



## **Advice NI Response to**

### **Draft Budget 2015-16**

#### **Background**

Advice NI is a regional organisation that provides services direct to the public and provides 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, range of training opportunities, social policy co-ordination and ICT development.

#### **Context**

Demand for the services delivered by Advice NI and member organisations has increased significantly during the lifetime of the previous Budget 2011 – 15. During this period there have been significant changes which have driven this increase in demand and further change will likely continue this trend:

- Ongoing impact of recession with associated job losses, reduced working hours and fewer job opportunities;
- Inflation associated with rising energy costs and increased pressure on household bills. Indeed official figures just released show that UK households with the lowest income faced the fastest cost of living rise in the past 11 years<sup>1</sup>, in terms of the variation in the inflation experience of UK households, 2003-2014, the rate of inflation experienced by lower-spending households has averaged 3.3% per year over this period, compared with 2.3% per year for the higher-spending households.
- Austerity and attempts to reduce social security spend including the increase in the state retirement age (initially for women and thereafter for both men and women); & a range of

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<sup>1</sup> <http://www.ons.gov.uk/ons/rel/elmr/variation-in-the-inflation-experience-of-uk-households/2003-2014/index.html>

other measures including reductions to mortgage support; housing benefit; reductions in benefit uprating; and reductions to in-work tax credit payments and childcare support;

- Increasing need for crisis interventions such as food banks; evidenced by the Advice NI report 'Turning the Tide'<sup>2</sup> and more recent reports including the All-Party Inquiry report 'Feeding Britain: A strategy for zero hunger in England, Wales, Scotland and Northern Ireland'<sup>3</sup>.
- Envisaged impact of welfare reform as a wide range of vulnerable low-income individuals and households will require a variety of independent advice services in order to navigate their way through the changes proposed within the Welfare Reform Bill;
- Reform of Local Government presents a large degree of uncertainty for advice providers, reinforced by the delay in functions moving from DSD to Councils – including removal of ring fencing of funding for frontline advice services. The advice strategy twinned with local community planning arrangements may help address this uncertainty;
- Budgetary uncertainty also presents a significant challenge for advice providers in terms of the NI Draft Budget, in particular the cut in the Resource budget by 1.6% requiring £872million worth of reductions. However we welcome the fact that the DSD document 'Spending & Savings Proposals' (4<sup>th</sup> December 2014) states: "Funding will also be prioritised to continue support for ... voluntary advice services in 15 – 16".

## Introduction

Advice NI acknowledge that agreeing a budget in the midst of all the uncertainty highlighted above is no easy task. Advice services remain stretched with the following headline workload figures just published by Advice NI:

- 270,710 total enquiries; with the majority social security related;
- Advised over 5,200 clients deal with over £62million of debt;
- Advised over 320 business owners with over £20 million of debt;
- Over £4million additional benefits generated by the work on the SSA targeted exercise element of the benefit uptake programme;

It is in the context of increased demand for advice services and increased workloads that Advice NI has approached the Draft Budget consultation document. Whilst we understand that difficult decisions need to be made, Advice NI's position is that we see the protection of the most vulnerable low income households as being our primary concern. The purpose of this response is to be

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<sup>2</sup> <http://www.adviceni.net/publications/PDF/AdviceNI%20Policy%20paper.pdf>

<sup>3</sup> <https://foodpovertyinquiry.files.wordpress.com/2014/12/food-poverty-feeding-britain-final.pdf>

constructive and assist all stakeholders in particular those people who need to access advice services.

### **Over-arching comments on the Draft Budget**

Advice NI welcome the fact that agreement was reached in terms of producing the Draft Budget. We are disappointed in the scale of budgetary pressures contained in the document, but acknowledge the impact of the policy of austerity pursued by the UK Coalition Government, and its knock-on impact on Northern Ireland resulting in a 1.6% real-terms reduction in the block grant. We are concerned about the impact of anticipated further 13% reductions in real-terms to the block grant by 2020 and we believe that this is unsustainable and will have a devastating impact in Northern Ireland. We have to say that the uncertainty associated with the current political talks process has made responding to the Draft Budget difficult, in particular given the fact that an “11<sup>th</sup> hour deal” may see the injection of significant additional finance which may in turn alter some of the projections and assumptions contained within the Draft Budget document.

We believe that it is vital to protect priority frontline services over the coming years, both statutory frontline services and other frontline services delivered for example by organisations in the voluntary and community sector. In the context of protecting the vulnerable and the considerable impact of changes since the UK Coalition Government came to power in 2010, we believe that the Executive and individual departments must closely scrutinise decisions and ensure that they are ‘poverty-proofed’ in terms of impact. We note that the Draft Budget document outlines that there is an onus on departments to assess potential equality, good relations, poverty, social inclusion and sustainable developments impacts of the Budget. We would be concerned that departments may go through the motions and not take this responsibility seriously – we would like to see robust scrutiny of how individual departments have discharged their equality duties.

In terms of welfare reform, Advice NI notes the Finance Minister’s comments in relation to measures aimed at potentially increasing taxes: ***“I make no apology for keeping local taxes low. There are public spending consequences, but it is the right thing to do. I believe in keeping as much money as possible in people’s pockets. Taking it from them might give us some short-term public spending satisfaction, but the impact on consumer confidence and economic recovery should not be dismissed.”*** Whilst not disagreeing with the sentiment, we would argue that exactly the same arguments apply to welfare reform legislation which will see money taken from the most vulnerable low income households in Northern Ireland. Advice NI agrees with the statement in the DSD Draft Budget document when it states: ***“Should Welfare Reform be agreed, there will be a considerable increase in the volume of work as there will be a period of time when the new and legacy social security systems will be running simultaneously and claimants are transitioned between the benefits. Over time the £36million allocation will be fully utilised and indeed further bids for resources will be required in future years.”*** Whilst this statement is no doubt in reference to Social Security Agency workloads, we would point out that this statement can equally be applied to advice sector workloads also<sup>4</sup>.

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<sup>4</sup> <http://www.adviceni.net/publications/PDF/Why%20Advice%20Matters.pdf>

Advice NI welcomes the development of the Change Fund. However it remains to be seen whether the Fund will be capable of meeting the need in terms of the number of applications that will undoubtedly be submitted. In particular we would draw attention to opportunities that could be created to assist with issues such as improving digital and financial capability and initiatives aimed at tackling economic inactivity and addressing barriers to employment experienced by certain groups including the sick & disabled or those inactive due to looking after family or home.

### **Department for Social Development (DSD)**

Advice NI welcomes the commitment to prioritise funding for advice services outlined in the departmental “spending and savings” proposals document. However, given that a proportion of funding for advice services is also secured via Neighbourhood Renewal we would be concerned about reductions in the Urban Regeneration resource budget which will impact on a range of funded programmes including Neighbourhood Renewal. In addition, regarding the reform of local government and the transfer of responsibility of Neighbourhood Renewal to the new councils, this may create uncertainty in terms of services and work currently funded via Neighbourhood Renewal. We believe that consideration should be given to the department developing policy guidance in terms of the Neighbourhood Renewal issue (similar to the approach taken to frontline generalist advice services where the department has taken on policy responsibility, discharged by the development of an advice strategy “*Advising, Supporting Empowering*”<sup>5</sup>) which could assist all stakeholders deal with the transition of Neighbourhood Renewal from central to local government.

We would draw particular attention to the vital service provided in terms of the independent advice element of the Social Security Agency (SSA) Benefit Uptake targeted exercise programme. The targeted exercise element has consistently generated record amounts of additional income for older people across Northern Ireland and it delivers excellent value for money: so much so that for every £1 spent, over £11 is generated in additional money secured for older people in Northern Ireland. Advice NI would wish to see an explicit assurance given that this much-needed & much-appreciated programme aimed at older people will continue in 15/16 and beyond.

On the issue of welfare reform we would reiterate the comments made above. At the time of writing this response the issue remains unclear, but we would reiterate our position that every effort should be made to protect our most vulnerable low income households. We would reiterate our call that, if the Welfare Reform Bill is passed, it should include a clause outlining a statutory right to independent advice for all those affected by it – as first proposed by Advice NI in evidence at the Social Development Committee scrutiny stage<sup>6</sup>.

As a general point we believe there needs to be a robust departmental equality impact assessment conducted to assess potential equality impacts; for example if there are any changes proposed to

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<sup>5</sup> <http://www.dsdni.gov.uk/advising-supporting-empowering-consultation.pdf>

<sup>6</sup> <http://www.niassembly.gov.uk/assembly-business/official-report/committee-minutes-of-evidence/session-2012-2013/october-2012/welfare-reform-bill-advice-ni-briefing/>

the Benefit Uptake programme specifically the targeted exercise element, this will have a devastating impact on older people given the positive impact that this programme has on generating additional income for older people in Northern Ireland.

### **Department of Enterprise, Trade & Investment (DETI)**

Advice NI acknowledge and welcome the commitment of DETI to sustain the current Debt Action NI service for another year. The Debt Action NI service has proved a vital source of advice and support for those across Northern Ireland. The Department has funded this service since 2009 and during this period we have helped over 18,400 clients deal with nearly £292 million in debt covering over 50,600 debts.

Given that our economy and debt landscape is different from the rest of the UK we believe that it is correct that this vital service is prioritised. Some of these differences were highlighted at a recent Housing Repossessions Taskforce report<sup>7</sup> where it was highlighted that 41 per cent of Northern Ireland home owners are in negative equity and we are the highest of all the UK regions<sup>8</sup>. The Money Advice Service conducted research on all UK councils to assess the over indebtedness of the population, all 26 Northern Ireland councils are in the top one third (38 per cent) of the league table<sup>9</sup>. A further concern is the potential increase in the interest rate which will not only affect mortgages but also other unsecured credit.

Therefore we believe that the Debt Action NI service provides local, effective help and support for people in need; and we equally value the local dimension provided by DETI as a funder of the service.

We note the comments outlined in the introduction, *“The Executive’s Programme for Government places the Economy as its top priority with the aim of achieving long term economic growth by improving competitiveness, and to build a larger and more export-driven private sector.”* Advice NI has successfully piloted a Northern Ireland Business Debtline which is part supported through the Money Advice Trust. This service has proven invaluable to local businesses; the first year impact report outlines how 68 per cent of surveyed business continued to trade after receiving advice from the service<sup>10</sup>.

Businesses often comment to the adviser that they are delighted to be able to access a free service, as they often don’t have the resources to pay for an accountant or solicitor for advice. The Office of National Statistics has highlighted the hardship faced by businesses in Northern Ireland<sup>11</sup>, some of which include the fact that in Northern Ireland during 2013 there were more business deregulated

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<sup>7</sup> <http://www.dsdni.gov.uk/hrt-policy-challenges-and-potential-options.pdf>

<sup>8</sup> <http://www.dsdni.gov.uk/rtf-initial-evidence-paper.pdf>.

<sup>9</sup> <https://www.moneyadvice.org.uk/en/static/indebted-lives-the-complexities-of-life-in-debt>

<sup>10</sup> <http://www.debtaction-ni.net/content/advice-nis-business-debtline-impact-report>

<sup>11</sup> <http://www.ons.gov.uk/ons/rel/bus-register/business-demography/2013/stb-business-demography.html>

than were created and 26 per cent of businesses do not survive until their second birthday. We would be concerned about the impact of the 15.1% reduction in the Invest NI budget, particularly in light of the statement contained in the consultation document where the reduction is expected to result in *“having significantly reduced scope to support new business projects coming forward...and having to potentially withdraw support for businesses outside of larger companies across a wide range of sectors; hitting smaller local companies across Northern Ireland which are benefiting greatly from Invest NI’s assistance and guidance”*. We believe the Business Debtline service plays a vital role in supporting the Executive’s programme regarding the economy and also supporting local businesses and as such consideration should be given to supporting this valuable service moving forward.

Advice NI welcomes the opportunity to engage further on any aspect of this consultation response.

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