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Food vouchers to provide emergency help but prevent spending on alcohol

Campaigners raise alarm as English councils replace cash loans with payment cards for people facing short-term financial crises

"Food stamps" arrive in Britain next month, when tens of thousands of vulnerable people will be issued with food vouchers in lieu of money to tide them over short-term financial crises.

Rather than, as now, offering a cash loan, most councils will from April offer new applicants who qualify for emergency assistance a one-off voucher redeemable for goods such as food and nappies.

Many of the 150 local authorities in England running welfare schemes have confirmed that they will issue the vouchers in the form of payment cards, which will be blocked or monitored to prevent the holder using them for alcohol, cigarettes or gambling.

Several plan to issue charity food parcels to people applying for crisis help, and are preparing to give cash grants to food banks to enable them to take on full-time staff and increase opening hours.

Each authority has drawn up eligibility rules, setting out who will qualify for crisis help and the conditions under which it will be given. One plans to make emergency help conditional on good behaviour.

The shift to in-kind and voluntary assistance follows the decision last year to abolish the government-run social fund and to replace it with more than 150 welfare assistance schemes, operated by English local authorities and the Welsh and Scottish governments.

The social fund – known as the "backstop" of the welfare system – typically offered small loans of about £50, repayable against future benefits, to help vulnerable individuals who faced short-term crises as a result of having cash stolen or benefits delayed.

A separate set of cash grants, typically worth about £1,000, was made to people with a disability, ex-prisoners and victims of domestic violence, to enable them to buy or replace items that would help them live independently, such as beds, clothing and kitchen utensils.

Although social fund spending represents a relatively tiny chunk of the social security bill, there is concern that the new arrangements will for the first time build into mainstream welfare provision the distribution of food voluntarily donated by the public, schools and businesses.

Lady Lister, a Labour peer and poverty expert, said the shift from cash loans to in-kind help would leave the most vulnerable people "high and dry".

"The social fund was a safety net under the safety net," Lister said. "I do not call putting money into food banks a safety net."

Some fear the use of in-kind vouchers will repeat the shortcomings of cashless payment cards, issued to asylum seekers. Critics said these cards left users unable to buy essential non-food items, and made them more likely to turn to risky or criminal ways of obtaining cash.

One welfare charity worker said: "There's a lot of naivety. The social fund is big, and meets a whole range of needs. There's going to be an awful lot of people that will need to tap into its successor."

But councils say huge reductions, in some cases cuts of up to a third, in the amount allocated to support people in hardship have left them with no option but to offer vouchers, refer applicants to food banks and secondhand furniture projects, and to drastically tighten eligibility. The government spent £230m on the social fund in 2009-10 but has allocated £178m to local authorities for 2013-14.