

Citizens Advice proposals for the
**Department for Work and
Pensions (DWP) and HM
Revenue & Customs (HMRC)**

Using the Spending Review to make
life simpler and fairer for people

Introduction

Whether in our one-to-one advice work, or in the analysis of our client evidence at a national level, Citizens Advice consistently generates sound solutions to the problems that people encounter day in, day out.

Our policy proposals often come down to making life simpler and fairer for people who rely on public services, achieving more for less, and ensuring that help goes to those most in need of it. The Government's Spending Review presents a rare opportunity to achieve these outcomes on a broad scale.

In its draft Structural Reform Plan, DWP includes the following objectives, which Citizens Advice particularly welcomes:

- To encourage responsibility and fairness by simplifying the welfare system.
- To tackle poverty by improving the operation of the benefits system.
- To make the department an exemplar of effective customer service.
- To help and support people who are out of work to move into work.

Informed by our unique understanding of the difficulties that people are facing, which coincide with DWP priorities, this submission sets out:

- the issues we think the Spending Review should focus on addressing
- our proposed policy solutions
- the ways in which the Citizens Advice service – with its extensive network of bureaux, high levels of public trust, and professional volunteer workforce – could support DWP and HMRC to deliver those solutions.

In summary, our submission focuses on why and how DWP and HMRC should and can:

- simplify the benefits system making it fairer as well as easier for people to understand their entitlement and how to claim it
- improve the quality of service, advice and decision making
- offer greater support to homeowners.

Support for service delivery

We welcome the Spending Review's consideration of whether more government activities could be delivered by the voluntary sector – in order to simultaneously improve service levels and achieve savings. This submission sets out a series of practical and innovative ways in which we could potentially support government in the delivery of the solutions we propose. In short, Citizens Advice could:

- facilitate public internet access
- act as a trusted intermediary for benefit claims
- encourage effective take-up of benefits and tax credits
- improve public understanding of benefits with a view to preventing errors
- use client evidence to inform the development of benefits administration systems.

Why Citizens Advice

Citizens Advice Bureaux are local charities working with, and trusted by, some of the most vulnerable people in society. They:

- provide free, confidential and impartial advice from over 3,500 community locations
- give clients, and others like them, a voice by spotting failures in the system and responding with policy proposals.

Citizens Advice Bureaux are organised to deliver value for money. They:

- mobilise 21,500 volunteers, saving a market rate of £106 million and creating vibrant communities
- develop skills and encourage progression – 40 per cent of volunteers who leave go into paid employment or higher education
- boost local economies by helping people to avoid debt, manage it, and maximise their incomes
- reduce the strain on local authority, health and legal services.

Citizens Advice Bureaux deliver impressive results. During 2009/10 they:

- advised 2.1 million people on 7.1 million problems
- enabled 12.7 million queries to be researched independently on Adviceguide.org.uk
- improved the situation of 6.4 million people by influencing policy.

The problems

1 People struggle to understand their entitlement due to the complexity of the system

The benefits and tax credit system is too complex, making it hard for people to find out about and claim the help they are entitled to. In fact up to £17.5 billion of means-tested benefits and tax credits go unclaimed each year. During 2009/10, nearly 30 per cent of all enquiries received by the Citizens Advice service related to benefits, and around half of those were about eligibility, entitlement and the claims process.

Even the millions of people who are already getting the help they need can struggle to navigate their way around the system. Our clients report confusion over which benefits they receive, which authorities administer them, and what changes in circumstances must be reported.

At present there are too many contact points, which do not talk to each other. For example, lone parents and others on low incomes living in rented accommodation can recover much of their childcare costs through tax credits and through housing benefit (HB) and council tax benefit (CTB). Two departments are therefore recording, checking and administering the same information. This duplication is time consuming and frustrating for the claimant, as well as unnecessarily costly for government.

Having to apply to different parts of the system for different benefits also makes it harder for people to be aware of all of the help available to them. To illustrate, claimants on contribution-based employment and support allowance (ESA) or jobseeker's allowance (JSA) (who have no partner and no other income or savings) will have exactly the same income as those on income-based ESA or JSA. However, unlike those receiving contribution-based benefits, those on the income-based benefit will not be passported to other forms of financial help – such as help with rent – without completing numerous means tests.

£17.5 billion of benefits and tax credits go unclaimed each year

In other cases, benefits can miss the mark. For example, the £500 Sure Start maternity grant (SSMG) aims to help parents-to-be with the cost of buying items such as cots and prams. Entitlement is based on out-of-work benefits, or a particular level of child tax credit. However, many first time mothers are unable to access the SSMG until some weeks after the birth, when they have been able to make a successful claim for child tax credit. (Before this, their maternity allowance (MA), statutory maternity pay (SMP) or low levels of income mean that they are not entitled to any of the qualifying benefits). By this stage they have already bought most of the equipment they need.

Finally, claimants can find themselves caught in traps caused by the interaction between different benefits and their respective systems. For example, the recent decision to raise the tax threshold to help people on low to middle incomes actually helps the poorest the least: the £1,000 increase in the tax free allowance from April 2011 will mean anybody earning more than £7,475 will gain £200 per year in their take-home pay – but this rise in income will reduce the amount of HB and CTB payable, so that those receiving these benefits will only see a net increase of £30 per year.

During 2009/10 nearly
30 per cent of CAB enquiries
related to benefits

2 Poor quality of services, advice and decisions causes costly delays

Poor advice from government benefit and tax credit helplines or Jobcentre Plus advisers often leads clients to claim the wrong benefits. These clients may miss out on the benefits they are entitled to, or be turned down, only to appeal and win – but must live without income during the long wait for the right decision. This puts a strain on household budgets, and can drive people into debt, or force them to apply to the over-stretched social fund. Staff time is wasted processing applications from people without entitlement, dealing with enquiries and correcting errors.

Significant delays – and their associated problems – are also caused by paperwork being mislaid in the system. Claimants frequently follow up their initial claim by sending documents, such as medical certificates, which are not efficiently connected back to that claim. Chasing documents causes considerable extra contact and cost for government staff, as well as advisers and clients.

Poor advice often leads clients to claim the wrong benefits

3 The help available to people with mortgages will be inadequate if unemployment rises

Citizens Advice continues to see a very high level of enquiries about mortgage and secured loan arrears, with over 115,000 in 2009/10 (an increase of 21 per cent on 2008/09). If owner-occupiers fail to maintain mortgage payments, they can quickly become dependent on the state for housing and other benefits. This is likely to continue as more households struggle with the effects of the recession. Recent growth and employment projections by the Office for Budget Responsibility suggest that unemployment is likely to increase as further cuts are implemented.

Research by Citizens Advice and others found that over half of homeowners seeking advice from court help desks about mortgage possession actions were likely to be classed as 'in priority need' for re-housing. Any significant reduction to the support for mortgage interest (SMI) scheme – and the 2009 changes in particular – could increase the strain on public funds in the short to medium-term.

Enquiries about mortgage and secured loan arrears increased by 21 per cent in 2009/10

Our proposed policy solutions

1 Simplifying the benefits system

Moving to a **single system of means-tested benefits**, which treats people's income consistently and adopts a 'tell me once' approach would significantly reduce complexity, but will take time to implement. Meanwhile, the Government should ensure that the lowest earners gain as much from tax changes as higher earners by increasing the earnings disregard in HB and CTB calculations. Raising the lone parent and couple disregards to £40 a week, and the single person disregard to £20 a week would increase work incentives and simplify the system.

Claimants should be issued with a summary document, listing all the benefits and tax credits they receive, and the main circumstances on which they are based e.g. income, savings, household composition. Any change in the benefits awarded would trigger a fresh summary document with the award notice. This would be a simple way for people to prove they are on an income-based benefit when applying for passported benefits administered by other departments, and would also reduce customer error and fraud.

To reduce duplication between the tax credit office and housing benefit departments, **all help with childcare costs should be paid through the tax credit system as a childcare credit**. It would cover 100 per cent of childcare costs but have a taper of 50 per cent rather than the current rate of 39 per cent, to better target help towards low income households. This would exhaust the help available for childcare costs at about the same point on the income scale as currently happens, and would therefore be cost-neutral to the Government for families in rented accommodation.

We understand that the Department for Work and Pensions is considering the **use of scanning to prevent the problem of lost papers**. Meanwhile, Jobcentre Plus staff should issue receipts for all items handed in, so that the claimant has proof of delivery. The act of writing a receipt should prompt staff to ensure that the document is identifiable with the client's name, address and national insurance number.

To **simplify the ESA system**, £1 of contribution-based ESA or JSA should be disregarded in the calculation of income-based ESA or JSA. This would enable all those on contribution-based ESA or JSA (who have no other income or savings) to qualify for £1 of income-based ESA or JSA, making them automatically eligible for passporting to other benefits. It would also make it impossible to be worse off after having worked and paid contributions.

Using HB and CTB as the main qualifying benefits for maternity grants would allow the grants to be accessed when needed, and would be no more expensive than at present, as everyone entitled to them will qualify for these benefits. Both SSMG and healthy start vouchers require a health professional to sign different claim forms at different times in pregnancy. These should be replaced with one claim form, available from health visitors and both administering departments.

2 Improving the quality of services, advice and decision making

The DWP and HMRC should: adjust call centre scripts; improve training for staff, including knowledge of other departments' benefits; and introduce clearer systems for difficult cases, with experienced advisers available for complex problems or those arising from departmental error. Feedback should be invited from advice organisations on a regular basis, and suggestions for improvement should be acted on.

There is an urgent need to improve the quality of ESA decisions in particular. DWP should train and support decision makers (DMs) to use their discretionary powers, basing decisions on all available evidence. Specifically, DMs should make more use of the ESA113 form (completed by a health care practitioner who is familiar with the client and how they manage their condition). DMs should have the confidence to decide against the Atos recommendation if it is clear that the claimant would win at tribunal, reducing the number of appeals and the associated costs. They should also delay medical assessments if appropriate – for example, if a serious operation or significant diagnosis is expected. More ESA applicants would be allocated to the right group, and therefore receive the best support for their circumstances, saving resources for all concerned.

3 Offering greater support to homeowners

We urge DWP to work with the Department of Communities and Local Government (DCLG) to persuade government to maintain the 2009 changes to the SMI scheme, which have been crucial, both in helping homeowners to maintain payments and in encouraging lenders to exercise forbearance. The changes represent good value for money; helping owner-occupiers to stay in their homes avoids the costs associated with mortgage repossession, which are estimated by DCLG to be in the region of £16,000 for a vulnerable household.

We also recommend a fundamental review of the system of mortgage safety nets for the future. It should establish how far lenders can be expected to forebear and what costs they should absorb. It should also consider how help can be given to those in part time work, and review the balance between contributions to the safety net from borrowers, lenders and taxpayers. The emphasis on payment protection insurance has not worked and needs to be urgently re-thought.

How the Citizens Advice service can support the delivery of these solutions

The Citizens Advice service is ideally placed to work with DWP and HMRC to reduce bureaucracy and achieve more for less.

As an organisation, we are geared up to develop the most appropriate services, target them effectively and deliver them efficiently. In fact working to our 2014 strategic plan will see us:

- greatly improving access to advice by establishing and developing our national Adviceline telephone service
- equipping individuals with the knowledge and skills necessary to prevent problems occurring
- encouraging clients to adopt digital technology by offering use of the internet and accessing web-based public services on their behalf
- recruiting and training even more volunteers, promoting community involvement and helping people back into paid work.

In addition, we have a wealth of experience and expertise in dealing with benefit issues.

- In 2009/10, 'benefits and tax credits' was the second biggest issue we dealt with (following debt), with enquiries totalling over two million.
- During the same period we gathered 12,500 items of evidence in relation to benefits administration.

Specifically, the Citizens Advice service could assist DWP and HMRC to achieve substantial savings in the ways outlined below.

1 Facilitating internet access

There are currently ten million people unable to access online services. Working in partnership with UK Online centres, Race 2012 and others, Citizens Advice would encourage, inspire and train individuals and communities to gain the skills necessary to do so. In addition to its existing volunteer workforce, Citizens Advice would recruit and train a host of community volunteers committed to helping people help themselves.

Individuals would then be able to access the internet in each of the 3,000+ Citizens Advice outlets and, where necessary, would be supported by a skilled volunteer. We aim to help a minimum of 20,000 people get online during 2010/11 alone.

2 Acting as a trusted intermediary for benefit claims

Citizens Advice is aware that there is a group of people who, despite everyone's best efforts, will never be able to use online services – usually those who are already most excluded and in greatest need.

Qualified and authenticated Citizens Advice volunteers would act as trusted intermediaries to engage with benefit providers online, on behalf of their clients.

3 Encouraging the take-up of benefits and tax credits

It is recognised that there are many benefits that are over-subscribed, others that may be being claimed incorrectly, and a number that are significantly under-subscribed. For example, in 2008 HMRC reported that, during 2005/06, one in four households entitled to working tax credit failed to claim it.

Citizens Advice would ensure that benefit entitlements were promoted appropriately, applications submitted correctly and award decisions understood clearly. Citizens Advice would also ensure that individuals were aware of their own responsibilities in relation to the benefits they claim.

4 Increasing knowledge and preventing problems

Building on its successful approach to financial capability, Citizens Advice would put in place a programme of work that would equip individuals and communities to address benefits-related difficulties before they become problems.

In the past three years Citizens Advice has provided financial capability training to in excess of 130,000 frontline workers, each of whom pass on information, support, and learning to an average of 15 vulnerable clients. We believe that the same approach could be used to raise awareness of benefit issues in vulnerable communities.

Citizens Advice also offers volunteering opportunities to people where they can gain new skills and experience which can lead to employment. Thirty per cent of the volunteers who left the service in 2009/10 entered paid employment and a further 8 per cent went into full time education.

5 Informing the development of benefits administration systems

Each year, Citizens Advice gathers data on the problems faced by its two million clients. This data would be made available to government to facilitate the design and development of future benefits administration systems.

Contact us

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