Abolishing the Safety Net

Wales and Devolution of the Social Fund

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PREAMBLE

The Social Fund came into being in April 1988 and is largely due for abolition in 2013. This paper deals with the policy and practice history of the Fund's discretionary elements[1]. It offers a broadly chronological account of the Fund's policy origins, the resistance to its establishment, the considerable research effort which surrounded its implementation and the history of the Fund's earliest years. An account follows of the reform implemented and intended during the period of Labour Government in the UK, between 1997 and 2010. A synopsis of key facts, figures, issues and broader reform possibilities is then set out, summarising the position inherited by the Coalition administration elected in May 2010. The remainder of the paper explores the proposals for reform set out in the White Paper *Universal Credit: Welfare that Works* (Department for Work and Pensions 2010b) published in November 2010. In particular, the discussion focuses on the proposal to devolve responsibility for Community Care Grants and Crisis Loans to the National Assembly for Wales, setting out a series of options for responding to that proposal and assessing the strengths and weaknesses of each possibility. It ends by calling for a broader debate, bringing together a coalition of interests involving claimants, trade unionists, third sector organisations, local authorities, Assembly politicians and others; in order to bring the attention to this issue which its importance merits.

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[1] The Social Fund is made up of two parts: the **regulated** parts of the Fund include Sure Start Maternity Grants, Cold Weather Payments and Funeral Grants. Anyone who meets the criteria set down in the regulations can obtain these grants, as a matter of entitlement. Since its inception there have been three **discretionary** parts to the Fund: community care grants, budgeting loans and crisis loans. There are no rights to payment from the discretionary parts, even when qualifying criteria have been met, and a need established.

EXECUTIVE SUMMARY

The Social Fund is a problematic social security experiment. But despite its many and serious limitations, the Fund provided a most basic final safety net to those in the most desperate need.

Between 1988 and 1997 evidence highlighted the Fund's many failings. The election of a New Labour administration in 1997 saw it remain firmly in place, despite Labour’s previous opposition. It was not until the last gasps of the Brown premiership that Labour returned to the question of the Fund, by which time it was too late to accomplish any change.

Despite a complete absence of any reference to reform of the Fund in the General Election manifestos of either the Conservative Party or the Liberal Democrat Party), the Welfare Reform Bill makes provision for the discretionary elements of the Fund to be abolished in 2013, and the responsibility for Community Care Grants and Crisis Loans is to be devolved to the National Assembly for Wales, the Scottish Parliament, and local authorities in England.

This pamphlet calls for an urgent debate on the coalition's proposals, looking for ways in which these responsibilities might best be discharged in Wales, and in line with Welsh policy principles. It takes into account the work that has already begun in Scotland, and puts forward alternatives.

Working alongside Credit Unions to administer the Fund is one option explored here; offering the potential to create a sustainable grants and loans system, offering more options for claimants after the cash limit of the Social Fund has dried up.

Wales should take seriously the possibility of a consortium approach to the delivery of Social Fund grants and loans, combining the attributes of a variety of organisations, including local authorities. We could look to provide a broader spectrum of services which combine to cover the Fund’s purposes, whilst improving the current system to ensure the Fund does not simply exacerbate a poverty trap for the most vulnerable in Wales.

Whatever the new arrangements, the scheme should include advice on benefits and finance, and access to savings and loans services, rather than the limited opportunities in the Fund’s current operation. Here in Wales, we have the potential to make this happen.

1. INTRODUCTION

It is difficult to think of a contrast greater than the attention given to the creation of the Social Fund and the indifference which has greeted its planned demise. The original proposals generated a raft of criticism and were subjected to detailed and forensic analysis. Introduced as part of the Fowler Reviews of social security, in the mid-1980s, Timmins (1989), at the time, described the Fund as ‘the only great symbolic change’ which the Reviews produced. Craig (1990: 97) reported that a bibliography drawn up in 1989, comprising material written over the previous four years about the Fund had contained more than 220 articles, papers and booklets. Huby and Walker (1991: 330) suggested that its introduction ‘was monitored more closely than any other major security reform’, with debates about it ‘widely covered in the media’. Today, by contrast, not a single paper dealing with the Fund and proposals for its abolition as part of the national system of income maintenance has appeared in any academic journal in well over a year since the idea was first set out in the Welfare Reform White Paper, published in November 2010 (DWP 2010b), while press coverage has been infrequent, and comparatively indifferent. Indeed, as far as we have been able to discover, just one article in a national newspaper has dealt with the substance of the proposed reforms, when the *Daily Mirror* in March 2011 ran a page 24 story about the axing of Crisis Loans for families facing destitution (Lyons 2011).

Yet, as explored more fully below, the proposals currently before Parliament represent a break in a pattern of national systems of social assistance which have existed for more than three quarters of a century, and at least since the 1934 Unemployment Assistance Act, described by Lynes (1976: 5) as ‘one of the most important pieces of social legislation of the [twentieth] century’. That Act created the Unemployment Assistance Board, as a key part of its effort to overcome the ‘territorial injustices’ (Huby and Walker 1991a: 87) which had been a feature of the previous system of local Public Assistance Committees. The campaign against the formation of the Social Fund was, itself, fuelled by a concern that its reliance on discretion would lead to unacceptable variation between one part of the country and another. It has been left to the present Coalition administration, however, to move wholeheartedly in that direction, with its proposal to hand over responsibilities for Community Care Grants and Crisis Loans to local authorities in England and to the Parliament in Scotland and Assembly in Wales. The economic crisis of the 1930s paved the way for new, nationally accepted responsibilities for poverty relief. Today’s crisis, while at least as serious as that of the 1930s, appears to be being negotiated in exactly the opposite direction.

From the outset, the importance of the Social Fund rested on the set of policy decisions which it embodies, rather than the expenditure which it entails. Craig

(1990: 97), in tracing the enormous activity which surrounded the introduction of the Fund concluded that, with an annual budget of just £205 million, the policy interest in it had been generated because it ‘has an ideological significance out of all proportion to its financial status’. It is the argument of this paper that these debates of more than a quarter of a century ago continue to have relevance today. In policy terms, the issues identified then have re-emerged again, in recognisable form, in the discourses adopted by Coalition Ministers. In what follows, we trace the history of the Fund, pointing to the significance of changes in policy direction, explore the current situation of its partial abolition and suggest possibilities for the future.

2. THE BIRTH OF THE FUND

2.1 The origins of the Social Fund

The incoming Conservative Government of 1979 inherited the outcome of the Orme Review of the supplementary benefits scheme, set in train by the Callaghan administration in the previous year. The Review represented a final abandonment, by Labour, of successive attempts to realise the Beveridge ambition that insurance benefits should be the primary basis of the income maintenance system, with only a residual, and diminishing, means-tested safety net, for those for whom the contributory system proved insufficient to prevent poverty. Rising long-term unemployment, in the wake of the 1970s oil shocks, meant that full employment, one of the underpinning preconditions of the Beveridge Plan, no longer existed. As a result, the Orme Review recommended the redesign of supplementary benefits to fit them for their new 'mass role'.

The 1980 Social Security Act took the Review as its starting point, and pushed its proposals still further. Ever since 1948, the means-tested part of the scheme had made provision for 'Exceptional Needs Payments', over and above the weekly 'scale rates'. Two types of ENPs existed – one off, lump sum payments, designed to meet unpredictable expenditure (clothing, footwear, white goods, and so on) which could not be met from weekly benefits, and re-current, weekly additions, designed to meet needs such as special diets required because of a medical condition, or extra heating required to combat poor housing conditions. By the end of the 1970s, however, fully one in three of all supplementary benefit claimants were in receipt of such 'exceptional' payments (DWP 2010: 23). The answer of the first Thatcher period was to attack the administration of the system. The arrangements at the time relied, far too much, on the unfettered discretion of the benefit officer. Those who successfully 'paraded their poverty' obtained extra help. Those who failed to do so, or who preferred not to undergo the humiliations it involved, were not. In its place, the new Government proposed a fresh, 'regulated' scheme, much reduced in scope but delivered through a set of rules which would be known and understood to benefit staff and claimants alike.

Novak (1988: 189) quotes the responsible Minister of the time as declaring:

> 'I want to make sure that the outcome of a request for an Exceptional Needs Payment does not depend on the persuasiveness of the claimant or his advocates…. The regulations must be made absolutely clear.'

The impact of this new ‘regulated scheme’ originally precipitated a fall in claims, with demand in the first year at half the previous level. However, this was soon to be followed by a rapid rise in the years following. Within four years, applications to the regulated scheme had outstripped the preceding arrangements (Huby and Walker 1991: 333). Thus, while in 1980, 1.13 million single payments were made, by 1984, there had been an increase of over 250%, with single payments reaching 2.85 million (Grover 2008: 479). Ministers were to explain the rise as the product of ‘exploitation’ of the scheme. In fact, as Craig (1998: 52) suggests, the rapid rise in successful single payment claims reflected ‘both the inadequacy of basic benefit rates and the growth in the number of unemployed, especially long-term unemployed’.

It was on that basis that the Social Fund emerged from the 1980s Fowler Review of the social security system. Against a background of determination that, whatever changes might be made, the overall cost of relieving poverty could not increase, the Government proposed sweeping away the single payment scheme which it, itself, had put in place less than a decade earlier. In its place the Fund was to be established as the safety net of the ‘last resort’ (Novak 1988: 193), for those who could not survive on the breadline levels of means-tested benefits. The 1985 Green Paper which preceded the Fund set out its main objectives as 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 the 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 (reproduced in DWP 2010: 23).

2.2 Policy departures and the Social Fund

As suggested earlier, the policy significance of the Social Fund does not lie in the amount of money devoted to it. By itself it rarely, if ever, amounted to more than 0.5% of public expenditure on social security. Rather, the importance of the Fund can be traced to five distinct policy departures which were embodied in it, each of which requires some brief explanation here.

- **Cash limited**

In the first place, the Fund was cash limited. Every earlier post-war income maintenance policy development operated on the basis that if a need was recognised as a legitimate claim on state support, then a right was created to have that need supplied. The Social Fund broke that link. Now, no matter how urgent a need, or how compelling the case to have it met, if the amount of money available in the Fund had been exhausted, no help would be forthcoming.

- **Loans not grants**

A second, major, policy departure embodied in the Fund lay in its deliberate reliance on loans, rather than grants, as the main means of meeting need. Budgeting Loans, especially, shifted the balance heavily away from the help which had hitherto been afforded for meeting 'lumpy' expenditure and where the 'scale rates' of regular, weekly income afforded little or no capacity to save for unexpected or high-cost items. Even Crisis Loans covered a far wider range of needs and circumstances than those previously covered by urgent needs payments. More significant still was the rationale behind the policy shift. Grover (2008) provides an important insight into the nature of the decision to move away from the grants-based scheme which the Conservatives themselves had confirmed in the 1980 Social Security Act. He traces the discussion of an idea for providing loans as part of the supplementary benefit scheme, floated by Richard Crossman, in the final months of the Labour Government of 1966 – 70. The proposal never made its way beyond the internal policy-making circles of the DHSS. Senior civil servants and Crossman's special adviser, Brian Abel-Smith, combined to argue that such a policy would be inconsistent with the efforts being made to tackle poverty because of the way in which loans would 'force claimants into an income below their Supplementary Benefit level' and would undermine work incentives (Grover 2008: 481). The revival of the idea, in the mid-1980s, was best explained, Grover (2008: 477-9) suggests by, the changed ideological context of the times. In particular, mass unemployment meant that welfare-dependency (however much the object of rhetorical attack by Ministers) had been built into the new scheme, as extra demand for means-tested assistance now lasted for longer periods. In the case of the Social Fund, because repayment was generally expected to be from benefits, its whole financial basis depended upon people being part of the 'dependency culture' for lengthy periods of time.

- **Unfettered discretion**

Thirdly, decision-making within the Fund was to rest on the discretion of Social Fund officers, as unfettered as possible by rule or regulation. In arriving at this position, Government Ministers were obliged to perform a substantial *volte face*. In introducing the 1980 Social Security Act, Ministers had argued strongly in favour of a rule-based scheme, referring scornfully to the demoralising effect which claimants faced in having to 'parade their poverty' in order to convince social security staff to sanction a payment. Now the rule book was to be swept away by the same Ministers who had drawn it up, in favour of a more 'responsive' system, based on the unencumbered judgement of Social Fund officials. Of the two approaches, it is the latter which represents the greater departure from traditional British policy-making approaches in the income maintenance field.

Larkin (2007: 302), for example, points out that, even in Victorian Poor Law, 'the question of character did not come into play to any great degree as far as workhouse relief was concerned'. Provided an individual was able to establish a community connection (usually defined as residence within a particular parish for a period of 40 days or more), then the services of the workhouse were available. Now, with no objective way of establishing a claim on the services of the Fund, Berthoud (1987: 10) argued that the impact would be felt more widely than just claimants, unable to know what they could claim, or on what grounds. Staff would be faced with new responsibilities, and would be unsure as to how to deliver on new expectations of them. There was a risk that they would be exposed to hostile claimants, confused by the new arrangements. The public in general, moreover, would lack confidence in the fairness of the operation of the Fund.

- **No right of appeal**

Alongside a discretion-based scheme went a fourth social policy departure embodied in the Fund. Unlike every previous decision-making arrangement in the post-war British income maintenance system, the determinations made by Social Fund officers were not to be subject to a right of appeal. At the time of its introduction, this proved to be one of the most controversial of the Social Fund proposals. It was the only point on which the Government made a concession during the passage of the Social Security Bill in the mid-1980s, largely in order to ease its passage through the House of Lords. It set up an independent Social Fund Inspectorate capable of 'reviewing' decisions made. The system fell far short of a full appeal and even where an Inspectorate review of a decision did take place; those conclusions were simply advisory and could be ignored by the original decision-maker. In practice, as noted below, the work of the Inspectorate was to shine a more forceful light on the short-comings of the Fund than might have originally been anticipated. In social policy terms, however, the decision not to provide an independent appeals mechanism broke an administrative tradition which extended back to 1934. Then, Lynes (1976: 6) concludes that the Minister of Labour declared that a right of independent appeal had to be incorporated into the operation of the UAB because 'neither Parliament nor public opinion would tolerate a situation in which the only appeal possible was from one official to another' – as originally proposed by the Bill's drafters. The decision to provide for independence was, Lynes (1976: 7) suggests, a 'deliberate political act, aimed at making an inherently unpopular reform more acceptable'. It is instructive to note that, half a century later; the Conservative administrations of Mrs Thatcher felt no such inhibitions.

- **Too poor to be helped**

Finally, in this catalogue of policy departures, it is important to note the emergence of a category of claimant hitherto unknown in the Beveridgean welfare state – the person too poor to be helped. Thus far, even in a system which had its punitive dimensions, and where benefits could be reduced for different behavioural failures, a basic bedrock remained, below which no-one was to be allowed to fall. In the Social Fund, however, help could be denied to individuals, not because of any personal failure, but simply because the depth of their difficulties placed them beyond help. The mechanism lay in the obligation of any Social Fund officer to determine whether any loan – a Budgeting Loan, or a Crisis Loan – could be repaid. This was to involve an assessment of an individual's circumstances. Those who were already having to manage on incomes reduced by, for example, payments of arrears of rent, electricity, water, gas, fines or child maintenance could be deemed to have insufficient scope to repay a Social Fund loan. In these circumstances (and, as set out below, these were circumstances which rapidly came to apply to tens of thousands of claimants), no matter how clearly a need was established, or how deep the crisis which had compelled an application, no payment would be made. The applicant would be too poor to be helped.

2.3 Early resistance

The strength of opposition to the establishment of the Fund is hard to recapture. Huby and Walker (1991: 332) make it clear that this was a combination of those who were against the 'whole idea of a discretionary social fund', and those who objected to elements of its design. The Government's own Social Security Advisory Committee, for example, began by describing the Community Care Grant element as 'interesting and imaginative' (SSAC 1985), but become so dissatisfied with certain aspects of the proposal that they, too, shifted to outright opposition, concluding that the proposals were 'unfair and unworkable' (SSAC 1987a). A year before the Fund was to be introduced, Stewart and Stewart (1993: 417), described the Minister responsible at the time, John Major, as complaining that it had already been 'damned, bell, book and candle'. Its reputation did not recover thereafter.

On the ground, resistance -led by local government and, in particular, by the social work profession- was especially hostile. The Association of Directors of Social Services (ADSS) refused, for a time, to take part at all in consultations on the Fund (Huby and Walker 1991: 332 *et passim*). The British Association of Social Workers called on its members to 'absolutely resist' the 'invitation to legitimate the inherent anomalies and restrictions' of the Fund. The National and Local Government Officers Association (NALGO), equally, advised its social worker members to adopt a policy of non-cooperation.

A Social Security Consortium (SSC) was established, bringing together a series of national pressure groups. It produced a *Social Fund Position Statement and Practice Guide* (Stewart and Stewart 1993: 410), which included a policy on 'non-cooperation' with aspects of the new scheme, and 'determined advocacy' of the claim of every individual who wished social workers, and others, to intervene on their behalf.

One of the main ways in which the context of the late 1980s differed from that in the post-2010 era is to be found in the political composition of local government in the two periods. By the time of Mrs Thatcher's third term, following her election victory in June 1987, the Conservative Party had largely been eliminated as a governing force in local government. In some parts of the country it had been eliminated as a political force altogether. In the years in which the Social Fund was being proposed and introduced, for example, Labour overtook the Conservatives as the largest party in local government, for the first time since the 1974 local government reorganisation (Atkinson and Wilks-Heeg 2000: 148). In 1987, the Conservatives held just two Welsh Councils, and in Scotland the number of Conservative councils had fallen sharply from 10 in 1978 to just three in 1988 (Rallings and Thrasher 1997:118). In 1990, the Conservative party had its worst ever local election result, with an overwhelming rejection of the party everywhere except in a handful of London Boroughs, resulting in about 200 net losses (Rallings and Thrasher 1997: 123). The result was that local authorities became a powerful source of resistance to Fund proposals.

Stewart and Stewart (1993:418) note that local government had already judged that, whatever stance they were to adopt towards the Fund, they would be blamed for whatever went wrong. And, as these authors conclude, 'they were right'. Ministers led the charge. John Moore, then Secretary of State at the DHSS claimed that some social workers were boycotting the Fund. This was 'utterly deplorable', and 'careless talk may be costing people money' (DHSS 1989). The deliberate echo of wartime propaganda against the 'enemy within' did not go un-noticed. Writing in *Social Work Today,* under the headline of 'In Defence of the Social Fund', Peter Lloyd (Lloyd 1989) claimed that the problems of the Fund were best explained by a

> 'lack of cooperation by some members of the social work profession. Local office managers have made persistent efforts to establish good liaison with social services departments but frequently this has been to no avail because a general policy of non-cooperation with the Social Fund exists. This attitude cannot possibly be in the best interests of social services clients'.

In fact, research evidence (Stewart et al 1989; Stewart and Stewart 1991) showed that social workers were very much more likely to contact social security staff, than the other way around. Indeed, Craig (1990) concluded that the spectre of 'non-cooperating' local authorities was a myth, with 'not even a handful' adopting such a policy. Nonetheless, the most striking characteristic of the time was the combination of resistance from senior officers, front line workers, existing and newly created umbrella organisations, third sector, as well as public authorities, and large sections of the media, all involved in opposition to the Fund's creation. The Guardian, for example, asserted that 'the Social Fund falls so far short of relieving [poverty]' (1992, July 9), and is a 'most cynical and shocking piece of welfare machinery' (1990, Jan 5). The Glasgow Herald (1992, Aug 11) commented that the Fund 'has been a disaster in areas of need'…'is worsening the problems of homelessness and is doing little for the elderly, the sick, and for single parents'. All of this was played out most intensively in the political arena, becoming one of the most combustible of the disputes between the Labour opposition and successive Conservative administrations

Thus when the Fowler Reviews were first published, they were roundly attacked by Labour politicians. In the summer of 1985, the then-leader Neil Kinnock and future Prime Minister, Gordon Brown both focused on the Social Fund proposals. Kinnock demanded a 'guarantee' that the Fund would be topped up, if 'urgent payments for the exceptionally needy' exceeded the new cash limit (Guardian 1985, June 19). Brown complained that abolition of the universal 'death grant', set up as the result of a specific recommendation of the Beveridge Report, would take help away from 600,000 people annually, while Social Fund payments for the same purpose would 'help only 2,000 a year' (Guardian 1985, July 19). Opposition united the Party across its different dimensions. In 1986, Tessa Jowell, then Labour chair of the Association of Metropolitan Authorities, accused the Fund of contributing to the 'break up of families'. Proposals to involve local councils in its administration, meanwhile, had led to discussion of the Fund being boycotted by all local authorities, whatever their controlling party, and by the Association of Directors of Social Services (Guardian 1986, March 12). Indeed, the Parliamentary passage of the Bill saw hostile amendments to the Social Fund moved, and pressed to a vote in Committee, by Conservative MPs – only to see them overturned by the Government on the floor of the Commons (Guardian 1986, April 7).

Addressing a November 1986 conference of local authority welfare rights workers, the then-shadow social services secretary, Michael Meacher, gave a commitment that 'Labour will repeal the entire 1986 Social Security Act, including the proposed Social Fund, if it forms the next government' (Guardian 1986, Nov 15). Of course, when that election came, in June 1987, it resulted in a third term for Mrs Thatcher, with a three figure majority. Nevertheless, Labour kept up the pressure on the Fund, using one of its opposition debate days to coincide with its introduction to call for its abolition. Speaking from the opposition front bench, Margaret Beckett described the Fund as a 'recruiting sergeant' for illegal money lenders. When Ministers complained of abuse of the system, 'what they really meant was use…in order to justify the Government's cuts, people claiming their legal rights were made to feel that they were committing fraud' (Times 1988, Feb 19). Backbenchers accused the Fund of leading to 'an increase in despair, misery and deaths'. Frank Field called the Social Security Act 1986 'an utterly discredited piece of legislation…words fail to describe the scheme now being imposed on the unfortunates kicked off the ladder at the bottom of our society' (Guardian 1988, Feb 19). The Parliamentary opposition to the reforms continued until the very final stages, when a threatened 'talk-out' by Labour MPs forced the Government to concede a further, and final, debate on the social security reforms, in the week leading up to the March 1988 budget, widely (and correctly) predicted to contain lavish tax cuts for the most well off (Guardian 1988, March 12).

2.4 'An appalling lottery': early research evidence

Despite the opposition which it had evoked, the Fund became part of the landscape of the British social security system in April 1988. Its operation was to be subject to an intense research effort, to monitor its impact on the ground.

The budget provided to the Social Fund, in the first year of its existence, represented a reduction of fully 83% over the previous amount spent on single payments in the supplementary benefits scheme (Stewart and Stewart 1993: 408). Moreover, the pattern of distribution meant that there was a shift in expenditure from offices in Scotland and the North East towards London and the south coast. The most often quoted example of the time was the genteel town of Bognor Regis which found itself with a Social Fund allocation which exceeded anything it had ever awarded in single payments (Stewart and Stewart 1993: 424). Yet, despite predictions of its impact on the most needy, and of it being overwhelmed by demand, actual applications and expenditure in the first year were both well below predictions. Analysis by Huby and Walker (1991a:90) found that, over that period, 'on average local offices spent 81.3% of their total social fund budgets'. Only 69% of the Community Care Grant allocation was taken up, with one office spending only 18. 5%! Yet, Craig (1990: 101) reported that over half a million applicants to the Fund were refused any money at all in its first year, while countless others had reduced awards. Over £370 million was applied for in that year, while only £116 million was paid out.

For a short while, attention focused on trying to find reasons for this shortfall. In the accounts offered by Ministers users were to blame (they were too often the wrong people, asking for the wrong things), social workers were to blame (their refusal to cooperate meant that poor people were going without[2]) as were social security staff (they failed to exercise their newly acquired discretion with sufficient sympathy, preferring instead to observe the statutory and 'overriding principle' which the new scheme required, to live within the cash limits it laid down (Department of Health and Social Security 1987)). Yet, very quickly the Fund followed the pattern which had been apparent in every earlier attempt to limit demand by those who had been left by the system with insufficient funds to meet basic, everyday needs. By early 1995, almost nine million applications for grants and loans had been refused, adding to its reputation as 'the fund that likes to say no' (Craig 1993: 109). Over the same period, cumulatively, almost half a million claims were refused on the grounds that the claimant was too poor to repay, and thus too poor to be helped. As demand rose, so too did the refusal rate. In the

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[2] Of course, social workers had also been blamed for the excessive demand which Ministers claimed had been generated under the previous system. Although any successful claim had to be brought within the stringent rules which the same Ministers had introduced in 1980, social workers were held responsible for the growing rate at which claimants obtained these rights.

first year of the Fund, the refusal rate for Community Care Grants was 48%. Within five years it had risen to 76%. According to Craig (1998: 53), ‘by 1996, one million applications for grants were being refused annually’.

In the second year of the Fund, the process of reallocating monies between offices continued. The Labour Party published research which suggested that social security offices in Conservative-held constituencies were twice as likely to have received an increase in their Social Fund budgets than those in Labour-led areas (Guardian 1989, May 30). Two out of three offices in Tory areas received higher budgets for both grants and loans, while more than half the Labour areas saw grant budgets cut. The low-take up in year one of the Fund meant that the second year budget was frozen at its original level. Even if crude politics is eliminated from the explanation, changes in Fund allocations did continue the shifts seen in the first year. In terms of Community Care Grants, for example, 18 Scottish constituencies saw increases in allocations, while 40 were faced with reduced budgets. Appendix One gives details of the reallocation of funds, as outlined in Labour Party research.

As demand for assistance from the Fund increased, practical examples of its anomalies began to emerge. Timmins (1989), for example, reported the case of a Manchester pensioner who had been helped with taxi fares to visit his disabled wife in hospital in July 1989 but was refused an identical application in August, because the ‘cash had run out’. The local social security office agreed that the circumstances were identical – but the application was now deemed ‘low priority’, in the face of more urgent needs. Two years later, a House of Lords debate on the Fund produced new figures which demonstrated that, with applications for loans now running at two million a year, the number of claimants refused loans because of insufficient money to meet acknowledged need had doubled since 1988, as had the number refused loans on the grounds that they were too poor to make repayments (Times 1991, Oct 17). Six months later, in March 1992, the Social Security Advisory Committee published its own highly critical report which concluded that the operation of the Fund had condemned thousands of poor people to hardship and indignity. The Committee was chaired by the Conservative-friendly, Peter Barclay. He described the 20 recommendations in the Report as ‘sensible, affordable, moderate and necessary’ (Independent 1992, March 4). Taken together, they would have doubled the amount of money available to the Fund (£268 million in the previous year) but, by themselves, he warned, they would do nothing to change the ‘appalling lottery that we have at the moment. We also need structural change’. The Government ‘welcomed’ the Report, and announced that an extra £35 million (or 13% of the sum recommended by the Report) would be injected into the system. Michael Meacher, for Labour, said that the Committee had provided ‘the final nail in the Social Fund coffin’. He repeated his Party’s commitment to ‘replace loans with grants within a year of the election’.

For the Government the bad news continued when the DHSS-commissioned review of the Fund, completed by Meg Huby and Robert Walker, reported in the summer of 1992 and was published on a day when political and media attention was concentrated on a controversial Health White Paper. The research's main conclusion- that the Fund was failing in its key purpose of targeting help on those in greatest need - was not mentioned in the Department's press release which concentrated on positive aspects of the Fund. Interviewed on television, Huby declared herself 'very disappointed' with the way the Report had been presented by government (Times 1992, July 9). The research went the way of almost all criticism of the Fund. By the time the next Annual Report on its functioning was published, Secretary of State, Peter Lilley, declared that he had 'seen no evidence to alter our belief that the basic principles of the discretionary scheme are right - indeed, there is much evidence to confirm the fund is working very effectively, as intended' (DHSS 1993). Donald Dewar was by now Labour's spokesperson on social security matters. He described the Fund as 'flawed in concept and arbitrary in its impact' (Independent 1993, July 15).

By the time of the Annual Report for the following year, the official figures showed that 1,007,208 loan applications had been turned down for reasons of budgetary constraint, even though the applicants met the criteria. In the case of Community Care Grants, 208,503 applications had also been rejected in 1993/94 because, despite the need having been agreed, the cash limit had been reached. In 1995, the number of applications turned down because claimants were too poor to repay went through the 100,000 barrier for the first time (Guardian 1995, Oct 16).

3. THE NEW LABOUR ERA

3.1 Labour's changing views and Blair's first term

Yet, despite this accumulating evidence of failure, there were early signs that Labour's opposition to the Fund might be softening, as the era of Kinnock and John Smith gave way to the years of Blair and Brown. Analysts conventionally point to the Borrie Commission on Social Justice (set up by Smith, but reporting, after his death to Labour Leader Blair) as the point at which Labour thinking on social welfare moved in a new direction (see, for example, Skillen 1995). As Labour moved towards 'Investors' Britain', so its attitude towards social security issues altered. Now, such expenditure came to be regarded as dealing with the consequences of failure, rather than creating the conditions of success. That new attitude extended to the Social Fund. Ruth Lister (1996), a member of the Commission, highlighted the ambiguity in Labour's position in this area when commenting on the Party's response to its report. While generally welcoming the 'mainly sensible' detail in Labour's new welfare-to-work plan, she drew attention to:

> 'a rather worrying reference to the extension of social fund budgeting loans to families on family credit, without any hint of reform of the social fund itself. Of all the changes introduced by the present Government it is perhaps the social fund which has had the sharpest day-to-day impact on the living standards of some of the poorest families on income support. Loans, repaid by deduction from benefit, have proved to be part of the problem of poverty, not part of the solution'.

The warning was not misplaced. New Labour's self-denying ordinance, limiting expenditure in the first two years of the 1997 administration to levels set by the out-going Conservative administration meant that, whatever criticisms had been made of the Fund in opposition, nothing happened to improve matters in the early Blair years. Changes to the Social Fund scheme appeared in the Social Security Act 1999. The changes aimed to simplify the scheme (Collinge 2000), making its operation more rigidly formulaic, especially in relation to Budgeting Loans. The New Policy Institute (2000) suggested that the process changed from one based on 'what you want to spend money on'; to 'who you are and whether you need a loan'. Patterson (2008: 93) summarises the impact of changes as producing 'smaller loans, in shorter timescales, with reduced scope for challenge'. Holman (1999), having traced Labour's 'furious protests' at the Fund when in opposition, now concluded that 'in power, New Labour has refused to reinstate the grants'.

When the results of the 1999 changes became apparent, however, they led to a rash of criticism from what was, now, the Labour left. The Annual Report on the Social Fund (2000) showed that, under the new system, the number of rejected applications for clothing and furniture had risen from 4,856 in 1997-8 to 362,000 in 1999 – 2000. The explanation was widely traced to 'the tightening of Government rules' (Guardian 2000, Aug 15), or the 'strict new rules on eligibility' (Independent 2000, Aug 15). A 'Government insider' told the *Independent* that, 'we have got to remember that this is taxpayers' money we are talking about'. Writing in the *Times*, two days later, former Labour Deputy Leader, Roy Hattersley took a very different approach. He traced Labour's opposition to the Fund during the 1980s and 1990s, recounting the story of the last person to visit his constituency surgeries during his long period as a Birmingham M.P. It was an elderly pensioner, refused an application for a Community Care Grant of £20 for a winter coat from a charity shop. On the basis that Labour was about to win the 1997 General Election, Hattersley wrote, 'I told him that the new Government would be different. I deceived him'. A Labour Government had been expected to 'make Social Fund grants more easily available and extend them to replace the iniquitous system of Social Fund loans'. In fact, Hattersley concluded, it had turned out that, 'it is now more difficult to qualify for Social Fund help than it was in Margaret Thatcher's heyday. No doubt the old man feels betrayed. So do I'. Nor was this accidental – the unavoidable result of economic circumstances: under New Labour, 'the needs of the truly destitute have been ignored with a consistency which suggests that neglect is a conscious policy'. Hattersley's final paragraph provided both an explanation for New Labour's policy *volte face*, and a vigorous condemnation of it:

> 'The scandal of the Social Fund was barely noticed by the newspapers. The Labour Party will not rise up in revolt. The Government does retain its middleclass support and the victims have virtually no political clout. But some ministers must feel ashamed that the poor have been deserted and there are still some party members who would be comforted by even a flicker of conscience'.

Despite such criticism, nothing further was to take place in the first Blair term, even when public expenditure began to increase from 2000 onwards. In 2001, the House of Commons Social Security Select Committee published the most comprehensive assessment of the Fund since the Huby and Walker research of a decade earlier. It concluded that the Fund 'needs urgent overhaul and an injection of funds' (para 125) and urged the Government to 'take a radical look at the Social Fund, so that it may work to enhance the strategy to reduce child poverty, rather than work against it' (para 124) . Nothing changed as a result. In response, the Government rejected the assertion that the operation of the Fund worked against its wider social policies, such as the eradication of child poverty, and simply promised to 'keep all elements of the Social Fund under review' (DWP 2001: para 51). Indeed, when searching for emblematic changes in Labour's thinking during this period, Beresford (2001: 496) identified its changes of position on 'privatisation and the Social Fund', as the most striking examples of social policy departure, which he places on a par with the Conservative's change of heart on the minimum wage.

3.2 Labour's second term

By the time investment in public services was stepped up, competition for new money was intense and the Social Fund was not high on the list of priorities. When reform did come, in 2004 and 2005, it did include a response to some of the criticisms which had built up over more than 15 years. Maximum repayment rates, for example, were reduced by a fifth in April 2006 (Patterson 2008: 93). The Joseph Rowntree Foundation concluded that this was 'welcome', but did not 'go far enough in alleviating the financial hardship that applicants face' (JRF 2006: 96). At the same time, maximum repayment periods were extended and the minimum Budgeting Loan payment was increased from £30 to £100. An increase in funding of £210 million was provided in support of the reforms, over three years between 2006/07 and 2008/09 (HM Treasury 2004; DWP 2005 – in *JRF* 2006: *57*). This was to be the start of a five year long period in which additional cash injections were made into the Fund. Once the 2008/09 increases were implemented, the Budget of 2009 announced a further new allocation of £125 million for 2009/10 and £145 million for 2010/11, in an attempt to keep abreast of demand.

Yet, despite this additional funding, the Fund remained under continual pressure. By the middle of the New Labour period, Community Care Grants, together with other parts of the discretionary Fund, were under considerable financial pressure. Cooke (2006: 12) reported that, 'in recent years districts have found it increasingly difficult to meet all high priority needs. Last year, around a quarter of districts were unable to consistently meet all high priority needs. In these districts only the most urgent and compelling high priority needs could be paid.' In these circumstances, both administrators and claimants faced new pressures. Benefit officers were urged to ensure that ways were found of managing cash-limited budgets to release money for unmet high priority needs. Even when an award was made, the amount provided had to be carefully calculated to ensure that only the minimum amount was provided, sufficient to purchase an item which was 'durable' and 'useful' – not merely 'desirable' (Martin 2006: 2). Bearing down on individual awards contributed to renewed criticism of the 'postcode lottery', with which the Fund had always been associated. Reporting in 2005, the House of Commons Public Accounts Committee (PAC 2005: 3) complained that:

> 'It is possible that people in identical situations in different parts of the country can be treated differently. There are, for example, large variations between districts, in the percentage of decisions that result in a payment; for Crisis Loans, the range is between 48% and 94%. There are also large variations in the average amounts districts pay for some awards. These variations suggest that decision-making for some awards can be quite arbitrary'.

For claimants, too, new hazards emerged, as a consequence of New Labour's passion for 'modernisation'. In 1998/99, an 0800 phone number was set up for applications for Crisis Loans, which would provoke much criticism in the second half of the 2000s. One common complaint was the cost of calling from mobile phones[3], and the difficulties in getting through to be able to apply, with many facing a frustrating wait to be dealt with (Grant 2010: 14). New Labour introduced an 'improved telephony' system in October 2006 in an attempt to deal with large increases in Crisis Loan applications, but this did little to improve the situation. The fundamental issue of the telephone system has been summarised by Issacs as being that 'despite trying for hours at a time, clients cannot access the service because the phone lines are constantly engaged'. Of the clients who did eventually get through, many reported being 'bounced' back in the queue or cut off completely (Issacs 2006:8; Patterson 2008: 93-4). A complaint from the Scottish CAB (Issacs 2006) about endemic problems faced by Crisis Loan applicants using the new telephone application system received a reply, printed in the journal of the Independent Review Service, reassuring users that, 'Jobcentre Plus is in the process of transforming the way services are delivered. This includes moving benefit processing, including Social Fund, into BDCs. To support the transition to BDCs, a SOM is being designed which will cover the options available for accessing a CL[4]'. Attempts at modernisation of the system simply compounded the frustration of applying for hundreds of thousands of applicants.

3.3 Labour's last attempt

It was not until Labour's third term, after 2005, and late in that period too, that serious policy attention was paid to Social Fund reform. The process began slowly and with caution. The first signal of a renewed interest in reform was given by the responsible Minister, John Hutton, in the 2005/6 Annual Report on the Social Fund when he declared the Government's belief that, 'in the longer term we need to find ways for the Social Fund to contribute more effectively to wider financial inclusion initiatives by doing more to encourage personal financial responsibility and to equip people to move out of welfare dependency' (DWP 2006). That effort began with a welfare reform Green Paper *No One Written Off: Reforming Welfare to Reward Responsibility* published in July 2008 (DWP 2008a). As far as the Social Fund is concerned, the document demonstrated just how far Labour had moved from its original opposition to the Fund. Now, the Green Paper declared that, 'we believe the Social Fund plays a valuable role in poverty reduction' (DWP 2008a: para 6.32) –

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[3] This was made free in the majority of cases in December 2009 through a deal with phone companies (Grant 2010: 14)

[4] Where BDC = Benefit Delivery Centre, SOM = Standard Operating Model and CL = Crisis Loan

despite the evidence that, through its system of loans, the Fund did more to create poverty than to alleviate it. It went on to suggest a new power to make payments in advance of a customer's first benefit payment, to be known as payments on account. This was intended to stem the flood of 'alignment' payments which were being made as Crisis Loans in order to allow people in immediate financial need to bridge the gap between making a claim and the first benefit payday. It also floated the idea of changing the way that Community Care Grants were awarded so that individuals could receive quality goods or services instead of money. Finally, and noting (DWP 2008: para 6.32) that, in December 2007, the Government had 'commissioned a financial practical feasibility study into whether the private and third sectors can be brought into partnership with the Government in delivering a reformed Social Fund Budgeting Loan scheme', it went on to propose taking the power to work through outside organisations who could offer social loans instead of the Social Fund. The Green Paper (DWP 2008a: 112 – 113) made it clear that such organisations could include those in the private, as well as the third sector.

These controversial proposals were followed up, in November 2008, with an 'informal discussion paper', which concentrated entirely on Social Fund matters (DWP 2008). The full New Labour lexicon was now deployed in favour of 'reform'. The document attacked the existing arrangements for their 'passivity'. The Fund may offer short-term relief from immediate need, it argued, but it offered little by way of a route to greater financial certainty for the future. As its key proposal, now describing applicants to the Fund as 'customers' (in what we've come to know as New Labour management speak), the document declared that:

> 'We want to link social fund customers to a wider, more active set of financial services. We propose doing so by working in partnership with those organisations, such as credit unions, that already work to provide these services to people on low incomes' (DWP 2008: 6).

Drawing on a Social Fund Reform Feasibility Study, commissioned earlier in 2008 from, KPMG Financial Services, the paper concluded- with regret- that one of the ideas proposed in the July Green Paper could not be taken forward. It would not be feasible, after all, to 'contract out social fund loans nationally to a financial provider who could link them with other services', because no such suitable partner was available 'in the current economic climate' (DWP 2008, par 3.1). In its place, the Government re-emphasised Ministers' interest 'in how we might work more closely with Credit Unions, CDFIs or other partners – either individually or in partnership – to deliver the financial services and advice our customers need' (DWP 2008 para 3.2). Interested enough, indeed, to propose taking legislative powers to 'allow some credit unions, and similar organisations from the third sector, to take over the provision of credit to social fund customers in their areas' (DWP 2008: para 3.3). In itself this was likely to remain controversial, but the document went on to suggest allowing such Credit Unions to charge interest of up to twice their normal rate of 1% a month on loans advanced in order to fund a range of extra services, 'such as savings accounts and financial advice under contract to DWP' (DWP 2008: para 3.3). Loans made by

Credit Unions would be made recoverable by direct deduction from clients' benefit payments, and would begin as soon as loans were made (not when a record of failure or repay became established) (DWP 2008: para 3.5).

The November 2008 document also repeated a few more far less controversial, short-term administrative changes, already rehearsed in the July Green Paper. It confirmed proposed changes to Crisis Loans, by allowing 'advance payments of benefit' for those who would, otherwise, be left without any form of income. The artificiality of the distinction between Crisis and Budgeting Loans was recognised, and the document proposed a single 'extended loans scheme', available from the first day of claiming benefit. Finally, the consultation paper asked for views on the future of the grant element of the Social Fund. The Government wished 'to retain a grant scheme for the most pressing and urgent needs where it is obvious that a grant is the most appropriate payment', but was not convinced that the payments from the current system 'always go to the right people at the right time'. It looked, therefore, to 'a more focused grants scheme' for the future and asked for submissions on the types of need which such a scheme might meet.

In February 2009 the DWP published an account of the consultation responses received and the Government's proposed 'next steps'. Nearly 90 had been submitted (DWP 2009: para 1.1.2). Reaction to the proposals for payment in advance of benefit were generally favourable, and a commitment was now given to take 'powers to introduce advance payments of benefit in the current Welfare Reform Bill' (DWP 2009: para 2.1 *passim*). The principle of a single loans scheme was also widely supported, but here some of the practical issues raised caused the Government to commit only to 'continue to look at this proposal carefully'. Few respondents took issue with the notion that Community Care Grants needed reform. However, the language of the consultation document, with its emphasis on a 'more focused' scheme met considerable resistance from groups who read this as a code for reducing expenditure. The Government responded by confirming the need for reform, but making it clear that there was no 'wish to reduce the amount of money available for grants' – simply a feeling that 'the available money should be better spent'.

It was the proposal to contracting out the Fund to Credit Unions, or other third sector organisations which met with the most scepticism, while reaction to the suggestion that interest might be charged on these new-form Social Fund loans was almost entirely hostile. No group appeared more indignant at the proposed inroads into the national nature of the Fund than the Conservative opposition. Teresa May, just over a week into her appointment as Shadow Work and Pensions Secretary, told the House of Commons that her Party opposed proposals to allow interest to be paid on Social Fund loans, both because 'some people are not in a position to pay them back', and also because the Government proposed removal of the Social Fund itself 'from areas where external provider loans are available'. It was wrong, she declared, that 'in some parts of the country, people will be able to get social fund loans only from these external providers' (Hansard, January 27 2009).

Given the scale of opposition, it is not surprising that the 'next steps' document announced the abandonment of the notion of charging interest, as if the idea had never been the Government's, in the first place:

> 'We will not be charging interest on Social Fund loans. As many respondents recognised, this would disadvantage excluded groups. We agree. Any loan scheme set up by an external provider in place of Social Fund provision will also be interest free' (DWP 2009: para 2.23).

There was to be no immediate further action to subcontract the Fund outside the DWP, but the administration remained interested in the idea of setting up a loan scheme 'administered by external providers to replace Social Fund loans'. In this way, partnerships could be developed through which 'people would be dealing with a local organisation which, as well as providing credit, can also offer them support and other financial services'. The response document therefore announced an intention to take 'powers in the Welfare Reform Bill to enable the Secretary of State to enter into arrangements with external providers to provide loans in place of the current Social Fund provision' – even though no use of those powers would be made without fresh 'work with interested parties to develop this policy further' (DWP 2009: para 1.2.1).

Thus ended 'the first step in what we intend to be a more fundamental reform of the Social Fund' (DWP 2009: para 2.4.1). A more detailed and formal consultation document was promised for the summer of 2009. In practice, two developments delayed the intended publication. The Parliamentary passage of the Welfare reform Bill was more protracted than government business managers had first anticipated, only receiving the Royal Assent on 12 November 2009. In the meantime, on 15 June 2009, the Calman Commission on Scottish devolution had published its report in which it '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' (DWP 2010:51). Labour's final set of proposals for Fund reform, *Social Fund Reform: Debt, Credit and low-Income Households* (DWP 2010), thus emerged only in the dying days of the Brown premiership, being published as a Green Paper on 15 March 2010.

In most ways, the March 2010 document repeated proposals which had now been in circulation for almost two years. Proceeding from the premise that 'the Social Fund has remained largely unchanged in the two decades since its introduction' (DWP 2010: 7), it went on to declare that the existing scheme was 'passive' – doing 'little to help people build up personal financial management skills'; it was 'short-term' and 'complex' and presented a series of 'delivery challenges', if the system were to 'provide better value for money for the tax payer' (DWP 2010: 7). Insufficient space exists here to rehearse the detail of proposals which, in any event, were not to survive Labour's defeat. At a headline level, they included an 'early' proposal to make Budgeting Loans available earlier in a benefit claim and a 'requirement' that anyone making repeat applications for a Crisis Loan should attend a face-to-face interview and ‘more stringent checks on what the loan is required for’ (DWP 2010:8). The Green Paper did nothing to suggest that the Fund would cease to be part of the national system of income maintenance. Rather, it confirmed the Government’s view that it ‘continues to be a key element of the welfare state’ (DWP 2010:19). A small chink in this armour did appear, however, in a suggestion that ‘more personalised interaction and wider support to meet the needs of our most vulnerable customers’ might ‘best be delivered by Jobcentre Plus, *local authorities* or third sector organisations, or possibly a combination of providers’ (DWP 2010:9: emphasis added). Three specific aspects of the Green Paper do require brief attention.

Firstly, while the document confirmed Labour’s retreat from the notion of handing Fund responsibilities to private providers, it did return again to the possibility of third sector involvement, especially in relation to Community Care grants which ‘are not repayable and may lend themselves more easily to being delivered by an alternative provider to Jobcentre Plus’ (DWP 2010: 51).

Secondly, the Green Paper provided further detail on the Government’s response to the Calman proposals. In its immediate White Paper responding to the Calman Report- *Scotland’s Future in the United Kingdom* (The Scotland Office 2009) - the Government had simply agreed to consider the proposal. Now, in the Social Fund document, it appeared to row back from anything immediate or specific. The March 2010 Green Paper put off consideration of alternative providers of Social Fund services for fresh deliberation, sometime in an undated future, saying that, ‘when we do, we will consider the devolution aspects of the policy as part of that exercise’. In all that, the Department also made it clear that, ‘If responsibilities were to be 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 England and Wales delivery has already been devolved to the local level’ (DWP 2010:51). Finally, it sent up a warning flare about the financial consequences of devolution: ‘Community Care Grants. 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’.

Thirdly, the Green Paper developed an idea which had been considered as part of the wider welfare reform agenda. The 2009 Welfare Reform Act had already made provision for a successful applicant for a Community Care Grant to be awarded goods or services in place of cash where the Secretary of State had entered into a contract with suppliers of the relevant goods or services (DWP 2010:38). Now, the Green Paper proposed, ‘as an early change’, the wider provision of ‘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’ (DWP 2010:21). The shift from cash to direct provision of goods and services is a fundamental one, in the welfare state. Two rationales were generally cited in favour of the move. On the one hand, focus group respondents to the Rowntree research emphasised the issue of fraud: 'all groups were in favour of vouchers because this would ensure that Social Fund awards were spent on the items requested and reduce non-genuine claims' (JRF 2006: 80). On the other, the House of Commons Public Accounts Committee placed greater weight on the efficiency gains to be made in this way. They recommended that the Government look into the use of store cards or central contracts to supply frequently requested items, such as beds and refrigerators, both in order to reduce fraud, but also because of the capacity to 'generate significant financial savings' (PAC 2010: 7). Negotiating contracts for goods centrally, gaining bulk discounts from suppliers is estimated to save around £14 million a year (PAC 2010: 13). In the Labour Green Paper the emphasis was on the latter – the possibility that, through bulk purchase, more people might be helped and the quality of goods supplied enhanced. In the proposed scheme there was to be 'a choice of high quality goods, none of which will be identified as from the Social Fund' (DWP 2010:38). Applicants would retain a choice, and receive a guarantee with any products.

By the end of the New Labour era, therefore, a series of key issues had come to the fore. Within a continuing commitment to the overall sum of money available to the Fund, moves were being made to rearrange its internal architecture and to share (if not shift) responsibility with a new range of organisations. For Labour, changes in the design of the scheme were needed because of 'a problem in the structure of the loans scheme' (DWP 2010:19). While outright involvement of the private sector had been ruled out, the door remained open to third sector organisations and, latterly, to greater involvement of local authorities. Moreover, in the months before the General Election of 2010, the Calman Commission had, for the first time, placed the future of the Fund in the context of devolution.

3.4 A wider reform agenda

The Joseph Rowntree Foundation (2006) commissioned a major Report into the circumstances and needs of those eligible to apply for a discretionary Social Fund, the factors associated with the awarding of a grant or loan, the nature of those awards and the use to which they were put. It also included a discussion of possible reform of the Fund, distinguishing between reform *to* the then-existing scheme, and reform *of* the discretionary Fund. It was the first independent, in-depth research into the extent to which the Social Fund was meeting its objectives since Huby and Dix in 1992.

The Report (JRF 2006: 51) concluded that the available evidence produced a 'picture of benefit recipients struggling with an income not sufficient to meet all their needs and experiencing poverty and social exclusion'. This was the 'important context' in which understanding of the Fund had to be understood. The impact of the underlying impoverishment of claimants meant that 'rather than their unmet needs being one-off, intermittent expenditures or emergencies as the Social Fund scheme supposes, their unmet needs were more persistent and regular because of the relatively low level of their benefit income' (JRF 2006: 51).

Despite the need for the sort of service which the Fund was intended to provide, the JRF research found that beneficiaries, potential and actual, were deterred by the administration process, where 'the experience of applying and dealing with Social Fund staff was described as degrading and humiliating'. The uncertainty of the outcome and the non-negotiable nature of repayment levels were additionally off-putting. Doorstep lenders were seen as 'providing a more responsive service. They gave an immediate decision and offered lower and negotiable repayment rates'. The Rowntree research brought together a long list of further reforms which had been proposed *to* the Fund, but which did not form part of the 2004/05 changes. These included: the need for better information and advice (Select Committee on Social Security 2001, Barton 2002, Wicks 2004); widening eligibility to the low paid and/or those in receipt of other benefits (New Policy Institute, 2002, Collard 2003, Regan and Paxton 2003, Hillman 2004); and increasing Social Fund budgets (Kempson et al 2002, Buck and Smith 2003).

Amongst a long list of reforms *of* the Fund, the Rowntree Report highlighted the possible replacement of the loan system with one based on grants, a proposal previously supported by Craig (1992), the Commission on Social Justice (1994), Gill (2001), the Select Committee on Social Security (2001), Howard (2002), the New Policy Institute (2000), Buck and Smith (2003, 2005), Lakhani (2003) and the Work and Pensions Select Committee (2004). The type of grant regime varies between authors, with schemes proposed of regular grants (tied, for example, to significant points in the year), life event grants (tied to significant points across the life cycle), essential items grants and crisis payments (based on Crisis Loans, but also available as grants) (JRF 2006: 82).

As well as a review of the available literature, the Joseph Rowntree research involved a series of focus group sessions, involving 'a range of both actual and potential users of the Social Fund' (2006: 118). Here many different views emerged about the specifics of any new grant regime. However, the most important common conclusion was set out in the Report in the following way:

> 'Participants in the policy groups advocated a more generous scheme. Their scheme would: have a wider eligible population, in terms of benefits, savings and income; be needs driven rather than based on categories of people; cover a broader range of needs; and have more emphasis on grants than loans' (JRF 2006: 90).

For those who did succeed in obtaining a Social Fund payment, the Rowntree research concluded that money usually reached those 'key groups which might need additional financial support for meeting one-off expenditure' (JRF 2006: 52) and that the use of the Fund was concentrated amongst the most disadvantaged. Such recipients were 'more likely to have other debts than non-recipients, suggesting that they also used other sources of help to meet their needs'. Moreover, the research concluded that ‘Social Fund loans are used for intended items. Social Fund loans were more likely to be used for food, housing and furnishing and less likely to be used for recreation, compared to other loans’.

At the end of the Report, the Rowntree authors (JRF 2006: 97) make three specific proposals:

- That any new system should be more grants-based, because of the evidence that loan repayments lead to hardship;
- That any new system would require substantial extra funding;
- That any new system should be transparent and open, with clear entitlement criteria and decision-making.

As a later section in this paper makes clear, on each count the proposals of the 2010 Coalition administration were to move in the opposite direction.

To summarise: by the end of the New Labour era a set of characteristics of the Fund were firmly established. Most of these had been true of the Fund since it came into being. They included:

- Rapidly rising demand. In 2006/7, 3,796,000 applications for help were made to the discretionary part of the Social Fund. By 2009/10 this figure was 5,971,000(DWP 2011: 18). Budgeting loan applications were 9 percent higher than in the previous year. Community Care applications had increased by around 13 per cent (DWP 2010:28).
- Administration which remained complex and expensive. Despite attempts at automation, in 2005, nearly 3,500 staff administered the Fund, at a cost of approximately £70 million (PAC 2005: 2).
- Standard of administration remained poor or indifferent. In 2005, the Public Accounts Committee reported that only 52% of initial decisions on Crisis Loans were correct (PAC 2005: 2), although, by 2010/11, DWP (2011: 25) records showed that this has improved to 62%.
- Crisis Loans had emerged as a particular point of difficulty and dissatisfaction. Applications to this part of the Fund increased from 85,725 in Aug 2006 to 125,121 in Aug 2007 (46% rise in one year). In 2008/9 there were twice as many Crisis Loan applications as in 2006/7, an increase from 1,448,000 to 2,895,000. Gross expenditure increased by 70 per cent over the same time frame (DWP 2010:29). By 2009/10, applications had jumped to 3,645,000 (DWP 2011: 16). Patterson (2008: 93-4) notes that ‘civil servants put this increase down to people being able to make a claim over the phone rather than having to travel to a Jobcentre Plus office’ – although the substantial level of difficulty experienced by people in getting through on the telephone cast some doubt on the force of this explanation. In 2005, 40% of Crisis Loans were made to claimants waiting for another benefit to start. The more likely explanation is to be found in the difficulties experienced in other parts of the benefit system. In 2005, the Public Accounts Committee found that 40% of

Crisis Loans were made to claimants waiting for another benefit to begin. They concluded that 'some of these 'alignment' payments are a poor use of the Fund' (PAC 2005: 2), yet the problem worsened over the five years which followed.

One of the recurrent features of the Social Fund is the 'balloon' effect, which can be seen in attempts to deal with difficulties in its administration. Patterson (2008) demonstrates this very effectively in tracing the impact of the 'Crisis Loan Improvement Plan' which the DWP instigated in May and June 2007 in response to the crisis in administration which had occurred as a result of rapidly increasing applications. Staff were transferred from work on Community Care Grants to tackle the queue in Crisis Loans. The waiting time for such Loans duly reduced. The processing time for Community Care Grants, however, increased. The number of outstanding applications, Patterson (2008: 94) reports, doubled from just over 12,000 in mid-March 2007 to over 24,000 in Aug 2007, producing processing times of up to 15 weeks in some areas for Community Care Grant applications. Appendix Two sets out the detailed changes in demand to the Fund, and the awards made from it, over the past five years.

4. ABOLITION OF THE DISCRETIONARY FUND

4.1 Coalition plans

Neither the 120 page Conservative Party Manifesto (Conservative Party 2010), nor the more modest 57 page Liberal Democrat document (Liberal Democrats 2010), made any specific reference to the Social Fund in their General Election Manifestos of 2010. Neither did either of the two agreements between the two Parties published in May 2010, including the more detailed Coalition *Programme for Government* (Cabinet Office 2010). It came as something of a surprise, then, to find radical reform of the Fund featured in the Department for Work and Pensions White Paper, *Universal Credit: Welfare that Works* (DWP 2010b), published less than five months after the Coalition Agreements had been drawn up. Chapter Six of the White Paper, 'Universal Credit and the Wider System', set out the proposals, and these are to be found in Appendix Two of this paper. In summary, however, the changes would include the abolition of the discretionary elements of the Fund and the repeal of the not-yet-implemented external provider social loans and Community Care Grants sections of the Welfare Reform Act 2009 (HL Bill 75: sections 69-72). Budgeting loans will become an advance-of-benefit facility only available in certain circumstances (COSLA 2011). The Crisis Loan and Community Care Grant elements of the Fund are to become the responsibility of local authorities in England, and the devolved administrations in Scotland and Wales (DWP 2011: 19). The national framework for these elements of the Fund will disappear, the Government having made it clear that 'eligibility criteria for the new services will be for individual local authorities to define' (DWP 2011b: 28). In all this, the Coalition administration has been clear that no extra funding would be provided. In fact, the budget for the discretionary Social Fund in 2011/12 is £732 million; down nearly 9% from £802 million in 2010/11 (DWP 2011: 15-16).

Certainly, in Wales, no prior discussion had taken place of this policy departure. In Scotland the general position was different, because of the Calman Commission, but even here the specificity of the White Paper appeared to come as a surprise. It is important, therefore, to attempt to place the proposals in their policy context. A set of reasons which lie behind the intention to dismantle the Social Fund can be deduced, and each is now briefly set out.

The Coalition has continued some themes from the proposals of the dying days of New Labour, now coming in the form of recommendations for local authorities and the devolved administrations; rather than as proposals for a national framework. An example of this is the provision of goods and services. An earlier section has traced

Labour's willingness to move from cash grants to direct provision of goods, as part of the Fund's operation. Under Coalition plans, however, both the tone and the content of the proposal had altered. Now the talk was of recycling and re-use of 'serviceable' furniture and white goods, supplied to claimants who if 'in genuine need' would be willing to 'accept the support that is offered' (DWP 2011b: 27-8).

The proposals also suggest that local authorities should consider requiring 'customers' to provide evidence of proof of purchase when utilising the cash-based scheme; and that 'it has also been suggested' that enforcement of this scheme would involve claimants not being able to access the service again should they fail to comply (DWP 2011b: 28). This fundamental distrust of claimants can be seen as part of the Coalition's general abuse discourse. It all seems a long distance from the Social Fund Inspectorate's advice to benefit officers, as recently as 2002, that 'All social fund decision makers should accept what an applicant says unless it is self-contradictory or inherently improbable' (Deakin and Cooling 2002:7).

A further-related- example of continued, but altered, Labour policy is that of the Government recommendation of third party involvement; but not in the form of Credit Unions as Labour had proposed. It is suggested that 'Local authorities may wish to consider entering into contracted partnership with neighbouring authorities where this would be mutually beneficial' (DWP 2011b: 25). It is envisioned that local authorities may wish to create a partnership with the Furniture Re-use Network, and points to the work of the self-funding PREEN social enterprise project in Bedford (DWP 2011b: 26). However, little instruction is given as to how these would work in practice, and simply gives local authorities the hint that they should consider it. This approach differs from Conservative criticisms of Credit Union involvement when in opposition. 'Partnership arrangements with third party organisations for *some or all* of the new service may be an optimal model for some local authorities' (DWP 2011b: 26, emphasis added). It is interesting, at this point, to note the protests from Teresa May, back in 2009, that it was wrong that 'in some parts of the country, people will be able to get social fund loans only from these external providers' (Hansard, January 27 2009).

4.2 Economy

In defending their proposals, Coalition Ministers call in aid a set of arguments which echo down the years, and which have long been part of the armoury of those opposed to state-sponsored welfare. The first White Paper of the post 1979 era famously began with the declaration that 'Public expenditure is at the heart of Britain's present economic difficulties' (see, for example, Hills 1998). Thirty years later, the latest economic 'crisis' provided new cover for welfare retrenchment. The Chancellor of 2010 has embarked on an unprecedented level of public expenditure reductions by claiming that 'we are all in this together' (Osborne 2009). Poorest citizens, however, are in it to the greatest extent of all. The Institute of Fiscal Studies reviewed the Chancellor's claim to have drawn up a 'progressive Budget', before concluding that ‘this was not true’ (Browne and Levell 2010: 1). Despite repeated rhetorical insistence that ‘the most vulnerable’ were to be protected, it is clear that the determination to cut back on expenditure lies at the heart of the proposal to abandon this final safety net of the post-war welfare state. As Secretary of State, Iain Duncan Smith (2011) told the House of Commons Work and Pensions Committee:

> ‘I must just say about the Social Fund that we have had to try to bring it under control, because with the very nature of what has gone on in the past few years, it has run out of control. Thus, trying to get the thing back under control is our first priority, which is why we have made sure that we try to manage the awards back to a level that is around the 2006–07 levels. In the past few years, it just rose and is out of control. Trying to manage that back down is the main principle in financial terms.’

4.3 Abuse

When seeking to reduce or eliminate a social security benefit, administrations of different political colours have long concluded that attacking the recipients of that benefit is guaranteed to evoke appreciative support in the British right-wing media. Lister (1991:93), reflecting on a decade of Thatcherite reform in social security, concluded that, ‘the spectre of ‘abuse’ was raised again in the mid-1980s to justify first drastic cutbacks in the provision of regulated single payments under the supplementary benefits scheme and then their replacement by the social fund’. Now, many of the same arguments were used to justify the Fund’s own dismemberment. In February 2011, the *Times* reported on the Government’s intention to mount a ‘crackdown on crisis loans as total reaches £1 million a day’ (2011, February 5). The same language appeared in the DWP’s response to its call for evidence on its Social Fund reform proposals. The rise in demand for Crisis Loans was attributed directly to abuse, rather than genuine need. There was ‘repeat casual misuse’ of the Fund which had been ‘an unintended and perverse consequence of the move to a telephone service and the easements to the scheme that were introduced in 2006’ (DWP 2011b: 15). The Department proposed an immediate restriction on awards of Crisis Loans for general living expenses to three in a rolling twelve month period, prior to its devolution to local authorities, the National Assembly, and the Scottish Parliament. It is not an unduly cynical reaction to note that such restrictions will reduce the amount of money being expended for Crisis Loan purposes, just before such funding is due to be transferred to a different tier of Government.

Furthermore, as Alan Barton- writing for the Citizen’s Advice Bureau’s *Evidence* journal - points out, the view of the DWP that the increase in Crisis Loan applications was the product of abuse of the system had not been backed up by any evidence (2011: 6). Evidence of unmet need, on the other hand, *is* confirmed (Barton 2011: 6-7) by statistics in the most recent Secretary of State’s Annual Report. The Report demonstrated that when claimants sought a review of an unsuccessful Social Fund, 35 per cent were successful on first review. In cases reviewed by the Independent

Review Service, 42.2 per cent had the original decision substituted by a more favourable one (DWP 2011: 35).

4.4 Big Society

Debates of twenty five years ago remind us that reliance on charity has long been an embedded part of the Conservative approach to poverty-relief. The Social Fund manual, on which local benefit officers relied, explicitly required decision-makers to explore whether financial support was available to claimants from charitable sources. Unsurprising, then, that Lister (1991:94) reported that charities were 'reporting a big increase in demand for basic items in the wake both of the Social Fund and earlier cutbacks in single payments'. That shift from public to private welfare was part of a wider pattern of privatisation in social policy (see Drakeford 1999) Charities were unable to meet the demands made on them, with The Children's Society commenting that 'the resources of charities…are so limited that they cannot play a major role' in meeting needs, and that they will never be an adequate substitute for statutory provision (1996: 49). The less deserving were forced to turn to moneylenders. Lister (1991:97) noted the gendered consequences of these changes: 'women are particularly vulnerable to such shifts in the locus of dependency, both because of their position in the family and because, in their common role as family budgeters, they often bear the main burden of the impact of such changes'.

In 2010 these old arguments reappeared in the new guise of the *Big Society*, the Conservative Party's repackaging of its long-held belief that state provision acted corrosively to drive out individual and local initiative. No government since 1945 had turned its back in wholesale fashion on a responsibility which its predecessors had accepted in the field of poverty relief. Governments of more than one colour had added to these responsibilities (the Labour Government of 1966 in its provision of rent and rate rebates, the Heath Government of 1970, in its introduction of Family Income Supplement, for example). The form in which relief was provided had altered many times. But no government had reduced the scope of the national scheme. The Welfare Reform Bill (2010) set off in that direction for the first time, proposing the abandonment of the national Social Fund and the national scheme for Council Tax Benefit. Local action, with its scope for drawing on charitable and voluntary effort, in *Big Society* style, lay at the heart of the rationale for doing so.

4.5 Central: local government relations

The 1945 welfare state established a division of responsibilities which lay at the centre of the new arrangements. Income maintenance policies were to be discharged through a national scheme, nationally organised and administered.

‘Welfare’ services were to be delivered by local authorities. As the former succeeded, it was believed, in bearing down on and, eventually, eliminating poverty, the need for the latter would reduce accordingly. For thirty years after 1945, progress in poverty reduction, even when only slowly realised, remained an ambition of every United Kingdom Government and the basic assumption that this remained a national responsibility went unchallenged in mainstream policy-making circles. The post 1979 administrations marked a break with this, as with so many other, previously taken-for-granted ways of acting. By the time the Social Fund came into being it had already shown a willingness to erode the distinction between national and local responsibilities, when it established the administration of Housing Benefit as a function of local government in 1983. In the debates which surrounded the Social Fund, there had been extensive speculation – fuelled, Lister (1991:94) suggests by the Griffiths Report into community care – that it, too, might be transferred to local councils. A general climate had been created in which it was widely believed that the national government’s reaction to evidence of growing poverty and widening inequality included making local authorities responsible for the management of poor relief (Stewart and Stewart 1993: 409), placing them in the front line of a wholly inadequate system. Hill, writing just as the Social Fund came into existence, reported that:

> ‘The expectation is that the Social Fund will sharply increase the numbers of problems which local government staff…will have to try to solve in other ways, by drawing upon their own limited cash supplies’ (Hill 1989: 245).

As noted earlier, in setting out the early resistance to the establishment of the Social Fund, the political landscape at local level is, in 2011, and for the time being at least, more propitious, as far as the Coalition administration is concerned. To begin with, today’s changes to the Social Fund have been proposed much earlier in the political cycle, at a point when the new administration continues to possess some of the forward political momentum which follows an election victory, even of an equivocal variety. Large parts of the political landscape of local government remains in sympathetic hands. A year into government, in May 2011, the Conservative Party emerged in better than expected shape from local government elections in England, their support buoyed up by a referendum on the same day on the electoral system, and a widespread meltdown in support for their coalition partners, the Liberal Democrats. Put simply, the political context for resistance to the post 2010 reforms does not exist, in the way in which it certainly did, in the late 1980s.

Moreover, the policy rhetoric is also very different. There can be little doubt that the Thatcher administrations were as hostile to local government, as Labour council leaders were to her. The abolition of local councils, rather than their enhancement, appeared closer to the Prime Minister’s view of the future, as the fate of the Greater London Council and the English Metropolitan authorities (Atkinson and Wilks-Heeg 2000: 107-111) appeared to demonstrate. Even where new responsibilities were proposed for local government, they appeared to contain the seeds of the authorities’ own destruction. When, for example, community care budgets were transferred to councils in the 1990s in the 1990 NHS and Community Care Act it was on condition that 90% of those new sums were to be spent on services provided by non-council sources.

Today, the reform of the Social Fund is described by Ministers as shaped crucially by the administration's 'localism' agenda. Giving evidence to the House of Commons Work and Pensions Committee, and dealing specifically with the Fund, Iain Duncan Smith (2011) reminded Members who complained of a potential post-code lottery that: 'The reality really is that, from the word go, the Prime Minister has made it clear that he wants to see as much as possible being moved to the local level, to local councils'.

4.6 Universal Credit and the wider welfare context

Proposed changes to the Social Fund have to be understood in the wider context of welfare reform, as intended by the post May 2010 Westminster Government. The reforms, announced in the October 2010 *Spending Review* mean cuts of £7 billion, with total cuts to the welfare system reaching £18 billion per annum by 2014-15 (HM Treasury 2010). There is not sufficient space here to detail all of the welfare changes which contribute to this huge slice out of the social security cake, but what follows are a few brief examples.

From April 2013, Council Tax Benefit spending will be reduced by 10 per cent and devolved to local authorities and devolved administrations (HM Treasury 2010: 69). Disability Living Allowance is to be replaced by a new benefit from 2013-14, which includes a movement 'away from automatic entitlement based on certain conditions to assessments based on the impact of an impairment' (DWP 2011c: 6). Further means-testing is to be forced, then, upon those with disabilities. Housing Benefit has been 'capped', and the maximum £15 weekly excess that some were eligible for under Local Housing Allowance has been removed (DWP 2010c: 7). In terms of Tax Credits and Child Benefit, the Government has frozen Working Tax Credit for 3 years from April 2011, cut childcare subsidy in WTC by 10%, and stipulated that couples need to work 24 hours a week rather than 16 in order to receive WTC from April 2012 (HM Treasury 2010: 68-9). The Health in Pregnancy Grant was abolished on 1 January 2011; and the Sure Start Maternity Grant will only be available for the first child, unless it is a multiple birth or the new child is the only one under 16. In addition to this, 'benefits, including the Local Housing Allowance from April 2013, will now be indexed in line with the consumer price index (CPI) measure of inflation, rather than one derived from the retail price index (RPI)' (IFS 2011:3), further squeezing the income of those receiving benefits.

It is not possible, here, to rehearse the many ways in which these broader changes will impact upon the demand which, in the present system, falls upon the Social Fund. Two brief examples will have to suffice to illustrate this wider picture.

Firstly, the major plan to move to a Universal Credit system involves a shift from fortnightly to monthly benefit payments. The Crisis Loan difficulties of recent years already demonstrate the problems which claimants experience in moving from welfare to work. Barton (2011:6) points out that, in 2009/10 1.3 million Crisis Loan alignment payments were made, as a result of the slow processing of many benefit claims. Now, as the Work and Pensions Select Committee (2011: 72) have pointed out, 'low-income households may not find it easy to operate on a monthly basis'. The shift carried an inevitable 'risk of increasing demand on the Social Fund for emergency payments'.

Secondly, the Universal Credit system relies, as the Public Accounts Committee (2010: 3) point out, 'upon the successful implementation of new IT [and] an optimistic expectation that most customers will communicate online with the Department'. As noted earlier, the shift in Social Fund applications to a telephone based system brought significant problems in its wake including, according to the Coalition Government, a rise in fraud. The DWP's Departmental Business Plan relies on 80% of applications being made on-line by September 2013, despite the fact that, 20 months after the on-line system came into being only 17% of new claims for Jobseeker's Allowance were being made online (PAC 2011: 9). While this outcome is not surprising, in view of the finding of the Office for National Statistics that, in 2010, 31% of the poorest in society do not use the internet (PAC 2011: 9), it clearly points to a further potential increase in demand for emergency help from the Social Fund, as applications are delayed or disrupted by the reliance on new technology.

In terms of Universal Credit, the implementation of a new on-line system which can be accessed by so few; alongside the move to monthly payments is likely to leave many more in need of Crisis Loans. For the Social Fund itself, budget cuts and administrative upheaval compound to create the potential for major problems in the near future. The wider changes to the benefits system add to a shift in policy in which the losers will be the poorest in society.

5. WHAT IS TO BE DONE?

Against this background, this paper ends with some thoughts as to how a Welsh response to Coalition proposals might be shaped, and what such a response might contain.

Our starting point is that the devolution of Social Fund responsibilities to Wales ought not to be regarded as a *fait accompli*, simply because such a proposal has emerged at the London end of the M4. This may be relatively uncharted constitutional territory, but it is certainly one which is worth proper consideration. Of course, there are parts of the Welsh polity for whom any devolution of powers has to be grasped, as part of a nation building effort, however unpalatable those powers might be. For those who take a more selective view of these matters, the operation of Legislative Consent Motions (LCMs) needs to be a consideration. Hitherto, LCMs have been used only when Westminster seeks to pass legislation in a field already devolved to Wales, and where the National Assembly is required to give or withhold its consent to such a course of action. LCMs are not the vehicle through which the National Assembly can agree or disagree to taking on new responsibilities - but a means of doing so is surely needed. It cannot be right that random and ramshackle powers can be reassigned to the Assembly, without its agreement. It is not our intention, here, to propose that the National Assembly should necessarily resist the devolution of the Social Fund. Rather, we simply call for a debate on the matter. Our starting point is that the integrity of the British income maintenance system ought to be maintained, and that the real policy challenge we face is to find ways *of improving* the operation of the Fund (including its potential replacement), rather than its destruction. That argues, of course, for leaving responsibility for the Fund where it now sits. However, if the Coalition Government is determined to turn its back on its obligations, then a real-world decision emerges as to whether the interests of the poorest households in Wales are best defended by picking up the pieces, rather than anything worse which might emerge, if the Assembly were to refuse to act.

While we continue to argue that the constitutional position is one which needs further debate and clarification, we make the assumption that, faced with the decision outlined above, the Welsh Government will conclude that the best interests of Social Fund claimants have to be put above the political battle, even when that battle might be fought over an issue of considerable importance. The rest of this section, therefore, rehearses some of the considerations which might be taken into account, in designing a scheme for Wales.

Here our starting point is that determining the future of the Social Fund ought to lie at the very opposite end of the spectrum to that occupied by elite policy making. The direct involvement of past and potential users of the Fund, as well as those who are experienced in its day-to-day administration seems to us to be key to redesigning a scheme in Wales which makes best possible use of the inevitably inadequate sum of money which will be devolved alongside the new responsibility. The Welsh Government has an enviable record of working through partnerships in many aspects of its work. It needs to apply that approach, now, in its thinking about the future of the Fund, bringing a new partnership to bear which prioritises the views and insights of those most closely affected by the Fund. A process could then follow in which a variety of voices are engaged in developing policy recommendations for Ministers to consider.

In our view, such a process is urgently needed, if only to help make good the deafening silence, and absence of debate, which has characterised this issue to date. The Calman Commission's views have given something of a head start to discussions in Scotland. Before setting out some specific policy suggestions which might be considered within any Welsh conversation about the Social Fund, therefore, we next set out some of the thinking which has emerged in the Scottish context and which might have some relevance to Wales.

Two main sources of Scottish consideration have become available in the post Calman period. The Scottish Government has commissioned and published a review of the available literature (Grant 2011) which concluded by outlining three alternative models for the future delivery of the Fund in Scotland (2011: 34-38). Firstly, it set out ways of improving the current system; tackling the application process, increasing other access channels other than forms and reducing refused applications and appeals. Secondly, it proposed a new system of grants including ‘child development grants’, health and safety grants’, and ‘regular grants’ which could be used to help with budgeting of winter expenses. Finally, the paper identified the option of a ‘new, holistic, individually tailored model’ which would be responsive to the needs, priorities and general policy direction of the devolved nation.

In August 2011, the Scottish Government published a consultation document of its own. It rehearsed the gap in thinking between the social policy stance being pursued in Scotland, which it described as an ‘assets-based’ approach and the operation of Community Care Grants and Crisis Loans which it concluded were ‘not aligned to this approach’ (2011: 8). In one respect, the Scottish Government had already reached a conclusion. ‘The successor arrangements’, it said, ‘should combine the current systems of grants and loans into one grant fund’ (Scottish Government 2011: 8). Their consultation document defends this position by asserting that:

> ‘While delivery partners have considerable experience of operating grants schemes, few, if any, have similar experience of offering and recovering loans. Considerable (new) infrastructure may therefore be required to operate a loan, rather than grants, scheme. It may prove challenging to implement a new loans scheme to the 2013 timescale’

Other than in this regard, however, the paper concludes that, were responsibility for the Fund to be devolved, it would not be possible to realign the funding to wholly new purposes. Instead, the consultation focuses on alternative delivery mechanisms asking, in particular:

- Whether the successor arrangements should combine the current systems of grants and loans into one grant fund
- Whether Scotland should use a centralised or local delivery system
- If locally, then which organisation or organisations might deliver a locally based scheme
- Whether scheme eligibility criteria should be refocused and, if so, how
- Whether the Scottish scheme should operate through providing goods (e.g. using furniture re-cycling, white goods purchased through government procurement) rather than cash grants
- Whether the devolved arrangements should include other support such as budgeting or other advice and encouraging savings
- How an appeals system, based on openness and transparency, might best be made effective

Alongside the Scottish Government, the Convention of Scottish Local Authorities (COSLA) also released a report in May 2011 calling for members' views on how to proceed with the Social Fund in Scotland. The Report highlights two issues: 'the financial risk involved in taking on responsibility' of the Fund; and the 'potential conflict involved in providing both an income maximisation and income maintenance role' (COSLA 2011: para 2)

As to financial risk, it was 'strongly suspected' by COSLA that demand for the Fund would far outstretch the financial package provided. Even if eligibility could be constrained, local authorities would still have to pick up the pieces of the resulting unmet need, such as spiralling debt leading to homelessness (COSLA 2011: para 14).

In relation to income maximisation, the Report struck a particularly sceptical note in relation to the 'often contested' idea that social workers might be in the best position to deliver a replacement to the Fund; suggesting, rather, that social work staff would be subject to 'increased risk of violence and abuse if they take on the contradictory role of attempting to support vulnerable groups and performing assessment for grants'. More generally, the Report concluded that taking on the Social Fund would 'compromise the income maximisation role of the local authority and the relationship between the local authority and constituents' (COSLA 2011: para 17).

Finally, in relation to the suggestion that the loan elements of the Fund could be converted into grants, the Report concluded that, while a grant system would 'ease the administrative burden' of local authorities, and be more effective in tackling poverty amongst those assisted, the impact of converting loans into grants would mean a halving of available money in an already oversubscribed Fund.

What does all this mean for the detail of any scheme which might be devised in Wales? In what follows, we attempt to separate the issues into two main categories. Firstly, we set out some *principles* which we believe should be characteristic of any new arrangements in Wales. Secondly, we turn to the issue of how the new responsibilities should be discharged.

5.1 Principles

- However the scheme is to be organised in Wales, it must operate within a set of national minimum standards, set down by the Welsh Government.
- Those minimum standards must include a set of framework eligibility criteria, to be applied across Wales.
- Whatever funding is provided for post-Social Fund purposes in Wales, it must be ring-fenced for such purposes, for a minimum period of three years.
- Any scheme must include wider benefit and financial advice, including access to savings and loans services.
- However a post-Social Fund system operates in Wales, any new scheme must include a capacity to make cash grants and loans, even if a well-regulated system of providing quality goods exists alongside it.
- An appeals system must be an integral part of any process, operating to a common format and standard across Wales.

5.2 Delivery

In thinking about how these principles might be put into practice in Wales, our starting point is that we must avoid an unthinking replication of the assumption being made in England: that local authorities are best placed to take on whatever follows from the Social Fund. It may be that local authorities will be, in the end, the least-worst option for discharge of Social Fund responsibilities - but we should not simply assume that this will be the case. At least two other models exist which we think deserve consideration, as part of a wider debate.

We will deal, first of all, however, with the local authority option. Those who advocate this approach argue that local councils are already in contact with the bulk of those who draw on the Social Fund for Community Care Grants or Crisis Loans. There may be some truth in the former case (although hard facts, rather than simple assumptions are in short supply in support of this contention), but there are no grounds to make such an assertion in the latter. In both cases, it seems to us, it would be wholly undesirable that people whose needs arise from a simple lack of money should have to transform themselves into welfare cases, in order to obtain the help they need. In particular, therefore, we reject the assumption that social services departments should be expected to take on Social Fund responsibilities. The role of social workers needs to continue to be one of advocacy and advice, rather than cash-rationers. We understand, already, that social workers can act as supporters of individuals and families who are subject to action by other arms of the same authority. Housing is a clear example of a service where this already takes place. It appears to us to be inevitable that, if local authorities become responsible for post- Social Fund services, there will be some erosion of their ability to pursue income maximisation in a one-dimensional fashion. However, councils already face contradictions of this sort. Local authorities determine grant applications, across a wide range of functions. They administer Housing Benefit and make determinations on claims, and appeals. It does not seem impossible, to us, for local authorities to erect robust systems, in which one arm of the council can act as a determined advocate on behalf of users, even when that advocacy is directed at a decision which the authority itself has to make.

In the Welsh context, however, issues of consistency across 22 local authorities make some of the principles outlined above particularly important. In our assessment, if these elements of the Social Fund were to be transferred to local councils in Wales, the decisions need to be made by a group of staff who are able to develop real expertise in this area. On this point, at least, the evidence is clear and compelling. Even when decisions are made by people who work in this area, day-in and day-out, the level of error has remained stubbornly and persistently high. Without real expertise, those difficulties can only get worse. We know, from other aspects of the Coalition Government's reform proposals, that Housing Benefit is no longer to be administered locally. Perhaps, if the Social Fund is to be transferred to councils, there may be a cadre of staff there, used to working within the wider income maintenance field, whose skills could be recalibrated to take on the new responsibilities.

However, as we have already made clear, our view is that further options ought at least to be considered in Wales, before concluding that responsibilities should move to local authority level. It may be, for example, that a third sector organisation could be identified that has a Wales-wide presence, existing expertise in benefit advice work and an alignment with at least some of the purposes currently served by the Fund. Care and Repair Cymru is at least a potential example of the sort of organisation we have in mind[5]. It is a national organisation, with a care and repair agency in every county in Wales. Its work with older people creates a strong alignment with at least the Community Care Grant element of the devolved Fund, while its 'rapid response' capacity includes at least some affinities with the urgent needs which end in a Crisis Loan application. According to a recent report (Care and Repair Cymru 2010: 7), in 2008/9, cumulatively, the 22 local organisations:

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[5] We must be clear that we have not, in any way, discussed this suggestion with the organisation, which might be horrified at the prospect of taking on such a task.

- Made 20,000 home visits
- Carried out 15,473 Rapid Response adaptations
- Provided welfare rights advice to 1,177 older people, producing £2.7 million in increased take-up
- Conducted 3,788 fuel poverty and energy efficiency assessments for HEES and other grants.

To be clear: our argument is not that Care and Repair Cymru is the right organisation to take on post-Social Fund responsibilities in Wales. Rather we highlight it as *an example* of the sort of third sector organisation which has some pre-existing synergies with the help which the Fund has provided in the past, and which might provide a cost-efficient and effective way of delivering a principles-based programme in the future.

Our third possibility returns to the potential of the Credit Union movement as a vehicle for this work in Wales. As this paper has already demonstrated, previous suggestions of this sort were largely met by a hostile reaction, from within and without the Credit Union movement. What, then, is the case for putting this possibility back on the table in Wales? We think that there are a series of reasons, which at least deserve consideration. They include:

- Credit Union development in Wales is both more extensive, and different in nature, to that in other parts of mainland Britain. We have universal coverage, so Credit Unions operate in all parts of the country. Moreover, the underlying approach to development has been unique in Wales. Here (see Drakeford and Gregory 2007, 2008), there has been less antipathy to the idea of Credit Unions as ‘poor people’s banks’, and a far greater emphasis on a deliberate positioning of unions to occupy that space in the financial market which mainstream banks and building societies have vacated. With their emphasis on local presence, and a strong social as well as financial mission, there are some strong synergies between Credit Unions and the sort of help which, in Wales, we might want to extract from whatever is left of the Social Fund.
- Credit Unions are unique in having, at the centre of their operation, a long history of promoting responsible credit. Making loans is the business of the Credit Union movement and Unions have a positive commitment to agreeing flexible repayment arrangements. By contrast, the Social Fund arrangements are more rigid in character, and often insensitive to financial fragilities. In the absence of anything definitive from the UK Government, our reading of the situation in terms of loans is that there is as yet no proposition of a direct system of recovery of loans from benefit payments for the devolved Fund. We are encouraged in this view by the conclusions drawn in Scotland (Scottish Government 2011: 8), as noted earlier, that loan recovery would require ‘considerable (new) infrastructure’. However, while in Scotland thinking appears to be moving in the direction of helping fewer people, more effectively, by consolidating all devolved monies into a grant fund; here in

Wales we might wish to retain the ability to reach more of those whose circumstances are, already, going to be so adversely affected by wider benefit changes. If a loan element is to be retained then, once again working within a national principles-based framework, the Credit Union movement is outstandingly best placed to take on such work.

- Unions are well placed, too, to link claimants to the wider financial advice which now seems a fixed point in any thinking about the future of the Fund. Those who need its help rarely require simply what the Fund is able to provide. Unions are able to take an in-the-round view of someone's financial circumstances, and mobilise advice over that wider waterfront.
- And in doing so, Credit Unions are uniquely placed to help at least some of those whom the post-Fund arrangements will not help. The paper has regularly highlighted the extent to which applications for help exceed the Fund's ability to meet that need. This position will only worsen, as the help currently provided reduces. Through both their conventional operation, and especially through the ability to make 'instant' loans, it is possible that a Credit Union might be able to offer some alternative assistance to those who will fall beyond the funding available in any post-Fund set of circumstances. Given the cash-limited nature of the Fund, Unions may also be in a position to provide help, even after the Fund itself has run dry. In many ways, this is the single most compelling reason for drawing Unions into this picture.
- Finally, there are some potential financial advantages for unions, in pursuit of their wider search for long term sustainability. If, in Wales, a post-Fund scheme were to become the responsibility of Credit Unions, then there would be a strong argument for transferring the global sum available for these purposes to Unions, at the start of the financial year. In 2009-10, £7,953,700 was spent on Community Care Grants, and £4,314,400 on Crisis Loans in Wales (DWP 2011b: 37). Totaling over £12 million, this money could be deposited, and generate some interest income. With careful management, there would also be the potential to make short-term loans against the global sum, in the early part of the year, generating income in its turn. Through the business which the new scheme would generate, there would also be the potential to turn Social Fund applications into new Credit Union members, with long term benefits on all sides.

Of course, there are drawbacks to Credit Union involvement too. For unions themselves, involvement in the post-Fund work may be a distraction from their main agenda of mainstream savings and loans. The circumstances of those applying for the sort of help previously available from the Fund are likely to be more complex and urgent than Credit Unions are usually equipped to meet. The experience of the Growth Fund has been ambivalent in the evidence it has shown of Unions' capacity to deal in more high risk areas of lending. While there is universal coverage of Credit Unions across Wales, this is not to say that the range and quality of services are uniform. Some unions may be more able to undertake this work than others – but the scheme, of course, has to be available in all parts of Wales. Here, the long-awaited

Legislative Reform Order (now expected to come into force in 2012 might make an important difference. Under the Order, Credit Unions will no longer be bound by geographical limits on their common bond. This means that a smaller number of Unions could have, as their members, anyone eligible to receive money from the Social Fund, wherever they live in Wales. While this would all have to be tested with the Financial Services Authority, it may offer another imaginative way to move forward in Wales.

Finally, in this section, it is important to note that, of course, none of the three possibilities here are bound to be followed in isolation. The third sector offers a far wider range of potential partners than the one highlighted in this paper. In the financial services sector, Moneyline Cymru[6] offers a set of possible contributions which could sit alongside those provided by Credit Unions. Moneyline Cymru currently provides loans, savings, basic bank accounts and advice. They have a 24-hour hotline for helping people to avoid loan sharks (Moneyline Cymru 2011). The interest rate on loans for social housing tenants is 27% APR, which is high in comparison to Credit Unions, but very favourable in comparison to doorstep lenders. However, the organisation currently has just five branches across Wales, pointing again to a consortium solution, drawing on the best of a variety of organisations to create an all-Wales service. Local authorities could play a coordinating role, bringing together a wider partnership to deliver a scheme made here in Wales, in which local delivery takes place within a strong set of national principles.

[6] Again, we have not in any way discussed this suggestion with the organisation.

6. CONCLUSION

The Social Fund has been one of the most flawed experiments in British income maintenance policy-making. Its many imperfections were clear from the outset and derived directly from its origins as a cost-saving measure. Its subsequent history has been shaped, time and again, by the fact that its help is eked out to those who simply do not receive enough in weekly income to meet the costs of even the most basic necessities. Nothing in this paper should be read as suggesting support for the Fund as it has existed to date.

Yet, if the past has been bleak, the future is set to be more difficult still. The truncated help which post-Fund arrangements are intended to provide can only be understood in the context of the £18 billion cuts in the welfare budget which will take place over the lifetime of the present Parliament. Successive governments have responded to the problems which the Fund has exposed and experienced by suggesting ways in which the responsibility might be sloughed off to some other body. The Coalition administration of 2010, however, is the first to turn that aspiration into a reality. The great reforming administration of 1945 regarded solving collective problems as a core responsibility of government. Sixty years later, government solves its own problems by divesting itself of such responsibilities, transferring them into the lives of those least able to bear them.

Because the choice, today, is not between the Fund and something better, but between the Fund and no help at all, we have argued here that a debate is urgently needed, here in Wales, about the new responsibilities which are coming the way of the National Assembly, and Welsh Ministers. Simply to pass the policy parcel down the line to local authorities is not, we have argued, necessarily an answer which serves the best interests of those who most need help. Rather a range of more imaginative and effective possibilities might be capable of being mobilised which could rescue something worthwhile for those who will be directly affected in Wales. Whatever the outcome, a debate is urgently needed and we hope that this paper might help to spark one over the weeks ahead.

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APPENDICES

Appendix One: Reallocation of Loans and Grants

(Guardian 1989, May 30)

Social Fund budgets for 1989-90 compared with 1988-89

Region	Local Offices serving Tory constituencies		Local offices serving Labour constituencies	
Loans	**More**	**Less**	**More**	**Less**
Scotland	8	5	12	33
North east	22	9	40	15
North west	36	13	33	10
Midlands	40	17	20	16
Wales & SW	30	10	22	4
London North	19	35	2	35
London South	38	30	1	16
Total	193	119	130	119

Social Fund budgets for 1989-90 compared with 1988-89

Region	Local Offices serving Tory constituencies		Local offices serving Labour constituencies	
Grants	**More**	**Less**	**More**	**Less**
Scotland	7	6	11	34
North East	20	11	25	30
North West	32	17	22	21
Midlands	40	17	22	14
Wales & SW	30	10	16	10
London North	35	19	9	18
London South	47	21	7	10
Total	211	101	112	137

Appendix Two

Table One: Average initial awards (DWP 2010:31; DWP 2011: 18):

Year	Crisis Loans	Budgeting Loans	Community Care Grants
2010/11	£83	£396	£466
2009/10	£82	£395	£437
2008/9	£81	£410	£442

Table Two: National Social Fund Summary Statistics 2010/11 (DWP 2011: 18, Annex 1)

Award Type	Community Care Grant	Budgeting loan	Crisis Loan
Applications received	613,000	1,594,000	3,422,000
Initial decisions	610,000	1,588,000	3,397,000
Awards	254,000	1,112,000	2,657,000
Awards as % of final decisions	41.7	70.0	78.2
Initial refusals	354,000	429,000	646,000
Gross Expenditure £m	138.9	445.9	228.3

Table Three: Applications received for the Social Fund since 2007/08

Year	Community Care Grants	Budgeting loans	Crisis Loans	Total
2010/11	613,000	1,594,000	3,422,000	5,629,000
2009/10	640,000	1,686,000	3,645,000	5,971,000
2008/09	588,000	1,548,000	2,895,000	5,031,000
2007/08	543,000	1,552,000	2,105,000	4,200,000

Table Four: Gross Expenditure since 2007/08:

Year	Community Care Grants (amount £m)	Budgeting Loans (amount £m)	Crisis Loans (amount £m)	Total
2010/11	138.9	445.9	228.3	813.1
2009/10	138.8	482.3	228.8	849.9
2008/09	139.2	454.9	167.0	761.1
2007/08	138.9	511.0	121.2	771.1

Appendix Three

Table One: Average weekly repayment deductions from income support, jobseeker's allowance and pension credit 2010 (DWP 2011: 34):

Average deduction	Feb 2010	May 2010	Aug 2010	Nov 2010
IS	£11.81	£11.77	£11.96	£12.20
JSA	£7.84	£8.04	£8.23	£8.34
PC	£11.79	£11.92	£12.09	£12.26

Table Two: Number of deductions from income support, jobseeker's allowance and pension credit 2010 (DWP 2011: 34):

Number of deductions	Feb 2010	May 2010	Aug 2010	Nov 2010
IS	622,000	606,000	549,000	554,000
JSA	215,000	213,000	177,000	159,000
PC	64,000	66,000	67,000	65,000

Table Three: Repayment source 2010/2011 (DWP 2011: 34):

	Crisis Loans (amount £m)	Crisis Loans (% of total amount)	Budgeting loans (amount £m)	Budgeting Loans (% of total amount)
Income support & pension credit	56.5	45.6	337.7	80.4
Jobseeker's allowance	41.3	33.4	51.6	12.3
Employment and support allowance	9.6	7.8	12.5	3.0
Incapacity benefit	10.0	8.1	3.6	0.9
Other benefits	1.6	1.3	3.8	0.9
Cash	4.8	3.9	11.0	2.6

Appendix Four: Department for Work and Pensions (2010) *Universal Credit: Welfare that Works.* Chapter Six: 'Universal Credit and the Wider System', paras 9 - 13

Social Fund

9. The Social Fund has been part of the benefits system since 1988. The Fund was designed to help people meet exceptional costs that were difficult to budget for out of mainstream benefits. However, the Fund has not kept pace with wider welfare reform. This has led to complex administration and parts of the scheme are poorly targeted and open to abuse. For example, Crisis Loan awards have almost tripled since 2006, with little evidence of an underlying increase in need. To ensure that the right support is offered to those in genuine need, we intend to reform the Social Fund.

10. Reform will be in two parts. Firstly, those elements that lend themselves to simple automated delivery will be incorporated into Universal Credits. Budgeting Loans will become an advance-of-benefit facility available in certain circumstances. Sure Start Maternity Grants and Cold Weather Payments will be paid automatically when the qualifying criteria are met.

11. Secondly, we will reform and devolve those elements of the Fund that require more intensive scrutiny and discretion.

12. It is difficult in a centrally administered system for staff to exercise a high degree of discretion. For example, in the case of Crisis Loans, where it is necessary to determine if there is a severe risk to the applicant's health or safety. These services can be more effectively run locally where they are linked to other support services.

13. The current system of Community Care Grants and Crisis Loans will therefore be reformed. In England, Local Authorities will be responsible for administering much of the reformed system – ensuring this support is tailored to local circumstances and targeted only at genuine need. Local Authorities will be consulted on the design of the new system. If there are new administrative burdens on Local Authorities they will be funded by the Department for Work and Pensions in the usual way. However, we expect Local Authorities to utilise existing delivery mechanism and structures where possible. The Devolved Administrations will determine the most appropriate arrangements for Scotland and Wales.