

March 2010

Social Fund reform: debt, credit and low-income households



Department for Work and Pensions

Social Fund Reform: debt, credit and low income households

Presented to Parliament by the Secretary of State for Work and Pensions by
Command of Her Majesty
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For further information about this publication, contact:

Social Fund Reform Consultation Team
5th Floor
Caxton House
Tothill Street
London
SW1H 9NA

Tel: 020 7449 7688

Email: social.fund@dwp.gsi.gov.uk

Copies of this publication can be made available in alternative formats if required.

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Ministerial Foreword

The Social Fund is an important part of the welfare state. It makes provision for those on very low incomes to help them deal with problems getting affordable credit, sudden unexpected costs and crises. This is vital now in an economy and society which has changed greatly in recent years, and of course even more important in difficult economic times.

The issues of credit and debt in modern society are complex. Access to credit can enable people to deal with fluctuations of income and spending and manage their lives better; it can open up opportunities. But the level, terms and conditions matter. If credit is too costly or borrowing is excessive, people can be driven into a vicious circle of debt which traps them financially. This can have profound effects on their health and wellbeing; limiting the options for them to move into work and develop their own and their children's lives.

Everyone should have their basic needs met and the reforms we have made to the welfare state recognise this. But we want to go further than this: we want to build an inclusive society where everyone is able to play a full and active part. With citizenship come responsibilities, as well as rights, and the modernised welfare state acknowledges this.

We believe that now is the time to review the role and design of the Social Fund to maximise its impact. We want to move away from the short-term role it has for many people – functioning as a sticking plaster to their immediate financial problems and recycling them through the system. We envisage a sustainable scheme which helps people both deal with short term crises and also addresses the longer-term challenges faced by those who need financial support. In particular, we want a scheme which:

- is simpler for customers to understand and use and simpler for our staff to deliver to ensure better value for money;
- plays a more active and sustainable role in helping people resolve their longer-term financial needs and supports them to become more financially independent, as well as dealing with short term crises; and
- is set within the wider context of financial inclusion and education, and is aligned with the range of products and services that the Government delivers for people with complex and enduring needs.

We will look to bring about this vision in a phased approach. In this consultation document we propose a range of early reforms to bring about better help now for some of the most vulnerable members of our society. However, we want to go further, so we are consulting on a range of proposals for medium-term change which will align the Social Fund more effectively within the wider Government strategies of financial inclusion, capability and welfare reform, making it more responsive to the demands of a modern economy.

A reformed Social Fund will provide more effective support to those who need it most. However, we strongly believe that a reformed scheme should encourage people to take greater responsibility for their own futures and make full use of this support. The scope of available provision ranges from debt advice and money guidance to more support to move into work, building on the successes delivered by Jobcentre Plus through the recession in restricting unemployment to levels much lower than those predicted.

We believe that work is the best form of welfare and it represents the most effective route out of poverty. Whilst work is the objective for most people on benefits, we recognise that for some this isn't an option, either in the short or longer term. This group includes the most severely disabled people, others with full-time caring responsibilities and many older people who are above state pension age. Many people in these circumstances have little or no opportunity of increasing their income over time beyond benefit levels. At times of the most extreme pressure many may need additional support. We also recognise the needs of those experiencing unemployment, particularly in the current economic climate, in managing fluctuations in income and spending. The Government has a responsibility to support those who are struggling to make ends meet.

We also want to do more to build on the Government's financial inclusion and capability strategies to help more Social Fund customers make the transition to financial independence, and ultimately to employment. However, it will be important to make sure we also do more to help tackle longer-term problems. That also means ensuring we have more and better support alongside greater responsibilities. We will therefore explore how we can best enable those who access the Social Fund to take more responsibility for their financial situation and wellbeing in future. This will help them to minimise further financial crises.

This document looks across the piece at the way our proposals can benefit people on low incomes and how they can be more effectively connected with the Social Fund. We believe that taken together these proposals will make a very substantial difference to the financial environment experienced by many people.

I look forward to hearing your views on our proposals for the role of the Social Fund as part of a modern welfare system, and working with you to bring about these improvements.



The Right Honourable Yvette Cooper MP

Secretary of State for Work and Pensions

Executive summary

Over the last twelve years we have coupled our radical welfare reform agenda with an ambitious programme to tackle financial and social exclusion. This has been against a backdrop of a rapidly evolving financial services sector and a major transformation of welfare delivery.

The Social Fund was established over twenty years ago to provide interest-free loans and grants, mainly to people in receipt of income-related benefits. Elements of the scheme continue to provide appropriate and effective support for those on low incomes. However, it is operating in an environment which is very different to the one in which it was developed. It is becoming increasingly hard to manage finances successfully in modern society without access to services like credit, savings, a bank account or financial advice.

The Social Fund has remained largely unchanged in the two decades since its introduction. As a consequence, there are a number of limitations with the scheme as it operates in today's world. In terms of policy:

- it focuses on the short-term needs of the customer and for some people can encourage frequent use of the system without addressing their underlying financial needs or problems or helping improve their financial capability;
- it is a passive scheme that does little to help people build up personal financial management skills; and
- it is a complex scheme. Customers can find it hard to understand eligibility and payment arrangements and to know what element of the scheme they should apply for.

There are also delivery challenges that we aim to tackle:

- there has been a much bigger increase in demand for Crisis Loans than Budgeting Loans, reflecting a problem in the structure of and access to the loans scheme; and
- additional pressure on Jobcentre Plus and the associated costs.

Reform of the Social Fund is essential to maximise its effectiveness and establish its relevance for today's world. Our principles for reform below underpin our vision for a scheme which:

- is active rather than passive;
- makes it easier for customers to get one-off or occasional support;

- provides more support to frequent users of the Fund to help them tackle the underlying problems they face and move towards financial independence; and
- provides better value for money for the tax payer by reducing the number of frequent users.

In practice, this means a phased approach to bring about a more powerful and sustainable scheme which does much more than address the immediate needs of our customers. Therefore, we will look to bring about a range of early changes to address some key issues and steer the scheme towards its proposed role as part of the wider strategy of greater financial inclusion and capability. We also want to consult on a range of further medium-term reforms to the scheme to make the Social Fund more effective and suitable for today's economy.

The early changes we want to make are designed to provide better help now to some of the most vulnerable individuals and families:

- changes to Budgeting Loans so that more people can apply for smaller loans earlier in their benefit claim – allowing access from Day One of benefit entitlement will prevent people from needing to apply for a Crisis Loan or having to borrow from high-cost or illegal lenders;
- a requirement to attend an interview for those customers who make repeat applications to Crisis Loans, and more stringent checks on what the loan is required for;
- more and better signposting of customers to sources of financial support, including money guidance;
- additional help from the Funeral Payments scheme for students; and
- contracting with major suppliers to provide a range of goods and services for people to access instead of cash grants.

However, we want to go further over the medium term to ensure that the system meets the needs of its customers in the future. We are consulting on ideas to:

- provide more straightforward and simple access to one-off or occasional loans, to deal with immediate problems through a quicker and more streamlined application process. This will enable more certainty and clarity for customers;
- align this with stronger support and conditions if customers make repeat applications for loans or grants, in order to address their more deep-seated financial problems. For example, we would like to hear views on proposals for a requirement to take up a full financial health check, so we can see whether the claimant is receiving all the benefits they are entitled to, to ensure that they are being directed to financial advice, to look at any debt they may have, and to see that they are taking up any additional help with, for example, housing issues or to return to work;

- consider which organisations might be best placed to provide this more personalised interaction and wider support to meet the needs of our most vulnerable customers, and at which stage it should be provided in the interaction we have with them. We would like to hear views on whether more intensive support might best be delivered by Jobcentre Plus, local authorities or third sector organisations, or possibly a combination of providers;
- require those customers who make repeat applications to develop and agree action plans with advisers, similar to those being made in jobseeker arrangements;
- look at ways in which we can refer the minority of our customers who frequently use Crisis Loans who have very complex needs to other services, or require them to take up more holistic support; and
- simplify the grants scheme and support those people leaving care or fleeing domestic violence with a regulated resettlement grant.

This Green Paper sets out our proposals for how we could deliver that vision. We believe that the Social Fund is in a unique position to help to promote financial and social inclusion and ultimately to help those who can, to move towards the labour market. By looking at a more holistic package of financial inclusion and capability measures, we want to prevent people, particularly the most vulnerable members in our society, from having to face the avoidable costs of over-indebtedness. Financial exclusion brings with it real and rising costs for individuals and their families, and these costs are often shouldered by people who can least afford them. This approach is underpinned by HM Treasury's Financial Inclusion Action Plan for 2008-11.¹

¹ Financial inclusion: an action plan for 2008-11. HM Treasury, December 2007. http://www.hm-treasury.gov.uk/d/financialinclusion_actionplan061207.pdf

1. The Social Fund and the wider financial inclusion agenda

Overview

- 1.1 There is much going on across Government to improve access to affordable credit. The Social Fund is one important part of this strategy and it has been a core part of the welfare system for the past twenty years. It provides valuable support to people – both to those in work and those who are dependent on benefits – who are facing large or unexpected financial pressures. It provides them with a safety net, in the form of grants and interest-free loans, where they are unable to access affordable credit or other mainstream credit from elsewhere.
- 1.2 We believe that people's basic needs should be met, but we want to take this further and build a society where everyone is able to play a full and active part. As Adam Smith said, "necessaries" should be recognised as "whatever the custom of the country renders it indecent for people to be without [such as] a linen shirt and leather shoes".
- 1.3 Issues of credit and debt in a modern society are complex. Access to credit can enable people to deal with fluctuations of income and spending and manage their lives better: it can open up opportunities. But the level, terms and conditions matter, as does an individual's ability to understand credit, manage it appropriately and know where to go for help if it starts to become unmanageable. If credit is too costly or borrowing is excessive, people can be driven into a vicious cycle of debt which traps them financially. This can have profound effects on health and wellbeing; limiting the options for them to move into work and develop their own and their children's lives.

Tackling over-indebtedness and promoting financial inclusion and capability

- 1.4 In a difficult global economic climate with many people facing new uncertainties and challenges we recognise that it is more important than ever to provide real help for people who need it at the times when they need it most.
- 1.5 For many people, credit is a lifeline that enables them to deal with any unforeseen emergencies that arise. Indeed, it is increasingly hard to manage finances successfully in modern society without access to services like credit, savings or a bank account. In a complex financial world, it is all the more important to ensure that people know where to get practical, impartial financial information and guidance.

Box 1: The national Money Guidance service

The Money Guidance service, *MoneyMadcLEAR*, offers practical, impartial and completely free information, advice and support to help people to deal with money-related issues, help them make better financial decisions and make the most of the money they have. Part of the Government and the Financial Services Authority's strategy to raise levels of financial capability in the UK, this service aims to help improve economic and psychological wellbeing and help people avoid unmanageable debts.

Since April 2009, the service has been trialled in the North West and North East of England. It has reached its target to help over 500,000 people across the two regions.

Interim evaluation findings from the pathfinder show that the service is working well and is helping people manage their money better. Around half of users of the service were particularly vulnerable to the consequences of poor financial decision making. Overall levels of satisfaction in the service were high and 8 in 10 would use the service again. Two months after using the service, most people had taken some action to address their finances.

The national Money Guidance service was launched on 11 March by the Chancellor. The *MoneyMadcLEAR* website and helpline are available UK-wide, and face-to-face sessions, already available in the North West and North East, will be rolled out across the rest of the UK from April. The Government and the FSA have jointly committed £20 million to support roll-out of the service in 2010-11, which will enable the service to help one million people in the coming year.

- 1.6 Exclusion from financial services creates barriers and can lead to additional costs, particularly for those on the lowest incomes. It can be harder to get a job without a bank account to receive wages, and utility bills are higher for those unable to take advantage of the discounted rates available to those paying by Direct Debit.
- 1.7 Those unable to access conventional forms of credit may either be forced to look for credit from expensive money lenders, or worse still, turn to illegal lenders to provide help in the short-term². In many cases, people simply have to go without the things they need.

² Illegal lending in the UK. Policis and Personal Finance Research Centre. (November 2006). <http://www.berr.gov.uk/files/file35171.pdf>

- 1.8 These additional costs can add to over-indebtedness; that is, debt which has become a major burden for the borrower. This in itself is one cause of, and a significant barrier to tackling poverty and social exclusion. Significant debt can act as a barrier to work, and make it difficult to save and plan for the future. All of this can result in additional burdens on the taxpayer³.
- 1.9 Recent research for the Friends Provident Foundation shows that 1.88 million people either have no access to credit or are excluded from mainstream sources of credit and can borrow only from high cost-lenders.⁴

Smoothing the transition to work

- 1.10 We are also aware that, for some people, money worries or fear of debts, which may include having to repay a Social Fund loan, can act as a barrier to finding work or remaining in employment⁵. Furthermore, we would like to do more to help people make a smoother transition into sustainable employment.
- 1.11 As part of our strategy for improving work incentives, we will seek to address the impact of debt. We want to do more to build on the Government's financial inclusion and capability strategy to help more people make the transition to work.
- 1.12 As mentioned in the recent DWP White Paper, we intend to improve awareness for our Jobcentre Plus personal advisers so that they are able to signpost customers to financial advice. We also intend to make links between the Better off Calculation, the Money Guidance service and sources of debt advice as appropriate⁶.
- 1.13 We are also looking at how the Better-off Calculation (a tool used by advisers to compare a customer's current financial circumstances against their potential circumstances if they moved into work) could be linked to the Money Guidance service or sources of debt advice as appropriate, enhancing the contribution that this process makes to tackling financial exclusion, addressing low levels of financial capability and avoiding unmanageable debt.

³ BERR Over-indebtedness strategy <http://www.berr.gov.uk/whatwedo/consumers/consumer-finance/over-indebtedness/index.html>

⁴ Carpenter H, 2006, Repeat Jobseekers Allowance Spells, DWP Report 394. <http://research.dwp.gov.uk/asd/asd5/rports2005-2006/rrep394.pdf>

⁵ Carpenter H, 2006, Repeat Jobseekers Allowance Spells, DWP Report 394. <http://research.dwp.gov.uk/asd/asd5/rports2005-2006/rrep394.pdf>

⁶ DWP White Paper: Building Britain's Recovery: Achieving Full Employment 2009.

- 1.14 In addition, we are also introducing an enhanced Better off in Work Credit that will assure everyone who has been unemployed for 26 weeks or more that they will be at least £40 a week better off on moving into work. The Credit will be implemented in one Jobcentre Plus region from October 2010 and we expect the Credit to be available nationally from January 2011.

Access in rural areas

- 1.15 Families and individuals in rural areas experience the same financial challenges as people living in towns and cities. But living in a rural area may bring additional challenges⁷. Higher service costs in rural areas can present difficulties when delivering financial support services. This can result in the services required to promote financial inclusion (credit unions, debt advisers, banking facilities etc) being less accessible.
- 1.16 Transport difficulties can make it problematic for customers in rural areas to travel to appointments. For this reason it is important to recognise that support may be needed to compensate for the higher travel costs incurred by customers. The Government already provides support to customers who are asked to attend appointments and interviews, and any additional attendance in connection with support that Social Fund customers are asked to access could be similarly supported.

Access to credit

- 1.17 Options for those on low incomes to access credit services can be limited: an inability to access mainstream credit may mean their living conditions suffer severely, or they are forced to turn to high-cost, or even illegal, money lenders⁸.
- 1.18 The Social Fund is one element of the credit market. The single national loans budget for 2008-09 was £624 million, and the majority of recipients were people on low incomes. We know that there are other forms of credit available that Social Fund customers may make use of. For example, in 2006 the Competition Commission estimated that the agency mail order and home credit markets were advancing around £2.9 billion and £1.3 billion respectively⁹.

⁷ Rural Money Matters: A support guide to rural financial inclusion, Commission for Rural Communities 2009 www.ruralcommunities.gov.uk/financialinclusion

⁸ Financial inclusion in the UK: Review of policy and practice. www.jrf.org.uk/sites/files/jrf/2234.pdf

⁹ Competition Commission Report – Home Credit Market Investigation, 2006. http://www.competition-commission.org.uk/rep_pub/reports/2006/fulltext/517.pdf

- 1.19 Home credit, or doorstep, lenders provide a high-cost but often flexible and easy-to-understand service, where missed payments and a doorstep collection business model are factored into the total sum to be repaid from the start. Whilst the doorstep delivery model and the option to miss the occasional payment are valued by customers, these services come at a high cost. Typical Annual Percentage Rates (APRs) of interest range from 272 per cent to 545.2 per cent¹⁰. The upcoming review of high-cost credit currently being conducted by the Office of Fair Trading will discuss this matter in further detail.
- 1.20 Furthermore, advice from researchers, including some of those who contributed to a study into the costs of home credit for the Joseph Rowntree Foundation in 2009¹¹, suggests that as many as one million households may have lost access to home credit as a result of the economic downturn and will find it difficult to get credit elsewhere. This creates unmet need and may tempt people to use illegal lenders.

Financial mobility

- 1.21 The Competition Commission Report in 2006¹² gave examples of mean effective APRs for a range of providers. At the time of the report it suggested that a credit union might typically charge around 26 per cent APR, Agency Mail Order companies around 90 per cent APR, a provider of home credit such as Provident Financial at that time would charge more than 170 per cent, whereas mainstream credit from High Street banks was available at less than 20 per cent APR.

Increasing access to affordable credit

Social Housing

- 1.22 The social housing sector has begun to play a role in the affordable credit market. A small number of larger housing associations have now either established financial services divisions in-house, or are working in partnership with credit unions or Community Development Finance Initiatives to deliver loans products and insurance products to their tenants. These services are supported by the Department for Work and Pensions' Growth Fund and the Financial Inclusion Champions initiative, but the present scale of delivery is small and will reach no more than 20,000 customers next year without significant further development.

¹¹ <http://www.providentpersonalcredit.com/loans/cash-loans/>

¹² Kempson, E et al (2009) *Is a not-for-profit home credit business feasible?* Joseph Rowntree Foundation <http://www.jrf.org.uk/publications/not-for-profit-home-credit>

¹³ Competition Commission Report – Home Credit Market Investigation, 2006. http://www.competition-commission.org.uk/rep_pub/reports/2006/fulltext/517.pdf

- 1.23 These developments have shown that the sector has an appetite to play a role in this market. The Government welcomes this, but also recognises the limited effect it will have in the foreseeable future. The Government is therefore particularly interested in the proposals of the National Housing Federation to act as a broker between major housing associations, banks and Government funding sources to develop and deliver a £3 million regional, not-for-profit financial services provider. This pathfinder project could serve a further 30,000 financially excluded people.
- 1.24 The project could act as a means to enable potential partners and investors to test the viability of the business model before commercial investment in a major national project was sought. The ambition is that the national project could ultimately serve up to 1 million people who could not get affordable credit from other sources.
- 1.25 The Government is watching these developments with interest and is talking to the National Housing Federation to support early development where it can. It welcomes this initiative which could potentially meet the needs of many who suffer from the problem of high-cost credit.

Banking at the Post Office

- 1.26 The Post Office is a trusted brand, and is seen as a safe, secure and reliable provider of services. The Government's decision in November 2008 to award Post Office Ltd a new contract for the Post Office card account, offered through the Post Office network, provided a foundation on which it can build as it seeks to meet the challenge of providing financial services at the heart of people's communities.
- 1.27 The Post Office already offers a wide range of financial services. However, the Government believes that now is the right time to expand the Post Office's range of financial services products – to build on people's desire for a local bank they trust and to ensure that essential financial services are placed in the heart of communities. These products should serve the whole community – not just sections of it – and include those who may have difficulty accessing other banking products or institutions.

- 1.28 “Post Office Banking: a consultation on developing the banking and financial products and services available at the Post Office” was published on 2 December 2009. This set out the Government’s vision for banking at the Post Office and asked for views on this vision and additional financial products and services the Post Office could offer. Interaction with Social Fund services was discussed and questions were raised in the consultation:

“The Government already offers and supports substantial credit services for people on low incomes, such as Social Fund loans and credit unions; what other range of services could the Post Office offer to support those on low incomes and address financial exclusion, and how could these best be made to work together?”¹⁴

- 1.29 The consultation closed on 24 February. The responses are now being considered and the Government will respond in due course.

Working with the third sector

- 1.30 In the Pre-Budget Report, the Chancellor announced a commitment to take forward work on a Social Investment Wholesale Bank which will aim to leverage investment for organisations with a social impact from a wide range of sources and improve their access to finance. The Bank will also aim to increase financial inclusion by supporting Community Development Finance Institutions and credit unions. He also announced an intention to provide up to £75 million for initial capitalisation from the Dormant Accounts Scheme, subject to the final volume of funds and alongside funding other priorities.

Credit unions

- 1.31 Many of the larger credit unions have shown that they can act responsibly to provide affordable credit and banking services to poorer people. But they face a challenge in developing cost-effective infrastructure to deliver at the scale required to make a major contribution to the problem faced.
- 1.32 Measures have been taken by the Government to help the credit unions to make these changes. A Legislative Reform Order was laid before Parliament on 8 March 2010, which will enable the credit unions to compete in the more commercial world in which many now operate.

¹⁴ <http://www.bis.gov.uk/postofficebanking>

- 1.33 The Order, which is due to take effect in August 2010, will enable corporate membership of credit unions so that companies interested in investing in their development may also become financial stakeholders and benefit from the business. The common bonds which restrict the size, consumer appeal, and opportunities of credit unions are to be relaxed. It will be possible for them to advertise and pay rates of interest on deposits in the same way as a bank or building society, rather than declare a dividend after they have closed their accounts. This measure will allow credit unions to attract the new range of members that they need to develop sustainable financial business.
- 1.34 At the same time, many credit union current accounts can be accessed across the Post Office network, but it is more difficult to ensure the same level of accessibility for credit union savings accounts. The Post Office Banking Consultation invited views on access to credit union accounts through the Post Office.

2. The Social Fund – increasing support and developing responsibility

What is to be done?

- 2.1 The Social Fund continues to be a key element of the welfare state, as it has been since its introduction over twenty years ago. It must continue to make provision for those with no other resources: what is provided should facilitate people's active involvement in society and they should be enabled to take responsibility for their financial situation and wellbeing.
- 2.2 We believe that the basic structure of loans and grants remains effective – this is discussed further below. However, the operation of areas of the scheme needs to be reviewed to make it more relevant for today and the future. We want to move away from a scheme which, for many people, functions simply as a sticking plaster and deals with their short-term problems and address some of the main challenges that the scheme faces in delivering efficiently in today's economy. The key policy challenges it faces are that:
 - it is a passive scheme which does little to encourage customers to tackle the underlying problems they face, improve their financial capability and move them towards financial independence;
 - it does little to prevent people from making repeat and frequent applications to Social Fund loans and grants; and
 - it is a complex scheme where eligibility criteria and rules for applying for and receiving an award can be confusing.
- 2.3 There are also a number of delivery challenges that reform of the Social Fund needs to address:
 - in recent years there has been a much bigger increase in the number of Crisis Loan applications than for Budgeting Loans, which reflects a problem in the structure of the loans scheme; and
 - additional pressure on Jobcentre Plus and associated costs.

Outline of a reformed Social Fund

- 2.4 We believe that any reform of the scheme should result in a system which:
 - is active rather than passive, where we continue to provide individuals in need with help when they most need it, but where we also look to them to take more responsibility for managing their finances and planning for their future;

Box 2 – Case study 1:

This customer was made redundant and subsequently found himself homeless with his pregnant wife and two small children. On moving into permanent accommodation after living in a hostel there was no money left to furnish their new home. He stated *“I’m a working person, I’d rather work and save up and use the money that I’ve saved up. It’s better than getting a loan”*. However, Jobcentre Plus told him about the Social Fund and that he might be entitled to a payment.

He found the application process itself was straightforward, but through misunderstanding the system and desperation for the money he made an application to all three elements of the scheme. He did not realise that a Crisis Loan would not have covered his need or that he wouldn’t be eligible for a Budgeting Loan as he hadn’t been on benefit for long enough.

He received a Community Care Grant award and was satisfied with the support from the Social Fund *“They gave me about a thousand pound which I was grateful for... That was fair enough, at least I got something. With the money I did up the house and with my wife and children I moved in”*.

He was particularly positive about the nature of the grant in that it provided him with an option to avoid more expensive loan options.

Box 3 – Case study 2:

This customer was familiar with the Social Fund eligibility and application process, in particular the Crisis Loans scheme. With a relatively good employment history, but volatile home life, she had only used Crisis Loans for benefit alignment, food or travel expenses to get to her local Jobcentre. She had received two Crisis Loans in the past year, having previously approached close friends for money.

With a bank overdraft and outstanding store-card debt, the customer was referred by Jobcentre Plus to Citizens Advice, who suggested she attend a money management course at a locally-based organisation focused on helping women take control of their economic lives. Covering personal budgeting and saving, explanations of interest and relevant signposting, she felt the course had equipped her with the knowledge and tools to take control of her finances. She felt fortunate to have had the opportunity to attend the course and believed that money guidance should be available to all customers.

- makes it simpler for customers to access one-off or occasional help to enable people to smooth the costs of variable expenditure and income;
- offers more support to frequent users of the Fund to help them tackle the underlying problems they face and move towards financial independence – along with an expectation that they take up that provision; and
- provides better value for money for the taxpayer by reducing the number of frequent applicants to the loans and grants scheme, and their reliance on the Social Fund.

2.5 We propose to achieve this vision by taking a phased approach to delivering our proposed package of reforms. We want to bring about a more effective scheme which offers better short-term support to address the immediate needs of our customers.

2.6 We will look to bring about a range of early changes to address some of the more immediate issues the Social Fund faces, and steer it towards its proposed role as an integral part of the wider financial inclusion agenda. However, we want to take our reforms further in the future, so we would like to hear your views on a range of medium-term reforms to the scheme to make it more suitable in today's economy.

2.7 The early changes we propose are:

- enabling access to Budgeting Loans from earlier in their claim. Allowing access from Day One of a customer's benefit entitlement will reduce the need for people to apply for a Crisis Loan, making the application process easier for the customer and bringing about better value for money in terms of administration of the scheme. It will also reduce the need for some applicants to resort to high-cost or illegal lenders. However, the maximum amount a successful applicant can be awarded in their first six months of their benefit entitlement will be lower than the amount currently awarded for Budgeting Loans;
- a requirement to attend an interview for those customers who make repeat applications for Crisis Loans, and more stringent checks on what the loan is required for. This will allow us to help some of our most vulnerable customers more adequately by offering the right kind of support at the appropriate time through better signposting to financial help and guidance;
- help for students through the Funeral Payments scheme; and
- providing goods and services instead of cash for grants. This could deliver better value for money through contracting with major suppliers and make the budget go further.

2.8 Taking the reform further and ensuring that it meets the needs of our customers in the future, we want to consult further on medium-term reforms to the Social Fund:

- to bring about more certainty and clarity for customers and address issues of complexity, we want to provide more straightforward and simple access to one-off or occasional loans to deal with immediate problems through a quicker and more streamlined application process;
- to make the scheme more active and enabling, aligned with the wider welfare reform agenda, we want to bring about stronger support and conditions when customers make repeat applications for loans or grants, in order to address their deeper financial problems. For example, we could make it a requirement to take up a full financial health check, to see whether the claimant is receiving all the benefits they are entitled to and are being directed to financial advice, look at any debt they may have, and consider that they take up any additional help with, for example, housing issues or to return to work;
- we will consider which organisation is best placed to provide this more personalised interaction and wider support to meet the needs of our most vulnerable customers, and at which stage it should be provided in the interaction the customer has with the Social Fund. We would like to hear views on whether more intensive support might best be delivered by Jobcentre Plus, local authorities or third sector organisations, or possibly a combination of providers;
- as another option to reduce the passive nature of the scheme and respond to the longer-term needs of customers, we could require those customers who make repeat applications to develop and agree action plans with advisers, similar to those being made in jobseeker arrangements;
- to align the scheme more with the range of services available to assist our customers, we could look at ways in which we can refer the minority of our customers who frequently use Crisis Loans and who have more complex needs – such as homelessness, mental health or drug and alcohol misuse problems – to other services, or require them to take up more holistic support; and
- to provide better value for money through the removal of discretion, we aim to simplify the grants scheme and support those people leaving care or fleeing domestic violence with a regulated resettlement grant.

2.9 We would like to hear your views on these proposals, which are discussed further in subsequent chapters.

Historical context

Box 4: The history of the Social Fund

The Social Fund was set up under the Social Security Act 1986 and was different from previous schemes, which made only non-repayable grants.

Its origins can be found in Exceptional Needs Payments (that ran from 1948 to 1980), a programme that was discretionary but not cash-limited. The intention was to meet expenses for essential items without which claimants would suffer hardship, not for regular topping-up, which would leave claimants with an advantage over other people on low incomes. It had originally been envisaged that payments would only be made in exceptional circumstances. However, by 1979 the scheme was no longer seen as an exceptional element to the Supplementary Benefits scheme, with every third Supplementary Benefit claimant receiving an Exceptional Needs Payment.

This was replaced by the Single Payments Scheme (1980-86) where the discretionary element of its predecessor was replaced by detailed regulations, which were designed to set clear boundaries of help and promote consistency of decisions, to ensure that customers and staff were offered greater certainty in delivery. The scheme was expensive and considered unfair, as those on Supplementary Benefits could get substantial amounts to meet expenses such as essential household items, whereas others on low incomes had to manage without this help. It was also an inflexible, complex scheme which failed to meet individual need.

Shortly after changes to the Single Payments Scheme were made in 1986, the Social Fund was brought in. Its main objectives, as outlined in the 1985 Green Paper, were to:

- concentrate attention and help on those claimants facing the greatest difficulties in managing their normal income;
- enable a more varied response to inescapable individual need than could be achieved under previous rules;
- handle the arrangements in a way that does not prejudice the main income support scheme; and
- break new ground in the field of community care.¹⁵

¹⁵ Buck, T. (1999) *The Social Fund – Law and Practice*. London, Sweet and Maxwell

- 2.10 The Social Fund was established over twenty years ago in an economic context quite different from that of today. Then, most people on low incomes lived essentially in a cash economy. Today it is difficult to manage finances successfully without access to credit. When credit is affordable, it can help people manage their lives better and open up opportunities which they may otherwise be excluded from.
- 2.11 The Fund was introduced as a replacement for the Single Payments Scheme in order to focus support on those facing the greatest difficulties managing their normal income, allow for a more flexible response to inescapable need and break new ground in the field of community care.

The current scheme

- 2.12 The Social Fund, administered by Jobcentre Plus, complements mainstream social security provision in two forms: regulated payments – paid to all entitled claimants in a number of specified circumstances; and discretionary payments – paid following an assessment of eligibility and, for certain elements of the scheme, need.
- 2.13 The table below provides an overview of the elements of the current Social Fund.

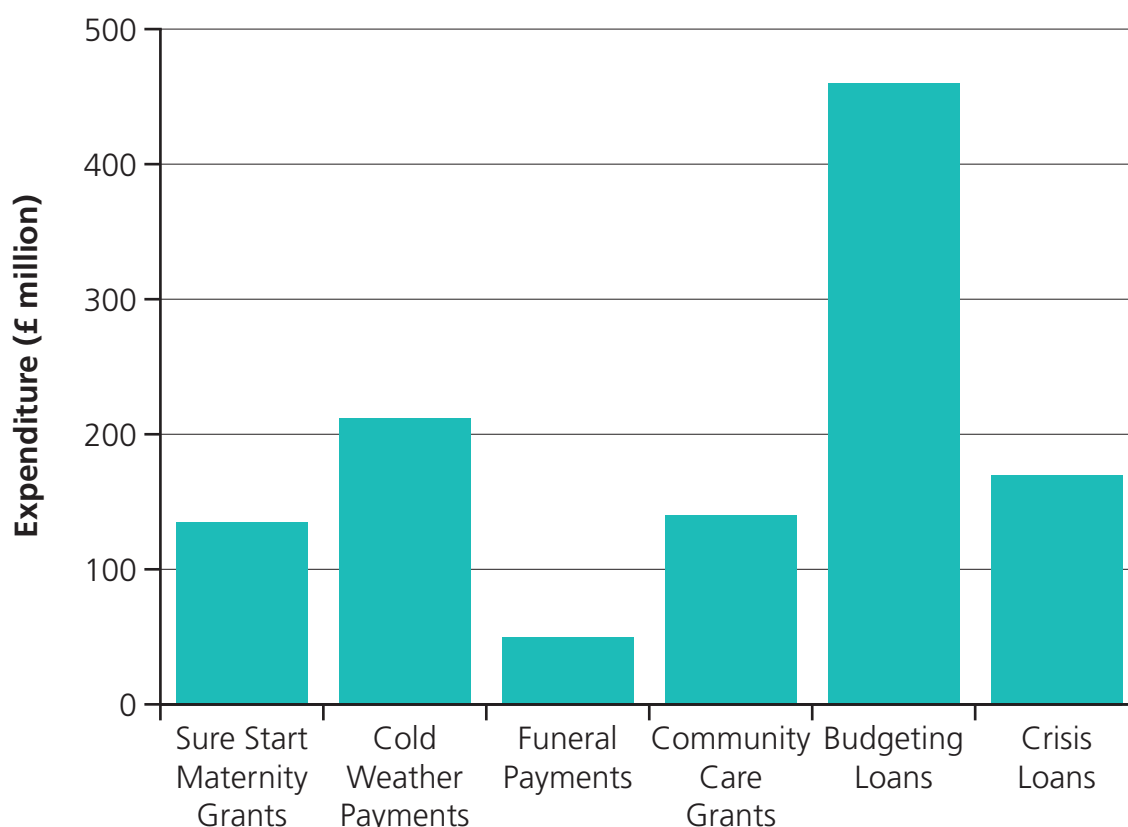
Regulated Social Fund			
	Sure Start Maternity Grants	Funeral Payments	Cold Weather Payments
Description	One-off payment to help with the costs of a new baby	Contribution towards the cost of a basic, low-cost funeral	Help with fuel costs during particularly cold spells
Award	£500 per baby	• Necessary costs of specified expenses (mainly burial or cremation) + up to £700 for non-specified funeral expenses • Any other available private funding (except claimant’s savings) is deducted • Recoverable from deceased’s estate	£25 for each week of cold weather (rate applies to 2009-10 only)

Discretionary Social Fund (cash limited)			
	Community Care Grants	Budgeting Loans	Crisis Loans
Description	Support for vulnerable people in receipt of income related benefit living in, or returning to, the community	Interest-free loans available to people in receipt of an income related benefit for at least 6 months. A simple, automated, non intrusive scheme	Interest-free loans to help avert a serious risk to health or safety following an emergency or disaster, where no other means available to the customer
Award	• Discretionary • Decision Makers must take account of all the circumstances of the individual case and decide the priority for payment based on nature, extent and urgency of need • Generally only high priority needs are met • Minimum award £30 (except for daily living expenses or travelling expenses) • No maximum	• Minimum loan £100 • The maximum an applicant can be awarded is dependent on the budget position and the applicant's personal circumstances, which includes existing budgeting loan debt • Repaid automatically from benefit where possible	• Discretionary • No minimum award. Amount awarded takes into account the customer's circumstances, any savings and the overall individual social fund debt limit of £1,500 • Repaid automatically from benefit where possible

2.14 Last year, in addition to Winter Fuel Payments, the Social Fund provided payments worth over £1,152 million. These included:

- around 1.1 million interest-free Budgeting Loans totalling £455 million to help people meet one-off costs and nearly 2 million Crisis Loans totalling £167 million to help people deal with emergencies;
- over 252,000 non-repayable Community Care Grants to the tune of £139 million to help people handle the costs of, for example, resettling or remaining in their community;
- £500 to help meet the costs of a new baby in around 263,000 families, paid through Sure Start Maternity Grants; and
- over £210 million in Cold Weather Payments to help people meet heating costs during exceptionally cold periods.¹⁶

¹⁶ Here and throughout the document the Social Fund data given is Management Information, as no Official/National Statistics are yet available for the Social Fund. It is not quality assured to the same extent as Official/National Statistics and there are some issues with the data, for example, it does not include applications which were processed clerically and had not been entered on to the Social Fund Computer System when the information was derived.

Chart 1: Gross Social Fund expenditure, 2008-09

Developing evidence-based proposals

2.15 In December 2008 we consulted on some aspects of reform of the Social Fund. Since then we have held further meetings with stakeholder groups that have helped us to develop our proposals. We are committed to continuing this engagement, listening to the views of stakeholders as part of a further consultation following the publication of this paper, and ensuring that the voice of the customer and the stakeholder is heard in any future developments.

2.16 In addition to the variety of research papers published in recent years that have set out proposals for the reform of the scheme¹⁷, we commissioned our own external research that is being published alongside this document. The main objectives of this work were to understand the possible effects on customers of the high-level policy options for reform of the Social Fund, and to identify ways of improving the Social Fund to maximise our customers' awareness of opportunities to become more financially included. A summary of this research is provided in Box 5.

¹⁷ See, for example, *The Discretionary Social fund and money management*. DWP Research Report No 241

Box 5: Findings from external Social Fund research report

‘The Social Fund - customer experiences and perspectives: qualitative research with Jobcentre Plus customers’

The Department for Work and Pensions commissioned qualitative research from ECOTEC to explore Jobcentre Plus customers’ understanding and experiences of the Social Fund, particularly the discretionary elements, i.e. Crisis Loans, Budgeting Loans and Community Care Grants. Customers’ views were also sought on alternative ways in which the discretionary Social Fund could be administered.

Key findings from the report were:

Knowledge and understanding of the Social Fund varied across the research group – there was some misunderstanding about the different elements of the Fund and the ways in which it is administered.

Research participants were in favour of:

- simplification of the loans and grants process;
- a speedier loans and grants approval process;
- no reduction in budgeting loan limits for families with children;
- conditionality for those making multiple loan applications;
- a more empathetic service from Jobcentre Plus to assist genuine applicants and tackle any misuse of the Social Fund.

Research participants had mixed views on:

- the direct provision of goods rather than cash awards;
- third party delivery of the Social Fund;
- the provision of financial support and guidance to Social Fund applicants.

Criticisms were raised regarding Crisis Loan phone lines waiting times.

Recent changes to the Social Fund

- 2.17 We are clear that the unique support the Social Fund provides is valuable – more so in the current challenging economic climate – and should continue to play a vital role for millions of some of the most disadvantaged people in Britain each year.
- 2.18 In the informal consultation document we published in December 2008, we set out a range of proposals which, alongside other measures, were taken forward in the Welfare Reform Act 2009.
- Introducing a power to make payments in advance of a customer's first benefit payment, to be known as payments on account. These payments will bridge the gap between making the claim and the first benefit payday where the person is in immediate financial need, which will remove the need for people to apply for Crisis Loans to bridge this gap. This means that the Social Fund is not put under pressure by those awaiting benefit payments. Customers in these circumstances will apply for a payment on account.
 - Changing the way that Community Care Grants are awarded so that individuals will receive quality goods or services instead of money (discussed further in Chapter 4).
 - Taking the power to work through outside organisations who can offer social loans instead of the Social Fund. The Welfare Reform Act 2009 sets out the types of factors which could be included in arrangements with these organisations and during the passage of the Act through Parliament we made it clear that we would only consider proceeding with these arrangements if and when the time was right. We also made it clear that we would consult further before doing so. We do not believe that this is the right time to take forward these measures and, as such, have no current plans to develop the detail of these powers or to consult further through this document or in the immediate future.

Increased pressure on the Social Fund

- 2.19 The combined effects of the recession; and a tightening in the home credit market, changes to the way some Social Fund loans applications are made (over the telephone) and rising basic commodity prices, which make budgeting on a low income more difficult; has seen increased pressure on the Social Fund.
- 2.20 Applications to the discretionary Social Fund have increased in the past year. Budgeting Loan applications received have increased in 2009-10 on the same period last year by around 9 per cent and Community Care Grant applications received have also increased by around 13 per cent.

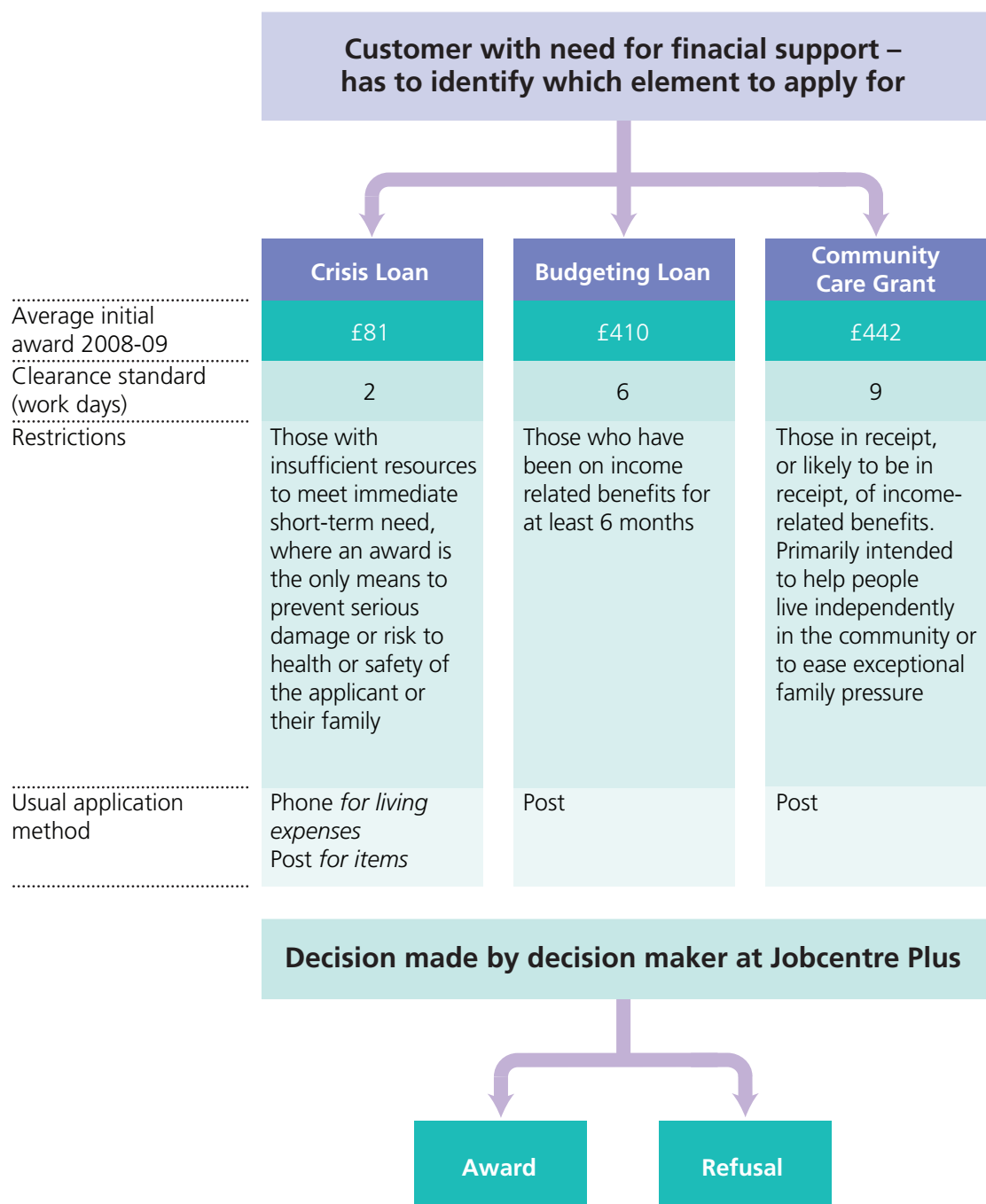
- 2.21 However, the main pressure on the Social Fund is currently Crisis Loan demand. In 2008-09 there were twice as many Crisis Loan applications received as in 2006-07, an increase from 1,448,000 to 2,895,000. Applications received per working day have continued to increase this year. Gross expenditure, how much we lent out, has increased by 70 per cent over the same timeframe.
- 2.22 Multiple applications for Crisis Loans are adding significantly to the pressures on the Fund. The majority of people only make a call on the Social Fund during an exceptional crisis, or to help meet a one-off unplanned cost. However, during 2008-09, just over half of all applicants for Crisis Loans – over half a million individuals – made two or more applications during the year. Over 30 per cent made three or more applications, and around four per cent made ten or more applications. We believe that the Social Fund as currently structured doesn't provide the help and support needed by those customers experiencing significant levels of Social Fund dependency.
- 2.23 The introduction of telephone applications for Crisis Loans has increased the pressure on the budget but the 0800-number claim line has also, inadvertently, put up the cost for some applicants who call from mobile phones.
- 2.24 However, the Department for Work and Pensions has now negotiated a deal with six of the UK's largest mobile phone companies which means that customers of these firms have been available to make free Crisis Loan calls from January 2010. Taken together, these six firms account for around 90 per cent of the mobile phone market. We are now seeking to reach a similar arrangement with the smaller mobile phone companies.
- 2.25 In recognition of increased demand on the Social Fund, Budget 2009 announced that the Government will allocate the Fund an additional £125 million in 2009-10 and £145 million in 2010-11 for the loans scheme.
- 2.26 Whilst we are showing our clear commitment to the Social Fund, we have introduced processes that will enable us to focus provision more effectively on people in genuine crisis.
- 2.27 Since December 2009 Jobcentre Plus has required customers making their third or subsequent application for certain Crisis Loans for living expenses in a rolling twelve-month period to do so by attending an interview. This allows for a face-to-face conversation which can be extended to discuss the applicant's range of needs and signposting them on to effective financial guidance and support.

- 2.28 In the light of the benefits this could bring to the customer and the improved targeting of the finite fund, we intend, from late 2010 in locations where the process can be effectively supported, to pilot extending these arrangements to customers making their second application.
- 2.29 As now, we shall exclude those customers who find themselves in need pending their award of benefit. In addition, we shall consider whether this interview should be focused on either particular customer groups or those reporting particular sets of circumstances.
- 2.30 We are also preventing anyone from receiving a second Crisis Loan for living expenses for the same period as covered by a previous award unless a disaster or emergency beyond their control has occurred since the previous award.
- 2.31 Jobcentre Plus is continually seeking to improve the administration for both applicants and the tax payer. In response to the rise in Crisis Loan applications, Jobcentre Plus has increased the number of decision makers working on the Social Fund. A range of other administrative improvements mean that the experience for the customer is simpler and more effective, whilst streamlining the service means that we can deliver better value for money.
- 2.32 We believe that these proposals are based on a much more clearly defined deal – in much the same way as we have successfully taken forward our wider welfare reforms – that in return for improved, simpler and more easily accessible provision, customers take more responsibility for their own personal finances.
- 2.33 The proposals in this consultation document set out a new, positive path for the Social Fund. It is vital that the new framework is informed by the views of the public and all of our stakeholders and we therefore welcome responses to the questions laid out in this document.

3. Reforming the loans scheme

3.1 This chapter outlines a number of high-level proposals for reforming the loans scheme of the Social Fund. We believe that some aspects of Social Fund operation – set out at Figure 1 – are working well and that we should build on them. But there are questions asked of the model and we believe that by asking in the first instance what role we expect the Social Fund to play in the benefits system, we can make reforms which will make a real difference to those who are genuinely struggling to make ends meet.

Figure 1: the existing discretionary Social Fund scheme



Proposals for early changes

- 3.2 In order to further address issues of complexity and uncertainty, we propose to move towards a simpler loans structure with transparency around eligibility criteria and much more targeted discretion.
- 3.3 By doing this we believe that we could improve our customers' experience of the Social Fund:
- through a simpler and more efficient application process, that reduces confusion for the customer by creating a single point of entry to the loans scheme; and
 - building in a more tailored and personalised system that promotes financial capability and provides more support to those most in need of help and guidance.
- 3.4 By modernising the loans scheme, building in differing support and interaction based on the level of need that our customers have, we would be able to target support more accurately on those that needed it most by introducing the concept of progressive support and intervention.
- 3.5 We would do this with the clear recognition that not all our customers suffer from poor budgeting skills. Many people who make use of Social Fund loans and grants are highly skilled budgeters – their use of the limited resources available to them emphasises this¹⁸. However, we would like to ensure that our customers are made aware of the opportunities available to them.
- 3.6 We propose a number of early changes to the loans scheme. For those that need little help budgeting on a low income, the emphasis would be on a light-touch, simple and clear Budgeting Loans scheme with more clarity on what people can borrow with loans available up to an agreed limit. This would include signposting to the Money Guidance service to ensure that customers are aware of the support available on budgeting and to help them manage their financial affairs better. Our intention is to make early changes to this scheme and allow access for applications from Day One of benefit entitlement. This would be where the vast majority of loan applicants will be served by the Social Fund and they would not need to make applications to other elements of the scheme. This will avoid the current confusion where some people may, for example, apply for a Crisis Loan where a Budgeting

¹⁸ The Discretionary Social Fund and money management
www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep241.pdf

Loan might be more appropriate for them. As discussed in paragraph 2.7, the maximum amount a successful applicant can be awarded in their first six months of a benefit claim will be lower than the amount currently awarded for Budgeting Loans.

- 3.7 Not only would this mean a simpler, more straightforward application process for customers, but it would also reduce administrative costs for Jobcentre Plus due to easier and quicker processing of claims for the majority of applications.
- 3.8 We know that there will always be people who need a greater level of support, either because they have difficulty managing their finances, or because their complex lives mean that they are more likely to experience a danger to their health or safety.
- 3.9 Reflecting the fact that some customers will demonstrate that they have difficulty budgeting and their circumstances represent a serious risk to their health or safety, it could be at this stage that we would start to have a much higher level of involvement with the customer. For those making multiple Crisis Loan applications, we propose making it a requirement that they attend an interview on a second application and more stringent checks on what they need the money for – this will allow us to offer a much more supportive process and a more holistic assessment, looking not just at the customer's short-term needs, but also at the deeper causes of their financial management difficulties and taking a longer-term view.

Longer-term proposals

- 3.10 In the medium to long term, we would also like to consider other changes which will reduce complexity and increase the levels of support available to address customers' longer-term needs. By doing this we aim to support more customers into greater financial inclusion, improve their financial capability and reduce dependency on the Social Fund, thus delivering better value for money to the taxpayer.
- 3.11 We want to bring about much more straightforward access to one-off or occasional loans to deal with customers' immediate problems, via a streamlined application process, allowing for greater certainty of outcome.
- 3.12 Additionally, we would like to hear views on the range of additional support available to those with more deep-seated financial problems, and a set of requirements for customers who benefit from the improved support we are proposing.

- 3.13 One such proposal is a requirement for an applicant, at a suitable stage, to benefit from a full financial health check. This could include a check to see if they are receiving the appropriate benefits, are able to access the right financial support, are getting additional help to move into work and resolve housing problems, and so on.
- 3.14 Another is to look at the option of requiring those who need frequent help to draw up plans with advisers, similar to the arrangements that are now required of jobseekers.
- 3.15 Whilst we need to consider at what stage this kind of intervention would be most effective, we would also like to hear views on which organisations would be best placed to provide this more personalised interaction and wider support – be it Jobcentre Plus, local authorities, third sector organisations or possibly a combination of providers. We want to see how we can harness the expertise and local knowledge of other agencies and organisations to ensure the best possible service to customers who need the most support.
- 3.16 We believe that aligning the Social Fund with the rights and responsibilities and the financial inclusion agendas will provide and highlight opportunities available to customers, and requiring them to engage as a condition of receiving their award will support them towards greater financial inclusion.
- 3.17 This may involve signposting and referral to other available help. There is already a range of services provided by Government and other organisations which could provide support to Social Fund customers. We believe that these measures could effectively be used as support services that customers would have to actively engage with, as a requirement for receiving a loan. All provision mentioned here is impartial and free of charge to the customer.
- The NHS Stressline was introduced in December 2009 and provides a single source of advice and information for people dealing with distress as a result of financial pressure;
 - FSA/HMT Money Guidance: see Box 1 on page 12;
 - Community Legal Advice is a free and confidential advice service paid for by legal aid. The helpline provides specialist independent advice about debt, education, benefits, tax credits, employment and housing problems to people who live on a low income or benefits.
 - Saving Gateway: the Saving Gateway is a new form of savings account for working-age people on lower incomes, which will be introduced nationally later in 2010. It provides a strong personal incentive for the customer group to save. Customers will be able to save up to £25 per month for up to two years. At the end of this period the Government will add 50p for every

pound saved, up to a maximum of £600 of savings attracting a £300 Government contribution.

- 3.18 These and other initiatives could be of use to customers who use the Social Fund at different points in their journey. Some may help with the decision of whether to take on any liability and its implications, others may help with issues concerning existing debt, including illegal money lending, or other situations which individuals may be finding it difficult to deal with, for example County Court Judgements.
- 3.19 We would like to hear your views on alternative options for the delivery and administration of a reformed loans scheme.
- 3.20 We could consider developing a single gateway for all applications. This would make it easier for the customer to navigate the application process and they would no longer be required to make a decision about which aspect of the scheme they should apply to. Instead they would only need to make one application and then an adviser would consider their individual needs, taking account of their Social Fund history and any extra support that was required, and decide upon the most appropriate form of assistance. Whatever delivery system is introduced its cost, as a proportion of the value of loans given, should be reduced to provide value for money for the taxpayer.
- 3.21 We also want to look again at whether customers should be seen face-to face and when we could use a more automated service. Increased automation could make the scheme much more efficient. This would allow us to provide extra support to those who most need assistance.
- 3.22 To make a single gateway as effective as possible, a clear set of eligibility criteria to help customers decide whether to apply or not would be needed. We would like to explore changing eligibility so that customers on qualifying benefits can access loans from the start of their benefit entitlement.

Questions:

What types of support and requirements would be most useful for customers?

When do you feel it is most effective to intervene in a customers' interaction with the Social Fund, for example following a second loan application?

How best can we identify the support needs of our customers in a more automated system?

Who do you think would be best placed to carry out these interventions?

Do you think a single gateway to deliver the loans scheme is a good idea?

Improving debt recovery

- 3.23 In their 2005 report on the Social Fund, the National Audit Office recommended that the Department for Work and Pensions “should give greater attention to recovering Social Fund debt to counter the trend for debt balances becoming older (and increasingly hard to collect)”¹⁹. In support of this recommendation, we are managing recovery of outstanding debts on loans from those people who are no longer receiving benefits from which the Department can automatically recover. In 2008-09, £22.8 million was recovered from Crisis and Budgeting Loan recipients who had moved off benefits. This represented an increase from the £15.1 million recovered in the previous year. The vast majority of loans expenditure is recovered within five years.
- 3.24 However, we want to go further than this to enable more efficient use of the budget. Aligned to our vision of a modernised loans scheme is a commitment to improving the recovery of outstanding debts to the Social Fund. This will increase the amount of money that is available for lending to customers – making the money we have available to us work harder. In addition to administrative improvements in how we manage debt internally, we are keen to explore options to improve debt recovery on loans when people have started earning again.

Informed choice and continued information

- 3.25 We would like to provide customers with more information at the beginning of an application, for example with an online calculator and access to information on their current liabilities. We believe this would enable customers to make a more informed choice about their options, for example whether taking a loan would be the most appropriate course of action.
- 3.26 Continued information could also be offered during the repayment of the loan – again with access to the status of the loan through permanent access online, via text message or letters.

¹⁹ National Audit Office (2005) *Helping those in financial hardship: the running of the Social Fund* p9

4. A reformed grant scheme

- 4.1 The criteria for being awarded a Community Care Grant have not changed significantly since the Social Fund was introduced to 'support the Government's objectives in the field of community care'²⁰. The overarching Government agenda and the way that vulnerable individuals are supported has evolved, meaning that extra support is available combined with an expectation for people to lead independent lives.
- 4.2 Whilst a reformed loans scheme would remain a credit facility for those on low incomes, a reformed grants system should ensure that payments go to those who are experiencing the most exceptional need, and who cannot reasonably be expected to repay the award.

Discretionary grant scheme

A clearer pathway out of need

- 4.3 The eligibility criteria for grant applications would remain the same as at present. However, we recognise that those applying to the grants scheme may also benefit from the support and interventions on offer in a reformed loans scheme. We would like to explore how we can support those with sustained needs to get the right advice and help. For example, we could require customers who apply for a second discretionary grant to an interview to assess what further support they may need.
- 4.4 Whilst discretion would need to be applied concerning the degree of exceptional need, we envisage that a grant could be applied for where:
- it would support independent living;
 - applicants could not feasibly meet such costs through a Social Fund loan; and
 - applicants could not access a grant or other support from another source.

Question:

What support is most needed by those applying for multiple discretionary grants?

²⁰ Reform of Social Security: Programme for Change. (June 1985).

Provision of goods and services instead of cash for grants

- 4.5 The Welfare Reform Act 2009 provides for a successful applicant for a Community Care Grant to be awarded goods or services in place of cash where the Secretary of State has entered into a contract with suppliers of the relevant goods or services.
- 4.6 As the clauses did not change entitlement to the scheme as it currently stands, it did not appear in the informal consultation document published last year. However, during the passage of the Act through Parliament we have engaged with stakeholders on the matter and from these discussions it was clear that many had an appetite to be involved in the design of the policy.
- 4.7 Entering into a contract with major suppliers for goods could make the budget go further by reducing the costs of individual items for customers. In that way we may be able to make more effective use of existing resources by supporting more customers than now. This legislation could provide a useful means of getting better value for customers from available funds and through effective contracting being able to stretch the budget further. We are proposing to provide some grants in the form of goods and services.
- 4.8 In terms of what we would be offering an individual, we would be looking to provide:
- a better deal than is currently available through the offer of a range of items, whilst retaining an element of choice for the customer;
 - a choice of high quality goods, none of which will be identifiable as being from the Social Fund;
 - a guarantee on the product for a limited period – meaning there would be a reduced need for repeat applications to grants; and
 - an increase in the overall grants budget from the savings made.
- 4.9 We are interested in the experiences of others in the sector who are delivering their service in this way, namely the Family Fund, see Box 6. Their approach is sympathetic to customer choice and service and offers value to money for both the individual and the scheme as a whole. This is something that we would seek to ensure is included in any system we deliver.

Box 6: How the Family Fund supports lower income families

The Family Fund has been helping to ease the lives of lower income families with severely disabled children for 37 years. It is now the largest charitable sector grant maker to families, making grants worth £30 million to 50,000 families a year across the UK, including £24 million to 39,000 families in England. The UK government and the devolved administrations supply nearly all its income.

Of the families it helps, 44 per cent live below the poverty line, 82 per cent have below median income and at least 15 per cent have a black or minority ethnic background. Others include disabled adults, refugees and asylum-seekers.

To ensure families get what they want, Family Fund Advisers visit most first-time applicants to talk through their needs. The most popular grants include washing machines, beds, bedding and clothing, computers, driving lessons, much-needed holidays and hospital visiting costs. By investing in new technology and working effectively with suppliers, the Fund distributes 91p in every pound to families.

Seventy per cent of grants are awarded by providing goods or services, using pre-paid cards with high street retailers, vouchers and direct payments to suppliers. Families have a wide choice of brands and styles.

Cards help confirm that families buy what they asked for and they extend the value and quality of awards. So for the same amount as a cash grant previously, families get a higher value washing machine with a five-year guarantee. Cash grants still cover exceptional requests, which have included garden safety fencing and a child's headstone.

Parents and carers express great satisfaction with their dealings with the Family Fund. In the most recent survey, they scored it an average 9.32 out of 10, with 63 per cent scoring it 10.

Question:

Do you have any views on possible issues in putting the legislation around the provision of goods and services into practice?

A resettlement grant – helping vulnerable people to set up or re-establish home

- 4.10 In 2008-09, 61,000 Community Care Grants²¹ were awarded to vulnerable people and their families who were setting up home after leaving institutional or residential care, as part of a resettlement programme, or in other exceptional circumstances such as fleeing domestic violence.
- 4.11 There is recognition that people without a permanent address will experience disadvantage in the labour market for a variety of reasons, and recent research suggests that people living in temporary accommodation show higher levels of financial exclusion and poorer coping abilities²². We believe that the provision of grants will help support people in these particularly vulnerable groups towards increased financial capability.
- 4.12 In order to recognise the need for increased certainty and transparency we would then propose to focus the criteria under which an award could be made to a particular set of circumstances.
- 4.13 To achieve this, we are proposing to introduce a standardised resettlement grant to assist people in meeting the costs of setting up or re-establishing their home – those effectively starting from scratch. Subject to legislation, this could be delivered through the regulated part of the Social Fund, making it more automated, easier for applicants to understand, and more straightforward to administer, which could speed up payment times.
- 4.14 Such a grant would represent a first step towards helping people in these circumstances to live independently through providing the solid foundation which could help them over time to move towards full integration in the labour market. In addition it might also provide support for those for whom a move towards employment is a condition of receiving their benefit.
- 4.15 To deliver this degree of clarity about this part of the scheme, we would need to clearly identify the circumstances in which individuals would qualify for a resettlement grant.

²¹ Source: analysis of a scan of Community Care Grant decisions held on the Social Fund Computer System on 30 September 2009. Note: the figure includes applications successful either initially and/or on review and is rounded to the nearest 1,000.

²² Friends Provident Foundation research report, April 2008:
[http://www.friendsprovidentfoundation.org/core/core_picker/download.asp?id=15&filetitle=Avoiding+Homelessness+Among+Private+Tenants+\(SUMMARY\)%3A+Brent+Private+Tenants'+Rights+Group](http://www.friendsprovidentfoundation.org/core/core_picker/download.asp?id=15&filetitle=Avoiding+Homelessness+Among+Private+Tenants+(SUMMARY)%3A+Brent+Private+Tenants'+Rights+Group)

- 4.16 We are proposing that all successful applications should be supported by evidence as to their need from a relevant professional who is working with the individual and their family, such as a social worker or a general practitioner. With this additional professional involvement, the grants provision could be linked to the more holistic service provided by them for those individuals with a range of needs.
- 4.17 For those customers who currently receive a grant when leaving prison, we will explore options for this group separately outside this document. We are working with relevant Departments and considering recent policy development and pilots for such customers.
- 4.18 We would also like to explore what extra provision could be offered to customers applying for a resettlement grant. We would like to hear views on the kind of support we could reasonably expect applicants to engage in as a condition of their award, in order to support them to access appropriate mainstream financial services in the future. We recognise the range of needs of those who are likely to apply for a resettlement grant, given our initial thinking on the circumstances under which people may be eligible, so the support provided would need to be flexible, personalised and varied enough to meet those needs.

Questions:

In what circumstances do you think a resettlement grant should be given?

What additional support could be offered to resettlement grant customers to help them move towards increased financial independence?

5. Social Fund Funeral Payments

- 5.1 All aspects of the Social Fund are kept under review and we are clear that the regulated Social Fund payments provide effective help. Recent discussions with key stakeholders demonstrated a consensus that Sure Start Maternity Grants, Funeral Payments, Cold Weather Payments and Winter Fuel Payments deliver relevant, timely and appropriate support to the right people.
- 5.2 Whilst we feel that the delivery of these parts of the Fund is generally meeting the needs of our customers, we recognise that there are administrative improvements that would both improve the customer experience and streamline the administration within Jobcentre Plus. This is particularly the case for Funeral Payments where we have identified a number of issues that we believe need to be addressed to improve our service to our customers.
- 5.3 Support for funeral costs is valued highly by families and friends who have funerals to arrange. The Funeral Payment scheme helps those on a qualifying benefit. It meets the necessary burial or cremation costs but is not intended to pay for all the associated costs of a funeral. The £700 limit on these associated costs provides people on a qualifying benefit who are responsible for a funeral with a contribution towards the cost of a simple, respectful, low-cost funeral. (The average cost of a standard funeral for all income groups in the UK is estimated to be around £2,700²³, the average total Funeral Payment award, for those on low incomes, was almost £1,200 in 2008-09.)
- 5.4 However, evidence suggests that there is an expectation that the scheme will meet the full range of costs and that it will make payments to people in a broad range of financial circumstances, the latter being illustrated by the relatively low percentage of claims that result in an award being made. In 2008-09 only 41,000 of the 69,000 claims for Funeral Payments resulted in an award being made. In the preceding two years the picture was broadly the same with around 40 per cent of claims being unsuccessful.
- 5.5 This clearly highlights the need to improve the information we make available about Funeral Payments. Therefore we are examining the leaflets, claim forms and other information and we are improving them to make them simpler for customers to understand and complete. Representations from stakeholder groups, as well as from individual customers, have not only reinforced the need for improvement and greater transparency but have also highlighted points for particular attention.

²³ Survey carried out by Mintel for Sun Life September 2009

- 5.6 The second area that we are interested in is the time it takes to process claims. While it is necessary for us to collect all the information we need to make a decision, we also recognise that this can cause distress and uncertainty for our customers and we want to streamline the process, in particular for partners or following the death of a child, making it as simple as we can for the customer.
- 5.7 Importantly, we are looking to improve the way in which our customers interact and engage with the scheme by linking the claim process to the proposed Bereavement Service. This service is being developed to ensure that when someone dies a customer only has to make one contact with the Department for Work and Pensions to notify them of the bereavement. During this contact information will be captured regarding the death as well as establishing additional services that might be appropriate to the bereaved families. This should have the added benefit of ensuring there is more control over who makes a claim as well as removing duplication and deficiencies by satisfying the information requirements of multiple services
- 5.8 There are clear benefits of a service such as this to the customer, at what is a difficult and stressful time. It will help to minimise the information that they are required to provide to process any claims or discontinue payments they receive.
- 5.9 The Bereavement Service will enable claims for Bereavement Payment and Bereavement Allowance to be taken over the telephone, speeding up the claim process and ensure that claimants are informed of other benefits to which they might be entitled. Much of the information gathered for this purpose is also relevant to an application for a Funeral Payment, so will be recorded at that time and pre-populated onto a claim form.
- 5.10 Finally, full-time students in higher education who qualify for income-related benefits may be eligible for Funeral Payments. We are considering whether to extend help with funeral costs to other students who do not qualify for welfare benefits, but do meet all the other qualifying conditions and who may have few or no other financial resources other than their student loan.

Questions:

Do you think that students not in receipt of welfare benefits should qualify for financial help with funeral payments? If so, how should we identify these students?

Should we restrict access to students in full-time higher education? Should we consider an age limit? Any other criteria?

6. Responsible lending, transparency and fairness for all consumers

- 6.1 The Government, third sector and mainstream banks all have a role to play in opening up access to affordable credit to low income households, whether they are on benefits or in work. At the same time it is important that existing providers act responsibly, transparently and that there is adequate consumer protection.
- 6.2 The Department for Work and Pensions provides over three million awards for interest-free credit each year through the Social Fund. These go to some of the poorest households on income-related benefits. It is also supporting the third sector to provide loans at affordable rates of interest to 230,000 people through the Growth Fund. However, recent research suggests that there are at least 1.8 million people on low incomes with no access to affordable credit²⁴ and more needs to be done to meet their credit needs with affordable, transparent and fair products.
- 6.3 In July 2009 the Department for Business, Innovation and Skills published a White Paper entitled "A Better Deal for Consumers: Delivering Real Help Now and Change for the Future". It set out the real help the Government is providing now to people in financial difficulties, and the measures we are taking to promote responsible lending so as to protect consumers from taking on unsustainable amounts of debt. These include the introduction this year of new requirements on all lenders to explain their products to consumers adequately before they enter a contract, including the consequences of any failure to repay, and to check the creditworthiness of consumers before they lend to them. We are also taking forward legislation to ban unsolicited credit card cheques and consulting on further regulation of credit and store cards and on banning bills of sale.

Review of high-cost credit

- 6.4 The White Paper noted that the Office of Fair Trading had launched a review of high-cost credit. This review will provide valuable insight into the range of high-cost credit products available in the market.
- 6.5 This review is looking at a number of high cost credit products, including pay day lending and home credit. Loans such as these are designed to be repaid over relatively short periods of time and it is important that users of these

²⁴ New challenges for third sector and social lending, Policis research for Friends Provident Foundation 2010, pending publication

credit services, including those who are on low incomes, understand the nature and cost of these types of loans and the risks of falling into unsustainable debt if they do not repay their loans on time. Pay day loans are designed for consumers who are in employment, but this can include people who are on low incomes. Pay day loan users who repeatedly roll over their loan are at risk of seeing less and less of their wages on a monthly basis. The emergence of new types of short-term high-cost lending such as loans via mobile phones have the potential to make it too easy for consumers to borrow money without thinking through the implications.

- 6.6 The Office of Fair Trading published its interim research report on 8 December, and the final report is due to be published in spring 2010. The review will provide evidence on the following areas:
- the level of competition, including the effects of the recession on competition and whether suppliers compete vigorously to deliver benefits to consumers
 - the business models of lenders
 - the nature and prevalence of different high-cost consumer credit products
 - the attitudes and behaviours of consumers who use high cost credit, and
 - evidence from international research on credit markets in Australia, Canada, Ireland, Germany and the USA (specifically Pennsylvania, Michigan and Wisconsin).
- 6.7 The Office of Fair Trading review will also provide insight into the extent of competition in the high-cost credit sector. The Competition Commission looked at the market for home credit in 2006 and concluded that there were competition issues. It introduced a number of remedies, including early settlement rebates paid to customers who pay off their loans early and a price comparison website. The supply of other high-cost credit products, such as payday lending and pawn-broking is more fragmented but there is still a need to establish whether competition is working effectively in these markets.
- 6.8 Competition is important in ensuring that companies do not make excessive profits at the expense of vulnerable consumers. Combined with clear rules on responsible lending, we see a competitive private sector playing an important and continuing role in the provision of credit to all groups in society. However, we are concerned that some consumers are taking on loans that they cannot afford to repay, leading to worse hardship down the line.

- 6.9 As with all credit products, a number of users of high-cost credit find themselves in arrears and then miss payments or default on the loan. This can be detrimental to the individuals concerned – it can create additional stress in already stressful lives, put people's homes and other assets at risk, and may jeopardise their future ability to borrow. It also contributes to the high cost of credit for more responsible borrowers.

New guidance on irresponsible lending

- 6.10 As part of the reforms introduced in the Consumer Credit Act 2006, we included a new provision concerning the practices in the carrying on of a consumer credit business which may appear to the Office of Fair Trading to involve irresponsible lending. Such practices are among those which may be considered to be deceitful, oppressive or otherwise unlawful or improper for the purposes of considering fitness to hold a consumer credit licence.
- 6.11 The Office of Fair Trading is currently producing guidance identifying practices that it considers may constitute irresponsible lending practices. The guidance will cover all stages of the lending process from advertising at the pre-contract stage to the handling of arrears and default.
- 6.12 In essence, the guidance will require lenders:
- not to use misleading or oppressive behaviour when advertising, selling or seeking to enforce a credit agreement;
 - to be able to demonstrate that they have made a reasonable assessment of a borrower's ability to make repayments in a sustainable manner before providing credit;
 - to explain the key features of the credit agreement to the borrower so that the borrower can exercise informed choice; and
 - to exercise understanding and forbearance with borrowers who experience difficulties during the term of the credit agreement.

The guidance will apply to lending practices to consumers at all levels. The Office of Fair Trading aims to publish the guidance in March 2010.

Proposal to ban bills of sale for consumer loans

- 6.13 Bills of Sale are a form of subprime lending which can be used by lower income consumers as well as those with a poor credit rating, which is causing concern.

- 6.14 Bills of sale are legal instruments that are being used to support lending where, typically, people's cars are used as security – a practice known as 'log book lending'. There have been high levels of complaints to consumer groups and the Office of Fair Trading about the very high rates of interest that consumers are charged, about the very few protections available to consumers if they fall into arrears and about unfair collections practices by the lenders. Bills are written in complex language that consumers may not understand and some people are having their cars repossessed without a court order. The Government is concerned that increasing numbers of vulnerable consumers who resort to bills of sale loans are ending up in a worse position and slipping further into unsustainable debt as a result.
- 6.15 The Government believes that a ban on using bills of sale for consumer lending is likely to be necessary and published a consultation document on 21 December. The consultation closes on 15 March 2010. You can find more information about it at: www.berr.gov.uk/consultations/page54078.html.

Banning unsolicited credit card cheques

- 6.16 Credit card cheques are provided by credit card companies to holders of their credit cards. They are very similar in appearance to ordinary bank current account cheques and can be used in any situation where a current account cheque can be used. These credit card cheques attract a higher rate on interest than normal card purchases and attract a handling fee. In 2008 around 292 million credit card cheques were sent out to consumers.
- 6.17 The Government is concerned that in many cases credit card cheques are being sent to and used by the most vulnerable in society, leading to an increase in their level of debt and in many cases making their situation worse as they do not realise the high costs associated with using credit card cheques.
- 6.18 Legislation currently before Parliament seeks to limit the sending out of these cheques and ensure that consumers are fully informed and are aware of the costs associated with using them.

Tightening up on credit cards

- 6.19 General industry practice is that when a consumer makes a payment against their credit or store card, debt it is allocated to the cheapest debt first. The Government is concerned that many consumers do not understand that this is common practice, and may therefore not realise that balances accruing interest at a high rate will be paid off last, with consumers paying a lot more interest over a longer period as a result.

- 6.20 This is a particular problem in relation to consumers who regularly withdraw cash on their card; typically charged at 25 per cent or more. These consumers are often those most likely to be vulnerable to financial difficulties. Through this system of allocation of payments, most card lenders are profiting from the lack of understanding and limited choices of vulnerable consumers.
- 6.21 The Government wants this to change and is consulting on proposals on whether payments should be reversed so that the most expensive debts are paid off more quickly, or are paid off first, ensuring that vulnerable consumers who use their cards to withdraw cash are not doubly penalised.

Minimum payments

- 6.22 The Government is also concerned that recent evidence suggests that around 14 per cent of cardholders only make the minimum payment on active credit card accounts. Minimum payments are set at a level which just covers that month's interest charges, but does not make significant inroads into the capital borrowed (and may not cover fees and charges). This means that some consumers will be repaying their debts over decades and paying significant interest over the life of the debt.
- 6.23 The Government is consulting on proposals to introduce a mandatory higher minimum payment to be paid by consumers that would reduce their exposure to the burden of high-cost lending. The Government is aware, however, that there is the possibility that this could expose consumers to greater risk of default at difficult times and could limit consumers' flexibility to adjust their repayments to help manage short term pressures..
- 6.24 Government is seeking views on alternative approaches such as the introduction of a recommended minimum payment that is higher than the contractual minimum. This amount would be set to pay off the card over a much shorter period of time (for example three years) and could be the default level of payment for those who choose to pay the minimum by Direct Debit.

New requirements on lenders

- 6.25 The requirement to provide a consumer with an adequate explanation of their credit product is one of the major provisions of the EU Consumer Credit Directive being implemented this year. We want to see consumer credit providers face up to their responsibility to explain products properly even if it means a change in the way some lending takes place. Lenders will be required to explain their products to consumers adequately before they enter into a contract, including the consequences of any failure to repay. In the case

of secured credit, the lender will need to make clear the potential threat to a consumer's home or other assets. This is in addition to information about fees, charges and repayment schedules that the lender will need to provide. The introduction of Standard European Consumer Credit Information means that lenders must provide certain information in a standardised form, providing key information 'at a glance'.

- 6.26 Consumer credit providers will also be required to check the creditworthiness of consumers before lending to them. Many lenders generally perform basic income and expenditure checks already, such as completing a personal budget planner and taking copies of bank statements to prove salary deposits. Lenders may, however, have to take further steps to meet the obligation to lend responsibly. This could include using the credit reference agencies and performing more detailed checks on the consumer's ability to repay, amongst other measures.

Improving access to affordable credit for low-income households

- 6.27 The Government and the third sector are acting to ensure that responsible, transparent and fair lending is available to low-income consumers who can afford to borrow, and the Office of Fair Trading is reviewing high-cost credit and looking at measures to ensure responsible lending. But the Government and third sector cannot possibly meet all the needs of lower income consumers who find themselves excluded from fair and affordable credit.
- 6.28 Therefore, looking at how all sources of affordable credit might be more accessible becomes increasingly important if lower income consumers are to be able to access affordable credit, thus avoiding reliance on high-cost credit.
- 6.29 Whilst there remains a need to extend access to mainstream credit or other sources of affordable credit, the range of activity across Government in this area has taken forward this agenda significantly. However, we are determined to take steps to ensure that affordable credit is available to lower income groups in society who want to borrow responsibly and are serious about repaying any debts that they incur.
- 6.30 We will continue work to build up the capacity of third sector lending institutions to provide affordable credit to low-income households, by following the model pioneered by the Growth Fund, and by making enabling changes to legislation for the sector.

7. The Calman Commission and Scottish Devolution

- 7.1 On 15 June 2009, the Calman Commission on Scottish Devolution published its report, "Serving Scotland Better: Scotland and the United Kingdom in the 21st Century". The Commission recommended that, as part of its consideration of future reform of the Social Fund, the UK Government should consider devolving the discretionary elements of the Social Fund to the Scottish Parliament.
- 7.2 The Government response to the report was published in the White Paper, "Scotland's Future in the United Kingdom", on 25 November 2009 and in that the Government agreed to consider how discretionary payments might be devolved to Scotland and the advantages of doing that.
- 7.3 In the Welfare Reform Act 2009 we took powers for external providers to provide social loans, in place of loans from Jobcentre Plus. As we said above in paragraph 2.18, we do not intend to develop this proposal at the current time and we will consult further before doing so. When we do, we will consider the devolution aspects of the policy as part of that exercise.
- 7.4 Community Care Grants are not repayable and may lend themselves more easily to being delivered by an alternative provider to Jobcentre Plus. If devolved, the choice of delivery organisation, setting of priorities and so on would be a matter for the Scottish Parliament, as would the decision on whether or not to maintain the cash-limited "pot" of money, as now or to change the amount available.
- 7.5 If responsibilities were devolved we would need to be clear what the specific advantages were, with regard to the replacement of one tier of national government with another given that in both Scotland and in England and Wales delivery has already been devolved to the local level.

Question:

Should the power to make Community Care Grants and a per capita proportion of the Community Care Grant budget be devolved to the Scottish Government? What would the benefits of devolution be?

8. Our commitment to listen

Purpose of the consultation

- 8.1 This consultation seeks views to inform our reform of the Social Fund. We would like to hear from all who are interested. The consultation applies to England, Wales and Scotland.

Duration of the consultation

- 8.2 The consultation period begins on 15 March 2010 and runs until 7 June 2010.

Consultation arrangements

- 8.3 Please send your consultation responses to:
- Social Fund Reform Consultation Team
Department for Work and Pensions
Caxton House
Level 1/F
6-12 Tothill Street
London SW1H 9NA
- Email: social.fund@dwp.gsi.gov.uk
- 8.4 Please ensure your response reaches us by 7 June 2010. We will acknowledge all responses. Please say whether you are responding as an individual, or on behalf of an organisation. If on behalf of an organisation, please make clear who the organisation represents, and how the views of members were obtained.
- 8.5 Copies of this publication can be made available in alternative formats if required. If you have any queries about this consultation, please contact us at the above address.
- 8.6 We are trialling an online consultation tool to make it easier for people to give us their views. This will be available shortly after the publication of this Green Paper. You can access the tool from the website:
www.dwp.gov.uk/consultations/2010/social-fund-reform.shtml
- 8.7 We have notified this consultation to a large number of people and organisations who have already been involved in this work or who have expressed an interest in it. Please share this document with, or tell us about, anyone you think will want to be involved in this consultation.

- 8.8 We will publish the responses to the consultation in a report on the consultations section of our website www.dwp.gov.uk/consultations. The report will summarise the responses and the action that we will take as a result of them.

Freedom of information

- 8.9 The information you send us may need to be passed to colleagues within the Department for Work and Pensions, published in a summary of responses received and referred to in the published consultation report.
- 8.10 All information contained in your response may be subject to publication or disclosure if requested under the Freedom of Information Act 2000. By providing personal information for the purposes of the public consultation exercise, it is understood that you consent to its disclosure and publication. If this is not the case, you should limit any personal information provided, or remove it completely. If you want the information in your response to the consultation to be kept confidential, you should explain why as part of your response, although we cannot guarantee to do this.

The consultation criteria

- 8.11 The consultation is being conducted in line with the Government Code of Practice on Consultation. The seven consultation criteria are:
- When to Consult. Formal consultation should take place at a stage when there is scope to influence the outcome.
 - Duration of consultation exercises. Consultations should normally last for at least 12 weeks, with consideration given to longer timescales where feasible and sensible.
 - Clarity of scope and impact. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence, and the expected costs and benefits of the proposals.
 - Accessibility of consultation exercises. Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is designed to reach.
 - The burden of consultation. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
 - Responsiveness of consultation exercises. Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

- Capacity to consult. Officials running consultation exercises should seek guidance in how to run an effective consultation exercise, and share what they have learned from the experience.

Feedback on this consultation

8.12 We value your feedback on how well we consult. If you have any comments on the process of this consultation, for example, how it could be improved, but not about the issues raised, please contact our Consultation Coordinator:

Roger Pugh
DWP Consultation Coordinator
1st Floor
Crown House
2 Ferensway
Hull HU2 8NF

Telephone: 01482 609571
Email: roger.pugh@dwp.gsi.gov.uk

Impact assessment

8.13 The purpose of this document is to inform the general direction of reform of the Social Fund. We are seeking views on the options covered by this document in order to inform development of firm proposals. We are currently at a very early stage and, as such, it is not possible to fully assess the impact. However, an impact assessment will be produced (where appropriate) as part of the policy development process for any proposals that follow.

9. Consultation questions

We would like to hear your views on the issues discussed in this consultation. This is a list of questions which we would particularly like your views on.

1. What types of intervention would be most useful for customers?
2. When do you feel it is most effective to intervene in a customers' interaction with the Social Fund, for example following a second loan application?
3. How best can we identify the support needs of our customers in a more automated system?
4. Who do you think would be best placed to carry out these interventions?
5. Do you think a single gateway to deliver the loans scheme is a good idea?
6. What support is most needed by those applying for multiple discretionary grants?
7. Do you have any views on possible issues in putting the legislation around the provision of goods and services into practice?
8. In what circumstances do you think a resettlement grant should be given?
9. What additional support could be offered to resettlement grant customers to help them move towards increased financial independence?
10. Do you think that students not in receipt of welfare benefits should qualify for financial help with funeral payments? If so, how should we identify these students?
11. Should we restrict access to students in full-time higher education? Should we consider an age limit? Any other criteria?
12. Should the power to make Community Care Grants and a per capita proportion of the Community Care Grant budget be devolved to the Scottish Government? What would the benefits of devolution be?



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For further information about this
publication, contact:

Social Fund Reform Consultation Team

5th Floor

Caxton House

Tothill Street

London SW1H 9NA

Tel: 020 7449 7688

Email: social.fund@dwp.gsi.gov.uk

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