

**A CRITICAL LITERATURE REVIEW
OF THE SOCIAL FUND
(Summary Report)
For The National Audit Office**
By Trevor Buck and Roger Smith
University of Leicester

This document is an independent piece of work commissioned by the National Audit Office. The views expressed in this document are those of the authors, and do not necessarily represent the opinions of the National Audit Office.

The social fund in context

The discretionary Social Fund represents only a very small proportion (0.1%) of the social security budget, but it has excited considerable interest since its implementation in 1988. It was heralded as a radical reform, reflecting a number of ‘key’ governmental objectives (House of Commons, 2001). These were:

- to contain expenditure within the overall budget;
- to focus help on those facing the greatest difficulties;
- to introduce greater flexibility in meeting need;
- to support government’s wider community care strategy; and
- to enhance administrative efficiency within the context of income support provision.

It has been suggested that four central features resulted from this strategy (Craig, 2003), namely: cash limits, the introduction of loans, the return to discretionary decision-making, and the replacement of the right to appeal by an administrative review process. These core characteristics have remained essentially unaltered since the fund’s introduction, although there have been a number of reforms put in place, notably in 1991 (Craig, 2003) and 1999 (Smith, 2003a). The incoming government announced changes in 1997, for example, which restated and extended the fund’s objectives, in terms of: cost effective and efficient administration; fairness; and the use of loans to promote ‘welfare to work’ (DSS, 1997). This change has led to a widening distinction between grants and budgeting loans, but the overall policy framework remains as before. In the light of its radical agenda, and the anticipated impact on applicants, the social fund has been the subject of considerable

investigative activity since 1988, with a particular focus on the interface between its operational effectiveness, and the achievement of its stated objectives.

Evaluative strategies

Studies of the social fund can be grouped according to a number of broad headings, depending on their methods, and the differing agendas of those responsible.

(1) Monitoring projects

A number of monitoring exercises have been carried out, particularly in the early days of the social fund, often linked with explicit local government opposition (eg, Social Security Research Consortium, 1989). A mixture of survey and interview techniques were used to obtain findings (see Buck, 2000). The early evidence from these sources offered fundamental criticisms of the fund, in principle and in practice. Later monitoring activities tended to become more localised, and focused criticism on the details of the scheme (see Cohen et al, 1996).

(2) Empirical studies

An early example of this kind of investigation was carried out by the Social Policy Research Unit (Huby and Dix, 1992). More recent work in this vein has been carried out by the Personal Finance Research Centre (Whyley, 2000; Kempson, 2002), looking at the changing use of budgeting loans, and questions of low take up in relation to specific groups (notably, older people). These studies have concluded that the fund has met some of its objectives, but that major questions of fairness and congruence with policy goals remain.

(3) Consumer perspectives

Several research studies (eg, Smith, 1990; 2003) have focused on the impact of the fund on those who seek to make use of it by applying for cash help. These studies are also supplemented by a substantial amount of material gathered as evidence for submission to parliamentary bodies (eg, Barton, 2002). The consistent message from these sources is that the social fund is arbitrary, it does not meet basic needs, and the process of seeking help is stressful and humiliating.

(4) Decision-making and review

There have been a number of specialist studies focusing on the internal workings of the social fund, notably its decision-making and review processes. The first of these was undertaken by the Policy Studies Institute (Dalley, 1992); and there has been further work by Buck (2001) and Sunkin (2002). These studies have drawn broadly positive messages from their observations, noting that the review process is robust and cost effective. However, the relatively small number of reviews carried out, and restricted access to these procedures, have perhaps limited their overall impact.

(5) Official sources

The controversial nature of the social fund has resulted in a significant level of official scrutiny (eg, National Audit Office, 1991; House of Commons, 2001). In addition, the fund has been subject to three separate statutory annual reporting regimes (those of the Comptroller and Auditor-General, the Social Fund Commissioner and the Secretary of State for Work and Pensions; see Buck, 2000). Despite all this activity, there appears to be a continuing sense amongst policy makers that all is not well with the social fund, and further reform is necessary (House of Commons, 2001; Social Fund Commissioner, 2003).

(6) Comparative studies

There has been some work which takes a comparative approach and considers the British social fund alongside similar schemes, mainly in other European countries (eg, Eardley and Bradshaw, 1997; Behrendt, 2002; Davidson, 2003). These studies have shown that there is considerable diversity between schemes, particularly around central features such as the extent of discretion, or local rather than central administration (Hermans and Declercq, 2003). This, in turn, suggests that there may be some difficulty in seeking ‘off the peg’ solutions to problems from elsewhere.

(7) Normative studies

Several attempts have been made to develop alternative models of delivery, based on what is already known of limitations of the social fund (eg, Craig, 1992; New Policy Institute, 2002). These proposals have often concentrated on revising payment mechanisms, by including guaranteed payments to certain categories of benefit recipients (see Commission on Social Justice, 1994; Howard, 2003). They have also put forward new models for the administration of loans (Buck and Smith, 2003). Most also stress the need for additional resources to enhance the social fund budget overall (eg, Craig, 2003).

In sum, the diverse range of research studies and other material reviewed here conveys a sense of limited achievement in delivering the social fund's objectives, coupled with substantial shortcomings in a number of areas.

Key issues for the social fund

Three major questions arise in the light of the available evidence:

- are the social fund's objectives appropriate and achievable;
- is the social fund operating effectively; and
- what are the actual and potential benefits for those who wish to make use of the social fund?

In our view, the key issues for the social fund can be grouped around the distinct but linked themes of 'efficiency' and 'objectives'. Whilst it is important to acknowledge the point (Walker, Dix and Huby, 1992; House of Commons, 2001) that the efficiency of the social fund must be seen in the context of the wider social security system, there is evidence of both positive and negative outcomes in this area. The fund has been host to the development of a cost-effective, coherent, intelligible and robust system of reviews, for example (Buck, 2003). In addition, it has been managed within cash limits, despite early difficulties and budgetary adjustments (Craig, 2003), and it has been acknowledged that the 1998 reforms have contributed greatly to simplifying administration, especially in relation to Budgeting Loans (Collard, 2003).

On the other hand, these achievements are offset by a number of specific concerns about the social fund's delivery system. Running costs have remained substantial in relation to the overall budget (NAO, 1991; Lakhani, 2003); there is no evidence of consistency in decision-making (Smith, 2003a); the notion of discretion has been circumscribed by the constraints of guidance and priority-setting (Rowe, 2003); the geographical distribution of budgets undermines effective targeting (Buck, 2003); and the fund remains stubbornly unresponsive to pressing personal needs, especially in relation to CCG refusal rates (Craig, 2003).

In relation to the achievement of objectives, the picture is also mixed. The social fund has, for instance, largely been successful in maintaining its cash limits, although there has been a real terms increase in its annual budget over time (DWP, 2004). It has also been argued that the original 'community care' aims of the fund have been addressed with a shift in the client profile towards older and disabled people (Craig, 2003) and meeting 'resettlement' needs (Smith, 2003). This distinction is probably becoming clearer as a result of the 1998 reforms, and the differential nature of the various elements of the social fund is increasingly apparent (Buck and Smith, 2003). Despite these achievements, there are a number of other areas where the fund has not met its objectives according to the evidence. Firstly, it seems to have failed to help those in 'greatest need' to any significant degree (House of Commons, 2001). This must be attributed to the very limited net budget, which remains substantially below the levels of expenditure on previous schemes (Bennett, 1989). This very tight expenditure cap has had other consequences, too, in that the erratic distribution of cash help (geographically, temporally, and demographically) under the social fund has undermined any claim to fairness (Smith, 2003a). Flexibility has also been constrained, and to claimants and advisors the results seem more like capriciousness than the considered exercise of discretion (Rowe, 2003).

The final objective set for the social fund is, indeed, 'to enhance administrative efficiency' (House of Commons, 2001), but in the light of the above, it must be questioned whether this has been achieved, and if so, at what cost. Like the railways, it is possible to achieve fiscal objectives for the social fund simply by spending less, but this has consequences not

just for alternative aims ('meeting need'), but also for efficiency (for example, the 'waste' arising from a very high refusal rate for CCGS, or complex rules for administering loans).

This review of the issues relating to efficiency and the achievement of objectives in turn gives rise to a number of questions which, in our view, remain fundamental to both the purposes and the effective operation of the social fund. These can be posed as a series of challenges which need to be resolved in strategic planning for the fund's future.

1. Efficiency vs. flexibility

It is clear that many of the 'inefficiencies' which are integral to the fund arise from certain of its key aims, such as the replacement of a rights based scheme with one based on discretion, which was intended to complement a simplified structure for Income Support (DHSS, 1985).

2. Cash limits vs. need

The restriction of the social fund budget from its inception has led to enormous pressure, which shows little sign of abating. Would other problems associated with the fund (such as fairness or proper targeting) be diminished simply by increasing the resources available; or could this be achieved in other ways (for example, adjusting weekly benefit rates), leaving the fund free to achieve other objectives (for example, resettlement and crisis help) (Craig, 1992)?

3. Budgeting Loans vs. Community Care Grants (and Crisis Loans)

The 1998 reforms have clarified the distinction between the three elements of the discretionary social fund. Budgeting Loans, for example, are increasingly providing a banking service, helping low-income customers to manage cash flow problems, whilst CCGs are becoming more closely aligned to their original stated purpose, in terms of resettlement and supporting 'care in the community'. Is it important to find policy and administrative means to underline their different purposes, and structure delivery accordingly? (For example, Crisis Loans used appropriately provide good cover against fraud) (Buck and Smith, 2003a).

4. Rights vs. discretion

This opposition has bedevilled exceptional payments schemes since their inception (Craig, 2003), and it seems that both positions have their adherents internationally (Davidson, 2003; Hermans and Declerq, 2003; Nativel and Daguerre, 2003). However, the social fund remains ambiguous, with its fettered discretion and unique review procedures (Dean, 2002) leading to confusion and the risk of injustice.

5. Fairness vs. targeting

As help provided by the social fund becomes targeted to specific needs, the question also arises as to its underlying ‘fairness’. Craig (2003) has suggested that there may be some evidence of a re-emergence of long-standing distinctions between the ‘deserving’ and ‘undeserving’, which may also be reflected in some of the practices to be found within the administrative system (Davidson, 2003).

6. Routine help vs. exceptional circumstances

One of the core problems of the social fund relates to the difficulty in distinguishing between its role in meeting heavy but predictable, and to some extent routine, costs (school transfer, Christmas, replacement cookers, for example), and its function of offering exceptional help in extreme circumstances, which cannot easily be foreseen or budgeted for by people on low incomes. It may be argued, for instance, that it would make more sense (both in terms of objectives and efficient administration) to improve benefit scale rates, or include additional payments in response to specific ‘triggers’ (Lakhani, 2003), in order to account for the former; and thus, to leave the social fund relatively freer to deal with unpredictable events, where labour-intensive administration and discretionary decision-making might be more readily justified. This might also lead into related areas of policy discussion, such as the feasibility of locally administered schemes (Holman, 2001; Hermans and Declerq, 2003).

These questions are framed in order to demonstrate the importance of linking considerations of administrative effectiveness with both the overarching policy goals of the social fund, but also with broader ‘systems’ (benefits and community care, for

example) with which it interacts. The challenge is to find answers which are both internally coherent and consistent with each other.

7th April 2004

2,191 words