



Building a social recovery?

A second year **report card** on the Coalition Government

MAY 2012

THE CENTRE FOR
SOCIAL
JUSTICE

FOREWORD

In this report card, the Centre for Social Justice (CSJ) reflects upon the Coalition's second year in office. We examine the action ministers have and have not taken to confront the root causes of poverty, and to develop effective solutions to spark social recovery in the UK. This year we introduce an individual section on the voluntary and community sector; in reflection of the essential role these organisations have in building a more socially just society.

Since the CSJ's first year report card of May 2011, we have been reminded in grave terms about the need for social reform. Last August's disorder has been subject to much analysis, debate and misinformation. This was no reaction to austerity – it was a wake-up call on social breakdown. Nowhere in the past year is this critical need for change more clearly exemplified than in those riots. The criminality of those involved cannot be excused; yet it must be recognised that the events had a context – that of a nation with ghettos of social breakdown and purposelessness.

Indeed, many of those involved in the riots came from such backgrounds. Of those who appeared before court for their involvement, four in ten were in receipt of free school meals and three-quarters had previous convictions to their name. Of the ten to 17 year olds involved, over a third had at least one fixed-period exclusion from school during 2009/10.¹ As the Secretary of State for Education rightly said in the aftermath of the riots, '...we still, every year allow thousands more children to join an educational underclass – they are the lost souls our school system has failed. It is from that underclass that gangs draw their recruits, young offenders institutions find their inmates and prisons replenish their cells'.²

Those who naively dismiss inner-city gang culture as irrelevant to the riots are wrong. One in five of those arrested in London were known street gang members – and that is just a snapshot. The cross-government gangs strategy of November 2011 was a welcome response, but the CSJ will monitor its action to ensure it brings serious change in communities. It is imperative that the Coalition uses its time in office to tackle the destructive disengagement of these young people in order to transform their lives and prevent further breakdown.

The scores given in this report card are a means of highlighting to the Coalition where it should now focus attention. As we outline, there has been commendable political progress in areas such as addiction treatment strategy, education reforms and radical welfare reform. Yet there is much left for the Coalition to do if it is to leave a social legacy in 2015. The Government's focus on supporting families and charities remains inadequate. A political tug of war has once again stifled attempts to tackle the family breakdown that is devastating the poorest parts of our society. And the Government must rethink its dangerous plan to cap tax relief on charitable donations – it is wrong to brand philanthropists as tax dodgers as the mishandled arguments of ministers have done recently. It is a proposal which makes less sense as time passes and it should be dropped with haste. The cap is anomalous to the Big Society agenda and endangers the very organisations that are its platform. The CSJ will submit a response to the Government's consultation on the cap on tax relief for charitable donations this summer.

Social justice is integral to any economic recovery. We hope that the exciting new Social Justice Strategy, published by the Coalition in March 2012 – which was informed by years of pioneering work at the CSJ – will provide a clarity and direction for action. The strategy was released with very little fanfare, but it proves the Government has serious intentions to tackle the five pathways to poverty: family breakdown; educational failure; worklessness; drug and alcohol abuse; and serious personal debt. We will monitor its transformation from rhetoric into action closely.

With three years left in government, the Coalition still has time to lead the radical social reforms necessary to complement any economic recovery. It needs to reclaim the governing initiative which characterised its early months in office and lead the country into a new era in which even the most dysfunctional communities have their chance to play a positive part in society.

Christian Guy

Managing Director, Centre for Social Justice

COALITION REPORT CARD: FAMILY BREAKDOWN

SUBJECT:

FAMILY
BREAK-
DOWN

GRADE:

4 / 10

OVERVIEW:

DESPITE EMERGING SIGNS OF A MORE
DISTINCTIVE FAMILY POLICY THERE REMAINS
A FRUSTRATING LACK OF COHERENCE IN
TACKLING THE TRAGIC BREAKDOWN OF
FAMILY LIFE

Family Breakdown

Family breakdown is a root cause of poverty and drives social breakdown in Britain's deprived communities. 48 per cent of all children born today will experience the breakdown of their parents' relationship.³ Children from 'broken homes' are twice as likely as those from 'intact' families to have behavioural problems.⁴ They are more liable to suffer depression, turn to drugs and alcohol, and perform worse at school.⁵

To break this intergenerational cycle of poverty we must stem the last four decades' rising tide of breakdown. Changing the culture so that family stability is valued by society requires strong governmental leadership and bold decision-making. Strong, stable families are central to improving outcomes for our children – and what children want most is to live with both their parents if possible. Strengthening families requires supporting marriage, helping people build strong relationships and providing coordinated help for our most chaotic families.

The Coalition's Progress

The forthcoming Children and Families Bill, highlighted in the Queen's Speech, will bring forward commendable measures on adoption and family law, in line with CSJ policy recommendations. It is notable, however, that there is still no solid commitment to actively prevent family breakdown or recognition of the important contribution of marriage to stability.

Over the last year, there have been some encouraging signs of progress in the Government's family agenda. The Department for Education (DfE) has committed to help encourage the take-up of relationship support by providing extra funds for innovative services. Overall, however, funding to prevent relationship splits remains below a scant £4 million per year, despite family breakdown carrying an annual price tag of £44 billion.⁶ The landmark Social Justice Strategy acknowledges the importance of marriage and the need for children to be raised by both their parents where possible.⁷ However, there remains a disappointing sense that, as under the previous Government, childcare and parental leave are the overriding priorities of family policy.

PREVENTING FAMILY BREAKDOWN

The CSJ has consistently argued that family breakdown must be tackled across government, yet there is still no coherent strategy to support the formation and maintenance of stable families. Nine per cent of married couples have split by the time a child is five, against more than a quarter of cohabitantes and a staggering 60 per cent of those 'closely involved' but living separately.⁸ Combating family breakdown requires a broad range of measures and marriage is no panacea. Nevertheless, evidence demonstrates that children born outside marriage are far more likely to grow up in poverty and experience poorer life outcomes than those born to married parents.

As Leader of the Opposition, David Cameron was firm in his resolve to bolster marriage and he is closely associated with the flagship policy of a transferable tax allowance. However, the Government has still not capitalised on opportunities to implement this measure; this cannot simply be down to cost. The CSJ has proposed realistic financial options that focus benefit on lower-income couples with young children, rather than on all married couples. The Government could have afforded this by making slightly smaller increases in personal tax thresholds, a Liberal Democrat priority which actually benefits higher income households.

Despite the Government's marked progress on welfare reform, there is still no firm guarantee that funding will be included in the Universal Credit to tackle the couple penalty.⁹ A benefits system that disincentivises parents from living together makes it more likely that children will be raised by single parents. So we urge the Government to address any 'family-unfriendly' elements in tax credits. Recent child benefit changes make it financially disadvantageous for higher rate tax payers to live with single parents and reveal an incoherent approach to enabling parents to raise children together. The Government's withdrawal of child benefit from households with one individual or more earning above £50,000 fails to address the one earner/two earner anomaly.

We warmly welcome the progress made in the Troubled Families project set up in late 2011 to give our most complex and chaotic families coordinated help; in particular the development of a payment-by-results financial framework should ensure an outcomes-focussed approach.¹⁰ Given that intensive family interventions have had some success in preventing family breakdown, it is vital that councils include relationship support in Troubled Families programmes.¹¹

EARLY INTERVENTION

Early intervention is central to reversing social breakdown. The Government has taken an important step in prioritising the Early Years by making vouchers available to parents of children under five for the DfE's parenting classes trial. To ensure the trial's effectiveness, it is important that a range of providers are able to offer classes aimed at helping *all* parents, not just those whose children are already causing significant problems. While we welcome funding for the Early Intervention Foundation, this body should not focus solely on parenting but also on giving couples the support necessary to form strong and stable relationships.

Although the Government has published its strategy to support families in the foundation years and has restated its commitment to retain a national network of Sure Start Children's Centres, the absence of ring-fenced funding lays them open to closure by local authorities. While some Children's Centres did not effectively address the needs of the most disadvantaged, ensuring available funding for high performing family hubs is a crucial part of an early years strategy. We welcome the new core purpose of Children's Centres, with early intervention at its heart and a strong role for private, voluntary, community and social enterprise organisations. Ministers should protect those that lead such work fiercely.

Finally, it is essential that the Government takes the chance over this next year to redefine child poverty. A true understanding of its multifaceted nature would allow the Government to move on from the current short-term, income-related policy responses and put effective measures in place.

COALITION REPORT CARD: ECONOMIC DEPENDENCY

SUBJECT:

ECONOMIC
DEPENDENCY

GRADE:

8 / 10

OVERVIEW:

FANTASTIC PROGRESS IN TACKLING WELFARE
DEPENDENCY IS COUPLED WITH CONCERNS OVER
THE IMPLEMENTATION OF THESE AMBITIOUS
REFORMS

Economic Dependency and Worklessness

Work is the most effective route out of poverty but for too long worklessness and dependency have been passed from generation to generation in our poorest communities. For many years – even during the recent period of record economic growth and huge increases in welfare-related public expenditure – a group of people have remained detached from the workforce and unable to reach their potential through work. Four and a half million people were on out of work benefits before the recession began and approximately two million children grow up in homes where neither parent works – the highest proportion in Europe. It is vital that such people are mobilised if Britain is to capitalise on any emerging economic recovery and fight poverty effectively. The welfare system, which was established as a safety net for people in hard times and a ladder back into work, has now become the biggest barrier to people finding and progressing in employment and must be reformed urgently.

The Coalition's Progress

The shadow of unemployment has continued to grow as the impact of the recession and the period of austerity are felt. In the last 12 months, the number of unemployed rose to 2.65 million.¹² While a return to economic growth is a necessary condition to tackle unemployment, alone it is not sufficient – the Government's welfare reform programme is crucial.¹³

REWARDING RESPONSIBILITY

The passing of the momentous Welfare Reform Act is the most radical achievement of the Coalition's second year in government. It is a vital step towards a simplified welfare system that rewards work and halts the damaging cycle of intergenerational worklessness.

In terms of spending priority, the CSJ appreciates that some form of rise in benefit support was necessary to protect the most vulnerable in society in line with inflation. However, the Government's decision to increase welfare payments by 5.2 per cent for 2012/13 against the rise of average pay for those in work by 1.7 per cent, undermined its commitment to rewarding work.^{14, 15} To truly reform the welfare system, the Government must ensure that it incentivises work – the most reliable route out of poverty.

The Department for Work and Pensions is confident in its ability to deliver Universal Credit on time and within budget. Nonetheless, it seems there is a risk that the original intention of the reforms might be undermined during implementation. Advice groups and others are concerned about the capability of implementing the necessary IT change effectively, and the ability of vulnerable claimants to manage their claim online. Furthermore, the CSJ would like to see face-to-face delivery of Universal Credit and entitlement to 'passport' benefits like free school meals made in line with the key principles of welfare reform: simplicity and a reward for work. The localisation of council tax is a troubling move; few local authorities are in favour of these reforms, which they must implement within the next 12 months. We believe the Government should reconsider this move, or at least explain the principles behind it and be held accountable.

CREATING OPPORTUNITY

The CSJ's research shows that supporting those outside the job market into sustainable employment is an essential part of the UK's social and economic recovery. We are encouraged by schemes such as the Work Programme and initiatives to support young people into work through apprenticeships, work placements and the Youth Contract. These must continue to be monitored, however, to ensure their effectiveness and value for money.

The Work Programme was launched in June 2011 to support the long-term unemployed into work. Early, informal feedback has been encouraging; advisors have greater freedom to provide effective support to job seekers, and access to this support has been widened. These crucial successes have been overshadowed at times by concerns about the integrity of the commissioning process, the financial viability of the programme, and the danger that many small but effective voluntary sector providers have been overlooked by prime contractors (as we explore on page 13). But teething problems are inevitable in such a major programme, and a measured verdict can only be made when performance results are released in August 2012.

The Government was right to provide a robust defence of its Work Experience programme against criticism. It is particularly important within the context of the UK's unprecedented levels of youth unemployment (at its highest since records began in 1992).¹⁶ Voluntary work placements help both employers and jobseekers to be more confident in their risk-laden employment decisions. The Government should ensure that small employers are able to participate in similar initiatives and that volunteers are not exploited by employers.

We would welcome a strong push forward with broader initiatives to support employment creation. This could include further tax simplification and changes in employment legislation that would help lower the barriers to recruitment.

BEWARE THE PITFALLS OF DEFICIT REDUCTION

The CSJ understands that difficult decisions have had to be taken by the Government on welfare in order to tackle the deficit. As we said in our 2011 report card, 'there is nothing fair or socially just about stockpiling huge debts and asking our children to pay them off'.¹⁷

To its credit, the Government has attempted to protect those on the lowest incomes by withdrawing eligibility from higher earners and households with other sources of income, and by making housing support fall in line with choices working families have to make.¹⁸ However, the announcement in the March 2012 Budget that a further £10 billion of savings will be required from the welfare budget and that financial support for welfare reform will be capped is of serious concern – particularly when these announcements have been made before the social impact of current measures, such as the benefit cap and changes to housing support, are understood.

COALITION REPORT CARD: EDUCATIONAL FAILURE

SUBJECT:

EDUCATIONAL
FAILURE

GRADE:

7 / 10

OVERVIEW:

THE GOVERNMENT'S EDUCATION REFORMS ARE BOLD AND COMMENDABLE. CONCERNS OVER THE IMPLEMENTATION OF SOME OF THESE MUST BE ADDRESSED IN ORDER FOR THE POLICIES TO HAVE THE POSITIVE EFFECT INTENDED

Educational Failure

Education is instrumental in breaking the poverty cycle and should be the gateway to social mobility. Where children and young people face challenges in their family and/or local environment, where they are surrounded by a lack of aspiration in their home and community, our schools should help play a transformative role in their lives by helping them to achieve success. Yet for too many primary and secondary school pupils in the most deprived areas, our education system continues to fall far short of this. Educational under-achievement in these communities remains a national crisis; its urgent reversal must be a central mission of those in government.

The Coalition's Progress

EXCLUSION AND DISENGAGEMENT FROM EDUCATION

Although this pupil group is relatively small, we only have to look at the characteristics of those rioting last summer to see how significant those young people are. A fundamental finding of our 2011 report *No Excuses: A review of educational exclusion* is that many children are being profoundly misunderstood within some mainstream schools; the underlying causes of their challenging behaviour and disengagement from education are not being promptly identified or addressed. To prevent this group falling out of our education system and reappearing on our streets and in our criminal justice system, it is critical to understand that careful and fairly administered discipline must be accompanied by effective support. The public understands this: CSJ polling shows that 79 per cent of people believe that children with challenging behaviour need support, not just punishment.¹⁹

With this in mind, the CSJ raised a number of concerns in its recent response to the Government's consultation on the revised exclusions guidance. This included the need for the Government to emphasise the vital importance of parental engagement. The CSJ and the Children's Commissioner for England have highlighted that some schools are carrying out illegal exclusions.²⁰ The issues of unofficial exclusions and the inadequate internal exclusion provision which exists in some schools must be addressed with urgency.

THE PUPIL PREMIUM

In last year's report card, we highlighted the welcome progress marked by the Government's introduction of its flagship policy, the Pupil Premium. However, the Government must now fulfil its commitment to providing schools with guidance on 'strategies and interventions which can improve the progress and attainment of pupils from poorer backgrounds'.²¹ The Pupil Premium was introduced in April 2011 – it is imperative that guidance is provided as soon as possible to ensure that this policy achieves the positive outcomes it aims to. This is not about stifling local decision making or being dictatorial; it is about delivering value for money and doing all we can to change the lives of these children.

ALTERNATIVE PROVISION

We welcome the report *Improving Alternative Provision* by Charlie Taylor, the Government's Expert Adviser on Behaviour, as a significant development.²² We hope that the Government will act on Mr Taylor's recommendations and those made by the CSJ in *No Excuses* in order to transform the education and life outcomes of thousands in alternative provision. It is crucial that more is done before this stage to support vulnerable and disadvantaged pupils to stay within mainstream schools wherever possible. To further this, we urge the Government to quicken the implementation of its school exclusion trial for alternative provision – there is already much best practice to build on. Correspondingly, it is vital that those with special educational needs (SEN) are identified as early as possible. The CSJ welcomes the recent SEN reform outlined by the DfE, particularly the greater freedom given to parents through personalised budgets. It is essential that support is given to those parents who would struggle to manage the budgets for a multitude of reasons.

SCHOOLS

The Government has had notable success in expanding the Academy Schools programme: as of May 2012 the number of existing academies reached 1,807, on from 407 in January 2011.^{23,24} The CSJ believes that the debate around academies – as well as education policy more broadly – is too often focussed on structure rather than quality of education. It is imperative that the Government challenges this debate which distracts from the most important cultural and classroom issues; we are encouraged by signs that it will do so.

At its best, the Government's Free Schools programme offers the freedoms necessary to tackle educational failure in innovative ways, tailored to schools' pupil intake and local community. While the majority of these schools are located in deprived areas, largely, they are not yet reaching the most disadvantaged pupils.²⁵ The CSJ does, however, commend the Government's decision to allow Free Schools to prioritise the admission of disadvantaged pupils eligible for the Pupil Premium.²⁶ We hope that the next cohort will take advantage of this opportunity to ensure that Free Schools do not just become state schools for the middle class.

In our 2011 report *Creating Opportunity, Rewarding Ambition*, the CSJ outlined the pressing need for Government to 'tackle the growing skills premium by raising the skill levels and employability of the UK workforce'.²⁷ Essential to this is the adaptation of the education system to increase young people's employability and access to the workplace; something which the newly developed Studio Schools – the first of which opened in September 2010 – focus on. They provide a combination of the academic, vocational and life skills for 14 to 19-year-olds which are necessary for young people to flourish. We welcome the opportunity for schools to have greater input in building a diverse, more resilient economy and will continue to monitor the development of these schools.

COALITION REPORT CARD: ADDICTION

SUBJECT:

ADDICTION

GRADE:

7 / 10

OVERVIEW:

THE COALITION'S CONTINUED POLITICAL COMMITMENT TO PUTTING FULL RECOVERY AT THE HEART OF OUR DRUG AND ALCOHOL TREATMENT SYSTEM IS LAUDABLE. IT MUST NOW BECOME FOCUSED ON THE DETAIL AND DIRECTION OF DELIVERY, IN ORDER TO CHANGE PEOPLE'S LIVES

Addiction

Drug and alcohol addiction and the consequent harm caused is a major issue in our communities which the Government must go further to address. Home Office statistics estimate that while alcohol-related harm currently costs the UK £21 billion annually, the supply of drugs is estimated to cost over £15.4 billion each year.^{28,29} The Home Office also states that in a community of 100,000 people, each year approximately 2,000 will be admitted to hospital with an alcohol-related condition and 1,000 people will be the victim of an alcohol-related violent crime.³⁰

The Coalition's Progress

PREVENTION

The CSJ has long called for a drugs education programme that clearly communicates the dangers of abuse and dependency, but again the Coalition has committed to keeping the hopeless *Talk to Frank* service. This programme is regarded by many as counter to the goal of prevention and little more than a guide to using drugs. As we urged in last year's report card, an effective replacement programme must be established without delay.

We are, however, pleased to see the Government's acceptance of the need to raise the price of alcohol. Until now, Government policy has failed to acknowledge evidence which shows that control of the population's consumption through pricing is the most effective way to reduce harmful use of alcohol. Yet the CSJ has serious questions about the Coalition's specific policy proposal: to set a minimum alcohol price per unit. Our major

concern is that the financial beneficiaries from such a move will be supermarket chains, alcohol producers and off-license retailers, not those administering drug and alcohol treatment. This is a missed opportunity. Was the Government to introduce a tax on alcohol instead – as the CSJ has long advocated – the price of alcohol would rise, and in doing so raise the much needed revenue to fund drug and alcohol treatment.³¹

TREATMENT

We have repeatedly called for ministers to smash through the fatalistic culture of substitute prescription dominant in the treatment system. While methadone can play a role in recovery, professionals' over-reliance on such an approach has confined many individuals to open-ended dependence. For too long, governments have failed to acknowledge the grave harm caused by alcohol, leaving many areas without any significant alcohol treatment provision. Tackling the underlying causes of an individual's addiction through abstinence-based support must be the priority.

The CSJ therefore wholeheartedly supports the Coalition's stated aspiration to put full recovery first. The CSJ particularly welcomes the promise that open-ended substitute prescribing will only be used when absolutely necessary, and always with recovery as the ultimate goal. It is also encouraging to see that the Coalition intends to work with local partnerships to identify their potential to develop recovery-focussed alcohol programmes. However, the CSJ urges the Coalition to go further and set out detailed plans for how those with alcohol addiction will be supported to achieve full recovery. It is disappointing that the Government did not demonstrate greater leadership on this important issue in its recent alcohol strategy, which was dominated by dealing with binge drinking and public disorder.³²

We welcome the decision to abolish the National Treatment Agency (NTA) and absorb its functions into Public Health England; the CSJ has repeatedly highlighted the NTA's growing bureaucracy and ideological blindness. The Government must now ensure that this move is not simply a re-branding and displacement exercise: that is, the same NTA methods by a different name. We need wholesale culture change if a new course is to be plotted.

And, finally, we commend the Coalition's ambition to embed a 'locally-led' commitment to recovery in the system as a whole. However, we note that there is significant concern amongst local providers with whom the CSJ has spoken that the recovery-focussed agenda is at risk of floundering due to its lack of momentum and support at a community level. In this context, we doubt whether the provisions set out so far will be sufficient on their own to engender the culture shift to recovery on the frontline that is necessary to end years of waste and damage.

ENFORCEMENT

We are pleased to see that the Government has held strong in the face of growing ideological pressure, largely from a detached liberal elite, to decriminalise or liberalise drug use. Beyond the incoherence of these calls, those who advocate for such a shift fail to understand the nature and havoc of addiction. Such arguments divert attention away from the important matters of prevention and treatment. The general public is baffled and bemused by these routine arguments – parents, teachers and police officers want the law on their side and a strong signal sent.

There has to be a concerted effort to tackle drug use in the UK – we need to reduce demand and increase effective treatment. There is no clearer indication of the dangers of liberalisation than those that have been experienced with methadone dispensing – an indication of how a regulated market would operate. We have seen how so many of those on methadone prescriptions increase their drugs intake to feed their addiction, and continue to use illegal substances on top. In short, a black market, and all the harms associated, is likely to exist whether drugs are illegal or not.

COALITION REPORT CARD: SERIOUS PERSONAL DEBT

SUBJECT:

SERIOUS
PERSONAL
DEBT

GRADE:

6 / 10

OVERVIEW:

IN A CONTEXT OF RISING SEVERE PERSONAL DEBT, AND AGAINST A BACKDROP OF AUSTERITY, IT IS PARAMOUNT THAT THE GOVERNMENT CONTINUES TO ENCOURAGE THE SUPPORT OF THOSE MOST AT RISK FROM FALLING INTO A SPIRAL OF PERSONAL DEBT

Serious Personal Debt

In *Breakthrough Britain* the CSJ presented the destructive impact of serious personal debt.³³ It is a problem which pre-dates the recent economic crisis. Such debt is fuelled by intergenerational worklessness, a feral doorstep lending market, a lack of community-based support, inadequate provision of financial advice and a low level of financial literacy in our poorest neighbourhoods. Even during times of record economic growth, problems of personal debt have been strangling individuals and families. These pressures, particularly on those with very poor credit ratings, have intensified as a consequence of the national financial crisis and the mainstream nature of severe personal debt, increased unemployment and the so-called 'credit crunch'.

The Coalition's Progress

Statistics show the staggering scale of severe personal debt in this country: outstanding UK personal debt reached over £1.4 trillion in January 2012 and is predicted to increase to £2 trillion in 2017.³⁴

ACCESS TO SAFE CREDIT

Many of the most disadvantaged people need to access credit in order to make ends meet and it is essential that those on low-incomes have safe channels to access sensible credit. The alternative to safe credit is stark: the extortionate interest rates and penalty charges associated with payday loans or 'door step' lenders can trap people into a vicious downward cycle of debt as our evidence clearly shows.

The CSJ has argued that the best way to achieve a safer market is by opening up the home credit market to competition, as opposed to imposing interest rate caps.³⁵ Such caps would act as a disincentive for lenders to remain in the legitimate market, and so increase the risk of unregulated, illegal loan sharks. We support the Office of Fair Trading's review of its Irresponsible Lending Guidance, particularly regarding the payday loan sector.³⁶ It is

right that any lenders found to be preying upon some of the most vulnerable people in our societies will have their consumer credit licenses revoked.³⁷

The Government's commitment in the March 2012 Budget to support young people into business through providing safe credit is timely and commendable.³⁸ The CSJ hopes that the pilot programmes introducing enterprise loans to help young people set up and grow their own business will include those in the most disadvantaged communities.

STRENGTHENING COMMUNITY SUPPORT AND ADVICE

Independent trustworthy advice is fundamental to help people make informed choices. The Government's Money Advice Service (MAS) is a valuable resource for people who would especially benefit from face-to-face advice. We do, however, share the concerns of the Business, Innovation and Skills Committee on Debt Management that the MAS is moving away from face-to-face advice towards web-based services, risking a duplication of existing provision.³⁹ We call on the Government to continue to expand face-to-face advice through the MAS to ensure that the most hard-to-reach individuals, including those without access to the internet, can also benefit.

Credit unions are well placed to enable individuals to manage issues of personal debt by providing access to reasonable credit, and improving financial responsibility and education. Through our Alliance of voluntary sector organisations, we have witnessed the capacity of charities such as Riverside Credit Union to lead the way in demonstrating best practice in providing affordable financial services. However, as the feasibility study initiated by the Department for Work and Pensions shows, there is an urgent need for a culture change and modernisation within some credit unions.⁴⁰ Effective use of the Government's £73 million investment for this purpose is essential if they are to expand to provide long-term, sustainable support. We are concerned about both the available level of such community support and that some credit unions are currently not lending to the most financially excluded in society.

To support financial independence, the Government must help people to manage their money effectively. The related reform of the Social Fund is broadly positive; though the replacement of Community Care Grants and Crisis Loans with local welfare assistance does have potential pitfalls. There is a risk that budget cuts will prompt local councils to side line these loans, which will leave the most vulnerable people at the mercy of unscrupulous lenders. Local councils must support those in the most need and provide them with access to effective credit.

FINANCIAL LITERACY

The CSJ has long called for action to improve financial literacy in our society; CSJ/YouGov polling has shown that nine in ten people agree with this.⁴¹ In the 2011 report card, we highlighted the Government's commendable desire to improve community support for those in serious financial difficulty, and especially the role that financial literacy has to play.⁴² We again ask the Government to make financial education lessons compulsory in schools.⁴³ Charities such as MyBnk (a CSJ Alliance member) run brilliant programmes focussed on improving levels of financial literacy in schools through innovative and interactive projects.

MORTGAGE RESCUE SCHEMES

In this difficult economic climate, homeowners have come under increasing financial pressures. The Government recently announced that £200 million is being invested into the Mortgage Rescue Scheme to help vulnerable homeowners at risk of repossession, in addition to the £20 million being placed in a Preventing Repossessions Fund, which offers small interest free loans to struggling homeowners. However, the CSJ remains concerned for homeowners who took advantage of private sale and rent back schemes, the market for which has been temporarily closed by the Financial Services Authority after it found that most of the scheme's transactions were either unsuitable, unaffordable or should never have been sold in the first place.

COALITION REPORT CARD: THE VOLUNTARY SECTOR

SUBJECT:

THE
VOLUNTARY
SECTOR

GRADE:

2 / 10

OVERVIEW:

A DISASTROUS CAP ON CHARITABLE GIVING TAX RELIEF HAS RENDERED ALL PROGRESS INADEQUATE – DAMAGING MORALE AND SENDING MIXED MESSAGES ABOUT THE ESTEEM IN WHICH THIS SECTOR IS HELD

The Voluntary Sector

Transformative charities working at a local level are critical to tackling social breakdown. Whether mentoring the long-term unemployed back into work; engaging young people at risk of joining gangs; running treatment centres to help addicts achieve full recovery; or matching volunteers to the most isolated older people in the inner-city – voluntary sector organisations can do what the state cannot: forge long-term relationships with hard-to-reach people who are deeply suspicious of the statutory sector. Yet for too long the voluntary sector has been under-used by government in tackling poverty, their work and range restricted to the margins of effective activity or as a proxy for public services. In a time of limited resources, this bias comes into stark relief: money is not reaching those charities that could use it most effectively. While Britain is a generous and philanthropic country, it is still the largest three per cent of UK charities that attract 75 per cent of the total funding received by the voluntary sector.⁴⁴

The Coalition's Progress

During this past year the Government has set out a vision of social action which is at the heart of mending the UK's broken society. Yet simultaneously the Government has provoked much consternation with its proposed cap on tax relief for charitable donations. Furthermore, the charities we need to deliver this agenda have faced unprecedented funding cuts at a local level. More should have been done to protect them in the short-term whilst helping to build their independence over the long-term. The £100 million Transition Fund set up by the Cabinet Office is an example of a measure which recognised the sum of the problem and yet was insufficient to meet anywhere near the scale of the need (compare this to the estimated £553 million spent on security for the Olympic Games).⁴⁵

LEADERSHIP IN AN ERA OF LOCALISM

The Government's commitment to devolve power to local authorities – not least to enable them to tackle the social problems faced by their area – has been robust and commendable. But coming in the context of drastic cuts in revenue allocation, many local authorities have responded by protecting their own activity first, short-sightedly passing

on cuts to the very charities that are best placed to save lives and transform their community. Central Government must follow through on its initiative of change with a clearer message that what has been decentralised from Whitehall must not be recentralised at the Town Hall: the funding must flow to release the unique power of the voluntary sector.

SOCIAL INVESTMENT

Big Society Capital (BSC) is one of the most exciting ventures of this Coalition Government. The idea of the Big Society has been roundly criticised for being 'fluffy' and a cynical cover for cuts, but in the establishment of BSC the Prime Minister has followed through and shown commitment to this venture. The ambition is to 'create nothing less than a long-term 'third pillar' of finance for the UK's crucial social ventures, alongside traditional giving and funds from the state'.⁴⁶ The CSJ supports this vision, recognising the urgent need to help capitalise the voluntary sector. In an era of reducing public grants, both centrally and locally administered, social investment holds out hope of a more resilient, independent and dynamic voluntary sector.

Progress has, however, been slow, as the Bank's launch slipped by many months. Notwithstanding the interim activity of BSC's precursor, Big Society Investment Fund, BSC only opened for business in March 2012. Even when the delay is taken into account, founding member Sir Ronald Cohen has indicated that BSC should not be expected 'to bring a revolution in the space of five years', but should instead be thought of as a ten-to-twenty year project. Therefore the Government must make clear that BSC is no cure-all to the funding crisis that the voluntary sector is facing. Nor will what BSC offers be appropriate for every charity: many of the smaller charities working with the most deprived people lack the capacity to robustly demonstrate the savings and generate the revenue which are necessary for them to take out the kind of loans offered by BSC's intermediaries.

WORK PROGRAMME

Supporting those who need extra help getting into work is an essential part of breaking the cycle of welfare dependency and poverty, and the CSJ supports the aims of the Government's payment-by-results Work Programme. Despite charities' initial excitement for the programme, evidence from the CSJ Alliance leads us to have serious reservations about its implementation – numerous small but effective organisations reporting disappointment and frustration. Many such charities cannot withstand the financial pressures of being rewarded for their work months after delivery and have been shunned by the prime contractors; despite their effectiveness they are unable to participate. Those organisations that are able to engage in the programme receive such a small portion of the fee paid for success that delivering this change through the Work Programme is not financially viable. Thus those charities best able to give personalised support to those furthest from the job market are avoiding participation in the programme altogether.

GIVING

The CSJ welcomes the call the Government has made for a 'step change in giving'.⁴⁷ Whilst Britain is a generous country, with over half of individuals giving money on a regular basis, tackling the pathways to poverty will require greater individual responsibility and involvement.⁴⁸ For this reason, while levels of individual donations have flat-lined nationally in the wake of the recession, and with cuts to state expenditure being passed on to charities, anything Government can do to stimulate more philanthropic activity is to be welcomed.⁴⁹ We are therefore baffled by the Budget's proposed cap on tax relief for donations over £50,000, or over 25 per cent of an individual's income. This fiasco revealed a disturbing intellectual and mission incoherence within Government. What is more, the announcement shows a lack of belief in the voluntary sector's value at the Treasury level. The proposal could not be more counterproductive to the Government's agenda. With many charities currently reliant on large gifts from private donors, withdrawing incentives to donate could prove hazardous to any kind of social recovery in the UK. It was irrational and dangerous of the Government to brand philanthropists as tax dodgers. Whilst the Charity Commission and HMRC should do more to end any related abuses, the plans must be wholly abandoned as soon as possible.

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ABOUT THE CENTRE FOR SOCIAL JUSTICE

The Centre for Social Justice (CSJ) aims to put social justice at the heart of British society.

Our policy development is rooted in the wisdom of those working to tackle Britain's deepest social problems and the experience of those whose lives have been affected by poverty. Our Working Groups are non-partisan, comprising prominent academics, practitioners and policy makers who have expertise in the relevant fields. We consult nationally and internationally, especially with charities and social enterprises, who are the champions of the welfare society.

In addition to policy development, the CSJ has built an alliance of poverty fighting organisations that reverse social breakdown and transform communities.

We believe that the surest way the Government can reverse social breakdown and poverty is to enable such individuals, communities and voluntary groups to help themselves.

The CSJ was founded by Iain Duncan Smith in 2004, as the fulfilment of a promise made to Janice Dobbie, whose son had recently died from a drug overdose just after he was released from prison.

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