

R54: Response to Work and Pensions Committee inquiry to the Social Fund

Disability Alliance submission

Summary of recommendations

- Disability Alliance feel that eligibility for social fund payments should be extended to contribution-based JSA and ESA recipients.
- Disability Alliance would like to see the scope for eligibility to the social fund widened out to include people in receipt of disability and carers benefits.
- Disability Alliance suggests that the Government consider an automatic annual grant of £500 for families on Income Support whose child is in receipt of DLA.
- Disability Alliance would like to see mandatory grants for certain essential items being made available to all qualifying disabled people.
- Disability Alliance feel that benefit claimants should be able to have a higher disregard applied to savings before they are taken into account in the assessment of social fund awards.
- Disability Alliance suggest that where a disabled person comes off benefit and moves into low-paid work, repayment of a loan should be suspended for a six-month period, and if they remain in low-paid work after that time, the loan could be written off.
- Disability Alliance would like to see improvements in relation to decision making on all welfare benefits including the social fund, particularly in respect of processing times, decision letters and accuracy.
- Disability Alliance would like to see longer term reform of the social fund.

Disability Alliance

1) Disability Alliance is a national registered charity with the principal aim of relieving the poverty and improving the living standards of disabled people. Our eventual aim is to break the link between poverty and disability.

2) We are a membership organisation with over 365 members ranging from small, self-help groups to major national disability charities. We are controlled by disabled people who form a majority of our Board of Trustees.

3) We provide information on social security benefits and tax credits to disabled people, their families, carers and professional advisers; undertake research into the needs of disabled people, with particular emphasis on income needs and promote a wider understanding of the views and circumstances of all disabled people.

4) We are best known as the authors of the *Disability Rights Handbook*, an annual publication with a print-run of 30,000, but also have a range of other guides and provide a telephone helpline and a popular website. The *Disability Rights Handbook* provides clear and concise information on the welfare benefits

and tax credits systems, as well as other areas such as social and residential care and a range of other issues relevant to disabled people and their families. We feel this makes us particularly well-placed to comment on the complexities of the UK benefit system.

5) Our policy work is informed by our daily contact with disabled people and those who provide services for them. We undertake research into the needs of disabled people, with a particular emphasis on income needs. For example, together with the Centre for Research in Social Policy at Loughborough University, we undertook a major piece of work, into the extra costs faced by disabled people – *‘Disabled people’s cost of living – more than you would think’*. Other work has covered disabled parents and families with more than one disabled child.

Introduction

6) The UK has a diverse population of 11 million disabled adults and 770,000 disabled children. Disabled people are more likely to live in poverty than non-disabled people and disabled people with children are at particular risk of poverty. Only 50% of disabled people of working age are in employment compared with 80% of non-disabled people.

7) Disabled people of working age have incomes that are, on average, less than 50% of that earned by non-disabled people. Many disabled people may never be able to enter the labour market and will depend on benefits their whole lives. Yet, levels of benefit are inadequate. Incapacity benefit, which replaces earnings for people unable to work, is worth £4,082 a year. Take-up of disability benefits is also low, with only an estimated 40% to 60% of those eligible for disability living allowance (DLA) actually claiming it.

8) Day-to-day living is more expensive for disabled people. Disabled people experience additional costs in most areas of everyday life, from specialist equipment to higher ongoing expenses for food, heating, transport and recreation. The weekly income of disabled people solely dependent on benefits is approximately £200 below the amount required for them to ensure an acceptable and equitable quality of life.

Eligibility

9) In light of the extra costs of disability, we feel that restricting access to the social fund to those people receiving means-tested benefits suggests that many disabled people are being denied adequate options for financial assistance from the social fund. A recent Joseph Rowntree Foundation study found that there was agreement that social fund eligibility should be extended to cover all benefits, particularly incapacity benefit, DLA and carer’s allowance¹.

¹ *The Social Fund: current role and future direction*, K Legge, Y Hartfree, B Stafford, M Mayadi, J Beckhelling, L Nyhagen Predelli and S Middleton, Joseph Rowntree Foundation, 2006

10) An example of the current inequity is that people who have paid sufficient national insurance contributions, receive contribution-based jobseeker's allowance (JSA) for up to six months before moving on to income-based JSA. Both benefits are paid at the same rate but as contribution-based JSA is not means-tested, it is not an eligible benefit for community care grants and budgeting loans.

11) This inequity looks set to continue or worsen when employment and support allowance (ESA) is introduced from October 2008 as contribution-based ESA will remain in payment indefinitely. Disability Alliance is very concerned that many sick and disabled ESA claimants will be denied access to social fund payments, simply because they are receiving contribution-based ESA, rather than the means-tested ESA, if both payments are pegged at the same rate.

12) Thus, Disability Alliance feel that eligibility should be extended to people in receipt of contribution-based JSA and ESA because of the financial difficulties they experience when first making a claim for benefit. We would also like to see the scope for eligibility to the social fund widened to include people in receipt of disability and carers benefits.

Debts, grants, loans and repayments

13) It is well established that many disabled people and parents of disabled children are poorly served by the social fund. For example, recent research indicated that families with disabled children would rather go without or use other forms of credit than turn to the social fund for additional support². This, in turn, often leads to them incurring debts with catalogue companies, door-step lenders and other forms of loans.

14) Further, although families may be reluctant to apply to the social fund, they are often forced to take out a loan to help ends meet if they lose disability living allowance (DLA) for example. Other families report that where they receive DLA for a child, this is identified as a relevant source of income when they apply for a social fund grant, even though it should not be.

15) The knock-on consequences are that many disabled people and parents of disabled children find themselves experiencing unmanageable debt. Leonard Cheshire research has found that nearly half of respondents interviewed said that an unexpected one-off cost, not specifically related to disability (eg broken cooker, bed or washing machine), had contributed to their financial problems. The debt problems can severely compound other issues such as exacerbating existing health conditions, not eating properly and not being able to afford essential services and equipment.

² *Helter Skelter, Families, disabled children and the benefit system*, Gabrielle Preston, CASEpaper 92, February 2005

16) We highlight the fact that the latest annual report on the social fund from the Department for Work and Pensions (DWP), notes that for 79% of disabled people who were refused a budgeting loan, the reason given is other outstanding debt. It cannot be acceptable that disabled people are denied interest-free social fund payments on the basis that they have accumulated debt when the reason for the debt is a combination of factors outside their control: inadequate benefit levels; complex extra needs and a lack of access to affordable credit.

17) Disability Alliance suggests that the Government consider an automatic annual grant of £500 for families on means-tested benefits and whose child is in receipt of DLA. This would reduce bureaucratic costs and ensure that low income families with disabled children are receiving the additional support they need.

18) Disability Alliance would like to see mandatory grants for certain essential items being made available to all qualifying disabled people. These could include:

- household appliances – cooker, washing machine, boiler, refrigerator;
- furniture – sofa, wardrobe, bed, bedding;
- kitchen equipment – kettle, saucepans, plates, cutlery;
- home adaptations – to allow disabled people to stay in their homes.

We do not feel that it is acceptable for disabled people to be denied these basic requirements, simply because of a discretionary system of awards.

19) Disability Alliance feels that benefit claimants should be able to have a higher disregard applied to savings before they are taken into account in determining Social Fund awards. It seems ludicrous that in situations whereby disabled people have managed to make some provision via savings, their ability to access financial assistance for large one-off costs is denied and they are forced to decrease their savings, thus leading to an increased risk of running into debt.

20) We feel that current rules on the repayment of social fund loans for people moving into work act as a major disincentive to do so. **Disability Alliance suggest that where a disabled person comes off benefit and moves into low-paid work, repayment of a loan should be suspended for a six-month period, and if they remain in low-paid work after that time, the loan could be written off.**

Decision making

21) Delays in making decisions on processing benefit claims or related paperwork, places disabled people and families at great risk, indicated through take-up of private debt, the social fund and charities. Social fund crisis loans

made to cover 'alignment periods', which are the gaps between first payments of benefits or wages, take up 37% of crisis loan expenditure³.

22) As well as evidence of poor service from DWP⁴, allocating such a high percentage of the Social Fund budget on crises loans, reduces the amount available for the poorest applicants and highlights the extent to which social fund payments plug the holes created by delays and errors elsewhere in the administration of benefits. It also demonstrates a lack of awareness of other benefits available when starting work such as job grants, which illustrates the lack of cohesion across the DWP.

23) Further, decision making on social fund applications could be improved. The latest Social Fund Commissioner's report noted, in relation to grant decisions, that '*it is disappointing that there has been little improvement in the error rate compared to last year*'. **Disability Alliance would like to see improvements in relation to decision making on all welfare benefits including the social fund, particularly in respect of processing times, decision letters and accuracy.**

Longer term

24) In the longer term, we would support radical reform of the social fund. We see the following features as key if the social fund is to be more effective:

- a fund that is more grant-based than the present system, because of evidence that repayment of loans leads to hardship;
- substantial extra funding, because the current scheme is not meeting all of the demands placed upon it;
- should be transparent and open with clearer entitlement criteria and consistent and timely decision-making;
- the fund should be underpinned by an agreed list of 'essential items' that people with a low income have a right to access, as well as recognition of the specific extra needs and associated extra costs that apply for disabled people.

25) We also feel that there should be more funding available for the Family Fund, which is often left to try to pick up the pieces where the social fund has failed. There has been no increase in funding in England for three years running, yet the Family Fund still managed to provide awards totaling £27.1million to over 46,000 families.

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³ National Audit Office, *Helping Those in Financial Hardship: the running of the social fund*, The Stationery Office, 2005

⁴ This indicates poor administration as Jobcentre Plus staff can use interim payments instead of crisis loans, which would also reduce the pressure on the fund.

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