

MONEY ADVICE UNIT - ANALYSIS OF POSSIBLE BENEFITS AND COSTS OF INCREASED WORK

Report of Head of Money Advice Unit

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1.1 Purpose of Report

To provide further information on the work and impact of the Money Advice Unit.

2. Background

2.1 At the Scrutiny Committee in March 2003, a report was tabled which showed the impact that the Money Advice Unit's work in promoting benefit take-up had on the Personal Social Services FSS. The Committee asked for a further report analysing the possible costs and benefits of increasing the work of the Money Advice Unit.

2.2. The MAU database shows that in the years relevant to the 2003/4 PSS FSS (1999-2001), the MAU generated, on average, around 1100 attendance allowance claims and 650 income support claims for people aged 60+ each year.

2. 3 The value to the individuals concerned, and to the local economy, of the benefits generated by this work is approximately £4.5 m per annum.

2. 4 In addition, the impact on the Elderly sub-block of the Personal Social Services FSS is as follows:

	£	Per claim £
Impact if 1,100 Attendance Allowance Claims not generated	1,280,458	1,164
Impact if 650 Income Support Claims not generated	377,184	580
TOTAL	1,567,642	

2. 5 In addition the local CAB's also provide advice which increases the numbers of claimants.

3. Possible target areas

3.1 According to estimates prepared by the Department for Work and Pensions, there are approximately 10,000 elderly people in Hertfordshire who are failing to claim attendance allowance and 14,000 who are not claiming the income support due to them. This indicates that, despite the success of the MAU and local CAB in improving take-up rates, there is still considerable potential for more work in this area alone. There is no evidence that we have yet reached a point of diminishing returns, where it becomes progressively harder to identify and assist potential claimants.

3.2 The FSS also includes the following factors related to take-up of benefits:-

- the Education Formula Spending Share includes factors for children of Income Support/Jobseekers Allowance (IS/JSA) claimants and children of Working Families Tax Credit claimants,
- the Police FSS includes counts of unemployed, long-term unemployed and young male unemployed on benefits,
- the Fire FSS includes children of IS/JSA claimants,
- the Environmental, Protective and Cultural FSS includes unemployed on benefits, IS/JSA claimants, Incapacity Benefit and Severe Disablement Allowance, and elderly on IS

4. Risk factors

4.1 There are a number of risks involved if more resources were applied in promoting benefit take-up to the target groups listed above, in order to impact on future FSS.

4.2 The most obvious is that the cost of the benefit take-up campaign exceeds the impact on the FSS. Given the experience with the work undertaken by the Money Advice Unit so far, this is unlikely if the target groups are chosen carefully. At present, the total cost of the take-up work undertaken by the MAU is approximately £400,000, and the gain is £1.56 million. Each advice worker on the take-up project costs approximately £35,000 and generates an income of approximately £200,000 for the local authority, as well as £600,000 for claimants.

4.3 Nevertheless, the risk exists because the 'take-up' rate of income support or job-seekers allowance, for example, amongst unemployed and lone parent claimants is much higher than it is amongst pensioners. The area where there is relatively low take-up of tax credits and benefits is amongst low-income workers with children. This may therefore be a potentially more rewarding target area.

4.4 A second risk is the time-lag between expenditure and results. The impact on the 2003/4 FSS was based on benefit data from 1999/2001. It is unlikely that this will gap will reduce in future years, so any impact will take a number of years to show.

4.5 There has been no indication that the Government will substantially change the indicators used in the FSS, such as the number of recipients of a particular benefit. However, it remains a possibility. There will be some minor adjustments required in any event, as a number of the benefits currently used have either been superseded (working and child tax credits replacing working families tax credit) or will be in the near future (pension credit replacing income support for pensioners).

4.6 The final risk relates to the fact that the indicators are essentially part of the distribution mechanism. This means that if all other local authorities increased the numbers in receipt of targeted benefits by the same percentage as this authority did, the FSS would not be affected. Conversely, if other authorities improved their take-up rates and we did not, we would lose 'share' to them.

5. Rural Implications

If this additional work is taken on, elderly persons and other persons mentioned in 3.1 and 3.2 above who live in rural areas could potentially benefit from the proposal.

6. Conclusions

6.1 The MAU and CAB's target advice which maintains and increases the take up of benefits and this has an important impact on the County Council's FSS and so revenue support grant.

There are a number of possibilities which might provide further net benefit to the various take up groups and the County Council. However we could require funding to be identified and Grant increases would be unlikely to become apparent for several years and would require business case evaluation.

- a pilot project on promoting tax credit take-up for low income families. If successful, this would ultimately impact on the Education FSS.
- increased grant to CABs specifically for take-up work. At present, this is approximately £49,000, although in 2003/4 this has been increased to £65,000 in a pilot measure to further improve the results that they produce, which have a similar impact on the FSS as that produced by the MAU. If the results of that pilot are satisfactory, then consideration should be given to a longer-term commitment to CAB take-up funding, which at the moment is on a year-by-year basis.
- a small extension of the Money Advice Unit's take-up work with older people, in order to impact on the numbers of pensioners in Hertfordshire who are likely to be eligible for pension credit, (which replaces income support in October 2003) but who fail to claim it.