



Advice NI response to

Social Fund Reform: Debt, Credit and Low Income Households

June 2010

Background

Advice NI is a membership organisation that exists to provide leadership, representation and support for independent advice organisations to facilitate the delivery of high quality, sustainable advice services. Advice NI exists to provide its members with the capacity and tools to ensure effective advice services delivery. This includes: advice and information management systems, funding and planning, quality assurance support, NVQs in advice and guidance, social policy co-ordination and ICT development.

Membership of Advice NI is normally for organisations that provide significant advice and information services to the public. Advice NI has over 70 member organisations operating throughout Northern Ireland and providing information and advocacy services to over 100,000 people each year dealing with over 227,000 enquiries on an extensive range of matters including: social security, housing, debt, consumer and employment issues. For further information, please visit www.adviceni.net.

General

Advice NI welcomes the opportunity to respond to the Social Fund Reform consultation paper. We would also refer to our response to The Social Fund: A New Approach (December 2008). The points made still remain relevant and we wish the following to be read in conjunction with this (Appendix 1).

Advice NI would also highlight the apparent contradiction in terms of timing between the proposals contained within this consultation document; and the contents of the Welfare Reform Bill which is progressing through the NI Assembly (and which became law through the House of Commons as the Welfare Reform Act 2009). This consultation paper talks about “contracting with major suppliers to provide a range of goods and services for people to access instead of cash grants”. The legislation talks about paying community care grants in certain circumstances directly to a supplier of goods and services. There is a sense that to some degree there is a disparity between legislation and consultation on the issue of social fund reform. There must be a question as to the relevance of the consultation and indeed there is a sense that the concept of consultation is being undermined and undervalued.

In terms of the document itself, Advice NI is concerned about the apparent contradiction in paragraphs 4.3 and 4.4 (Page 37). The Community Care Grant scheme is an important source of help for those on the lowest incomes. This section appears to say that (i) the eligibility criteria for CCG’s would remain the same; whilst (ii) appearing to say that a grant would only be considered if certain conditions were met – including whether the applicant could access help through a Social Fund loan. Advice NI would be concerned about the potential for the role of the Grant scheme to be fundamentally undermined if this approach was to be adopted.

Contracting with major suppliers to provide a range of goods and services for people to access instead of cash grants

Advice NI would wish to focus on this particular change contained within the consultation paper. Advice NI acknowledges the merits of this approach some of which include a commitment to reinvest savings into the Social Fund scheme; the guarantee to cover the product for a limited period; and that the claimant will be able to access a quality product, and not be forced to buy a sub-standard, cheaper item because the full amount was not awarded (as under the current scheme);

However Advice NI has a number of concerns about this approach, foremost of which is around the issue of stigma. It is well recognised that the take-up of means tested benefits is affected by the issue of stigma; and we are concerned that the further adoption of a scheme which replaces cash payments will reduce the take-up of entitlements by those people who otherwise fulfil the criteria for help. In a very real sense, we fear that an extra barrier will be created in addition to the formal criteria of applying and fulfilling the conditions of entitlement, leading to people becoming deprived of the help they are entitled to and need.

There is no detail on how such a scheme might operate, but Advice NI would advocate that the interface between the client and the supplier be as discrete as possible. Every effort should be made to make the transaction as 'normal' as possible so that the client is not distinguished as being a welfare recipient.

The consultation document talks "proposing to provide some grants in the form of goods and services" and Advice NI would be concerned about the 'direction of travel' of this approach. There is no description of the types of goods or services that may be provided, but one assumes that they relate to for example to the provision of white goods such as washing machines and cookers. A concern would be that the scheme could be expanded to include such items as clothing, where the item and the transaction process could become identifiable as being related to the welfare system.

The document talks about helping people improve their financial capability, but Advice NI fails to see how the proposal to award goods and services 'in kind' will promote financial inclusion and indeed depending on the process may well further marginalise and exclude welfare recipients.

Presumably these contracts will be awarded on a competitive tendering basis, and price will be a significant factor in determining the award of such contracts. As such budgets will be under pressure and Advice NI would fear that this will drive down the quality of the goods and services to be provided.

In addition, Advice NI would fear that such third party provision may blur lines of accountability and lead to confusion amongst claimants. For example a good may be provided but the claimant may experience repeated problems with the item. A scenario may develop where the social security system washes it's hands of the issue and says it is a matter between the provider and the customer. In such a situation the claimant (already potentially in a vulnerable position) not only has to navigate the benefits system, but has to become an expert in consumer law also. Advice NI believes that policy makers should continually reflect on the purpose of the social fund and for whom it was developed.

Additional help from the Funeral Payments scheme for students

Advice NI supports the extension of help with funeral costs to students who do not qualify for welfare benefits and who do not have the resources to meet the costs of funeral expenses.

Advice NI would strongly urge that there be a review of the amounts awarded under the Social Fund Funeral Payments scheme. The consultation document itself highlights that the average amount

payable under the scheme amounts to less than half the cost of an average standard funeral. It is unacceptable that claimants living on the relevant means tested benefits including Pension Credit are expected to find substantial sums of money to meet the cost of funeral expenses – at what is already a very difficult and stressful time.

More and better signposting of customers to sources of financial support, including money guidance

Advice NI supports the provision of more and better help for claimants. However we feel that the use of the term 'signposting' does not go far enough. There needs to be a seamless referral mechanism in place to ensure that those vulnerable claimants get the help they need; in terms of helping them to tackle the myriad of problems they may be experiencing in their lives.

Advice NI members provide help to over 100,000 people across Northern Ireland on over 227,000 enquiries each year including help and support on benefits, money, debt and housing issues. Advice NI has recently been successful in securing a Government contract to provide a free, confidential and impartial money and debt advice service known as Debt Action NI. The service is funded by both DETI and Ulster Bank and it currently delivers 600 hours of debt advice in 13 different council areas across NI namely Armagh, Ballymena, Belfast, Cookstown, Craigavon, Downpatrick, Limavady, Lisburn, Magherafelt, Moyle, Omagh, Newry and Mourne, and Strabane. The service is open to everyone who needs face to face help and advice on their debt and money issues regardless of their postcode and to date our advisers have helped over 700 clients dealing with over 9.8 million pounds worth of debt.

The professionally trained advisors will assess the person's situation and advise them on the best options available. They will also negotiate with the client's creditors on this behalf to relieve them of this stress. The advisers offer face to face appointments and home visits to those who are most vulnerable. They also work hard to protect people's homes, assist with any pending court action and, where appropriate, they will represent clients at Court.

Advice NI and members are ideally placed to provide an effective service for Social Fund claimants although any additional workload will have to be accompanied by the resources to increase capacity to provide the additional help required. Advice NI provides holistic Benefit Entitlement Checks for clients as part of dedicated contracts with various funders and we would envisage that this approach would work within the proposed Social Fund scheme.

In our experience any support must be tailored around meeting the needs of clients: and be on their terms. To this end clients should be given a range of options (including face to face, telephony, email) as regards accessing this support and ultimately clients should be able to choose whichever channel suits their particular circumstances.

Advice NI would sound a note of caution as regards whether this support was to become another condition as regards enabling claimants to make Social Fund applications. This might jeopardise the adviser / client relationship in terms of principles of independence and confidentiality; and undermine the effectiveness of the service.

A requirement to attend an interview for those customers who make repeat applications to Crisis Loans, and more stringent checks on what the loan is required for

Advice NI notes that the document states that the increase in Crisis Loan applications reflects a problem in the structure in the loans scheme. This statement is not elaborated upon and without giving more information as to what the applications have been for, Advice NI is not convinced that it necessarily reflects a problem with the structure of the scheme. Indeed an interpretation may well be that the Crisis Loan provision is effectively responding to emergency situations.

Advice NI would wish to ensure that repeat Crisis Loan decisions are made on the same day, regardless of whether 'more stringent checks' are required.

Changes to Budgeting Loans so that more people can apply for smaller loans earlier in their benefit claim – allowing access from Day One of benefit entitlement will prevent people from needing to apply for a Crisis Loan or having to borrow from high-cost or illegal lenders

Advice NI believes that there is merit in this idea, although we would wish to see a scheme put in place which meets need. A fear would be that the smaller loans do not meet the needs of clients and may ultimately just be a 'management tool' introduced as a means of managing budgets.

Provide more straightforward and simple access to one-off or occasional loans, to deal with immediate problems through a quicker and more streamlined application process. This will enable more certainty and clarity for customers

Please see response above.

Align this with stronger support and conditions if customers make repeat applications for loans or grants, in order to address their more deep-seated financial problems. For example, we would like to hear views on proposals for a requirement to take up a full financial health check, so we can see whether the claimant is receiving all the benefits they are entitled to, to ensure that they are being directed to financial advice, to look at any debt they may have, and to see that they are taking up any additional help with, for example, housing issues or to return to work

Please see responses regarding support that Advice NI could provide via a formal Social Fund referral scheme. We would once again highlight concerns that the independence and confidentiality aspect of the any such service would need to be retained and as such we would caution against making any the service part of the conditionality regime. It is the very fact that the service is independent that would make it more likely to be effective, but aligning it with a conditionality regime may undermine the service in the eyes of the service user.

Consider which organisations might be best placed to provide this more personalised interaction and wider support to meet the needs of our most vulnerable customers, and at which stage it should be provided in the interaction we have with them. We would like to hear views on whether more intensive support might best be delivered by Jobcentre Plus, local authorities or third sector organisations, or possibly a combination of providers

Advice NI and our members are ideally placed to help and support clients on a wide range of issues including benefits, money management, debt and housing etc. Advice NI believes this support via a Social Fund referral scheme should be made available as soon as possible to clients. If people could benefit from this help, then it makes sense that it be made available when they need it; to meet their needs and not to fit within an arbitrary top-down regime.

Require those customers who make repeat applications to develop and agree action plans with advisers, similar to those being made in jobseeker arrangements

Advice NI would question the need for this approach and the resources that would be required to monitor this additional tier of conditionality. Presumably action plans will have to be monitored and presumably they may impact on entitlement to Social Fund payments. As such they may only serve to increase bureaucracy generate unnecessary work in terms of disputes and complaints.

Look at ways in which we can refer the minority of our customers who frequently use Crisis Loans who have very complex needs to other services, or require them to take up more holistic support

Please see responses regarding support that Advice NI could provide via a formal Social Fund referral scheme.

Simplify the grants scheme and support those people leaving care or fleeing domestic violence with a regulated resettlement grant

Advice NI would be concerned that moving resettlement grants to the regulated part of the Social Fund may have the same impact as regards the regulated Funeral Payment scheme – namely that amounts awarded would be fixed at a level which would be insufficient to meet the needs of applicants. We would also be concerned that a regulated resettlement grant would fall outside the independent review scheme of the Office of the Social Fund Commissioner which might well serve to disadvantage claimants.

Contact information on this consultation response:

Bob Stronge (Chief Executive)

Kevin Higgins (Head of Policy & Research)

Advice NI

1 Rushfield Avenue

Belfast

BT7 3FP

Tel: 028 9064 5919

Email: bob@adviceni.net

kevin@adviceni.net

Website: www.adviceni.net

Appendix 1

Advice NI response to

The Social Fund: A New Approach

Deadline: Tuesday 23rd December 2008

Advice NI is a membership organisation that exists to provide leadership, representation and support for independent advice organisations to facilitate the delivery of high quality, sustainable advice services. Advice NI exists to provide its members with the capacity and tools to ensure effective advice services delivery. This includes: advice and information management systems, funding and planning, quality assurance support, NVQs in advice and guidance, social policy co-ordination and ICT development.

Membership of Advice NI is normally for organisations that provide significant advice and information services to the public. Advice NI has over 70 member organisations operating throughout Northern Ireland and providing information and advocacy services to over 110,000 people each year dealing with over 200,000 enquiries on an extensive range of matters including: social security, housing, debt, consumer and employment issues. For further information, please visit www.adviceni.net.

Advice NI welcomes the opportunity to respond to this consultation. Given the fact that more and more people are facing a bleak future in terms of the economic downturn and high inflationary pressures, Advice NI agrees that the social fund could and should be doing more to help people in financial difficulty.

We are very disappointed in the level of detail contained within the consultation document, on what is a very important issue for vulnerable low income households, and with the timescale for responses. Advice NI would call for much more in-depth and genuine engagement as we move forward.

In general terms Advice NI would assert that the consultation on the social fund takes the form of examining:

- What financial assistance is provided;
- How that financial assistance is provided;

At the moment the discretionary Social Fund is a cash limited system of one-off payments, mainly to people receiving Pension Credit, Income Support, income related Employment and Support Allowance or income-based Jobseeker's Allowance - although Crisis Loans are available to anyone, on benefit or not, without the resources to meet their immediate, urgent needs. Some of these payments need to be repaid, others do not. These payments are decided upon and made via Government Offices – namely the Social Security Agency in Northern Ireland.

The thrust of the consultation document appears to be about 'out-sourcing' social fund provision. The other thread is around administrative changes 'that will improve its efficiency' including advance payments and an extended loans scheme / refocused grants scheme. This includes proposals around a single loans scheme and what appears to be an intention to change and refocus the grant scheme.

“We want to retain a grant scheme for the most pressing and urgent needs where it is obvious that a grant is the most appropriate payment and we would welcome views on the sort of circumstances that might be covered.”

Advice NI is very concerned that a fundamental change to the Community Care Grant scheme is proposed with very little rationale within the consultation document. No evidence has been provided to support the view that currently grants do not go to the right people and effectively the proposal appears to be to lengthen the list of items which would be excluded under the grant scheme, (with the preferred approach being to direct people towards loans).

Currently Community Care Grants are payable to those on the lowest levels of income (including Income Support and Pension Credit); claimants must have little or no capital (£500 for people under 60; £1,000 for people over 60); awards cannot be made for excluded items (including for educational or training need, repairs to social housing, help with housing costs, work related expenses, telephone costs, fuel charges and any items associated with daily living expenses).

The categories of people who can apply for assistance are as follows:

- People moving out of institutional or residential accommodation;
- Helping people to stay out of institutional or residential accommodation;
- As part of a resettlement programme after being without a settled way of life;
- Easing exceptional pressures on families;
- Grants to prisoners on temporary release;
- Assistance with travel expenses in the UK;

It is the view of Advice NI that there is very little scope to make Community Care Grants more targeted and it would be our fear that any attempt to do so would in effect exclude vulnerable people from assistance they desperately need. It would also be our view that this may mark the beginning of the end of the entire Community Care Grant scheme. This scenario is unthinkable given the potential impact of such a move; the fact that vulnerable people (mainly the unemployed, older people, people with disabilities and lone parents) would be deprived of £139m worth of support, particularly at a time of recession and economic downturn; and unthinkable given the lack of detail concerning such a move within the consultation document.

Any redirection of claimants from grants to loans would in our view only serve to place vulnerable low income households under more pressure and in effect force such households below the poverty line.

It is the clear view of Advice NI that the Community Care Grant scheme needs to be strengthened not diminished, particularly within the context of the current economic climate. We understand that even as it stands, the grants scheme does not meet all applications which are deemed to be high priority need. The current budget for community care grants is miniscule in comparison to the total social security budget and we believe that the any reform must be with a view to allocating more funding towards this essential scheme.

Finally, in respect of Northern Ireland, any change to the Community Care Grant scheme – in whole or in part – would most certainly be Section 75 equality implications¹.

“There is considerable merit in a single credit scheme which would be available from day one on benefit though the credit limits in the first six months would be lower than those applicable after six months. In essence this means that customers would have an overdraft facility, avoiding the

¹ Section 75 of the Northern Ireland Act 1998

Section 75 and Schedule 9 to the Northern Ireland Act 1998 came into force on the 01 January 2000 and placed a statutory obligation on public authorities in carrying out their various functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity –

between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;

between men and women generally;

between persons with a disability and persons without; and

between persons with dependants and persons without.

need for intrusive questioning about the nature of their needs and they would have more certainty that a payment would be made. The simpler rules would also lead to faster decision-making on applications.”

Advice NI supports the view that the social fund could and should be doing more to help people in financial difficulty. Therefore any proposals which will encourage people to turn away from unscrupulous money lenders charging extortionate interest are to be welcomed. Advice NI is very concerned that the implication of this proposal is to end Crisis Loan provision. Crisis situations will continue to arise – such as an emergency or disaster where a ‘crisis payment’ will be required as the only means of avoiding a risk to health and safety. We firmly believe that help will need to be maintained to address this type of situation. Advice NI is certain that situations will continue to arise where vulnerable claimants exhaust their “overdraft facility” within any proposed extended loans scheme and these people must not be allowed to fall through the cracks and must be able to seek assistance when such a ‘crisis’ situation occurs.

Advice NI would also propose that over the longer term loans should be extended and made available to those on low waged incomes – in essence including Working Tax Credit as an eligible ‘benefit’ for the purposes of accessing the social fund scheme.

“We are looking at alternative ways of helping people at this point and are considering the possibility of introducing a new system of advance payments of benefits, whereby those at risk of hardship could receive 75% of their normal benefit immediately. The advance would then be recovered in 6 instalments once continuing benefit payments had started.”

Advice NI can see some merit in this proposal, albeit that it will serve to push claimants into a debt situation – causing an immediate reduction in their benefit in order to repay the advance. A similar issue arises in terms of the ‘periodicity’ debate in that the question must be asked ‘why has a figure of 75% been chosen?’ Advice NI would advocate that where the claimant requires the advance, that 100% of the normal benefit entitlement be payable.

“We are therefore seeking views on the merits of taking legislative powers to allow some credit unions, and similar organisations from the third sector, to take over the provision of credit to social fund customers in their areas.”

By way of background, in Northern Ireland we understand that there are approximately 184 Credit Unions with membership levels equivalent to 26% of the population or 370,000 members. Advice NI has been actively involved in responding to previous consultation papers considering the modernisation of Credit Unions in Northern Ireland. Our position has been that any modernisation and growth of Credit Union services is to be welcomed as Credit Unions provide an invaluable service to the local communities. Advice NI consider that Credit Unions as third sector lenders, play a pivotal role in providing affordable credit alternatives and loans to those excluded from conventional facilities.

Advice NI considers that it is vital that the modernisation of Credit Unions take place if they are to realistically be in a position to offer this service. However, there may well be issues around not only coverage but capacity even where the coverage exists. Issues such as staffing, training, ICT infrastructure, premises and opening hours are all possible areas which need to be addressed if Credit Unions are to be engaged in this service provision. Over the longer term, Advice NI would be concerned that as Credit Unions continue to modernise, the nature of their service provision may change and they may become more like high street banks, with all the associated ‘baggage’ including charges and fees which this may entail.

The mention of high street banks raises an interesting question – particularly in view of Credit Unions moving to modernise their services. Given the extent to which public funds have been used to support banks, it would seem at least a feasible idea that banks could deliver on the requirements of this scheme. Any reasons why banks may shy away from this provision will of course potentially apply to Credit Unions (for example commercial viability of operating the scheme).

Generally Advice NI considers it is vital that the credit union ethos remains as a community-based provider, providing alternative financial services and should act in the best interest of its members at all times. Many of whom live within areas of disadvantage and are either on a low income or are benefit recipients and would otherwise have no access to financial services.

Having addressed the potential of 'outsourcing', Advice NI would be fundamentally opposed to the most vulnerable low income households to any extent 'funding' the operation of this scheme via interest charges on loans. The consultation document points out that Budgeting Loans / Crisis Loans are interest free. In our view they are interest free due to the fact that applicants are primarily benefit recipients surviving on the lowest levels of income as prescribed in social security law. These people are forced below these levels when their benefit is deducted to repay any loan; and they will be forced deeper into poverty should these deductions include interest charges. The consultation document implies that the interest fee could fund 'a range of other services' including offering savings accounts and offering financial advice. If we accept at face value that this is the intention behind the interest fee Advice NI believes that, given the choice, people surviving below the poverty line would prefer additional money in their pockets to heftier deductions coming from their weekly benefit.

Finally Advice NI would make comment on the consultation process. Not only is it very important that this process is rigorous but that people have had every chance to feed in and express their views. Regarding the latter point, Advice NI believes that more could be done (workshops, information sessions etc) to actively engage with a wider range of stakeholders– most importantly the general public who will be most affected by these deliberations. We would like to offer the Advice NI eConsultation service as one of a range of potential tools for maximising participation. We would ask DWP to keep this situation and this offer under review.

Contact information on this consultation response:

Bob Stronge (Director)

Kevin Higgins (Deputy Director)

Advice NI

1 Rushfield Avenue

Belfast

BT7 3FP

Tel: 028 9064 5919

Email: bob@adviceni.net

kevin@adviceni.net

Website: www.adviceni.net