. Only a small amount should be taken from weekly benefits and, correspondingly, there should be more time to repay a loan. The urban benefit group thought that the rate should depend on the income and circumstances of the recipient. In contrast, however, the rural benefit group recommended a repayment system similar to the current Social Fund scheme. The ‘double debt’ rule was criticised, but the way the current Social Fund system takes into account other debts when calculating repayment rates and the deduction of repayments at source were liked.

When asked if there were situations when the debt ought to be written off or repayments could be suspended, it was thought that a debt should be wholly or partly written off if the loan had been taken out by a couple and then a relationship breakdown meant that there was only one person left responsible for its repayment. There was a mixed response to the proposal to write off debts for people starting work. The argument against was that if people took out the loan they should take responsibility for its repayment, so it can be recycled to help other people. Losing a job, death or illness in the family, school holidays and Christmas were suggested as times when there could be a break from repayments.

Interest rates

In general, participants said that there should be no or very low rates of interest (for example, 2 per cent) charged on loans.[1] The recommendation that a low rate of interest should be charged was often preceded by a discussion about how the system would be funded. There was also the suggestion of not charging interest but levying a small administrative fee for taking out a loan, the amount possibly depending on the applicant’s financial circumstances.

Other forms of provision

Suggestions for other forms of provision were made as an alternative to grants and loans for certain needs or were raised as spontaneous ideas.

- One benefit group advocated discount shops or catalogues available exclusively for people in receipt of benefits. For each item there would be a range of goods to choose from, and the Government could use its considerable purchasing power to ensure they were available at a reduced price. Items would be paid for in weekly instalments and no interest would be charged. Having a range of discounted goods within a loans-based system was seen as a way of giving people on benefits a choice of different models and makes without much extra cost to the taxpayer. Whilst some people did not see any potential problems of stigma in using a shop exclusively for people in receipt of benefit, others favoured the idea of a catalogue, which would provide a degree of anonymity.

- One of the benefit recipient groups supported the idea of a government-run scheme that would provide second-hand or reconditioned goods to recipients. This scheme was based on a local charity that collected unwanted furniture and appliances to pass on to people in need. Benefit recipients could access the scheme through social services and for a nominal fee obtain second-hand items of furniture and kitchen appliances.

- Some groups advocated a home contents insurance scheme provided by the Government. This scheme was believed to remove the requirement for grants and/or loans because people could claim through the insurance scheme for certain needs. Insurance contributions would be deducted from benefits at source, but benefits would be increased to meet the extra cost. Another suggestion was that everyone would pay insurance contributions but only those on a low income would be able to make a claim. A small excess of £20 for all claims was suggested.

- A government savings scheme for low-income families was seen as having two main features. First, it would provide a higher rate of interest than is available from ‘high street’ lenders. Second, individuals would be entitled to a government loan equal to the amount of their savings.

- Establishing a loan society that granted low interest loans was suggested. One participant had heard of an organisation that offers loans at low interest rates, and this idea received support from the group. From the description given it is possible the participant was referring to a credit union.

- The high-income group suggested a programme of financial education for schoolchildren so that they would know how to budget their money.

In addition, the participants proposed the following options for meeting certain needs.

- Universal provision of services:
  - The internet should be free for all and community computer facilities should be provided.
  - The TV Licence and Vehicle Excise Duty should be abolished.
  - School trips should be government funded for all children.

- Provision of services or facilities:
  - A government-run community service or voluntary scheme should provide help for people who could not do their own decorating, house maintenance and gardening.
  - All groups who mentioned holidays discussed existing voluntary sector provision, and government funding for existing charitable organisations was suggested. Provision of holiday centres was another idea, with opinions differing on whether these facilities should be fully funded, partially funded through a grant or offered at a reduced price.
  - Special swimming sessions at leisure centres for children in low-income families and vouchers for public transport should be provided.

- Discounted provision:
  - For low-income families automatic discounts were suggested for Vehicle Excise Duty, TV Licence, Council Tax, leisure centres and utility and veterinary bills. However, grants or loans might still be needed if people had difficulty paying discounted prices.

Methods of payment and type of goods purchased

Currently Social Fund awards are made as cash payments and there is no provision for payment in kind. However, there is provision for payment to a third party and this is generally used to pay a supplier if there is evidence of previous misspending of an award. This section first presents the Stage 2 groups' views regarding payments in kind, focusing mainly on the use of vouchers. Then alternative forms of payment in kind provision suggested by participants are outlined. Finally, participants' views on the type of goods that the Social Fund should fund, in terms of quality and whether they should be new or second-hand, are discussed.

Payment in kind

The issue of payment in kind was discussed in all groups. Discussions focused on the use of vouchers, although other options, such as being provided with goods directly, were discussed in some groups. There was a difference in the salience of payment by vouchers between groups. In some groups the idea of payment in vouchers was mentioned spontaneously and could be an important stipulation when discussing whether needs should be met by government, whilst other groups were prompted with the idea for discussion. Household appliances, particularly washing machines, were the main items referred to when payment in kind was discussed, although some groups suggested vouchers for meeting a wide range of needs. One group also discussed the need to include delivery and installation charges in the voucher amount.

All groups were in favour of vouchers because this would ensure that Social Fund awards were spent on the items requested and reduce non-genuine claims. There was a feeling that some people knew how to fill out the forms and were applying without a genuine need and spending any award on non-essential items. It was thought that a voucher system would save the Government money, thus enabling the Social Fund to help those with a real need. Correspondingly, applicants' chances of receiving an award would be higher because 'the Government' would know that the money was being spent on the right thing. However, it was widely acknowledged that the proposed system was not foolproof as recipients could still sell their vouchers or indeed the goods themselves.

One of the benefit recipient groups raised the problem that currently Social Fund applicants may only receive a proportion of the grant amount they have asked for, so may need to take out a commercial loan for the remaining cost. In contrast, it was believed a voucher system would cover the full cost of the item needed, although, of course, if ever implemented there is no guarantee that this would happen.

In some groups discussion about the disadvantages of a voucher system was spontaneous, whilst others were prompted to consider possible disadvantages or were asked specifically whether vouchers could be stigmatising or if they reduced the choice of goods available to the recipient. One point of view was that vouchers are used by everyone, examples being reward vouchers from supermarkets and gift vouchers, and so were not stigmatising. For others there was a concern that people could be identified by their use of vouchers issued by the state: 'it would say welfare written all over it'. Food vouchers issued to asylum seekers and milk tokens were given as examples of voucher schemes that some participants thought were humiliating or stigmatising.

A number of ways of avoiding the possible stigma of vouchers were suggested: the use of mail order; the Government paying the company directly; and being given the item itself. It was also suggested that some people would have to ‘swallow their pride’ and that the important thing was getting the item needed.

An advantage of a cash payment to recipients is that it may be possible to get a Social Fund award for a refrigerator, for example, and choose to buy one for less than the amount awarded and keep the difference. However, losing this possibility was not seen as making the system less generous because, as already mentioned, it was believed that it would be easier to get an award under a voucher system. Being limited to a specific store or type of item was not seen as a particular disadvantage, although giving applicants the choice of using their own money to top up the award amount to get a higher quality item was suggested.

A number of the alternative forms of provision proposed by participants feature payment in kind, in the provision of household goods as well as services and facilities (discussed above in the section ‘Other forms of provision’).

Type of goods

Participants were asked about the type of goods that the Social Fund should fund in terms of quality and whether they should be new or second-hand. For some discussion groups this was in the context of a voucher payment whilst for others it was a more general discussion.

Opinion on the quality of goods was split between economy or bottom of the range and middle of the range. Energy efficiency was also mentioned as a criterion for defining permitted household goods. Those who suggested middle of the range items did so because they said they would last longer than economy goods, whereas others thought that this was not necessarily the case, and so opted for bottom of the range. Other reasons given for purchasing bottom of the range were that recipients should feel ‘grateful’ for getting the item anyway, and that provision of higher quality goods would reduce work incentives.

There were also different points of view about whether the Social Fund should fund a reconditioned or second-hand item, or if the item should be new. There were a number of reservations about second-hand goods: health and safety issues; lack of knowledge about where suitable second-hand goods could be bought; and a higher risk of goods breaking down. Second-hand or low-quality goods breaking down was seen as a problem both for government, in that applicants would need another award to replace the item, and for the individual who may be refused another award for the same item.

Policy options

The workshop participants discussed policy options for reform of the Social Fund. In a plenary session they were presented with the following six options for reforming the current scheme:

- Regular Grants – grants could be paid at a certain time of the year, such as Christmas or in the summer to help towards a day trip or holiday, or they could relate to key stages in children's lives, such as starting school.

- Life Event Grants – grants could be made available to help at times of life events, such as moving into a new home or starting a new job.

- Essential Items Grants – there could be a list of items that are seen as essential and for which there would be an entitlement to a grant. Examples of essential items could be: a cooker, refrigerator, beds and bedding, carpets, curtains, washing machine.

- Crisis Payments (either grant or loan) – there could be provision similar to the current Crisis Loan for when people are unable to pay for something and it is a serious risk to their health and safety. This would be a quick source of help for an emergency.

- Interest Free Loans.

- Low Interest Loans.

As well as a description of the six schemes, estimates of their cost were given (see Appendix C for details). They were ranked in cost order with the most expensive scheme first. Indeed, cost was a key part of the group deliberations. The workshop participants were also presented with a list of needs identified as suitable for government support in the previous round of policy groups (see Chapter 4).

The participants were divided into three groups according to household type – single people, parents and retired people. In these groups they were asked to consider how they would use the schemes presented to design a reformed Social Fund system. They were asked to decide:

- which schemes should be included
- which needs should be met by each scheme
- which groups or circumstances should receive help under each scheme and for which needs.

The groups discussed how the schemes differed and the potential overlaps. They were encouraged to simplify their Social Fund system by excluding schemes that they did not like or that did not fit their system design. All groups excluded at least one scheme. Only Regular Grants and Essential Items Grants were included in the final designs of all three groups, but the role of the Essential Items Grant differed between groups.

Regular Grants

Needs identified as being suitable to be met through Regular Grants included:

- School uniform, equipment, activities and trips – all three groups thought these needs should be met for children from low-income families through a yearly payment at the start of the school year. School uniforms and school trips were seen as expensive, particularly if there were two or three children of school age in a family, so a grant was felt to be essential. It was thought that payment amounts should increase by age or as children moved from primary to secondary school, because the cost of clothing, shoes and school trips increases as children get older.
- Clothing and footwear – extra provision for non-school clothing was suggested for children. A yearly grant for clothing and footwear of £100–150 was proposed and opinions varied on whether this would be for children only, children and pensioners, or everyone.
- Heating costs – extension of the Winter Fuel Allowance to families with children was suggested in the retired group (see also Chapter 4).

- TV Licence – the singles group proposed that pensioners should have a Regular Grant to cover the cost of the TV Licence because the state pension was perceived as being too low.

- Travel to work – travel to work expenses for people on a low income was mentioned as a regular need suitable for a grant. Discussions about the cost implications of this led to the suggestion of a time-limited grant for those starting a new job and waiting for their first pay packet. However, one point of view was that Regular Grants could be seen as saving government money if it kept people in work.

- Christmas and religious festivals – Christmas and religious festivals were suggested as needs suitable for a Regular Grant. However, others thought that Regular Grants were not suitable for Christmas or that other types of support such as low-interest loans were more appropriate (see also Chapter 4).

- Holidays for families – Regular Grants were suggested but this was questioned by participants who did not think holidays were an essential item.

A perceived problem with Regular Grants was that some needs might not actually occur in the period for which the grant was allocated and, consequently, government money would be misused. This was also an issue in determining a grant amount for school-based needs. It was felt that children should be able to attend trips that other members of their class were attending, so a Regular Grant of £500 a year was suggested to cover both trips costing £200–300 or more and school uniforms. However, given that children would not be undertaking such expensive school trips every year, using the Life Events Grant as an alternative source of funding was also recommended.

Replacing household appliances was also mentioned as unsuitable for Regular Grants:

> … it is when something breaks down and you need to replace it, whereas if you are getting £10 a week towards replacing anything that breaks down [in the future] the danger is that you will spend it.
> (Urban, retired, high income)

Some participants feared that the Government would not be able to afford a Regular Grants scheme. One view expressed in the parents group was that parents have a responsibility to provide for their children and the Government should not be expected to provide everything. Some parents in receipt of benefits stated their preference for loans, because they felt it would be better for the applicant's 'pride' to be paying something back.

Opinions on eligibility for Regular Grants were split between restricting them to benefit recipients only and extending them to those in low-paid work. Those who thought eligibility should be restricted to benefit recipients only based their decision on the assumption that those in work had access to bank and building society loans. The parents group discussed children's needs only and thought low-income families with children of school age should be eligible, whether in receipt of benefits or in low-paid work.

Life Events Grants

Life events considered suitable for a grant included:

- Illness – in particular, financial support with the costs involved when children need to attend hospital regularly.
- Death – payments to cover funeral costs, estimated at around £2,000. There was debate about whether or not this scheme would cover people who already had insurance cover.
- Entering employment – whilst there was awareness of other programme funding for benefit recipients moving into employment, it was felt that the cost of clothing needed when looking for or entering employment should be met for 16 and 17 year olds from low-income families who had left school and were not eligible for benefits.
- Entering further or higher education – going to college or university was described as a life-changing event. There was concern about the cost of education, particularly higher education, for low-income families.
- School trips – children going on a school trip without their parents was viewed as an important life event.
- The need for household appliances – appliances breaking down was viewed as an event for which a grant should be available.

Birth, unemployment and marriage were also mentioned as life events, but Maternity Grants and Jobseeker's Allowance were seen as covering the first two events and marriage was thought to be less common than in the past and consequently should not be supported through government funding.

Those eligible for a Life Event Grant were thought to be people on a low income, including disability-related benefit recipients and those in work.

The singles group decided to exclude Life Event Grants from their scheme design because they thought the other components of their design, Essential Items Grants and Crisis Grants in particular, would cover life events.

Essential Items Grants

The groups discussed what they saw as 'essential items' to be covered and suggestions included:

- household appliances – cooker, washing machine, boiler, refrigerator
- furniture – sofa, wardrobe, bed, bedding
- kitchen equipment – kettle, saucepans, plates, cutlery
- home adaptations – so older people and people with a disability can stay in their homes.

The Essential Items Grant was presented to the groups as a grant for essential items that people should not be without through lack of resources. However, the parents group thought this could be a 'Setting Up Home Grant' for basic items, with loans available when these items needed replacing. Groups identified as needing government support setting up a home were: people leaving a hostel; homeless people; ex-prisoners; victims of domestic violence; young mothers; and people whose home had been destroyed by fire.

Suggestions for eligibility for an Essential Items Grant were:

- benefit recipients only, because it would be too costly to extend eligibility further

- everyone on a low income, both those claiming benefits (including disability benefits) and those working. This broader eligibility was recommended because it was felt that circumstances vary and that someone might have a desperate need even if they were in paid work.

Crisis Payments

Some form of Crisis Payment was seen as complementing the other types of award. For the parents group, this had been explicit in their proposal of an Essential Items Grant for setting up home only and a Crisis Loan for replacing items that had broken down or been stolen. For the single group there appeared to be an assumption, based on experience of using the Social Fund, that if an applicant had been awarded an Essential Items Grant for an item that subsequently broke, they would not be awarded a second Essential Items Grant. This group thought that in this situation a grant rather than a loan should be awarded.

Another example of a Crisis Payment complementing another award was the singles group's suggestion of a Crisis Grant for a child who had ruined or grown out of their shoes before a Regular Grant was due. Replacement of food ruined by power failure to a refrigerator and help with travel to work expenses were other suggestions for a Crisis Grant. Access to a Crisis Payment should be open to everyone simply because they had experienced a crisis.

The retired group saw some similarity in the needs covered by the Crisis Payment and the Life Event Grant and questioned the need for three different loan systems (Crisis Loan, Interest Free Loan and Low Interest Loan).

Interest Free Loans

Groups held different views on the role of Interest Free Loans. The singles group proposed Interest Free Loans for both benefit recipients and others on a low income. Benefit recipients could have Interest Free Loans for needs such as Christmas, holidays and TV Licences. As the loan would have to be paid back from a small income, only one loan of no more than £500 a year was proposed. There would be no restrictions on the use of the loan because, by definition, recipients would be repaying it.

Others on a low income could have Interest Free Loans for needs that those on benefits would meet through a Regular Grant, principally household appliances and furniture. They could also have Interest Free Loans for Christmas, holidays and TV Licences, although this would be dependent on how much they wanted and their circumstances. However, there was concern about whether the cost of providing Interest Free Loans for this group would be too high.

For the retired group, an Interest Free Loan was for essential items only, with Christmas and travel to work for a limited period of time included, but holidays and TV Licences not included. It was thought that these loans should be available for everyone on a low income, especially people who had no access to bank and building society loans and whose only alternative may be 'loan sharks'.

Low Interest Loans

Within the parents group it was thought that a small amount of interest or an administration fee should be paid for any Crisis Loan. Whilst an interest-free scheme was thought to be more beneficial, paying interest or an administration fee was seen as:

- one way of limiting costs
- providing money to help someone else or even for other purposes, such as providing support for young people entering higher education
- a way of saying 'thank you' for the help and a means of maintaining 'pride'.

Within the retired group, some argued that as any loan would be repaid then everyone should be eligible and there should be no restriction on the use of the loan. Another view was that it should be restricted to people on low incomes. Interest rates should be low but should cover administrative costs, say 1 or 2 per cent. The amount people would be able to borrow would depend on their need, ranging from £100 for a reconditioned cooker to £1,000 for a boiler.

The singles group had chosen the Interest Free Loan in preference to the Low Interest Loan.

New Social Fund systems

The three workshop groups were encouraged to recommend a new discretionary Social Fund system based on combinations of the six policy options. Each group proposed a different combination of options. Table 13 shows the Social Fund systems the three groups devised.

Table 13 Social Fund systems devised by policy groups

Options	Single persons' group	Parents group	Retired persons' group
Regular Grants	⚐	⚐	⚐
Life Event Grants		⚐	⚐
Essential Items Grants	⚐	⚐ (when first setting up home only)	⚐
Crisis Payments	⚐ (grant)	⚐ (loan)	
Interest Free Loans	⚐		⚐
Low Interest Loans		⚐	⚐

Overview of Part 2

A more generous scheme

Participants in the policy groups advocated a more generous scheme. Their scheme would: have a wider eligible population, in terms of benefits, savings and income; be needs driven rather than based on categories of people; cover a broader range of needs; and have more emphasis on grants rather than loans.

A wider eligible population

The participants in the qualitative research were in favour of extending eligibility for the discretionary Social Fund to people on currently non-qualifying benefits (notably disability-related benefits) and to those in low-paid work. Participants also felt that people should be able to have a higher amount of savings before they are taken into account in determining Social Fund awards and that the amount of time spent on eligible benefits before being able to apply for Budgeting Loans should be reduced.

Needs-based

In wanting to extend the Social Fund to a wider eligible population, participants thought that needing immediate help was more important than categories such as household type or whether the benefit they received entitled them to an award. They thought awards should be prioritised according to individual circumstances because the context and urgency of the need would vary both between and within categories of people.

A broader range of needs

Participants were keen to widen the needs covered by the discretionary Social Fund. Indeed, some argued that there should be no restriction on the use of Social Fund loans because they would be repaid. Whilst there are no restrictions on the items that can be applied for under the current scheme, the experience of participants was of being refused awards for certain items, such as curtains, carpets and washing machines.

The needs that participants in three or more groups thought required government support were: household appliances; holidays for families; Christmas; fuel for heating and cooking; TV Licence; school uniform; school trips; and transport. However, this research does raise the issue of which needs should be met from benefit income as opposed to those that can be regarded as one-off or exceptional and should be addressed by the discretionary Social Fund. It could be argued that some of the needs participants identified for government support ought to be met from benefit income and, as such, policy changes should be linked with a review of the adequacy of benefit rates.

Grants rather than loans

In some discussion groups there was strong support for grants rather than loans. Reasons for supporting a grants system were that:

- A loans scheme was not seen as helping people already in poverty because benefit income is reduced by repayments.
- Grants were seen as enabling people to save and take more responsibility for helping themselves.

In addition, it was thought that many things could go wrong in a short period of time and loan repayments would cause financial hardship when another need requiring additional expense arose. Moreover, having an outstanding Social Fund debt could reduce the possibility of a further loan and repayments would prevent saving for such eventualities. It was argued that in these circumstances a grant must be available for essential items, such as a bed, a cooker and a washing machine.

Items that an Essential Items Grant should encompass were: household appliances; furniture, including bedding; kitchen equipment; and, where required, home adaptations for older people and people with a disability. Underpinning the participants' recommendation of an Essential Items Grant are the notions that, first, there are some basic or essential items that all households have a right to possess and, second, the vital nature of these items means that people on a low income should be awarded a grant rather than a loan to acquire them.

There was also support for Regular Grants for items such as: school uniform, equipment, activities and trips; clothing and footwear; heating costs; TV Licence; travel to work expenses; Christmas and religious festivals; and holidays for families.

Notwithstanding the popularity of grant-based reforms to the Social Fund, participants – current benefit recipients and non-recipients – were in favour of retaining a loan scheme, principally as a welcome alternative to using ‘loan sharks’ and as a way of extending provision to other low-income groups not currently eligible. In addition, some form of crisis award, whether a grant or a loan, was seen as a necessary part of the scheme.

Payment in kind

Some participants looked favourably on making payments in kind, whether by voucher, or special stores or catalogues. Underpinning their support for a payment in kind scheme was: concern about the misuse of the scheme by some recipients; a general perceived unfairness of award decisions; and the anticipation that it would overcome the current problem of partial awards. Whilst participants acknowledged that a payments in kind scheme could be stigmatising for users, some thought this was not a serious risk, could be minimised (for example, by using catalogues in the home to select items) or would have to be tolerated by users. However, the research team believes that the participants underestimate the adverse consequences of a potentially stigmatising method of payment.

Rural disadvantage

The policy discussions highlighted the additional needs of people living in rural areas. Parents who lived in outlying villages thought there were circumstances that made a car essential and should therefore attract government support.

6 Conclusion

This chapter draws some overall conclusions in relation to the aims of the research project, namely, to explore the contribution the discretionary Social Fund makes to reducing poverty and social exclusion and to produce policy recommendations for reform of the discretionary Social Fund.

The role of the discretionary Social Fund in reducing poverty and social exclusion

Poverty

The research reported here confirms that of other studies (Whyley *et al.*, 2000; NAO, 2005) that the discretionary Social Fund can help people on low incomes cope with expenses they cannot meet from regular income.

- During 2004/05 there were over 3.5 million applications to the discretionary Social Fund, resulting in over 2.5 million awards. The total net expenditure was £163.6 million.

- The Social Fund reduces the material deprivation of those who are successful in receiving an award and in this sense can be seen as contributing towards reducing poverty. Social Fund loans were used to buy necessities such as furniture, carpets and appliances.

- The secondary analysis reveals that the discretionary Social Fund does assist some key groups who, a priori, might need additional financial support meeting one-off expenditure on necessities and emergencies. Three groups were all more likely to receive a discretionary Social Fund award and were therefore more likely to be helped out of poverty:
  - families with dependent children
  - people with disabilities
  - people living in accommodation rented from a social landlord.

- In the qualitative research, a few participants expressed positive views towards the Social Fund, indicating that it was meeting (some) needs:

  > … if you're really desperate you can go there and get something off them, even if it's just for something to eat that day.
  > (Urban, single, homeless applicant)

  > The Fund if you get it is brilliant.
  > (Urban, parent, unsuccessful applicant)

However, the research reported here confirms that, as part of the Government's strategy to combat (child and pensioner) poverty, the discretionary Social Fund in its current form is making only a very limited contribution to reducing poverty. This is because:

- The discretionary Social Fund does not help certain groups who can reasonably be expected to need additional support. Pensioners and households headed by a member of an ethnic minority are less likely to get a discretionary Social Fund award and are, therefore, less likely to be helped out of poverty. Previous research has highlighted issues of non-take-up amongst pensioners (Kempson *et al.*, 2002) but research is needed to explore ethnic minorities' experience of the Social Fund.

- This research also shows that people living in rural areas can face additional living costs and transport needs. Thus a Social Fund award could have less positive impact in reducing poverty for a recipient living in a rural area if they are unable to buy a product, such as a washing machine or bed, locally and have to travel to reach shops selling the item at a lower price.

- Whilst participants in the qualitative research who had received a Social Fund award were positive about the help they had received, within the context of their wider circumstances the contribution of the Social Fund to reducing their poverty was minimal. Participants had many other needs that they were unable to meet. Secondary analysis of the EFS showed that Social Fund recipients were more likely to have other debts from finance houses, hire purchase agreements and club credit than non-recipients, indicating that recipients had to meet other needs from alternative sources.

- The overwhelming experience of participants was of the discretionary Social Fund not helping them meet their needs as, often, applications were refused or only a partial award was granted. The consequences of being refused or given a partial Social Fund award were that participants had to turn to other options, such as friends or family or charities, borrow money from elsewhere, or go without the item originally wanted, or, if left with only a partial award, use the money for something else. In some instances, recipients' options for dealing with an immediate need increased indebtedness, such as using bank loans and credit cards, buying from catalogues and using home collected credit agencies.

- The Social Fund does not reduce the financial poverty of recipients when awards are received as loans rather than grants. The repayment of Social Fund loans through direct deductions of benefit reduces households' incomes and increases hardship. Administrative data reveal that in February 2005 the average weekly deduction from Income Support was £11.24, from Jobseeker's Allowance £7.33 and from Pension Credit £10.73. The secondary analysis of ESF showed that the average weekly repayment was £10 (median £9), but could be as high as £45. The average repayment rate was 8 per cent of weekly income. Somewhat perversely a group the Government is targeting, families with children, tend to face higher repayment rates and amounts because they tend to borrow more than other groups.

Social exclusion

Evidence from the qualitative research suggests that benefit recipients experienced social exclusion in a number of ways:

- Benefit recipients were unable to participate in everyday activities enjoyed by their contemporaries, such as going to the cinema or having an evening out with friends and taking a day trip or holiday, and struggled to afford additional expenditures associated with Christmas and birthdays.

- Families with children experienced additional pressures due to the cost of educational expenses, such as school uniform and equipment and school trips, and children's clothing. Ensuring that children had the correct school uniform was seen as important so that children would not get into trouble at school and be singled out by their peer group, especially as they became more fashion conscious and aware of peer pressure.

The Social Fund is not currently contributing to reducing social exclusion. Payments are rarely made for the items and activities detailed above and, indeed, a school uniform is an excluded item for Community Care Grants. It is, of course, possible that some Budgeting Loans awards are used for these purposes but this possibility would not appear to be supported by the experience of applicants in the qualitative research.

In the policy groups with participants from a range of socio-economic backgrounds, there was support for government help for a broader range of needs than those currently covered by the Social Fund. This included items associated with promoting social inclusion – holidays for families, Christmas, school uniforms and school trips.

Policy recommendations and proposals for reform

Recommendations

- A key criticism of the current system was the length of time it took to receive a decision. Current targets for processing Social Fund applications are: nine days for Community Care Grants; eight days for Budgeting Loans; and two days for Crisis Loans (DWP, 2005a). This research supports the need for quicker decision making and recommends the following processing times:
  - same-day decisions for Crisis Loans
  - decisions on Community Care Grants and Budgeting Loans to be made within five working days.

- High repayment rates for Social Fund loans, compared with other high street lenders, discouraged some people from applying to the Social Fund. High loan repayment rates also increase hardship. This research recommends lower repayment rates and more flexibility for applicants to negotiate repayment rates to an affordable level – a widespread perception was that if applicants did not accept the repayment rates offered then their application would be refused. The Government is introducing lower repayment rates in April 2006: the maximum rate will be reduced to 20 per cent and the standard rate to 12 per cent. Correspondingly, the term of repayment will increase to 104 weeks. Whilst welcome, these forthcoming changes are not considered to go far enough in alleviating the financial hardship that applicants can face. It is acknowledged that there is a difficult trade-off between reducing the repayment rate and extending the term of the loan and, therefore, the length of time applicants remain indebted and limited in the amount they can borrow from the Social Fund. Ultimately then, there needs to be flexibility for applicants to negotiate a repayment rate and term, and to make adjustments as circumstances change.

- The review process was not considered by participants to be worthwhile. This is a disappointing finding considering that around half of people who apply for a review have the decision overturned in their favour. This research, therefore, recommends wider publicity about the review process per se and the chances of success, so that applicants can make an informed decision as to whether it is worthwhile asking for a review.

- The additional time (on top of the initial decision-making process time) that people who ask for a review wait to hear a decision is discouraging people from using the review system. Alongside a quicker initial decision-making process needs to be a quicker review system. Processing time targets of five working days (where cases are straightforward and do not require further evidence) are recommended for both the first and second review stages. Furthermore, reducing the time it takes for review applications to reach the Independent Review Service (IRS) from Jobcentre Plus is essential – an average time of six days is not acceptable. Allowing people to apply directly to the IRS is therefore recommended to minimise this delay.

- A wider issue raised by participants was the general lack of information available to people informing them of the benefits for which they might be eligible. This was a particular issue for eligible non-applicants, some of whom had not heard of the Social Fund before.

The research also confirms the need for a more fundamental review of the discretionary Social Fund. Any such review would need to consider the future role of the discretionary Social Fund alongside an assessment of the adequacy and purpose of cash benefits. Based on the current role of the discretionary Social Fund and participants' views on its future direction, the study suggests that:

- Any new system needs to be more grant-based than the present system, because of the evidence that repayment of loans leads to hardship.

- Any new scheme will require substantial extra funding, because the current scheme is not meeting all the possible demands placed upon it (although the amount of additional funding required will depend upon any review of the adequacy and purpose of other cash benefits). (The situation for benefit recipients is exacerbated because increases in benefits are indexed to prices, but earnings have tended to rise 2 per cent per annum above prices.)

- Any new scheme should be transparent and open with clearer entitlement criteria and decision making. Underpinning the new system should be a generally agreed list of ‘essential items’ that people with a low income have a right to access whether through regular or essential grants. Moreover, there are other items of expenditure or need for which (interest-free) loans should be available.

A proposal for reform of the Social Fund

An important part of this research was the engagement of people from a range of socio-economic backgrounds in discussions about the needs that government should support for people on low incomes, and the mechanisms through which this should take place. Based on these discussions and other evidence collected during this research project, the research team proposes a reformed Social Fund with five main elements. Tentative costings for this reform scheme are presented in Appendix D.

1 Regular Winter Grants

A regular cash grant would be paid every December to contribute to additional winter expenses such as Christmas and fuel bills. The winter grant would build on the Winter Fuel Allowance, extending the principle of supporting vulnerable people at winter time to non-pensioner households. The amount of grant paid would vary according to household size, with families receiving more than single households. The costings assume an amount of £50 per household member, up to a maximum of £300.

Eligibility

The grant would be payable to all benefit recipients (including those in receipt of Incapacity Benefit, Carer’s Allowance and contribution-based Jobseeker’s Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

Rationale

In the qualitative research, Christmas was reported as being a time of particular financial pressure. Restricting the amount of heating used in winter was also a common practice among benefit recipients. The extension of the Winter Fuel Allowance to other household types was proposed by all of the policy focus groups.

It is the view of the research team that helping people with additional financial assistance at Christmas is important in terms of social inclusion. It was also reported among retired participants that some people spent their Winter Fuel Payment on buying Christmas presents, hence the proposed grant is not called a fuel payment, but would allow people to use the grant for paying towards fuel bills and/or Christmas.

2 Regular Start of School Grants

A Regular Grant would be paid every August to parents of school-age children up to the age of 16. The grant would be paid in cash to assist parents with buying school uniforms, shoes and equipment before the start of the new academic year. The costings assume an amount of £50 per child.

Eligibility

The grant would be payable to all benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

Rationale

Participants were in favour of government support for school uniforms – it was an issue that was salient across all income groups. Among some participants in the qualitative research, buying school uniforms was considered to be expensive and required careful money management.

It is the view of the research team that financial assistance at the start of the new academic year would help reduce poverty and the stigmatisation and social exclusion children can face if they do not have the correct uniform or equipment. The finding that costs associated with schooling present difficulties to low-income families are supported by other studies, including government research (Brunwin *et al.*, 2004).

3 Essential Items Grants

A discretionary grant would be available for meeting the cost of buying essential household items such as furniture, furnishings and appliances. Awards would be made according to the circumstances of individual applicants, but would include instances such as items breaking or reaching the end of their useful life, or setting up in a new home, e.g. on leaving prison or a hostel or due to the break-up of a relationship. An Essential Items Grant would be broader in its remit than the current Community Care Grant in that applicants would not need to prove a community care element to their need.

Eligibility

The grant would be payable to all benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

Rationale

Meeting the cost of buying household items was an area that benefit recipients in the qualitative research struggled to afford. The research team's recommendation for an Essential Items Grant is based on the principle that every household is entitled to have needs for basic necessities met, such as a bed, carpets, cooker etc. It is not considered to be congruent with government objectives for reducing poverty that the cost of 'lumpy', expensive essential items should be paid out of benefit income as happens under the current Budgeting Loan scheme.

4 Interest Free Loans

Interest Free Loans would enable people on low incomes to buy items and participate in activities that foster social inclusion but are not covered by the grants proposed above: for example, birthday presents, day trips, holidays, clothing, footwear, transport. The size of loan applicants could receive would be based on household income and affordability, taking into account any existing debts and repayment rates, i.e. the lower the repayment rate afforded the smaller the loan limit. However, repayment rates would be negotiable, to be set at levels according to applicants' ability to repay.

Eligibility

Loans would be available to all benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

Rationale

The general experience of benefit recipients was that they did not have what they considered to be a 'life' in that they were unable to take part in everyday activities such as socialising with friends, or taking children out on day trips or holidays. Buying clothing for children (in addition to school uniform) was another area where parents felt under financial pressure. There was strong support in the policy groups for government help for family holidays. However, it is the view of the research team that everyone, not just families, should be able to access financial assistance for items or activities that promote social inclusion, should they wish to do so. A widening of the availability of Interest Free Loans would also help minimise poverty because eligible applicants would have less need to turn to other, more expensive, forms of credit.

5 Crisis Loans

As under the current Social Fund system an interest-free Crisis Loan component is proposed to help people in emergencies and to reimburse people for emergency expenses, such as needing a taxi to get to hospital. A key feature of Crisis Loans would be quick 'same day' decision making.

Eligibility

Loans would be available to all benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit. People who had reached their maximum limit on the Interest-free Loans would still be eligible for a Crisis Loan.

Rationale

Crisis Loans are viewed as being an important safety net for meeting unexpected and immediate needs.

Notes

Chapter 1

1 It should be noted that a substantial proportion of Crisis Loan gross expenditure is used on alignment payments to cover living expenses whilst awaiting benefit payments: 38 per cent of Crisis Loan expenditure (£30.3 million) in 2004/05. It has been recommended that a separate fund be set up so that administrative delay does not result in less money being available for people in need of an emergency loan (Barton, 2002).

2 The Expenditure and Food Survey was established in 2001, and is a combination of the Family Expenditure Survey and the National Food Survey.

Chapter 2

1 This may have been an outcome of the recruitment process whereby all retired households in receipt of Pension Credit were eligible to take part in the research. Thus, retired people in receipt of the savings element of Pension Credit, and who may be better off than those in receipt of the guarantee credit, may have been recruited.

2 This differs from the findings of Whyley *et al.* (2000), who found a clear hierarchy of strategies for raising money among people on low incomes.

3 In the eligible non-applicant groups there were some participants who had never heard of the Social Fund. Their views towards using the Social Fund are based on a description given to them by the researchers of how the Social Fund operates.

Chapter 3

1 From October 2003 Income Support for pensioners was replaced by Pension Credit. However, given that the latest set of data used for the FRS and the EFS covers the period up to March 2003, the relevant eligible benefits are Income Support and income-based Jobseeker's Allowance only.

2 It is acknowledged that this definition of eligible non-recipient does not take into account that eligibility for Crisis Loans is not restricted to those on Income Support or income-based Jobseeker's Allowance.

3 It should be noted that significance levels are affected by sample size. Consequently, models based on all Income Support and income-based Jobseeker's Allowance recipients have a greater chance of returning significant results than those that are restricted to subgroups such as those of working age.

4 The findings by ethnic group are presented in italics because the small proportion of different minority ethnic benefit units in the population and the low incidence of Social Fund receipt means that these results have to be interpreted with caution. They are, however, more meaningful than a white/non-white categorisation.

5 Applicants are ascribed to applicant groups in the following priority: pensioners, unemployed, disabled, lone parents, others.

6 Asylum seekers are entitled to apply for assistance from the National Asylum Support Service (NASS) which can provide accommodation (a hotel, bed and breakfast, hostel, shared house or flat) and cash support equivalent to around 70 per cent of Income Support rates. Refugees are entitled to mainstream Jobcentre Plus benefits (www.refugeecouncil.org.uk/infocentre/entit/sentit001.htm).

7 One recipient reported paying a repayment of £111.63 per week. This was more than double the next highest amount and seemed implausible. This has been excluded from the analysis.

Chapter 5

1 At the time of the research the Bank of England base rate was 4.75 per cent.

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Appendix A: Logistic regressions for receipt of discretionary Social Fund awards

Logistic regression was used to identify how the likelihood of having received a discretionary Social Fund award in the previous six months was associated with individual benefit unit characteristics, controlling for the effect of the other characteristics, or variables, in the models. The first model includes all eligible benefit units; the other two models include eligible benefit units of working age only, one for those without children and another for those with children. This is to avoid having two variables in which the categories capture the same characteristics, i.e. all benefit unit types, except lone parents and couples with children, have no dependent children and the majority of pensioners are in the 65 and over age group.

The ‘predictor’ variables in the logistic regression models are all categorical. For each variable, one category is designated the reference category and allocated an odds ratio of 1.00; the other categories are then contrasted with this. For example, for the variable ‘benefit unit type’, the category ‘couple, no children’ has been designated the reference category and given an odds ratio of 1.00. If another category (say, ‘couple, with children’) has an odds ratio that is greater than 1.00, this means that being a couple with children is associated with a greater likelihood of having received a Community Care Grant than being a couple with no children. However, if the category has an odds ratio that is lower than 1.00, then that characteristic (being a couple with children) is associated with a lower likelihood of having received a Community Care Grant than being a couple with no children.

The logistic regression output also shows whether differences between the reference and the ‘other’ categories are statistically significant (at the 5 per cent level or below). However, it should be noted that significance levels are affected by the size of the sample under investigation. Consequently, logistic regression models that use all of the sample have a greater chance of returning significant results than those that are restricted to subgroups (such as ‘working age’ benefit units).

Table A1 Logistic regression for receiving a Community Care Grant

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Benefit unit type		**				
Pensioner couple	0.31	ns	–	–	–	–
Single pensioner	0.23	**	–	–	–	–
Couple with children	1.56	ns	–	–	–	–
(Couple without children)	1.00	–	–	–	–	–
Lone parent	1.30	ns	–	–	–	–
Single without children	0.62	ns	–	–	–	–
Partner status				*		
Single	–	–	0.47	*	0.66	ns
(Partnered)	–	–	1.00	–	1.00	–
Age group of head of benefit unit					*	*
16–24	–	–	1.92	ns	3.50	*
25–44	–	–	2.79	**	1.50	ns
(45–64)	–	–	1.00	–	1.00	–
Ethnic group of head of benefit unit						
(White)	*1.00*	–	*1.00*	–	*1.00*	–
Mixed	*1.67*	*ns*	*1.22*	*ns*	*1.76*	*ns*
Asian or Asian British	*0.67*	*ns*	*1.10*	*ns*	*0.36*	*ns*
Black or Black British	*0.70*	*ns*	*0.42*	*ns*	*0.78*	*ns*
Chinese or other ethnic group	*0.91*	*ns*	*0.10*	*ns*	*1.56*	*ns*
Eligible benefit						
Income Support	–	–	1.36	ns	2.61	ns
(Income-based JSA)	–	–	1.00	–	1.00	–
Adult member of benefit unit has a disability						
Yes	1.85	**	1.43	ns	2.07	*
(No)	1.00	–	1.00	–	1.00	–
Tenure		**		**		ns
Council/HA rent	2.87	**	3.96	**	2.31	ns
Private rent (inc. lives rent free)	2.16	ns	1.90	ns	1.80	ns
(Own outright or with mortgage)	1.00	–	1.00	–	1.00	–
Number of dependent children						*
(1)	–	–	–	–	1.00	–
2	–	–	–	–	0.52	ns
3	–	–	–	–	0.89	ns
4+	–	–	–	–	2.10	ns
Children under five						
(No)	–	–	–	–	1.00	–
Yes	–	–	–	–	0.89	ns

(Continued)

Table A1 Logistic regression for receiving a Community Care Grant (continued)

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Country						
(England)	1.00	–	1.00	–	1.00	–
Wales	0.78	ns	0.98	ns	0.71	ns
Scotland	1.03	ns	0.69	ns	1.06	ns
Year						
2000	0.93	ns	0.98	ns	0.88	ns
2001	0.90	ns	0.90	ns	0.87	ns
(2002)	1.00	–	1.00	–	1.00	–

** = p<0.05 indicated statistical significance at the 5 per cent level.*
*** = p<0.01 indicated statistical significance at the 1 per cent level.*
ns = not significant.
Note: The findings by ethnic group are presented in italics because the small proportion of different minority ethnic benefit units in the population and the low incidence of Social Fund receipt means that these results have to be interpreted with caution. They are, however, more meaningful than a white/ non-white categorisation.

Table A2 Logistic regression for receiving a Budgeting Loan

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Benefit unit type		**	–	–	–	–
Pensioner couple	0.37	**	–	–	–	–
Single pensioner	0.22	**	–	–	–	–
Couple with children	2.47	**	–	–	–	–
(Couple without children)	1.00	–	–	–	–	–
Lone parent	4.37	**	–	–	–	–
Single without children	1.06	ns	–	–	–	–
Partner status						**
Single	–	–	1.00	ns	1.63	**
(Partnered)	–	–	1.00	–	1.00	–
Age group of head of benefit unit					ns	ns
16–24	–	–	1.07	ns	1.57	*
25–44	–	–	1.37	*	1.14	ns
(45–64)	–	–	1.00	–	1.00	–
Ethnic group of head of benefit unit			**			**
(White)	*1.00*	–	*1.00*	–	*1.00*	–
Mixed	*0.90*	*ns*	*0.18*	*ns*	*1.16*	*ns*
Asian or Asian British	*0.25*	**	*0.36*	*ns*	*0.22*	**
Black or Black British	*0.45*	**	*0.44*	*ns*	*0.33*	**
Chinese or other ethnic group	*0.57*	*ns*	*0.33*	*ns*	*0.60*	*ns*
Eligible benefit				ns		ns
Income Support	–	–	1.22	ns	1.48	
(Income-based JSA)	–	–	1.00	–	1.00	–
Adult member of benefit unit has a disability			**			
Yes	1.26	**	1.26	ns	1.31	*
(No)	1.00	–	1.00	–	1.00	–
Tenure		**		**		**
Council/HA rent	5.14	**	6.27	**	4.25	**
Private rent (inc. lives rent free)	3.73	**	5.38	**	2.94	**
(Own outright or with mortgage)	1.00	–	1.00	–	1.00	–
Number of dependent children						**
(1)	–	–	–	–	1.00	–
2	–	–	–	–	1.21	ns
3	–	–	–	–	1.38	*
4+	–	–	–	–	2.01	**
Children under five						
(No)	–	–	–	–	1.00	–
Yes	–	–	–	–	1.20	ns

(Continued)

Table A2 Logistic regression for receiving a Budgeting Loan (continued)

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Region		**		*		**
North East	2.20	**	3.12	**	1.84	**
North West & Merseyside	1.46	*	1.99	ns	1.28	ns
Yorkshire & Humberside	1.80	**	1.90	ns	1.91	**
East Midlands	1.32	ns	1.59	ns	1.32	ns
West Midlands	1.53	*	2.52	*	1.32	ns
Eastern	0.79	ns	1.59	ns	0.57	ns
London	0.75	ns	1.21	ns	0.59	*
(South East)	1.00	–	1.00	–	1.00	–
South West	1.15	ns	1.09	ns	1.18	ns
Wales	1.87	**	1.66	*	1.89	**
Scotland	1.67	**	2.24	*	1.63	*
Year		**		**		**
2000	0.73	**	0.65	**	0.73	**
2001	0.71	**	0.65	**	0.72	**
(2002)	1.00	–	1.00	–	1.00	–

** = p<0.05 indicated statistical significance at the 5 per cent level.*
*** = p<0.01 indicated statistical significance at the 1 per cent level.*
ns = not significant.
Note: The findings by ethnic group are presented in italics because the small proportion of different minority ethnic benefit units in the population and the low incidence of Social Fund receipt means that these results have to be interpreted with caution. They are, however, more meaningful than a white/non-white categorisation.

Table A3 Logistic regression for receiving a Crisis Loan

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Benefit unit type		**	–	–	–	–
Pensioner couple	0.15	ns	–	–	–	–
Single pensioner	0.15	**	–	–	–	–
Couple with children	2.52	*	–	–	–	–
(Couple without children)	1.00	–	–	–	–	–
Lone parent	2.21	*	–	–	–	–
Single without children	2.30	*	–	–	–	–
Partner status						
Single	–	–	1.89	ns	1.14	ns
(Partnered)	–	–	1.00	–	1.00	–
Age group of head of benefit unit					*	
16–24	–	–	1.69	ns	1.29	ns
25–44	–	–	1.83	**	1.37	ns
(45–64)	–	–	1.00	–	1.00	–
Ethnic group of head of benefit unit						
(White)	*1.00*	–	*1.00*	–	*1.00*	–
Mixed	*1.08*	*ns*	*1.38*	*ns*	*0.37*	*ns*
Asian or Asian British	*0.33*	*ns*	*0.01*	*ns*	*0.32*	*ns*
Black or Black British	*1.20*	*ns*	*1.46*	*ns*	*0.96*	*ns*
Chinese or other ethnic group	*0.09*	*ns*	*0.21*	*ns*	*0.01*	*ns*
Eligible benefit						
Income Support	–	–	0.79	ns	0.55	ns
(Income-based JSA)	–	–	1.00	–	1.00	–
Adult member of benefit unit has a disability						
Yes	1.07	ns	1.46	ns	1.21	ns
(No)	1.00	–	1.00	–	1.00	–
Tenure				**		*
Council/HA rent	4.45	**	6.33	**	2.19	*
Private rent (inc. lives rent free)	3.40	**	6.13	**	1.16	ns
(Own outright or with mortgage)	1.00	–	1.00	–	1.00	–
Number of dependent children						
(1)	–	–	–	–	1.00	–
2	–	–	–	–	1.20	ns
3	–	–	–	–	1.02	ns
4+	–	–	–	–	1.18	ns
Children under five						
(No)	–	–	–	–	1.00	–
Yes	–	–	–	–	1.36	ns

(Continued)

Table A3 Logistic regression for receiving a Crisis Loan

	All eligible benefit units		Eligible benefit units of working age without children		Eligible benefit units of working age with children	
Country						
(England)	1.00	–	1.00	–	1.00	–
Wales	1.32	ns	1.69	ns	1.15	ns
Scotland	1.02	ns	0.99	ns	1.06	ns
Year		*				
2000	0.91	ns	1.00	ns	0.79	ns
2001	0.67	*	0.70	ns	0.66	ns
(2002)	1.00	–	1.00	–	1.00	–

** = p<0.05 indicated statistical significance at the 5 per cent level.*
*** = p<0.01 indicated statistical significance at the 1 per cent level.*
ns = not significant.
Note: The findings by ethnic group are presented in italics because the small proportion of different minority ethnic benefit units in the population and the low incidence of Social Fund receipt means that these results have to be interpreted with caution. They are, however, more meaningful than a white/ non-white categorisation.

Appendix B: Qualitative methodology

A qualitative approach was used to complement the secondary data analysis, to explore policy options for reform and to provide an understanding of:

- the experience of poverty and social exclusion
- motivations behind people's decisions in relation to the Social Fund, other sources of help and the impacts of those decisions
- whether the Social Fund complements other help available through the Government's strategy for tackling poverty and social exclusion
- changes people would like to see to the Social Fund.

Research design

The qualitative research involved a number of focus groups conducted in three separate stages. Fieldwork took place between September 2004 and May 2005.

Stage 1

Stage 1 consisted of focus groups with a range of actual and potential users of the Social Fund. The aims of these groups were to explore: how low-income households deal with times of particular financial hardship, including the role of the Social Fund; sources of funding used/preferred; the adequacy of funding sources; the impact their choices had on their lives and consequences for future budgeting; and overall views towards the Social Fund and its role in supporting people in financial need.

The intention of the original research design was to conduct 18 focus groups with the groups divided across three key dimensions: applicant type; household type; and location – urban and rural.

Three applicant 'types' were defined:

- successful applicants – eligible people who had received a discretionary Social Fund award within the last 12 months

- unsuccessful applicants – eligible people who had unsuccessfully applied for a discretionary Social Fund award within the last 12 months

- eligible non-applicants – eligible people who had not applied for a discretionary Social Fund award within the last 12 months.

The purpose of these three distinctions was to allow exploration of experiences of hardship among those who had applied to the Social Fund and been successful, those who had been unsuccessful, and those who had not applied to the Social Fund but who are likely to be in similar financial circumstances to those who had applied to the Fund. It was also thought that views and preferences regarding the Social Fund might vary according to experience of using the Social Fund.

The groups were also divided into the following household types:

- households with children, to include male/female lone parents and couples, with younger and older children

- single-person working-age households, to include men and women and a range of age groups

- retired households, to include men and women and a range of age groups.

The groups were all conducted within one Jobcentre Plus district to ensure that participants experienced similar Social Fund 'regimes' and had access to similar alternative sources of support in times of hardship. Within the selected Jobcentre Plus district, two locations were selected – one urban and one rural. The district selected is above the national average district profile in terms of: the size of the grants budget compared to the eligible population; the proportion of applications that result in an award; and the average amount of award made. Thus, the research findings are based in a district where the needs of applicants may be better met by the Social Fund compared with some other districts.

The qualitative research did not have a specific minority ethnic dimension, but aimed to recruit participants from a range of ethnic backgrounds. A small number of people (five in total) from non-white ethnic backgrounds were recruited in the urban area.

The actual number of groups conducted at Stage 1 was 11 (see Table B1).

Table B1 Groups completed at Stage 1

	Successful applicants		Unsuccessful applicants		Eligible non-applicants	
	Urban	**Rural**	**Urban**	**Rural**	**Urban**	**Rural**
Households with children	✓	✓	✓	✗	✓	✓
Single-person working-age households	✓	✗	✓	✗	✓	✗
Retired households	✗	✗	✗	✗	✓	✓
Single-person working-age households (in temporary accommodation)	✓ (Applicants)					

A number of difficulties were encountered in recruiting participants:

- As anticipated the rural groups were more difficult to recruit and as a result fewer groups were held. In particular, it was difficult to find single people who were in receipt of benefits and it was not possible to run these groups.

- Recruiting retired people who had applied to the Social Fund was difficult. In the urban area recruiters attended a Pension Service advice surgery and a local Age Concern centre where another advice surgery was regularly held, but it was not possible to find any applicants. Based on this experience recruiting retired applicants in the rural area was not attempted.

During the research it became apparent that there were no clear differences in the experiences and views of successful and unsuccessful applicants to the Social Fund and that there was overlap between these groups. Applicants over a period of a few years tended to have applied to the Social Fund several times and had experienced both successful and unsuccessful outcomes. As a consequence, in the rural area, combined with the additional difficulties, it was not felt to be worthwhile trying to recruit parents who had only made unsuccessful applications to the Social Fund.

An additional group of single people living in temporary accommodation, i.e. who were homeless, was convened in the urban area. It became apparent during the recruitment process and from the first group held with single people (which included a mix of people living in their own home and those not) that a separate group for people living in temporary accommodation was needed to ensure that their views and experiences were fully explored.

Recruitment was carried out by professional recruiters. A recruitment questionnaire was administered to identify suitable participants and to collect some general information about their household composition and circumstances. Note that the recruitment questionnaire does not distinguish between the two elements of Pension Credit because Pension Credit recipients may not know whether or not they were receiving the guarantee credit or the savings credit.

Stage 2

The purpose of the second stage of the qualitative research was to explore policy options for reform of the Social Fund. Five focus groups were conducted to explore:

- the needs or events for which people should receive financial help from the Government
- views towards three policy options – grants, loans and payments in kind.

Stage 2 of the research differed from Stage 1 in that non-eligible people were also included in the research. The reason for this was to explore the views of a wider range of stakeholders, including taxpayers on moderate/high incomes, and people in work but on low incomes who could be potential users of the Social Fund if eligibility criteria were extended. The urban and rural dimension of the research was maintained with groups being held in the same areas as before.

Two groups were held, one in the urban area and one in the rural area, with benefit recipients who had participated in the Stage 1 focus groups. Participants were selected to include a range of household types and applicant types (successful, unsuccessful and non-applicants).

Three groups were held with people not currently eligible to apply to the Social Fund, who were not dependent upon state benefits as their main source of income. These households were divided into two categories: ‘low’ and ‘high’ income households. ‘Low’ and ‘high’ incomes were defined as a percentage of median income (taken from Households Below Average Income): see Table B2. In the urban area one ‘low’ and one ‘high’ income group was conducted. In the rural area one group comprising people of both ‘low’ and ‘high’ incomes was held. Again, participants were selected to include a range of household types.

Table B2 'Low' and 'high' income definitions

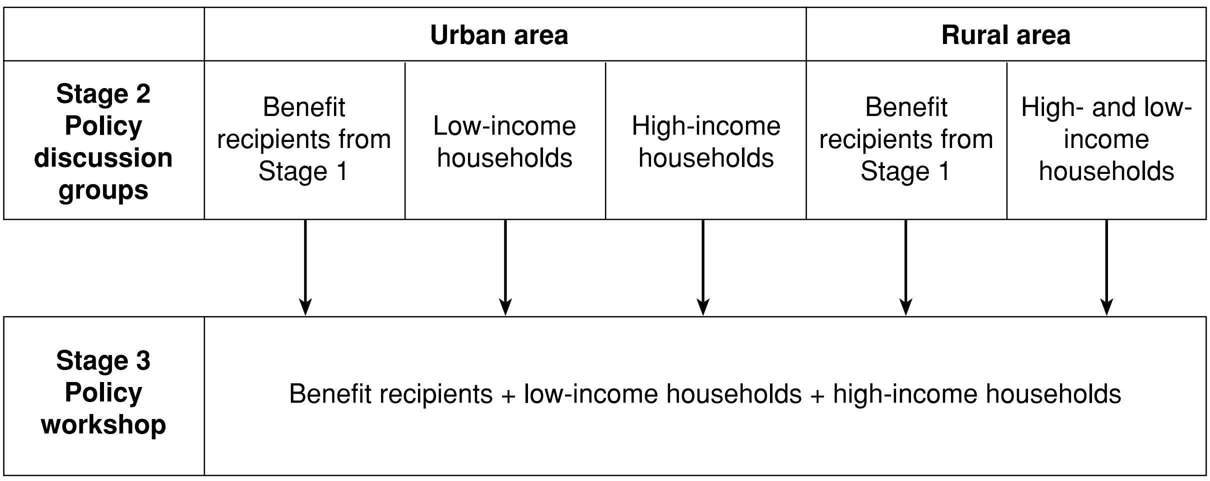
Household type	Weekly household 'take home' income (after tax) 'Low' income	'High' income
Working age		
Single	£210 per week or less	£260–£420 per week
Single parent: child under 16	£275 per week or less	£330–£640 per week
Parent couple: child under 16	£375 per week or less	£450–£880 per week
Retired		
Single	£160 per week or less	£190–£370 per week
Couple	£250 per week or less	£310–£600 per week

Source: Based on DWP (2005c).

Stage 3

A final one-day workshop was conducted with selected participants from Stages 1 and 2. The workshop brought together, for the first time, benefit recipients and working households, and urban and rural participants. The purpose of the workshop was to discuss in more depth options for reform and to provide an opportunity for participants to alter their views when discussed with participants from other socio-economic backgrounds. The workshop involved breakout groups where participants were divided into smaller discussion groups and plenary groups, which were used by the researchers to provide participants with background information to aid their discussions. The participants who attended the final workshop were selected to ensure a mix of household types, socio-economic backgrounds and urban and rural locations. Figure B1 shows the overall research design for Stages 2 and 3.

Figure B1 Stages 2 and 3 research design



The two main aims of the workshop were to explore in more depth:

- who the Social Fund should be for and eligibility criteria
- different types of grant and loan options and the circumstances under which each should be received.

Participants received an incentive payment for each group attended. In total 109 people took part in the group discussions.

Analysis

All of the discussions were recorded (with participants' permission) and transcribed for analysis purposes. The data were analysed thematically and a code frame of key themes (or issues) and sub-themes developed. Differences between groups were explored and are described in the report. Quotations have been used to illuminate points made in the text. Quotations may at times have been 'smoothed' to improve readability, either by removing unnecessary speech (indicated by …) or by adding in explanatory words (indicated by square brackets). For reasons of confidentiality quotations have been anonymised and the locations where the research was conducted have not been identified.

Appendix C: Costings for the six workshop policy options

The workshop groups were provided with the following information to ensure that their discussions were rooted in an understanding of the possible costs of the different schemes proposed.

Cost of current Social Fund scheme, 2003/04

- Grants budget – £118 million.
- Loans budget – £578 million (the majority of this money came from repayments, with £49 million of new government expenditure).
- The total cost to the public purse was £167 million. If this was shared amongst all the eligible people (5.5 million), each benefit unit would get £30.36.

Possible cost implications of each option

- Regular Grant – if a regular grant is paid to everyone currently eligible at a level of £100 per year, for example, it would cost £550 million per year.
- Essential Items Grant – those proposing the Essential Items Grants scheme have estimated the cost of these essential items (beds and bedding, cooker, refrigerator/freezer, heating, washing machine and safety equipment) over a 'family life' (of around 20 years assuming two children born three years apart and covering them until aged 16) at a minimum of £1,735, so per year this is in the order of £90, and to cover everyone on eligible benefits this would cost £495 million.
- Life Event Grant – if 10 per cent of eligible people had a Life Event Grant of £350, it would cost £192.5 million.
- Crisis Grant – if 10 per cent of eligible people had a crisis grant of £150, it would cost £82.5 million.

- Interest Free Loan – although loans are paid back there are costs involved in administration and the loss of interest on the loan. At a minimum it would cost the same as the current Budgeting Loan scheme. Last year there was a £578 million budget but with the majority of the budget coming from repayments it only cost £49 million in new government expenditure. At present the average Budgeting Loan award is £384. It is awarded to approximately one in five of the benefit population (or nearly three-quarters of people who apply for it).

- Low Interest Loan – the interest charged on the Low Interest Loan could cover the operational costs and make this scheme cost neutral or there could be some government funding to keep the interest at a lower level.

Appendix D: Estimated costs for a reformed Social Fund

This Appendix provides estimated costs for the replacement of the existing discretionary Social Fund with the reforms proposed by the research team. These costs are based on publicly available statistics on recipients of out-of-work benefits, Working Tax Credit and Pension Credit. Whilst they provide an approximate cost of the reform proposals, they should be treated with caution for five reasons:

1 For all five schemes proposed the eligibility criteria were recommended as: all benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit (regardless of the amount of the award). However, figures on the total number of benefit units receiving these out-of-work benefits are not available. Instead, figures on the total number of benefit units defined by the Department for Work and Pension as receiving key benefits are used. These key benefits are Jobseeker's Allowance, Incapacity Benefit, Severe Disablement Allowance, Disability Living Allowance, Income Support and National Insurance Credits.[1] Therefore, the calculations overestimate the eligible population by including benefit units receiving only Disability Living Allowance (for Regular Winter Grant and Regular Start of School Grant calculations only), and underestimate by excluding those only receiving Carer's Allowance.

2 The figures available are rounded to the nearest thousand for key benefits and Pension Credit, and nearest hundred for Working Tax Credit. Thus, calculations are liable to rounding error.

3 The figures used are February 2005 data for key benefits and Pension Credit and provisional data for Working Tax Credit based on income and circumstances in 2001/02 and any changes reported in 2003/04 or 2004/05. No seasonal adjustment has been made to the out-of-work benefit figures, and the Working Tax Credit figures may not represent the final recipient numbers. Furthermore, the key benefit figures will underestimate the total eligible population over the course of the year because they only give the population in one month and some benefit units will move on and off benefits within a year.

4 Whilst it is possible to calculate the approximate amount needed for regular grants, relatively crude estimates of need and take-up are necessary in

calculating the possible cost of the Essential Items Grant and the Interest Free and Crisis Loans.

5 The estimates exclude any administration costs.

1 Regular Winter Grants

A regular cash grant would be paid every December. The amount will vary according to benefit unit size, with £50 payments per benefit unit member, up to a maximum of £300.

The grant would be payable to *all* benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

Cost

Table D1 Figures for benefit units receiving key benefits (Jobseeker's Allowance, Incapacity Benefit, Severe Disablement Allowance, Disability Living Allowance, Income Support and National Insurance credits) in February 2005

Partner status	Benefit units (thousands)	Number of payments per benefit unit (thousands)	
Couples	791	x 2 =	1,582
Singles	2,642	x 1 =	2,642
Not known*	1,407	x 1.5 =	2,110.5
Number of children per benefit unit			
1	660	x 1 =	660
2	465	x 2 =	930
3	200	x 3 =	600
4+	109	x 4 =	436
Total			8,960.5

** The Department for Work and Pensions estimates that of those benefit units for which partner status is not known, about half are single (Quarterly Bulletin on the Population of Working Age on Key Benefits, February 2005).*

Table D2 Figures for Pension Credit at February 2005

Partner status	Benefit units (thousands)	Number of payments per benefit unit (thousands)
Couples	570.1	1,140.2
Singles	2,104.0	2,104.0
Total		3,244.2

Table D3 Provisional figures for families receiving Working Tax Credit (and Child Tax Credit) at 5 April 2005

Families	Benefit units (thousands)	Number of payments per benefit unit (thousands)	
Couples			
No children	84.2	x 2 =	168.4
One child	229.2	x 3 =	687.6
Two children	266.2	x 4 =	1,064.8
Three children	126.8	x 5 =	634
Four children	43.8	x 6 =	262.8
Five or more children*	18.1	x 6 =	18.6
Singles			
No children	197.7	x 1 =	197.7
One child	467.4	x 2 =	934.8
Two children	287.1	x 3 =	861.3
Three children	74.2	x 4 =	296.8
Four children	14.5	x 5 =	72.5
Five or more children	3.1	x 6 =	18.6
Total			5,307.9

** It is proposed that the Regular Winter Grant would be capped at £300 per benefit unit, therefore a maximum of six £50 payments would be made.*

The total number of eligible household members (in thousands) = 8,960.5 + 3,244.2 + 5,307.9 = 17,512.6.

Therefore approximately 17,512.6 thousand payments of £50 for each member of a benefit unit receiving key benefits, Working Tax Credit or Pension Credit (up to a threshold of £300) would be payable.

This grant would cost approximately £875.6 million per year.

Data sources

Table 2.1 in *Client Group Analysis: Quarterly Bulletin on the Population of Working Age on Key Benefits, February 2005*: http://www.dwp.gov.uk/asd/asd1/cga_wa/CGA_WA_Feb05_bulletin.pdf

Table 13 in *Client Group Analysis: Quarterly Bulletin on Families with Children on Key Benefits, June 2005*: http://www.dwp.gov.uk/asd/asd1/cga_famchild/FEB05_C_F_bulletin.pdf)

PC 1.6 in Pension Credit claimants by family type: 2003 to 2005 at http://www.dwp.gov.uk/asd/asd1/pc/pc_feb05_pub.xls

Table 3.1 and Table 3.2 in *Child and Working Tax Credits Statistics, April 2005*: http://www.hmrc.gov.uk/stats/personal-tax-credits/c-wtc-stats-april05.pdf

2 Regular Start of School Grants

A Regular Grant would be paid every August to parents of school-age children up to the age of 16: £50 per child.

The grant would be payable to *all* benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit – who had a child aged 5–16 years.

Cost

Table D4 Figures for children of school age in families receiving key benefits (Jobseeker's Allowance, Incapacity Benefit, Severe Disablement Allowance, Disability Living Allowance, Income Support and National Insurance credits) in February 2005

	Number of children (thousands)
Aged 5 to under 11	908
Aged 11 to under 16	767
Total	1,675

Table D5 Provisional figures for children in families receiving Working Tax Credit (and Child Tax Credit) at 5 April 2005

	Number of children (thousands)
Aged 5 to 9	781.7
Aged 10 to under 16	1,077
Total	1,858.7

Therefore approximately 3,533.7 thousand children are living in benefit units receiving key benefits or Working Tax Credit.

At £50 per year, this grant would cost approximately £176.7 million.

Data sources

Table 4 in *Client Group Analysis: Quarterly Bulletin on Families with Children on Key Benefits, June 2005*: http://www.dwp.gov.uk/asd/asd1/cga_famchild/FEB05_C_F_bulletin.pdf

Table 3.2 in *Child and Working Tax Credits Statistics, April 2005*: http://www.hmrc.gov.uk/stats/personal-tax-credits/c-wtc-stats-april05.pdf

3 Essential Items Grants

A discretionary grant would be available for meeting the cost of buying essential household items such as furniture, furnishings and appliances. Awards would be made according to the circumstances of individual applicants, but would include instances such as items breaking or reaching the end of their useful life, or setting up in a new home, e.g. on leaving prison or a hostel or due to the break-up of a relationship.

The grant would be payable to *all* benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

Cost

In February 2005 there were 4,520 thousand benefit units receiving out-of-work benefits (key benefits excluding DLA) and 2,674.1 thousand benefit units in receipt of Pension Credit.

Provisional figures for April 2005 give 1,530.4 thousand benefit units with children and 281.9 thousand benefit units without children in receipt of Working Tax Credit.

Therefore the eligible population will be approximately nine million (9,006.4 thousand) benefit units.

An estimate of take-up for the Essential Items Grant is required in order to estimate programme expenditure. However, the take-up of the Essential Items Grant is unknown and, for illustrative purposes only, a take-up rate of 8 per cent is assumed. This percentage is based on receipt of Budgeting Loans by eligible benefit units in the six months before they were surveyed for the Family Resources Survey (see Legge, 2006, Table 2.3). Total applications are therefore estimated at 720,500. Assuming the average award is similar to that of the current Budgeting Loan (£405), the cost of the Essential Items Grant would be approximately £292 million per year.

Data sources

Introductory table in *Client Group Analysis: Quarterly Bulletin on Families with Children on Key Benefits, June 2005*: http://www.dwp.gov.uk/asd/asd1/cga_famchild/FEB05_C_F_bulletin.pdf

PC1.1 Pension Credit claimants by benefit entitlement: http://www.dwp.gov.uk/asd/asd1/pc/pc_feb05_pub.xls

Table 3.2 in *Child and Working Tax Credits Statistics, April 2005*: http://www.hmrc.gov.uk/stats/personal-tax-credits/c-wtc-stats-april05.pdf

4 Interest Free Loans

Interest-free repayable loans would enable people on low incomes to buy items and participate in activities that foster social inclusion but are not covered by the grants proposed above: for example, birthday presents, day trips, holidays, clothing, footwear, transport. The size of loan applicants could receive would be based on household income and affordability, taking into account any existing debts and repayment rates, i.e. the lower the repayment rate afforded the smaller the loan limit. However, repayment rates would be negotiable, to be set at levels according to applicants' ability to repay.

The loan would be payable to *all* benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit.

Cost

The eligible population will be approximately nine million benefit units.

In estimating the cost, it is assumed that 50 per cent of the eligible population will apply for a loan and the average award will be double the current average Crisis Loan amount (£78).

Therefore the gross expenditure of the Interest Free Loans will be approximately £702 million. Assuming that net expenditure is the same proportion of the gross expenditure as is the case for Crisis Loans because this is the 'best' estimate available, the net cost of the Interest Free Loans would be approximately £32 million per year.

5 Crisis Loans

As under the current Social Fund system an interest-free repayable Crisis Loan component is proposed to help people in emergencies and to reimburse people for emergency expenses, such as needing a taxi to get to hospital. A key feature of Crisis Loans would be quick 'same day' decision making.

The loan would be payable to *all* benefit recipients (including those in receipt of Incapacity Benefit, Carer's Allowance and contribution-based Jobseeker's Allowance) and those on a low income – defined as being in receipt of Working Tax Credit. People who had reached their maximum limit on the Interest-free loans would still be eligible for a Crisis Loan.

Cost

It is thought that this loan will perform a similar role to the current Crisis Loan. The net cost of the Crisis Loan is currently £13.9 million per year.

Note

1 Although an individual may be in receipt of more than one of these benefits, there is no double counting of recipients because of the method used to compile the statistics.