



From the Parliamentary
Under Secretary of State
for Work and Pensions

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Dear Mr Markey

Thank you for your letter of 29 April about the proposed reforms to the discretionary Social Fund contained in the Welfare Reform Bill.

You raised concerns about External Provider Social Loans, the provision of goods and services instead of cash to some Community Care Grant recipients and the lack of a right of review for both these proposals.

The Social Fund provides financial help to millions of people each year but it is too passive. Although we signpost people to sources of advice the Social Fund itself does not provide budgeting information or guidance or make a direct link to other financial services. We are exploring ways in which the Social Fund, possibly through working with credit unions and other organisations, might become more effective in ensuring our customers have access to the help and advice they need. We are taking powers in the Welfare Reform Bill to provide for External Provider Social Loans delivered by organisations with the expertise to provide this type of service. However, I can assure you that no interest will be charged should we enter into this type of arrangement.

External Provider Social Loans will not be part of the Social Fund; therefore, they will not be subject to the current Social Fund internal review process or to the independent review provided by the Independent Review Service.

Any review or complaint process would be covered by the Financial Service Association legislation governing the external provider.

The complaints procedure would be part of our contract with an external provider and we would need to be satisfied with any complaints procedure before going ahead with a contract. Payments that remain part of the Social Fund will continue to be subject to the current review process.

You also expressed concerns that the proposal to provide goods and services will remove choice from Community Care Grant applicants. In these difficult times we feel it is very important to look at how we can effectively provide for those in need. We believe that this scheme will bring benefits from economies of scale - more money would become available to help more people - and that a level of choice and control can remain for individuals.

In deciding on the arrangements to be made with suppliers we will consider a wide range of requirements to be met and we hope to be able to offer a range of products that will be suitable to all who need them. Where any particular needs cannot be met through a contract we will still be able to make a payment in cash for a suitable item.

Under the provisions of the Welfare Reform Bill the award of goods and services will be classified as an excluded determination for the purposes of review. If an applicant applies for an item and receives that item, no review is needed. If the applicant is not awarded the item their right to review will be unchanged and they will continue to have access to both an internal and an independent review.

In addition, there will also be the right to review in other specific circumstances that will be set out in secondary legislation to protect individuals. An example of this would be if a Social Fund officer made a mistake in their award, such as awarding a couple a single bed.

We believe in the merits of the proposal to provide goods or services rather than cash and look forward to discussing this during the passage of the Bill. It is not a change in the entitlement rules, merely a means of getting more value from the cash limited funds available to meet the needs of Community Care Grant applicants.

We are still developing our ideas for reform of the Social Fund and, I am aware that some of our proposals have raised concerns for some organisations that represent those who use the Social Fund.

Therefore, over the summer a wide ranging consultation exercise will take place which I hope NAWRA will take part in. My officials will be in touch with you as part of this exercise.

I hope this explains the situation for you.

Yours,

Kitty Ussher

Kitty Ussher MP

ps I'd be happy to meet & discuss in more detail if you'd like it.