



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Social Fund Reform: DSD Briefing

23 May 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark Durkan
Mr Fra McCann

Witnesses:

Mr Brian Doherty	Department for Social Development
Ms Leonora McLaughlin	Department for Social Development

The Chairperson: I welcome Brian Doherty, the director of working age services, and Leonora McLaughlin, the project manager for social fund reform. Brian, personally and on behalf of the Committee, I want to express our sympathy to you and your family on the recent loss of your father. It is good to see you back at work again. I will pass over to you and Leonora.

Mr Brian Doherty (Department for Social Development): Good morning, Mr Chairman. Thank you very much for the opportunity to attend the Committee here in Ballymena to update you on responses to the recent public consultation exercise on proposals for new discretionary support to replace community care grants and crisis loans for household items. I am joined this morning by my colleague Leonora McLaughlin, who is the project manager for social fund reform.

In total, we received 32 responses from the consultation; one from a customer, several from staff and most from a cross-section of customer representative groups, health trusts and councils. The responses varied in length and complexity and, as you might imagine, reflected a spectrum of views. Although it was encouraging that there was broad support for many of the design principles underlying the proposed new discretionary support, there are a number of areas in which respondents expressed an alternative view of the design as it is described in the consultation document. The Committee has been provided with a fairly comprehensive summary of responses, so I do not intend to cover all areas in detail. Instead, I will give a quick overview of the key areas in the responses to help to inform the Committee's view.

On a positive note, most of the responses approved of opening up successor services to working customers: loans and grants delivery by the Social Security Agency with a range of access channels; the establishment of an independent second-tier review service; and signposting for advice or benefit entitlement checks. The new provision, however, represents a significant change, and, predictably, some areas were more controversial.

On the proposed income threshold, many respondents felt that the national minimum wage of around £12,800 was an appropriate level. However, a number of organisations suggested that the living wage, which is around £15,000, would be more appropriate. The Committee will, perhaps, recall our methodology for selecting the national minimum wage and, specifically, the need to find a threshold that was high enough to help the most financially exposed working and benefit-receiving customers and, yet, not so high as to drastically increase the eligible pool of customers and spread funding too thinly. Use of a higher threshold comparable with the living wage would, potentially, increase grant applications by 41% and loan applications by 42%, the net impact of which would be a further decrease in average awards.

On a related issue, there are a number of suggestions for a further disregard of income or benefits when assessing income. The Committee will also recall that the proposed disregards mirror the approach to be taken by universal credit. As with the income threshold, additional disregarded income or benefits will increase the eligible pool of customers and, potentially, reduce the average level of awards.

Respondents generally understood the Department's intention to try to address high levels of indebtedness. However, concern was raised about the impact of the £1,000 debt level, down from the social fund's current £1,500. The need for transitional protection for customers who have social fund debt in excess of £1,000 and could not afford to pay a further loan deduction was noted.

There was also a fair degree of agreement about the need for sufficient flexibility to allow a response to a crisis or an emergency, irrespective of the customer's debt position. On debt and the ability to repay subsequent loans, concern was expressed about a shorter repayment period of 52 weeks. Our reasons for reducing the repayment period were twofold: the customer is not committing to a deduction too far into the future; and it assists us to recycle payments quickly. That is important given that we will be dependent on recovered moneys to sustain the loan fund.

There was concern that the eligibility criteria were too narrow and restrictive, targeted as they are at emergencies or crises in which there is a significant risk to health, safety and well-being. However, this provision does not seek to replace the social fund and is designed to provide a safety net for customers in exceptional circumstances. Budgeting loans will continue to be available for customers needing more routine assistance to cover an unexpected cost.

There were suggestions to include additional criteria for those suffering from and getting treatment for cancer and those subject to domestic violence. Reservations were expressed about the subjective nature of criteria and the need for clear guidance for decision-makers. Unfortunately, this is a necessary feature of discretionary support. Our funding will be cash-limited, so staff must evaluate the extent to which a customer's circumstances merit assistance. In that way, we will aim to target discretionary support at customers who most need assistance. Moreover, we intend to redeploy crisis loan and community care grant staff, who have a wealth of experience in operating the existing discretionary social fund service. We propose that the provision be accessible only to Northern Ireland residents, particularly because this is a Northern Ireland-specific provision. Many respondents queried the impact of the proposal on migrant workers, asylum seekers and those living in border areas. Although we await legal advice on our residency approach, I am hopeful that we can establish a pragmatic approach.

That is as much as I propose to say about responses. As the Committee prepares to consider its response, however, I reiterate that the discretionary support proposals, although maintaining continuity with the aims and objectives of crisis loan and community care grants, do not seek to replicate the social fund. The Department and the agency are committed to implementing discretionary support to respond to crises and exceptional circumstances. To deliver the policy intent, however, new services must also encourage the development of greater financial capability and not the sort of dependency and routine use that has often been the norm for social fund customers.

The consultation exercise provided us with a good deal of food for thought, and the Department is developing its response. I hope that members found this briefing useful, and Leo and I are more than happy to take questions.

The Chairperson: Thank you very much, Brian. You said that 32 responses were received. Will you elaborate on that? It sounds like a low response for an issue such as this, although there may be a reason for that.

Mr Doherty: There is no particular reason for the numbers. It is more about the quality of the responses, which came from large voluntary and community sector organisations, political parties, and our staff, who are close to the subject. So the quality of the responses was good, albeit that their number was not so good.

The Chairperson: Fair enough. Thank you for that.

Mr Copeland: Thank you, Brian. When discretion is exercised by more than one individual, it can often lead to a different interpretation or outcome, so it is important to establish the guidance that will be used by decision-makers to ensure that discretion is always equal, fair and just. Has the guidance for decision-makers in this case been arrived at, and, if so, may we see it? Does the way in which this discretion will be exercised differ from the social fund?

Mr Doherty: The guidance is being developed. The consultation on how the scheme is designed and the subsequent regulations will, of course, inform that guidance. I take your point that there have been instances of inconsistency in decision-making across Northern Ireland, and we are very aware of that. Indeed, the oversight committee that started off this process referred to that.

It will be important for us to look at the decisions that are made. Obviously, we will have a second-tier review, and its outcome will provide a learning opportunity for us. We need to build on that learning as we go along. Discretion, by its very nature, is important in the scheme because individual circumstances are very different. Drawing comparators, even between people seeking the same item, could be dangerous and too restrictive when it comes to the amount of money that we provide in support. We have tried to develop the regulations to be sufficiently flexible. However, the Departmental Solicitor's Office is very keen for us to try to tie it down as much as possible. There are merits in both approaches.

We are more than happy to share the guidance with the Committee. I think that there would be benefits in doing that, especially for elected representatives who have constituents coming in and trying to understand it. I caution that it is not about second-guessing the decision-makers, who make a decision based on all the information available to them.

Mr Copeland: I understand that, but if the Department and, as a consequence, the Minister are seeking our acquiescence, we need to see the guidance under which the policy will be implemented to allow us to give a fair judgement.

Mr Doherty: There will be no problem providing the guidance.

Mr Brady: Thanks for your presentation. Brian, you said that there was a need to move away from the dependency that people have had on the social fund. The reason why people have had that dependency is very simple: benefit rates are too low. Jobseeker's allowance for a person living alone, for example, is £71 a week. It is one of the meanest benefit systems in the developed world, and that has to be factored in. The alternative for many people is a computerised loan. I was listening to an item on the radio yesterday, and people are getting into serious debt because these loans are almost too easy to access. People pay up to 3000% interest. It is essential that each case is looked at on its individual merits, including the reasons for people needing such loans.

You mentioned the minimum wage. The reality is that the majority of people who work, certainly in my constituency, are on the minimum wage, particularly those working for large retailers, so they do not have a lot of choice. It is welcome that the working poor will be able to access the new fund, whatever way it may develop. That is essential. There is a need to carefully monitor the fact that people depend on it.

You also talked about the fact that, when the social fund was introduced in 1988, the idea was that, because the money was paid out and paid back, it would become almost self-financing. That did not really work, so that needs to be looked at closely as well. You can get out only what you put in. So, if the funding is not sufficient, it will create problems for people as the fund develops. That is important.

Mr Doherty: Those are all very valid points. We are very conscious of the access that people have to loans and, as is also the case, loan sharks. However, I do not think that the new discretionary support will ever bridge that gap entirely. Unfortunately, some people will still find themselves in that situation.

The point that you made about the minimum wage is equally important. The change in the criteria sets it according to a wage level rather than someone being a benefit recipient of, for instance, community care grants. On the basis of what the statisticians tell us, that change should draw in an additional 49,000 individuals. Our big challenge is making people aware of that because the number of people who currently work and have been accessing the social fund is relatively low. We need to do a bit more marketing.

We are very conscious that this is the beginning of something, not the end. We will have to look very carefully at a lot of the trends, limited as those may be over one year, in the type of items for which people need support and the level of support that they are getting. Of course, the funding of this is very much predicated on the Executive and what they are prepared to give. Our starting point will be just shy of £30 million. All in, about £15 million is coming across from the Treasury. Only time will tell whether that will be sustained into the future given the ongoing efficiencies across government, but that is in the gift of the Executive.

I would like to underscore your point about the importance of recouping money and the sustainability of the scheme. It was a big challenge for Leo and the team to show in the business case how we would get that money in. Not doing so would, I think, place a question mark over the scheme's sustainability.

Mr Brady: Taking into account the consultation feedback, and so on, do you accept that there is still an opportunity to be innovative and establish a scheme that will be effective and target people who most need it?

Mr Doherty: Absolutely.

Mr Brady: I ask because, in my experience, the social fund did that, but some people tended to use it as a way to top up, for good reason, and I go back to the point about the amount of benefit that people get. However, I think that there is an opportunity to be innovative. Some social fund staff — for example, those working in Armagh in my constituency — have been there since 1988. They are very experienced and able to make informed judgements, so it is important to maintain that level of expertise.

Mr Doherty: We intend to use the current social fund staff, both those in the front line and those who have been doing the back-office processing. That expertise is really important to us, and I have no doubt that we will come back to the Committee, probably within a year of this scheme commencing, to give you a flavour of what we have been supporting. As I said, I do not think that this will be the end. At the risk of daring to get into the debate on parity, this is our scheme and this is Northern Ireland's scheme, so it is really within our gift to design what we want.

Mr F McCann: I want to pick up on a couple of points that Michael and Mickey raised on setting the guidelines. Mickey touched on the expertise that people have built up in offices over a long time. You can set down all the guidelines that you like, but some flexibility must be used when dealing with people. You can lay out a set of criteria on what is or is not a crisis, but someone's crisis may be what they feel is the most important thing in their life at that given time, and they may see no way out of that. So experienced staff must practise flexibility, and I must say that, by and large, they do so. That needs to be taken into consideration.

You can dress up what is classed as discretionary support however you want to, but people still look on it as the social fund mark 2. You are right to say that it is local, and it is one of our better social security measures because it offers many people a lever out of poverty that may not exist in other places. However, I have previously raised concerns about the difference between the payment of cash and the use of vouchers or a claimant being sent directly to a shop to acquire items under the community care grant. We need to be careful because, as I have said before, there was gross abuse of that system in the past. In fact, one reason why it was changed was that people almost became millionaires from providing bad and dangerous items, which led to serious consequences. People were sent away to look for the cheapest things that they could get before payment was made, and many accidents took place in people's homes because of that. Will you elaborate on where we are with that? There is also the question of stigmatising people by giving them a voucher that identifies them as being on benefit. So there are all sorts of difficulties and problems.

Mr Doherty: First, discretionary support will be a payment made to individual applicants, and that will be paid directly into their bank account, Post Office card account or through the simple payments system. I think that what you were referring to is —

Mr F McCann: Community care.

Mr Doherty: The community care grant will be paid to the individual. We intend to run a pilot on white goods. We are in the throes of designing that and looking for a partner to deliver it in Northern Ireland on a pilot basis. Again, I have no problems in coming back to the Committee to let you see what the developed pilot will look like. We are aware, though, that, in the past, vouchers were used on the black market in some way, and we would not want to find ourselves falling back into that. It was dangerous, especially for very vulnerable individuals. The white goods pilot will, by its very nature, be a test of whether this will work and whether, through economies of scale, we can reduce the costs. Depending on how we procure it, there will probably be opportunities for local suppliers. That may help local retailers, but we do not know. White goods suppliers have been used in Wales and elsewhere in the UK, so some precedents have been set. Again, I am happy to come back to the Committee when we are going out to do the pilot to give you a flavour of how we think it could work.

Mr F McCann: One of the things that happened in the past was that people were given cookers that blew up after six months. Mickey often talks about the Spanish cookers that were highly dangerous. They also did not last too long and people had to get another cooker. It was not cost-effective; it cost more in the long run. If people were given the ability to pick and choose their own goods, within certain parameters, you would not have people constantly coming back to you.

Would those who will deliver the white goods have to go through a tender process or will it be done by shop?

Mr Doherty: In the first instance, we, like the rest of government, are subject to public procurement rules. An organisation in GB has been doing this for quite some time. I would prefer not to name it at this stage as we are still in discussions with it. We want that organisation to do the pilot, and we are working with our procurement advisers to see whether we can appoint it on a single tender basis. That would have to be brought to our permanent secretary, given the rules.

We would have to look at whether individuals could choose who they do and do not go to, because there are so many providers out there. I would be happy to bear that in mind, but we would have to be very careful about how we would do that. There are issues of quality and health and safety.

Ms Leonora McLaughlin (Department for Social Development): One of the things that we are looking at is an extended warranty for appliances. That would give some sort of safeguards for customers. We are also looking at delivery costs and, possibly, the disposal of old appliances such as washing machines or fridges.

Mr F McCann: Thanks, Leonora.

The Chairperson: Mickey, did you want to come in on a related matter?

Mr Brady: I want to follow up on that point. Pre-1988, there were designated special welfare officers in local offices who dealt with particular types of cases. The majority of people, if they get x amount of money, are well able to go out and purchase what they need and do not need that kind of, if you like, supervision. I think that everybody accepts that there are difficult cases in which there may be social services input, and those designated staff would have dealt specifically with those cases, but there were not that many of them.

Going back to what Fra said, people are stigmatised by vouchers. It did not work before, and I have no doubt that it will not work in the future. Monopolies were established in certain types of stores, like furniture stores. When the social fund came in in 1988, one furniture store in Newry closed as it relied totally on that type of voucher system. We need to be careful.

There is a need for staff who are capable of dealing with those very difficult cases, in conjunction with the likes of social services. I really do not think that people should be told what they should or should not buy. The vast majority of people are capable of making that kind of informed decision themselves and do not need to be given a voucher for particular white goods or whatever else. Warranties would

probably be a good idea if they were brought in, but I really do not think that people need that kind of supervision. It is supervision in that respect: they are being told that we know better about what they need than they do. I think that is important.

Mr Doherty: That would be brought out in the pilot. By its very nature, the pilot will be a test to see how it works and would not, I would suggest, just be about finding the most competitive price. It will look at things like stigmatisation and, as Leo said, the warranties that we will have. It will also look at the types of suppliers and how quickly we can be supplied. Generally, these are for people who are in urgent need, and I do not think that there is much point in them waiting for six weeks for the washing machine that they need tomorrow. The pilot will be designed to tease all of that out.

Mr Brady: You could go round maybe five or six local suppliers to get an average price to see what seems reasonable. If x amount was allowed for a particular item such as a washing machine or a fridge, people could get the goods at the average local price, which would prevent them having to take rubbish that was brought in just for that purpose, which happened in the past. That is one way of approaching the issue in a measured and balanced way.

Mr Doherty: We will bear that in mind.

Mr Campbell: Given the essence of the issue, the respondents are largely going to be people who have an interest, individually or as groups, and that is reflected in the list of respondents.

I was looking at the question:

"Do you agree that our funding should be restricted for residents of Northern Ireland?"

Normally, on an issue such as this, whether it is discretionary support or a wider issue, initially, there tends to be an interest shown and a response by those who are directly affected, such as the respondents. However, when issues arise as a result of the outcome, such as abuse or whatever, the wider community takes an interest and seeks to establish whether the scheme offers best value and whether the money is targeted at those who are in need.

I am interested in the first bullet point response to that question, which noted:

"the need for clarity as to what 'residents' actually means and how it complies with domestic and EU law".

Is that to do with the issue of migrant workers or people travelling? Who is that comment about clarity on residency meant to cover?

Ms L McLaughlin: Foreign nationals, I think, are an issue when it comes to compliance with EU law. We are seeking legal advice. As Brian said, we hope to be able to take a pragmatic approach. We do not want to get into situations where we have to apply habitual residence tests. When somebody comes to us in a crisis, that would obviously involve a protracted process. At the minute, we are looking at asking people to provide evidence of a tenancy agreement or utility bills. It is not really relevant to us whether they are native or indigenous Northern Irish people. They could be from a migrant community but are resident in Northern Ireland and are, therefore, eligible for support.

Mr Campbell: Would the query not have been equally applicable in the current position? Before we get into discretionary support, would the same issue not have arisen?

Mr Doherty: To a degree, it would have. However, because the social fund was a UK scheme, if you were here in Northern Ireland from, say, Manchester, you could have gone into a social fund office here and made an application to the social fund. This is a Northern Ireland-specific scheme, and those are the issues that the Departmental Solicitor's Office is trying to tease out for us. It is not just about migrant workers, but about UK nationals and where Northern Ireland fits into all that.

Mr Campbell: So, it is purely on the basis that it is a Northern Ireland scheme as opposed to a —

Mr Doherty: A UK scheme, yes.

Ms L McLaughlin: The other thing to bear in mind is that the social fund is broadly available by qualifying benefit at the minute. If a foreign national is in receipt of benefit, that is kind of their passport to the social fund. We potentially have working customers who are on low incomes, so we need to clarify how we deal with those cases.

Mr Campbell: Are you trying to get that clarity at the moment?

Ms L McLaughlin: Yes.

Mr Douglas: I apologise for being late. I had to get my car parking sorted out.

One of the respondents talked about the importance of advice centres and the role that they play and the importance of having adequate resources. Does your agency have any role whatsoever in supporting advice centres and can you help them to communicate with the Minister or whoever would support them?

Mr Doherty: The agency does not directly fund advice centres but the Department does so through its voluntary and community unit. We put in, I think, around £3.2 million a year, and councils contribute, I think, around £1.9 million a year. Through our benefit uptake programme, we have engaged with and used Advice NI, Citizens Advice and some local community groups as partner organisations to deliver our services, and we will continue to do that. As the Committee has mentioned before, the advice sector has a huge role to play in supporting individuals, not only in applying for what will be the new discretionary support but for benefit advice as a whole. That will continue.

The Chairperson: Brian and Leonora, I have two questions. You refer in your papers to the fact that people who are subject to sanctions will not be eligible, as I understand it. There is also the question of people who cannot claim for a similar item within 12 months. We have had a number of flooding incidences and other incidences that are beyond people's control. Is there any discretion around those issues in the case of people who are subject to sanctions or who may be forced to claim for something twice through circumstances that are absolutely nothing to do with them?

Ms L McLaughlin: The guidance and regulations contain an exception for disaster, which covers exactly that sort of circumstance, where there has been flood or fire beyond the control of someone. Irrespective of whether they have claimed for that item in the same period, we will consider that.

The Chairperson: Fair enough. Thank you. No other members have indicated that they want to ask a question. It is a very important area of work, and I thank Brian and Leonora for bringing this to us this morning. No doubt, we will continue to work with you to monitor and evaluate all this.