

**A CRITICAL LITERATURE REVIEW
OF THE SOCIAL FUND
Final Report
For The National Audit Office
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Introduction

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, notably in 1991 (Craig, 2003) and 1999 (Smith, 2003). 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. Studies of the fund have been classified according to a number of headings for the purposes of this review.

(1) Monitoring projects

A number of 'monitoring' projects were established at the outset of the social fund's existence. Some of these were linked with local government opposition to the social fund. Stewart and Stewart (1993) provide a useful account of these developments. The linkage between poverty lobbyists and local government provided some quite wide-ranging survey work and much of it was concerned with the perceived difficulties in linking 'cash and care' welfare provision. Becker and Silburn (1990), for example, focused on the impact of the social fund on social work practice and surveyed 1,853 people referred to social workers in July 1988 and January 1990. Furthermore, a perhaps unique combination of academics, voluntary agencies and local government formed the 'Social Security Research Consortium' in 1987. This collaboration produced research based on 21 authorities participating in the final monitoring: Social Security Research Consortium (1991). However, these alliances evaporated as political interest in the social fund waned. Later monitoring activity has tended to be less quantitative and more qualitative, probably due to the more limited resources available.

The first monitoring exercise reported only a year into the social fund's operation (Craig (ed), 1989). The tone was set at this early stage, with an emphasis on the arbitrary and uneven nature of decision-making (Ward, 1989), and the restrictive impact of cash limits (Becker and Silburn, 1989). As monitoring has progressed, it has focused on budget allocations, administrative mechanisms, review processes and the subjective experience of applicants (Craig, 2003). A number of anomalies had arisen from the reforms, it seemed. Budget allocations, for example, appeared to favour more affluent areas (Craig, 1992). The arbitrary nature of much decision-making, and the failure to offer an intelligible

rationale for the pattern of outcomes, were also evident from the fund's early days (Lister, 1989; Cohen *et al*, 1996). The eccentric nature of the process, coupled with the loss of access to independent appeals, was a focus of particular criticism, and may have accounted for the early reinstatement of a 'quasi-independent' review process (Craig, 2003).

Other early signs of change included the reported experience of charitable organisations coming under increasing pressure to respond to cases of urgent need in the face of refusals by fund officials (Morley, 1990). Additionally, statutory agencies such as local authority social services departments were being drawn into an income maintenance role (Becker and Silburn, 1990). Subsequent monitoring exercises have tended to substantiate these initial findings. Applicants' success or failure appeared to depend on when they applied in the financial year, for example (Cohen *et al*, 1996). The same report noted inconsistency within and between social fund offices as to the interpretation of guidance, and an apparent inconsistency in access to the fund amongst disadvantaged groups. At the same time, some interesting patterns were beginning to emerge in the distribution of grants and loans between different sectors of the population. Grants were relatively more likely to be awarded to older and disabled people, whilst lone parents and the unemployed were increasingly likely to be offered budgeting loans. One interpretation of this is that the original 'community care' objective of the social fund was becoming more closely followed. Meanwhile, the pressure on charities such as Family Welfare Association continued to grow (Cohen *et al*, 1996).

Further continuity of these trends has been demonstrated by more recent monitoring exercises. For example, charitable bodies have again reported pressure on them to fill the gaps left by the social fund (Craig and Datta, 2000). The patterns of decision-making and spending are reported to show a considerable degree of consistency, too (Craig, 2003). Whilst budgets did increase, for example, so too did refusal rates for Community Care Grants (from 48% in 1988-9 to 81% in 1998-9). Applications fell sharply in the following year, however, perhaps as a consequence of procedural changes. Crisis loan refusal rates also increased over this period (12% in 1988-89, 21% in 1999-2000; Craig, 2003). On the other hand, refusal rates for budgeting loans have declined as recovery rates have

improved. The social fund has demonstrated a growing ability to ‘recycle’ money quickly, which does have an impact on its ability to assist a greater number of applicants overall. However, this trend also has implications for the demands on recipients to make repayments, and on the likelihood of refusal for those deemed unable to repay loans. As Craig (2003) points out, the changing pattern of expenditure appears to represent a recasting of the distinction between ‘deserving’ and ‘undeserving’ cases. Older and disabled applicants are increasingly likely to benefit from grants (as originally intended), and lone parents and the unemployed are relatively more likely to be offered budgeting loans (consistent with a ‘welfare to work’ strategy).

Despite the apparent alignment of outcomes with some of the original policy objectives of the social fund, the feedback from organisation such as NACAB continues to remind us of its imperfections (Barton, 2003). Decisions are experienced as inconsistent, and sometimes harsh, and outcomes are often unhelpful, where needs are partially met, or where repayment rates compound, rather than easing hardship.

(2) Empirical studies

There have been a number of large-scale empirical studies of the social fund, usually funded by government departments. The first such studies were commissioned in response to political pressure in 1989, and reported three years later (Huby and Dix, 1992; Walker, Dix and Huby, 1992). These comprised a study of the experience of social fund officials, and a comprehensive evaluation of its initial impact. The experience of those working the fund offered some corroboration of the concerns arising from the monitoring projects already outlined. Staff involved in the delivery of the service reported considerable ‘diversity’ in processes and outcomes, for example (Walker, Dix and Huby, 1992) This suggested a degree of ‘territorial inequity’, accounted for by a range of factors, such as resources, management and staff skills, and especially budget allocations. In addition, staff commented on the great complexity of the scheme, for example in dealing with repeat applications, and loan recovery. The authors note, however, that part of this complexity arises from the simplification of the Income Support system. This has implications, too, for the question of cost-effectiveness, which staff did not believe had been achieved.

Discretion, too, appeared to be problematic for those ‘working’ the fund. Prescriptive priority lists and rigid cash limits clearly had an impact on the freedom of individual social fund officers.

The more substantial evaluation (Huby and Dix, 1992) produced evidence as to the effectiveness of the fund in meeting its objectives. The study concluded that most of those applying were ‘in need’, but that those receiving awards were not clearly distinguishable from those refused help. Grants were found to be contributing to ‘care in the community’ goals as intended. However, loans were creating significant difficulties for recipients struggling to make repayments. The process of applying was predominantly a negative experience, and the fund did not appear to be meeting needs consistently, even for successful applicants. The overall impression generated by these reports was of a complex scheme operating in an arbitrary manner, making only a limited contribution to identifying and ameliorating situations of severe financial hardship. These observations were supported by other evidence, which demonstrated the unpredictability of outcomes (Craig, 1992), on the one hand, and the very high administrative cost associated with the fund, on the other (31% of the value of benefits administered: National Audit Office, 1991). Whilst some of these outcomes could be attributed to teething problems and the consequences of reintroducing discretion, levels of concern were sufficient to inspire a ‘radical’ reform of the fund’s delivery mechanisms (Walker, Dix and Huby, 1992).

No further substantive studies were carried out before the reform of the budgeting loan scheme in April 1999. This has prompted more research on the loan element of the social fund. Whyley *et al*, (2000) undertook qualitative research on the pattern of saving and borrowing by in-depth interviewing of 16 budgeting loan applicants and 21 credit union members and focus groups to explore how people decide what sources of credit to use for specific types of need. They found that generally, the budgeting loan scheme was highly valued by applicants and repayment by direct deduction from benefit was a main advantage, though there was confusion about how repayment rates were set. There was little evidence that both the social fund and credit unions were used in combination. In essence, those using budgeting loans and credit union facilities constituted different groups of people who were using these two facilities for distinct purposes. Social fund

applicants tended to be suffering a higher level of disadvantage and hardship than credit union members and applied because they had limited access to commercial credit. Those using budgeting loans did so to purchase essential items such as beds, bedding, cookers and to pay household bills, while those using credit union loans did so for the purpose of 'discretionary spending', e.g. Christmas, holidays, day trips or other planned family events. The researchers also identified five sources of alternative credit, all perceived as available to people on Income Support though disadvantageous in terms of cost: weekly collected credit, rental purchase outlets (e.g. Crazy George's), pawnbrokers, sell and buy-back outlets (e.g. Cash Convertors) and unlicensed lenders (loan sharks). The study found a clear hierarchy of acceptability of the various strategies for raising the money needed for exceptional needs. The researchers constructed a model of the decision making process about raising money for items not within the usual household budget. They applied this to the budgeting loans scheme and concluded that the scheme was accessible but people did not know either what they could borrow for or the maximum amount they could borrow. Letting applicants know in advance the amounts they would be eligible to borrow, and when they could apply, would improve matters.

One of the government's responses to the select committee enquiry into the social fund (House of Commons, 2001) was a greater focus on the use made by older people of the social fund. The creation of the new Pension Service is based on the policy aim to provide an integrated service for this group. This focus is consistent with the original community care strand of the social fund's original objectives. Kempson *et al*, (2002) conducted some qualitative research into the use made by older people of the social fund using a mixture of in-depth interviews (19 who had applied and 18 who had not) and focus groups. They found clear evidence of need amongst the pensioners interviewed. A person's ability to manage on Income Support (in the form of the Minimum Income Guarantee) was determined by a number of factors: previous circumstances, the level and type of additional financial resources available to people, and the drain on those resources. They found an acute problem of awareness amongst the non-applicants, and awareness of community care grants was particularly low even among applicants. The report identified four key barriers that explained the low take-up by older people: lack of relevant information; the stigma associated with applying; communication difficulties; high

repayment levels for budgeting loans. . The study takes the view that merely increasing levels of publicity would not be a sufficient response. The respondents supported the creation of a discrete social fund for older persons. The rationale for this suggestion is essentially rooted in the evidence of the particular difficulties that older people were found to experience in applying for social fund payments. A deep-seated opposition to borrowing was also found to restrict use of the loans element. The research found ‘a good deal of support for the Pension Service and, within this, for a separate and well-publicised Social Fund for older people receiving MIG, which has a greater proportion of its budget allocated to grants’ (Kempson et al, 2000: 74). The respondents in the research all welcomed the winter fuel payment and there was significant support for the creation of a second annual lump sum payment but not if it replaced the discretionary fund entirely.

(3) Consumer perspectives

The social fund is perhaps distinctive in the extent to which it has been evaluated from the perspective of its intended beneficiaries. Again, findings have been obtained throughout the period of the fund’s existence in this respect. Early accounts suggested an increased level of hardship arising from refused grant applications (Davies, 1989). A new problem also emerged, in that some applicants were also refused loans on the grounds that they could not afford to repay them. Not only were their needs unmet, but applicants also reported the process as humiliating and unpleasant (Smith, 1990). Even those who were successful were sometimes dissatisfied, with self-denial being an inevitable consequence of loan repayments.

By the mid 1990s, the picture appeared little different. A study carried out in Manchester found that particular groups were not being helped by the social fund, including young single people, families leaving homeless accommodation and clients with health problems (Manchester CAB, 1995). The Family Welfare Association reported families with extensive needs being routinely discouraged from applying for help to the social fund (Cohen *et al*, 1996). The same study carried out a survey of a particular impoverished estate, which found that most awards, whether grants or loans, were given to meet basic needs. The support of advice agencies seemed to improve success rates, but even

‘winners’ were receiving less than they needed. Refusal rates were high in the area, and multiple debts (including social fund loans) were a problem (Cohen *et al*, 1996). This report also noted the problems encountered by specific groups trying to access the fund, including: homeless people; refugees and asylum-seekers; minority ethnic groups; disabled and older people.

A further substantial body of ‘consumer’ evidence was presented to the House of Commons Social Security Committee subsequently (Debt on Our Doorstep, 2001; NACAB, 2001; Sunderland Welfare Rights Service, 2001). These conveyed a continuing sense of frustration amongst applicants and their advisors, reflecting the official figures showing high refusal rates (DWP, 2001). Applicants are reported as receiving a poor service in a number of respects: inadequate information (NACAB, 2001); inflexible staff attitudes (CABx – Scotland, 2001); and being treated with suspicion (Forest, 2001). Even where help is provided, it is not an unqualified good. Budgeting loans may provide the cash to meet immediate needs, but problems are stored up for later – in February 2000, 709,000 recipients were having an average £9.41 deducted from their weekly benefits to pay off BLs (Debt on Our Doorstep, 2001). For some, this is compounded by additional debts incurred from other sources, such as moneylenders (Debt on our doorstep, 2001). The DWP clearly has concerns about the policy direction of the CCG scheme. It commissioned research in 1999 to examine what happens to people who are refused grants (Personal Finance Research Centre, 2004).

The concerns of customers of the social fund can essentially be reduced to two major areas: problems of administrative fairness and decency, and inadequate levels of cash help (Smith, 2003a). The Local Government Association argues that these are linked: the deterrent nature of social fund systems and attitudes stems, in their view, from the continuing pressure to manage delivery within rigid cash limits (LGA, 2001). Even though the levels of help they offer are relatively modest, both credit unions and local charitable funds are perceived much more favourably by those who make use of them (Whyley *et al*, 2000; Holman, 2001). These findings perhaps reflect the underlying tension between two policy strands of the social fund scheme: the provision of a truly discretionary system

sensitive and flexible to applicants' needs; and the perceived need to exert tighter budgetary controls.

Money Advice

The concept of money advice was integral to the original thinking behind the social fund. There have been increasing consumer demands for such services. However, the government soon abandoned any serious attempt to develop such services itself, despite the existence in the early 1980's of 'special cases officers' who were beginning to develop a distinctive welfare role within the mainstream administration of means-tested benefits. Walker, Dix and Huby (1992) commented on the role played by social fund officers in providing money advice, concluding that, although some viewed it as a 'challenging and exciting' element of their role, its use was restricted to the narrow area of loan repayments. Other aspects of debt advice and money management were not being provided, and this, no doubt, contributed to the official discontinuance of the social fund money advice service in 1996 (Buck and Smith, 2003).

Kempson (1995) provides a useful analysis of the development of money advice and debt counselling services in Britain. She examines the resources available to such services and the means of delivering them. A charitable body, the Money Advice Trust, was formed in 1991 to increase the quality and availability of money advice in the UK. The charity works in partnership with government, the private sector and UK's leading money advice agencies. It runs a national 'debtline' and provides training and other support to agencies: see www.moneyadvicetrust.org. The Personal Finance Research Centre team at the University of Bristol has produced a number of recent reports assessing the provision of money advice in Scotland (Collard and Burrows, 2002); Northern Ireland (PFRC, 2003); the role of fee-charging in money advice provision (Whyley and Collard, 1999); and the quality of independent money advice (Collard and Burrows, 2002). The Scottish Executive has recently announced new money advice services targeted at specific vulnerable groups: see <http://www.scotland.gov.uk/pages/news/2004/01/SEc386.aspx>. The Scottish Executive Development Department is to commission a programme of work to monitor and evaluate the impact of the Money Advice projects and to provide consultancy to them.

(4) Decision-making and review

Rowe (2003) examines the decision-making processes in a small-scale qualitative study and concludes that, from the user's perspective at least, decision-making can appear irrational. He asks whether the perceived arbitrary nature of outcomes might contribute to 'learned helplessness' in applicants, i.e. the process may actually aggravate social exclusion. The original concept behind the social fund review was to have a speedy, internal management review of decision making in local social security offices only. Inspectoral reviews were added at late stage in the Parliamentary process (Buck, 2000: 23, 31; Buck, 2003: 131-135). The result was a unique system of review in administrative law, which carries elements of both a merits and a 'judicial review' test. A legal analysis of the complexities of the decision-making and review processes and some appraisal of the nature of the inspector's review function can be found in Buck (2000: 74-114). It is useful to know the proportion of original determinations which are subject to local office review and then subsequently to inspectoral review. These figures can be derived from the statistics contained in the Secretary of State's annual reports (SoS, 1987-2003) and the Social Fund Commissioner's annual reports (SFC, 1987-2003). For example, in 1998-99 it has been calculated (Buck, 2000: 68, 84) that the proportion of applications for local office review for CCGs, BLs and CLs, compared with the number of original applications received, was 13%, 11% and 3% respectively. Applications for local office review were revised in 27% of CCG cases, 39% of BL cases and 43% of CL cases. In the same year there was a total of 22,729 inspectors' reviews representing 6.9% of the total applications for local office review. There have been three persistent themes in the literature relating to the decision-making and review processes: their independence, quality and effectiveness/accessibility.

Independence

The government's original proposal to depart from the mainstream model of social security adjudication produced some strong criticisms of the loss of independent scrutiny (e.g. Bolderson, 1988; Sainsbury, 1992; Council on Tribunals, 1986). The Council on Tribunal's special report probably influenced the government's decision to provide for a

further (external) inspectoral review. Much of the work of the first Social Fund Commissioner focused on the need to establish social fund inspectors as independent decision makers (SFC, 1988-89). The first landmark academic research on reviews noted that all the inspectors interviewed 'were absolutely adamant that they were independent' and agreed with the claim that the inspectors at least behaved independently despite their structural position in the system (Dalley and Berthoud, 1992: 93, 163). The independence issue has gained further focus following the implementation of the Human Rights Act 1998 in October 2000, in particular, the application of article 6 of the European Convention on Human Rights (the right to 'a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law'). The Independent Review Service (IRS) claimed to have thoroughly researched articles 6, 8 and 14 to see whether the review processes were ECHR compliant (SFC, 2000-01; SFC, 2001-02). The Social Fund Commissioner issued advice to the inspectors on the Human Rights Act 1998 in April 2003. It accepts that inspectors constitute a 'public authority' under the Act and therefore '[i]t follows that the Convention rights should form a background to all decision making' - see <http://www.irs-review.org.uk/infocent/commad/hright/hrights.htm>. However, the advice fails to deal with the question of whether the review, particularly at the internal review stage, has sufficient independence to be compliant with the requirements of article 6.

Quality

Questions have been posed whether the social fund can be said to be an inquisitorial process and to what extent does the scheme reflect the original policy aim to be a genuine exercise of discretion rather than the automatic application of rigid rules. In form at least, the inspector's review does appear to be an inquisitorial rather than adversarial model of dispute resolution; a view which is confirmed by the current Commissioner (SFC, 2002-03). Dalley and Berthoud (1992) concluded that the social fund review contained all the elements of Mashaw's (1983) model of 'bureaucratic justice'. The formal structure of the fund was capable of meeting the condition of 'bureaucratic rationality'; there were elements of 'moral judgment' in the way in which discretion was exercised; and there were elements of 'professional treatment' in respect of certain decisions, e.g. where officers had to make expert judgments about the severity of a medical condition. Dalley

and Berthoud (1992) also suggested that there was a need for the development of an equivalent of caselaw to achieve consistency in decision-making. Buck authored annotated casenotes of inspectors' decisions in the *Journal of Social Welfare and Family Law* from 1993-1996 while Legal Adviser to the Commissioner and these were then followed by the IRS's in-house journal which still carries examples of cases along with practice notes: see the IRS website. The natural comparator for the quality of inspectors' decisions is the local social security appeal tribunal (SSAT) remedy available in relation to the mainstream benefits, with a further right of appeal to the Social Security Commissioners. However, a weakness of the research by Dalley and Berthoud (1992) was that no direct comparisons with the SSATs were made, though it did draw upon concurrent research by Baldwin, Wikeley and Young (1992). Although the issue of 'discretion' was a principal defining feature of the social fund as introduced in 1988, the often fierce debates preceding its introduction (Davis, 1969; Hill, 1969; Titmuss, 1971; Adler and Bradley, 1975; Adler, 1981; Adler and Asquith, 1981) about the respective merits and demerits of the use of discretion in social welfare decision making has subsided, though there have been some later socio-legal works on this general issue, e.g. Hawkins (1993). It has been argued that in reality 'the vast majority of decision making is actually based on eligibility and qualification rules rather than any genuine discretion' (Buck, 2001: 136). IRS has developed its own concept of 'quality' decision making in order to arrive at an appropriate balance between the conflicting demands of user accessibility, consistency and accuracy of decision-making and the need for reasonable expedition (e.g. SFC, 2002-03). In the earlier years of the social fund, the quality of the social fund review was also tested via judicial review activity in the High Court. A comprehensive account of this and a synopsis of judicial review cases are given in Buck (2000). Although there have been very few judicial review challenges after 2000 there has been an increased academic scrutiny of the *impact* of judicial review on IRS. Previous impact studies had focussed more on the applicant rather than the defendant body. Richardson and Sunkin (1996) had speculated on the extent to which judicial review, a procedure exclusive to the High Court, had an educative effect on public bodies subjected to it and the extent to which judicial norms might infiltrate administrative cultures. They questioned whether *process* values, for example, might be more readily internalised. Buck (1998) also provided a detailed account of the complexity of the relationship between

judicial review activity and the development of IRS. Sunkin and Pick (2002) tested some of this theorising of the relationship of the law and administration with an ESRC funded empirical project which focussed on the impact of judicial review on IRS. They concluded that 'the influence of judicial review declined as the organisation's goals shifted from a concern to establish its legitimacy to a concern to ensure efficient service delivery' and implicitly such juridical norms were 'expected to serve organisation goals rather than to drive them' (Sunkin and Pick, 2002: 759). There is further discussion of the potential of the social fund review model to provide a wider form of 'systemic' justice to highlight structural flaws in the scheme (Buck, 2003).

Effectiveness and Accessibility

The effectiveness of the decision making and review procedures, in particular their accessibility from the users' perspective, was examined by Dalley and Berthoud (1992) who found that applicants were largely ignorant of how the procedures worked and the review procedures did nothing to disabuse applicants' perspective that the social fund was an arbitrary and confusing scheme. However, those using the SFI review did appreciate the inspectors' independence. They recommended, inter alia, that more information on review procedures should be available and the review should be speeded up. Speed should be a prime goal in a system of special needs provision. The IRS has developed a 'customer care' focus in its operation of the review function (SFC, 1999-2000). The effectiveness and accessibility of the review procedures has also come under the spotlight of the Leggatt Review of Tribunals which has recommended the creation of a single Tribunal Service to parallel the existing Court Service (Leggatt, 2001). Buck (2001) provides a critical analysis of the social fund review procedures against the Leggatt benchmarks. He questions the extent to which, for example, IRS's customer care focus has focussed on improving caseload clearance targets at the expense of maintaining appropriate standards of administrative justice. The IRS's own estimation of the cost of an inspector's review has been given in most of the Social Fund Commissioner's annual reports, but the methodology of the calculation has changed. It is given as £128 for 1997-98, but a changed calculation of a 'team unit cost per review' was introduced in 1998-99 which produced a figure of £47 (SFC, 1997-98; 1998-99). Whichever calculation is used, it compares very favourably with the estimated costs of social security appeal tribunals.

Despite the generally positive evidence about the development of the review processes, there are a number of barriers which remain to prevent applicants from accessing these processes. It is also likely that the relatively small number of local office reviews, compared with original determinations, and the smaller number of inspectorial reviews, hide an even more frequent occurrence of faulty decision making which has not been picked by the existing review system.

(5) Official Sources

The National Audit Office undertook a review of the social fund in its early years (1991). It notes that local offices found difficulty in treating cases consistently and there were significant differences in the treatment of priority groups. In the first two years of operation the DSS did achieve the expected level of loan recoveries. However, the cost of administering the social fund was estimated as £61 million, nearly 31 per cent of gross social fund expenditure. Most of the surveyed local offices also reported the suspension of money advice and home visits due to the pressure of other social fund work. The report generally endorsed the DSS's 'substantial progress' towards meeting the objectives set by Ministers for the social fund. However, concerns were raised about both the administrative costs of the social fund and the increasing number of applicants who had multiple loans. The NAO identified five objectives of the social fund:

- i) supporting government economic policy
- ii) complementing/not prejudicing the Income Support scheme
- iii) targeting assistance on those experiencing the greatest difficulties
- iv) providing a more varied response to inescapable individual need
- v) breaking new ground in community care

The report concluded that the government had succeed on i) in that it had stayed within budget for the first two years of operation. On ii) the report noted that although there was separate administration for IS and the social fund there was interaction as social fund loans would be deducted from IS and administrative changes to IS could have an impact upon social fund administration, e.g. the change to fortnightly arrears payment of IS had

boosted the numbers of crisis loan payments. However, there were concerns expressed about iii) given the evidence of differential treatment of priority groups in local offices and the report recommended further thought be given to this without undermining local discretion. Although in principle a more varied menu of help was available, the objective in iv) had not yet been fully established. There was only 'limited evidence' that needs not capable of being met under the single payments scheme could now be met under the discretionary social fund. Finally, the report noted some limited progress on v) to the extent that there was now a development of liaison between social service departments of local authorities and the DSS.

There are three statutory reporting duties relating to the social fund. The Secretary of State for Work and Pensions must report annually to Parliament: Social Security Administration Act (SSAA) 1992, s.167(5). The Comptroller and Auditor-General has to examine and certify annual accounts of the social fund and lay copies of the accounts and his report before Parliament: SSAA 1992, s.167(4). Finally, the Social Fund Commissioner must report annually to the Secretary of State for Work and Pensions on the standards of review by social fund inspectors and the Secretary of State is under a mandatory duty to publish the Commissioner's reports: Social Security Act 1998, s.37(6). There are to date fifteen annual reports published in relation to each of the three reporting duties. There are also equivalent reports in Northern Ireland which also operates a social fund under legislation which is the same as in Great Britain, apart from minor differences to accommodate the differing administrative arrangements in Northern Ireland: see e.g. SFC (NI) (2002-03); DfSD (NI) (2002-03).

The Secretary of State's annual reports on the social fund (SoS, 1989-2003) do contain most of the data which the government gave a Parliamentary undertaking to include during the passage of the relevant legislation: i.e. summary information relating to applications, reviews, operational issues such as clearance times and administrative costs, in addition to annexes containing statistical data on expenditure, broken down by several criteria. However, the ministerial commitment to provide *regional* breakdowns of social fund data appears not to have been followed (Buck, 2000: 313). It would be advantageous for such data to be made more available in the light of the earlier evidence pointing to

concerns about 'territorial injustice' (Craig, 1992; Walker, Dix and Huby, 1992). The most recent annual report suggests that the DWP is attempting to correct regional imbalances though it omits any supporting evidence (SoS, 2002-03, para 3.7).

One key measure of the social fund's effectiveness is its cost. The National Audit Office report noted that in 1988-89 the administrative costs of £61m represented 31 per cent of social fund payment expenditure for that year and concluded that the social fund was 'the most expensive social security benefit to administer' (1991: para 2.36). Official estimates of the proportion of administrative costs over social fund benefit expenditure has reduced over the years, to 15.3 per cent in 1999-2000, a process helped by the inclusion of loan recoveries within the benefit expenditure figure (DSS, 1999).

The Secretary of State, under Treasury direction, also has a duty also to prepare accounts for inspection and report by the Comptroller and Auditor-General who heads the National Audit Office. There have been two years, 1991-1992 and 1992-1993, in which the Comptroller and Auditor-General returned 'qualified' reports owing to uncertainty about the accuracy of outstanding loans (Buck, 1996). The official response to these difficulties was traced to a computer program fault that apparently had not affected individual records of loans outstanding to the social fund (SoS, 1993-94). The social fund account annual reports (Comptroller and Auditor-General, 1987-2003) provide some details of internal administrative control arrangements in addition to the budgetary and expenditure data. In the most recent report, for example, it is noted that The DWP's own internal audit unit had undertaken two audits specifically related to the social fund (DWP, 2002-03). It has been general accounting policy since 1988 to maintain a minimum standing balance of £15 million to ensure that the fund does not go into deficit. These funds can be set against an unexpected failure in the level of loan recoveries or a surge in cold weather payments too late to be dealt with by the Supplementary Estimates (Comptroller and Auditor-General, 2002-03).

The Social Fund Commissioner's annual reports (SFC, 1988-2003) contain detailed information concerning the results of monitoring, applications, clearance times, breakdowns of inspectors' decisions, operational issues, judicial review activity, and other

issues relating to the standard of service delivered by IRS. The reports have carried useful statistical data and summaries of recommendations to the DSS/DWP, from narrow technical points to wider policy issues, along with the Departmental responses. However, there are some concerns about the variability in the reporting standards used in these annual reports (Buck, 2000: 110). The most recent annual report records the total staff in post at 108 in March 2003; staffing costs accounted for 88 percent of IRS's overall expenditure. During 2002-2003 the total spend was £3.13 million, an underspend of 21 per cent against a budget allocation of £3.97 million. Inspectors completed 23,233 decisions, giving a total cost per decision of £135 (SFC, 2002-03). The present Commissioner, Sir Richard Tilt, appears to be more proactive in identifying gaps in the research base of the social fund. In his first annual report he announced his interest in making proposals to the Department to undertake research on the social fund (SFC, 2000-01: 24). The following year he suggested specifically that the Department arrange for research work to be carried out to address the following questions:

- why do significant numbers of eligible people not use the discretionary Social Fund?; and
- of those who do use the fund, what difference does it make to them and how regularly do they return to the fund for help? (SFC, 2001-02: 41).

In 2002-03 however, after briefly noting that the Department was planning research into how people manage when they are refused a community care grant, the Social Fund Commissioner has reported that he is in discussion with research organizations to see how the 'wider question of the fund's contribution to reducing poverty and social exclusion' might be independently conducted and funded (SFC, 2002-03: 38).

The select committee on social security has also reviewed the operation and effectiveness of the social fund (House of Commons, 2001). Their report and minutes of evidence contains oral evidence from academics, charities, the Local Government Association, the Social Fund Commissioner, claimants of the Social Fund, the Parliamentary Under-Secretary of State and DSS officials. The Committee also received a number of written memoranda from a range of sources. It recommended some wide-ranging reforms in relation to all three types of payment. It recommended that research should be

commissioned to re-examine the basis on which community care grant budget is allocated to local offices, and that budgets ought to be raised substantially in order to meet all high and medium priority applications. On budgeting loans, it recommended enhancements to users' access, e.g. applicants should be able to telephone for a preliminary estimate of how much loan would be available prior to submitting an application. It recommended that the large percentage of crisis loan 'alignment' payments (37.3 per cent) be analysed in order to identify the causes for such payments and how these might be addressed. It also recommended a review of the eligibility criteria for crisis loans in order to increase access where applications for budgeting loans have failed. The Committee noted the need for a much more flexible system of loan repayment and rescheduling to avoid hardship and the accumulation of debt. The committee also advanced a number of administrative changes for consideration. It noted in particular that there was a need for more active and informed assistance from better-trained Departmental staff to facilitate proper access to the fund. On the question of reviews it set a target time for the internal local office review of two weeks and it also recommended that applicants should be able to proceed directly to the inspectors for an independent review. However, the committee did approve generally of the potential for the loans element of the social fund to be expanded to cover a wider group of applicant who might be excluded from normal credit markets. The committee concluded that the government ought to take a 'radical look' at the social fund in order that it should enhance rather than hinder the strategy to reduce child poverty. It was not meeting one of the primary aims, to help the poorest and most vulnerable in society and needed 'urgent overhaul' and an injection of funds. In the absence of such attention the committee concluded that 'there is a strong possibility that the wider social policy objectives of the Government will be endangered' (House of Commons, 2001: para 125).

The government's response to the select committee's report (DWP, 2001) did not accept the basic premise that the social fund worked against wider social policies such as the eradication of child poverty. It concluded that much improvement could be achieved via the introduction of Jobcentre Plus and the Pension Service. An adjournment debate on the social fund took place in April 2002 (House of Commons, 2002: cols 239-274 WH). The government spokesman did express some concern about why relatively few older people were making use of the social fund. He insisted however, on the retention of both grants

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and loans in their present form, though there was a suggestion that the wider policies underlying 'community care' could be revisited. He also appeared to be receptive to the select committee's call to introduce ethnic monitoring of social fund applicants. The 'radical overhaul' requested by the select committee has not been acted upon to date.

(6) Comparative Studies

Trans-national and comparative research tends to distinguish between three types of social assistance: ‘general assistance’, the provision of cash benefits for those below a specified minimum income standard; ‘categorical assistance’, cash benefits for specific groups; and ‘tied assistance’, access to specific goods and services in cash or kind (Eardley *et al*, 1996a). The UK social fund has elements of all three forms of social assistance. There appears to be little comparative material available which focuses *exclusively* on the exceptional payments element of social assistance schemes. This is perhaps unsurprising given that the balance between social insurance and social assistance is variable and the different histories of development within each country. As will be seen, the small amounts of expenditure on exceptional needs payments as a proportion of total expenditure on social assistance adds further to its relative lack of visibility within comparative research.

However, a key piece of comparative research on social assistance schemes generally appeared as a two-volume DSS research report by Eardley *et al* (1996a, 1996b). The 24 country reports provide descriptions of each social assistance scheme locating them within their respective social security systems and provide data on claimant numbers and expenditure and a brief discussion of policy issues in each country (1996b). The research also contains a discussion of the policy context for carrying out comparative research on social assistance and provides a synthesis of comparative and analytical material organised thematically (1996a). The issue of meeting urgent or exceptional needs is addressed and there is a useful summary of the countries’ various schemes of exceptional payments (1996a: Table 3.4). The research builds upon earlier, brief comparative surveys by Craig (1992) and Bradshaw *et al* (1993). It notes the lack of intense debate about this form of provision outside of the UK and the USA where the welfare rights movement ‘has used discretionary exceptional needs as an organising technique to expand payments’ (1996a: 71). While confirming that most of the countries do have such systems of payment the predominant pattern found was that such payments were made at the discretion of the local social welfare staff. Though there were variable methods of delivery the kinds of expenditure covered were not dissimilar across the countries examined. Most countries

made exceptional needs payments as grants rather than loans, though Netherlands had developed a social loans scheme, some countries combined grants and loans and there were other important exceptions to this principle. Some countries made the award for certain awards contingent on money advice or counselling. This was more likely to occur, for example, in the Nordic states because of their strong traditions of a social work element in their social assistance schemes. The research found it difficult to get a clear picture of the expenditure on exceptional needs as a proportion of all spending on assistance, or of social security as a whole, as few countries separated out their expenditure in the same way. Where breakdowns were available it appeared that exceptional needs expenditure amounted to about 1 per cent of social assistance overall. The report concludes that there are two discernible trends: a move away from entitlement-based exceptional payments in the UK and USA leaving other needs to be met from discretionary payments within fixed budgets; and, a gradual trend towards a greater codification and regulation of entitlements in the southern European countries, where assistance scheme are less comprehensive or already largely discretionary and where the charitable/voluntary sector plays a greater role (1996a).

In addition, a two-volume study (OECD, 1998; OECD, 1998a) has surveyed the general social assistance systems in eight countries (including the UK), and includes some limited detail and comment on the respective exceptional payments schemes. The countries varied in the way that irregular but essential expenses were expected to be covered by claimants. In the centrally administered systems e.g. UK and Australia, a basic rate intended to cover most or all living expenses was available, while locally-administered social assistance systems, e.g. Finland and Sweden, paid a rate to meet a list of specified items, and one-off claims could be made for other occasional costs, such claims being discretionary and administered at the municipal level (OECD, 1998). The study discusses briefly the merits and drawbacks of such 'lumpy expenditure': e.g. it provides flexibility and extra protection for hard cases, but 'it also has the potential to create a culture of dependency'. The report points out some of the situations of exceptional difficulty where social work intervention is additionally required. While recognising the inevitable variability in people's household budget management, the point is made that 'the margin for error at minimum guaranteed levels of income in all these countries is small, and a

single mishap or mistake may have serious consequences for the long term balance of the household budget, and thus repeated calls on social assistance' (OECD, 1998: 65-6). The report concludes that, on balance, additional help should be reserved for those facing exceptional difficulties in particular in circumstances where social work intervention may be needed. The report also concludes that an advice service to help with household budgeting would be a valuable community resource. Interestingly, three of the countries under review (Belgium, Netherlands and Norway) had developed effective services for dealing with the debts of households (OECD, 1998a).

Davidson (2003), in a study of the UK social fund and the Netherlands scheme, argues that the specific configurations of social assistance in different countries will inform the degree to which exceptional payments will advance overall policy goals. The research concludes that Dutch administrators are concerned to meet exceptional need within the context of activation policy. Conversely, in the UK, 'social fund decision-makers consider themselves as separate from the administration, and sometimes working against the wider aims, of welfare to work. Their concerns are to administer a safety net for the most vulnerable, within a context of managerialism.' (Davidson, 2003: 129). Hermans and Declercq (2003) have examined the contribution of Public Centres for Social Welfare (PCSW) to delivering social assistance in Belgium. They found that 'social aid' compensates for an insufficient *Minimex* (a minimum income for working population) and that local PCSWs were able to consider applicants' individual circumstances and characteristics. However, along with a highly discretionary system came inevitable differences in the way in which social aid was administered by the local centres. In France too, it is argued that territorial social assistance policy has been encouraged in recent years as part of a wider remodelling of universal social protection in favour of a residual model of welfare provision (Daguerre and Nativel, 2003). There have also been a growing number of non-state actors in the provision of emergency poor relief.

Although there are clearly some lessons to be drawn from such trans-national and comparative work, the 'policy transfer' value of any one scheme needs to be treated with particular caution due to the highly differential relationship between exceptional needs schemes, social assistance and the wider social security scheme in any one country.

(7) Normative studies

Rather than focus exclusively on the problems of the social fund, a number of studies have taken a rather more constructive approach. These have tended to operate from a principled base, substituting alternative objectives for those of government. These principles have included: fairness, an individualised service, non-stigmatisation, and effective alleviation of poverty (Craig, 1992). The first such exercise involved an extensive survey of stakeholder interests, and led to the conclusion that there should be a return to a predominantly grants-based scheme, for meeting urgent needs ('Event-related grants'), underpinned by a scheme of regular lump sum grants, payable to benefit recipients at specified times. Further provision would be made for assistance in 'crisis' situations (Craig, 1992). A more flexible loan service could be developed to assist budget management for those on low incomes, but it should be clearly distinct from grant mechanisms, and should not involve routinely forcing recipients below basic income levels to meet repayments. Craig (2003) has updated the costings on which this proposal was based to suggest that such a scheme would require annual provision of £900 million net. Similar proposals have been developed elsewhere, with the Commission for Social Justice arguing for additional benefit payments to be triggered by 'life events', or certain predictable circumstances, such as school transfers. Like Craig's, this model has three tiers, based on regular benefit 'top-ups', crisis payments to meet urgent needs (replacement cooker, or new bedding, for instance), and a discretionary element to meet 'special needs', such as resettlement costs (Commission on Social Justice, 1994).

Further developments of these ideas have focused on the idea of certain benefits acting as 'passports' to additional payments (e.g., IS and JSA). These additional grants could be classified in order to define their objectives (e.g., Child Development Grant, Home Establishment Grant), whilst others might be dependent on contingent events (Health and Safety, or Core Items Grants). It would also be possible to build in payments for specific objectives, such as an Opportunity Grant to meet work-related costs. An innovation here is that entitlement should be tapered to provide some assistance to those on low incomes but above benefit levels (CPAG, 2001; Howard, 2003).

Whilst such proposals have focused on the role of grants, other studies have also considered the development of loans more fully. The New Policy Institute (2002a; 2002b), for instance has put forward a number of new ideas, including extending eligibility for loans to those receiving tax credits, expanding the size of the loan fund, encouraging the use of loans for ‘transitions’, and incentives to ‘write off’ loans in certain circumstances (such as finding work). These effectively build on the reforms of the Social Security Act 1998, and fit quite well with the government’s wider ‘welfare to work’ agenda (DSS, 1998). In our own work (Buck and Smith, 2003), we have acknowledged this emerging role for budgeting loans, arguing that this should be seen more as a banking facility for those on low incomes who have limited access to credit. The process initiated by the 1998 reforms of establishing a clearer distinction between grants and loans seems to point in this direction, and may lead to a clearer understanding of the differing needs they address.

Clearly, these trends have implications for delivery systems, too, as loans become accessible more on the basis of subjective evaluations of need, and grants are more closely linked to prescribed events. In both cases, there would appear to be a reduced role for discretion in decision-making. These changes, as well as altering the purposes of the different elements of the social fund, may also have an impact in terms of the cost and efficiency of administration. The net effect of these exercises in designing reforms would suggest a move towards a greater recognition of the rights of applicants in certain defined circumstances, which might lead to greater ease of administration, but would have implications for decision-making and review processes, as well as the level of budgets (Craig, 2003).

Concluding observations

This relatively brief overview of the evidence relating to the social fund provides the basis for a number of pertinent conclusions. Broadly, these can be grouped around the distinct but linked themes of ‘efficiency’ and ‘objectives’, and they generate a series of key questions for further consideration. 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 context. 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, the fund has been managed within its 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 consistently high (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, 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.

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)?

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).

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.

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* Key Texts