

**Advice NI response to**

**Draft Budget 2011 - 15**

**January 2011**

**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.

**Context**

Since the UK officially entered recession in Q3 of 2008, advisers have been hit by a 'double whammy' of more people needing help as a result of the economic downturn, coupled with increasing numbers of people seeking help as a result of welfare reforms introduced from Westminster. During this period Advice NI members have provided information, advice and advocacy services to over 224,817 people, dealing with over 475,591 enquiries on an extensive range of matters including: social security, housing, debt, consumer and employment issues. The debt workload has climbed to 1,642 clients presenting with 5,092 debts amounting to £28.7million. The tribunal representation workload of members has also increased dramatically by 43% to 2,261 as more people, some of whom have been confronted with the social security system for the first time, have struggled to access their proper benefit entitlement. Far from Northern Ireland being in a period of recovery, the

situation has continued to deteriorate during 2010 where the Northern Ireland claimant count increased by 8.9% (4,800) to 58,600, compared to a decrease of 10% in the UK as a whole.

In terms of the future, Advice NI believe that people here face significant difficulties and hardship as a result of the Coalition Government's plans to tackle the budget deficit – including cuts to departmental spend across our Government Departments, the VAT increase to 20% and the raft of welfare benefit cuts. There is a very real concern that there will be a 'second wave' of additional job losses in Northern Ireland including people currently employed in the public sector; and people within 'arms length' organisations providing services for / on behalf of the public sector. Moving forward there are also risk factors outwith current Budget deliberations but which will nonetheless impact on and 'squeeze' households across Northern Ireland. These include the threat of interest rate increases on the back of rising inflation as reflected in consumer prices index (CPI) data. The effect of higher interest rates combined with high inflation will be felt by each and every household through hikes to grocery bills, household goods, home heating bills, petrol, transport costs, mortgages, credit card and personal loan commitments.

Advice NI and our members are most definitely at the frontline in helping people through these difficult times.

The following quotation from an adviser reflects the situation:

*“The demand for locally accessible quality frontline advice services has dramatically increased with significant additional debt related work which is time consuming and yet there are no additional resources to meet demand. There are reports all across N.I. from independent advice agencies about the increased demand and many offices are struggling to meet current demand or even remain open, with some having to restrict service delivery due to current case load management issues.”*

It is in the context of increased demand for advice services and increased workloads that Advice NI has approached the Draft Budget consultation document. We understand that difficult decisions need to be made in terms of revenue raising and expenditure cuts. Advice

NI's position is that we see the protection of the most vulnerable low income households as being our primary concern.

## **Introduction**

Advice NI welcomes the fact that the NI Executive has agreed a Draft Budget for 2011-15. In addition we welcome the fact that the focus of the Draft Budget has broadened from solely concentrating on economic growth to protecting the vulnerable, protecting frontline services and improving the effectiveness of public services. Advice NI agrees that the prospect of any economic recovery for NI is lagging behind other regions and that public expenditure cuts allied to welfare cuts will have a disproportionately severe impact on the people of NI. We foresee that demands for advice services will continue to rise in terms of people who will suffer redundancy or cuts in hours; people who will need help work their way through the social security system; people who will need help keep a roof over their heads and deal with money and debt worries. We would have liked to have seen a clearer commitment and more detail as to how services and jobs in the advice sector, in addition to the public sector, could similarly be protected given the contribution of advice providers in assisting people through these difficult times.

A general criticism that could be aimed at the Draft Budget document and the associated Departmental Budgets is the lack of detail as regards impact: where will the axe fall; impact on public sector jobs; impact on funding streams; impact on frontline services; what jobs will be lost within the public sector. Advice NI would also liked to have seen some further high level information in relation to the potential impact of alternative approaches to generating local revenue, for example above-inflation increases in the regional rate and amendments to universal schemes such as concessionary travel and free prescription charges.

Advice NI is concerned about the effect the drive for ongoing departmental efficiency savings will have, coupled with the significant reduction in the levels of funding available as outlined in the Budget. On their own, these factors would have a significant impact; in combination they will serve to aggravate an already difficult situation.

Advice NI would highlight the role of the private sector, including NIE and its '*For Your Benefit*' programme and Ulster Bank's support for money and debt provision, in funding specific programmes aimed at vulnerable households across Northern Ireland. We believe that the NI Executive could do more to encourage large private sector companies (in particular the larger utility providers) in NI to develop this kind 'social responsibility' approach aimed protecting vulnerable groups.

## **Resources**

Within Chapter 3 the Draft Budget refers to the Coalition Government's deficit reduction plan which has led to a significant reduction in the level of funding available to the Northern Ireland Executive.

In terms of sources of revenue and ways of trying to generate additional income, Advice NI recognises that the Executive has deferred the introduction of domestic water charges and we would support this decision given the lack of clarity and the lack of assurance around the level of protection which could be afforded to the most vulnerable low income households across Northern Ireland.

As highlighted above, Advice NI forecast a significant squeeze on household incomes over the coming years. That said, Advice NI would not be opposed to above-inflation increases to domestic rates for the following reason. There is already a system in place namely the means tested rate relief scheme which caters for ratepayers' ability to pay and which provides graduated financial support ranging from 100% relief to partial relief based on individual circumstances. We would assert that if a decision was made to introduce above-inflation increases to domestic rates, there would need to be a renewed focus on take-up with a view to identifying improvements which could be made to address poor take-up among certain ratepayers.

The situation is different in relation to social housing rental income. Whilst there is a Housing Benefit scheme in place to protect low income tenants, Advice NI is concerned that the cuts to Housing Benefit / Local Housing Allowance as outlined by the Coalition Government undermine the protection afforded to vulnerable low income households in

the public and private rented sectors. As such Advice NI could not support hikes to social housing rental charges.

We note the reference (at Section 3.26) to minimising impact on frontline services. We would repeat our assertion that advice services are a vital frontline service as evidenced above and that every effort should be made across all Departments to prioritise the maintenance of funding levels currently being made available for advice service provision.

### **Savings**

Advice NI firmly believes that there is an as yet untapped opportunity to reduce bureaucracy, improve staff morale and improve efficiency within public services using the Systems Thinking methodology. Advice NI's work in this area to date builds on Systems Thinking work in GB and demonstrates the immense contribution advice services can make to improving public service delivery and minimising waste and how gaining absolute knowledge of systems is the key to unlocking cost and waste. A systems thinking methodology, whereby customer demand and service purpose is clearly understood and work-flow is analysed with front-line staff taking the lead is essential for service improvement. It provides the key to the absolute knowledge that is needed to reduce cost and waste and deliver what customers really want. We would commend this approach to the NI Executive.

The following quotation from Professor John Seddon reflects the Systems Thinking ideology:

*“At the highest level there are two types of customer demand: ‘value’ and ‘failure’ demand. Value demands are those you want customers to place on the system; they are the reason you are in business. Failure demands are those you don’t want: demands caused by a failure to do something or do something right for the customer. It follows that failure demand, being created by the organisation, is entirely under the organisation’s control. Turning off the causes of failure demand is one of the most powerful economic levers available to managers; it has an immediate impact on capacity.”*

Advice NI would be opposed to the introduction of any savings measures which negatively impact upon the delivery of advice services which are already under unprecedented pressure.

## **Revenue raising options**

Advice NI notes that new revenue raising options have been considered and some have been factored into the preparation of the Draft Budget. It is proposed that these will be used to fund the Social Protection Fund (Section 3.46) on an ongoing basis following a guaranteed initial allocation of £20million in 2011/12. In general terms the concern would be that these additional revenue streams will not be realised (either wholly or in part) which would serve to put in jeopardy any social protection measures introduced in 2011/12. Whilst welcoming this fund, if it is aimed at assisting people directly affected by welfare cuts, then expectations as to what this fund can expect to achieve will have to be carefully managed, particularly given that welfare cuts are estimated to take up to £500million in welfare payments from NI claimants.

In terms of public sector pay (and indeed pay levels across all sectors which rely upon public sector funding) Advice NI supports an approach that advocates pay restraint particularly as regards senior officials within the public sector and beyond. We note that a public sector pay freeze has been proposed with the stated aim of protecting jobs in the public sector; we would similarly call for departments to explore how posts and services presently funded can be protected with cuts and job losses being measures of last resort.

Advice NI welcomes the establishment of a Social Investment Fund (Section 3.45) of £20million per annum to tackle the problem of disadvantage. We understand that this is additional money and look forward to finding out more about how this fund will operate.

In terms of the Invest to Save Fund, Advice NI would link this to the Systems Thinking approach advocated above. The Invest to Save Fund may well represent an ideal opportunity for departments to take forward Systems Thinking projects which we believe would ultimately transform services; boost staff morale and maximise returns on investment.

## **Departmental Budgets (Department for Social Development, DSD)**

From the perspective of advice services, the Department for Social Development (DSD) has policy responsibility for voluntary advice in Northern Ireland and leads the implementation of the Department's Advice Strategy 'Opening Doors'. DSD's funding for frontline voluntary

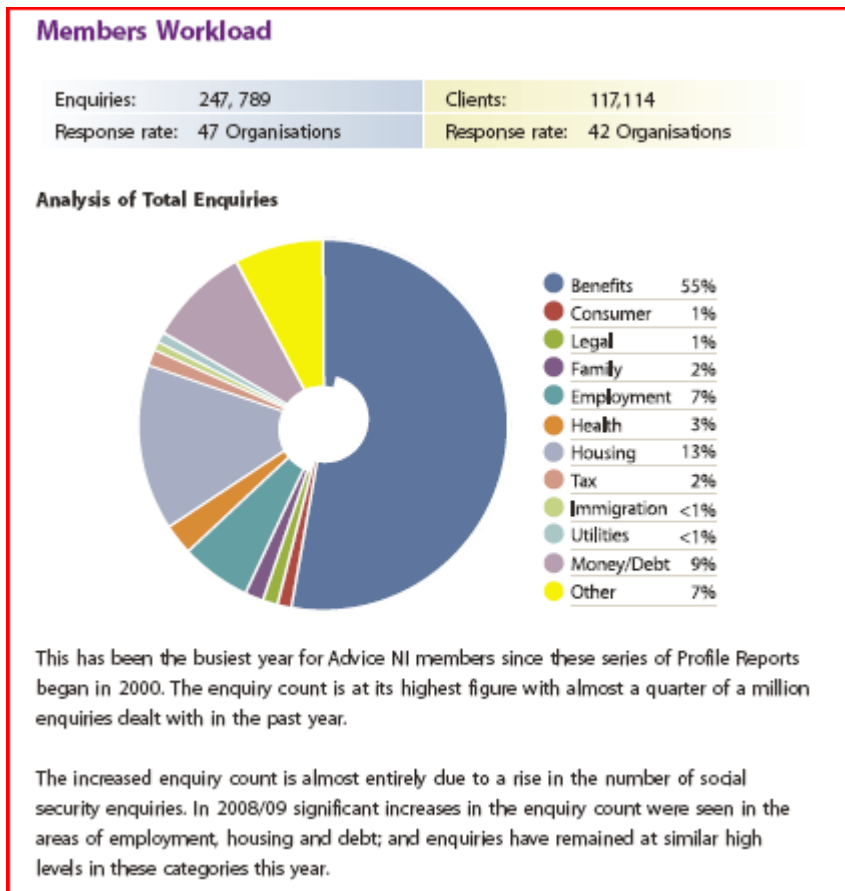
advice services is channelled through the Community Support Programme where it is established practice that local Councils are responsible for all local funding arrangements with the voluntary and community organisations supported through this programme. DSD also centrally funds and supports regional advice services provided by Law Centre NI, Advice NI and Citizens' Advice. This funding is delivered through the Department's Regional Infrastructure Programme.

The DSD Draft Budget highlights a number of factors crucial in the economic and employment environment faced by NI including welfare reform and the need to make sure that persons and families including the most vulnerable are protected from the adverse consequences of the reform; the continued economic slump and subsequent increased demand for the safety net of the social welfare system; increasing housing pressures including affordability and fuel poverty; and maximising each and every opportunity to develop and regenerate disadvantaged areas and communities.

Advice NI has responded to a call from the Department for Social Development on how the vulnerable might be protected, how the best of voluntary and community services preserved and space created to grow and test new ideas. Our response outlined that (i) advice services must be a priority area to be protected within the context of potential spending cuts. Advice services can play a vital role in helping to ensure that no-one is left to 'flounder' in an environment of stringent cuts and equally advice services can assist people move from welfare to work; (ii) the range of services (generalist, specialist, targeted) our members provide directly contribute towards the health and well-being of people in Northern Ireland; (iii) members services generate income for households which boosts the economy of Northern Ireland and directly contribute towards Governmental policy initiatives; (iv) the needs of service users must be seen as paramount at this time and reference was made to Advice NI's Systems Thinking work which evidences that by focusing on providing what customers want, costs are driven out; cost-reduction is a consequence, not a focus for management.

Advice NI would again take the opportunity to highlight the vital role advice agencies play in helping to address all these key issues. In 2010 Advice NI members assisted 117,114 people

with 247,789 enquiries. The following pie chart taken from the Membership profile report 2010 illustrates a breakdown of this workload:



The reality of life for people affected by job loss and welfare cuts is a struggle to survive on comparatively reduced incomes, whilst struggling to meet fixed outgoings. The following case study serves to illustrate the impact of an intervention by an Advice NI adviser:

*“The Advice Service was contacted by a local bank with regard to a couple with two children who were in financial difficulties. An appointment was made to see the couple that same day.*

*The clients were homeowners with a £25,000 secured loan and £22,500 of unsecured debt spread across ten separate creditors, which included store cards, credit cards, personal loans and catalogues. They had been to a fee paying Debt Management Company but found the payments and fees unmanageable. With the help of the adviser the couple are now servicing their mortgage and secured loan in full and have realistic arrangements in place with their*



*unsecured creditors. The couple now feel that they are in control of their financial situation and are no longer too frightened to answer their door or telephone.”*

Advice NI would call for resources to be made available to maintain and enhance advice capacity in the face of increased demand. In terms of trying to cope with & mitigate against the worst consequences of welfare reform, Advice NI has identified specific areas where the advice sector can contribute:

### **1. Assisting with Support for Mortgage Interest shortfall**

Advice NI is very concerned about the impact of the cut to the SMI scheme to the Average Mortgage Rate from October 2010. We understand that more than 14,270 households in Northern Ireland receive assistance via the SMI scheme with at least 7 – 9,000 being negatively affected and will see a shortfall in their mortgage interest support.

Advice NI would like to propose that an initiative similar to the current Social Security Agency (SSA) Benefit Uptake programme be initiated to address the impact of this cut on the poorest households in Northern Ireland. We know that the SSA has a database of all households who receive help under the SMI scheme; we would propose that SSA write to all these households and invite them to contact Advice NI for a benefit check / money and debt advice if they are struggling to repay their mortgage.

### **2. Assisting with withdrawal of SMI for long term unemployed**

Advice NI is concerned that the withdrawal of Support for Mortgage Interest for long term unemployed will make it harder, and in many cases impossible, for many people to stay in their homes.

Advice NI would propose a similar initiative be initiated to address the impact of the withdrawal of this support on those affected households across Northern Ireland. As above, we know that the SSA has a database of all households who will be affected by this issue; we would propose that SSA write to all these households and invite them to contact Advice NI for a benefit check / money and debt advice if they are struggling to repay their mortgage.

### **3. Incapacity Benefit / Income Support re-assessment**

The government's Welfare Reform White Paper in December 2008 - *'Raising expectations and increasing support – reforming welfare for the future.'* sets out the intention to transfer existing incapacity benefits customers to Employment and Support Allowance (ESA) using the Work Capability Assessment (WCA).

This exercise will impact on over 90,000 people and it is estimated that approximately 1:4 (25%, 22,500 people) will not 'pass' the WCA and so not receive Employment and Support Allowance. Therefore a significant number of people with long term health problems will need assistance and support regarding what benefit options may be available to them.

Again we would recommend an approach highlighted above, as SSA will have a database of all households who will be affected by this issue.

### **4. IB / IS re-assessment and impact on need for appeal representation**

One option that will be open to those negatively affected by IB /IS re-assessment will be to appeal the WCA decision. Statistics independently provided by The Appeals Service highlighted a dramatic increase in representation work of Advice NI members in 2010. Representation was provided at a record high 1,329 hearings, amounting to an increase of 397 or 43% as compared to 2009. The bulk of this increase was found to be in relation to WCA's. Advisers are struggling to cope with the current volumes and undoubtedly there will be a need for extra resources to assist advice providers to meet the expected increased demand for tribunal representation services by people who fail the WCA as part of the IB/ IS re-assessment process.

### **5. Assisting people affected by cuts to Housing Benefit including proposals to withdraw the £15 excess payments; Housing Benefit for local housing allowance rates to be set at the 30th percentile of rents in each broad rental market area rather than the median**

The Emergency Budget in June contained proposals that local housing allowance rates for private sector tenants be set at the 30th percentile of rents in each broad rental market area rather than the median; with the proposal to take effect from April 2011. The plan to reduce housing benefit awards to 90 per cent of the initial award after 12 months for claimants receiving JSA, is due to be introduced in April 2013. The Labour Government

announced proposals to withdraw the £15 excess payments in the Budget 2009, deferring the introduction of this proposal to April 2011.

Advice NI believes that DSD / NIHE must take action to try and mitigate the worst consequences of these proposed cuts. Again NIHE will have a database of all households who will be affected by this issue and we would call for a all households to be contacted and invited to contact Advice NI for a benefit check / money and debt advice if they are struggling to pay their rent.

Advice NI notes that the DSD Draft Budget does make allowances for the impact of welfare reform on the Social Security Agency – there must be an acknowledgement that welfare reform will similarly have downstream consequences for the advice sector and similar additional resources must be built into the budgets at this time to ensure that the advice sector is equipped to meet the increased demands that will be posed by welfare reform.

#### **DETI**

... can similarly focus on the money debt services ...

#### **DEL**

... focus on services of advisers in assisting people make journey from welfare to work

#### **DOJ**

... focus on advisers assisting people access their legal rights

#### **Health**

... focus on advisers assisting people address health issues such as benefit system, health inequality, income issues;

#### **Education**

Free school meals work

#### **DARD**

Rural poverty work

**DFP**

PEDU – Systems Thinking work ...

**DRD**

Water charging position

**OFMDFM**

Anti-poverty work

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