



Social Fund Reform Consultation Team
Department for Work and Pensions
Caxton House
Level 1/F
6-12 Tothill Street
London SW1H 9NA

By email: social.fund@dwp.gsi.gov.uk

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Response to the Social Fund Reform: debt, credit and low income households

Homeless Link is the national membership organisation for agencies working with people who are homeless. The services provided by our members range from local authority housing services, housing associations, day centres, outreach services, residential care homes, hostels, supported housing, floating support through to employment, training and education.

Our specific interest in responding to this consultation is the significant number of homeless and formerly homeless people who currently benefit from accessing the Social Fund.

Many of these clients have very low incomes and experience high levels of exclusion from more mainstream financial services. Aspects of the Social Fund, in particular Crisis Loans and resettlement grants, provide vital sources of income for people at particular points in their transition to living more independent lives. The short term support and security this income brings can prevent clients falling further in debt and can make a real difference to somebody's successful resettlement into their own accommodation.

KEY MESSAGE

We welcome many of the principles behind the new reform which seek to improve responsibility; increase support available to clients; and make the scheme simpler to use. However, we have some concerns around the elements of proposals which relate to increased conditionality; the implied reduction in the choice clients will have under a proposed single gateway scheme; and new measures to re-assess eligibility – both for loans and in particular for resettlement grants.

Homeless Links welcomes many of the principles behind the new proposals. We agree that the process is currently complex and unwieldy for many applicants and measures to make this easier and more accessible should be welcomed. We also agree that appropriate support should be made available to those who have needs relating to financial exclusion to enable them to experience longer term and more sustainable benefits from the social fund schemes.

However, we have concerns about certain conditions being attached to their social fund application. While we agree personal reasonability should be encouraged, many individuals making applications to the social fund may already be accessing this type of support from their housing provider or other agency, or indeed have good skills in this area but simply have low incomes. It is important any decisions to attach requirements to funds being awarded is based

on an appropriate assessment which takes these factors into account, so that people are not prevented from obtaining the support they need.

In addition, while we agree that the move to introduce a simpler entry point to the scheme will help speed up the process and reduce administrative costs, we have some concerns about the potential loss of choice which could occur if the longer term proposal of a single gateway was introduced. The proposals state that clients 'would not be required to make a decision about which aspect of the scheme they should apply to.' This implies individuals will have far less choice and control over their application which contradicts the notion- positioned strongly elsewhere in the reform -of personal responsibility and empowerment. We believe that clients should be given greater ownership over decisions which affect their lives and this ethos closely aligns with the Personalisation and new Welfare Reform agenda.

Below, we have provided a more detailed response to some of the specific questions most relevant to people who are homeless.

1&2. What types of intervention would be most useful for customers? When might it be most appropriate to intervene in a customers' interaction with the fund?

As with any interventions it is important these are flexible to respond to the individual's needs. While some may certainly benefit from financial health checks or action plans drawn up with advisors, other clients already have very competent money management skills and their use of the social fund may simply be due to the low incomes they have or a periodic transition to settled accommodation.

It is important that the individual is at the centre of any discussions about what the most appropriate intervention would be, as this will give far greater ownership over this process and contribute to the increased responsibility which the new changes hope to bring. We feel this element of the customer's involvement in this discussion is not currently as well represented in the proposals as it might be.

Many clients who have experienced homelessness face a range of severe financial pressures and costs they have to meet. Even if they are able to benefit from the social fund, they may continue to face these pressures and this can impact on their ability to sustain accommodation and employment. Last year, for example, Homeless Link conducted research into reasons behind evictions and abandonments from hostel accommodation¹. It found that financial hardship and debt were one of the key reasons for this.

Clients often said they struggled to budget and pay service charges due to other debts, in particular Crisis Loans. *"They all have crisis loans; they are often in negative equity before they start"*. Young people were identified as having particular problems due to the lower level of benefits they received; one young person was expected to pay more service charge (the charge for hostel service which can include services like cleaning, food, utilities etc) than she received in benefit once her crisis loan was deducted. These difficulties were frequently found to be compounded by late housing benefit payments and poor notifications when clients were being informed of rent arrears:

¹ Staying In: Understanding Evictions and Abandonments from London's hostels, Homeless Link 2010
<http://www.homeless.org.uk/evictions-research>

Case Study:

O, a client in his late twenties was a hostel resident. High service charges and rent levels, together with high crisis loan repayments, resulted in him building up significant arrears. "The service charge was too much- £45 every two weeks, and I was paying back crisis loans. I was left with £10...there was pressure every day." O decided to abandon his room in the hostel as could not cope with the high levels of service charge against these other pressures.

Some of these clients have access to financial support and advisors. However, we would welcome more targeted and quality provision of these types of services. The consultation document mentions several resources which have been developed to provide support to the general public, and while these play a valuable role, we would also wish to highlight that greater availability of more personalised support such as training, free debt advice, and mentoring can help clients play a more active role in improving their financial health. Much of this is delivered in partnership between statutory and voluntary agencies.

We want to highlight, however, that even with this additional support, the sheer level of financial pressure and loan repayments some individuals face, balanced against clients' very limited incomes, can make managing money and debts very difficult. This not only underlines the importance of maintaining fair access to grants and loans under the Social Fund as they are a much needed resource, but also stresses that if clients are expected to engage with new action plans or training as part of the new social fund measures, advisors need to have an awareness and understanding of the challenges facing these clients. Any repayment plans or other 'action' clients are required to do must take all the various pressures – including housing benefit arrears, low paid jobs - into account. Those which particularly relate to the specific needs of younger people would be particularly welcomed.

We agree that those making multiple applications to the fund may benefit in particular from increased levels of support. However, for some, two applications may not automatically constitute 'multiple' applications as it may have been triggered by unrelated pressures or crisis points in their lives. For others, intervention at the first application may be an appropriate point to offer support as they may never have been offered a financial support service before. Some flexibility in the response from assessors might therefore be necessary.

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

While we appreciate the need to make the service cost efficient, the use of an automated system should be approached with some caution. Some clients may find this type of system easy to use. However for others it may present barriers, as automated systems can be difficult to navigate, lengthy and complex, and clients with higher support needs may benefit from personal, face to face assistance from the outset. Any decision to introduce this system should be preceded by careful thought about at what point an automated system would be used so as not to alienate or cause blockages through the process (i.e. would it be a first 'filtering' point, or would customers have to pass through automated stages further down their application process?) If not carefully managed and piloted, such a system would undermine the reform's aim of improving the customers' journey through the social fund. There are also cost high implications which need to be considered.

We would also question the suitability of an automated system given the emphasis on tightening the assessment process of clients' claims – contact with trained advisor rather than an automated, inflexible system is required if a fair assessment process is to be provided and the client directed appropriately through the scheme.

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

Voluntary sector organisations are well placed to provide assistance and support to clients who might benefit from additional financial help. Agencies such as Citizens Advice have a very strong track record of providing these types of services and are well placed at the heart of many local communities. Partnerships and links with these types of providers should be encouraged.

In addition, homelessness agencies have a strong record of meeting the holistic needs of vulnerable individuals and already provide a range of services centred on these needs, which include those relating to financial exclusion, employment, debt and benefits. Many agencies have specialist in-house advisors, or deliver services in partnership with an external agency. Our annual survey of the homelessness sector (SNAP) highlights that last year, financial and debt advice was available at 99% of services (day centres, hostels and accommodation projects).² This was an increase of 8% from the previous year.

These agencies have an excellent understanding of clients needs and have trusted, established relationships with them. Adding another requirement to attend a different financial training institution or provider could add another complicated layer to the customer's journey. Providing interventions through an existing channel, with which an individual is already engaging, reduces the burden of multiple referral routes and appointments. This can make it a far simpler and more efficient process for all involved and we would urge any future plans to consider how homelessness agencies may be supported with the right resources to play an enhanced role in delivering these types of interventions in the future.

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

As we have stated above, we are concerned that while a single entry point may make the process simpler and more streamlined, it may remove the element of choice and control available to the applicant.

Any future plans would need to be really clear about how decisions will be made. If people are now relying on one single gateway and have less choice about the type of loan/grant they want, this means they will be more dependent on the assessor having a good understanding of their needs and the type of financial support which might be most appropriate. It is vital these assessors are fully trained and have enough understanding about clients often complex needs so that clients are advised appropriately. Again, we would also re-emphasise that removing this element of choice goes against the ethos of enhanced responsibility and empowerment for the individual, which is a central thrust to the whole reform agenda.

² SNAP was based on interviews of 500 homelessness agencies. See www.homeless.org.uk/snap for more details

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

We welcome the recognition given to the need to preserve customers' choice if the legislation around the provision of goods and services is put into practice. It is also encouraging that the Family Fund has received positive feedback.

However, the new legislation would still remove an element of choice and again this counters the ethos of the welfare reform agenda and much of the work of many agencies who support vulnerable clients to take more control over their lives.

We also still have some doubts as to the cost saving this will make. Many clients are able to independently budget and choose items which will maximise their income. Implementing and administering the system would be costly and may not present significant enough savings to merit the proposed changes to the scheme.

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

We would like to highlight just how important a resettlement grant is to clients making the transition from supporting accommodation to their own tenancy. Having funds to buy basic furniture and other materials to help them start up in a new home is crucial to the resettlement process. Many of these individuals come from hostel provision into unfurnished flat, and lack basic possessions and funds to purchase things we take for granted. It is vital this scheme is preserved for these individuals.

The consultation documentation gives limited information about how the eligibility criteria may be altered, other than criteria being based on their 'circumstance' and 'need' and we would seek further clarity on this. We believe that anybody being re-housed and in need of basic provision to help them resettle effectively into their new home needs to have access to this grant. Research has shown that effective resettlement can depend to a large degree on the client feeling settled into a positive living environment, and not having furniture can have a very detrimental effect on this process.³ The relatively low cost of a resettlement grant can have huge longer term impact on someone resettling effectively, which can prevent tenancy breakdown and a return to homelessness. The cost of this scenario is far greater both to the individual and to society in the long term.

We also have concerns that the document gives only GPs and social workers as possible sources of supporting evidence for a client's application (see page 41). Many homeless people will not be engaged with these forms of support, and the reform must recognise that supporting evidence can come from a wider range of sources including voluntary sector agencies, mentors, and advice workers. Indeed, we suggest efforts are made to specifically seek supporting evidence from these types of services which may have better understanding of the client's overall levels of needs and the types of further support which may be appropriate. The document fails to state what happens to those applications which are turned down or what the basis of a refusal would be, so again we would seek further clarity on this.

³ See for example Broadway Keeping Homes report, 2008, <http://www.broadwaylondon.org/ResearchInformation/Research/LongerTermOutcomes>

9. What additional support could be offered to resettlement grant customers to help them move toward financial independence?

Again, many clients going through the resettlement process may already be engaged with floating support, tenancy sustainment teams and financial advisors so it is important not to duplicate this. Efforts should be taken to find out what existing support the client is already accessing and ensure any additional support is properly integrated with this. However we fully support the idea that clients should be offered additional help though if they wish to take this up. There are many innovative types of support already provided by the sector such as mentoring schemes, peer education projects, and pre-tenancy training⁴, which include budgeting and life skills courses, which could be further resourced and rolled out.

We very much hope our comments will be helpful as the DWP consider the future reform of the fund. Our response has been informed by discussions with some of our member organisations at our Policy Forum. Many share similar thoughts and concerns, and we hope these will be considered to ensure that vulnerable homeless and formerly homeless people can continue to benefit from the income it provides as they progress to more independent futures.

Should you wish to discuss any aspect of our response further, please do not hesitate to contact a member of the Policy team on 020 7840 4430.

Homeless Link June 2010.

⁴ For example Broadway provide pre-tenancy training to clients and other organisations to aid successful resettlement <http://www.itsyourmove.org.uk/Home>