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THE FINANCIAL INCLUSION COMMISSION

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MONDAY 24 NOVEMBER 2014

MS FRAN BENNETT, MR PAUL RAYNES and MR DEVEN GHELANI

Oral Evidence

Taken before the Financial Inclusion Commission

on Monday 24 November 2014

Members present

Mr Chris Pond, in the Chair
Professor Sharon Collard
Mr Martin Coppack
Mr Nick Hurd MP
Lord Kirkwood
Dame Mary Marsh

Sir Brian Pomeroy, in attendance

Witnesses: **Ms Fran Bennett**, Senior Research and Teaching Fellow, Oxford University/Women's Budget Group; **Mr Paul Raynes**, Head of Programmes, Local Government Association; and **Mr Deven Ghelani**, Director, Policy in Practice.

Q. Chairman: Welcome to Fran and to Paul. We are coming to the end of an incredibly rich day in terms of the sessions that we have had, starting off with the British Bankers' Association and Hector Sants and Caroline Rookes of MAS and talking with some of the banks themselves about what they are doing in financial inclusion. We have just been talking about technology and innovation and the session that we now wanted to focus on is arguably one of the most challenging really which is what the implications are of welfare reform in relation to financial inclusion/exclusion. The purpose, as you will be aware, of the Commission is really a brisk attempt to get financial inclusion up the agenda of public and political debate and to get something in the manifestos. We have two parliamentarians here and a third who is a member of the Commission to see if we can make sure we get a hit on this. It is building on the work that Brian Pomeroy's Task Force at the Treasury did and Brian is kindly acting as President of the Commission. Nick Hurd MP, you will know;

Professor Sharon Collard; Archy Kirkwood; Martin Coppack; Mary Marsh; Lisa Stidle and Jennifer Duncan. Mary over there is taking down every word that you say. Fran, could you start off in terms of what you think the implications are of the welfare reforms in terms of financial inclusion and what should we do about it?

Ms Bennett: I am billed as a member of the Women's Budget Group which is a group of individuals who do gender analyses of budgets and spending proposals from governments. I work at the University of Oxford in the Department of Social Policy and Intervention. As a member of the Women's Budget Group, I was on the Support and Exceptions Working Group that the Government has set up around Universal Credit and therefore I am sorry not to see Graham Mowat here today because I was working with him doing that. I have been a trustee at my local Advice Centre for the past 20 years so I am closely involved with the advice sector. I was also Director of the Child Poverty Action Group, as Chris knows, so I wear quite a few hats - which gets difficult, but may be helpful.

I wanted to focus on the impact of 'welfare reform', particularly Universal Credit, on financial inclusion. On your website, Brian (Pomeroy) talks about more work being necessary to understand the behaviour of low income groups. My argument is that we still need to go further with that to make Universal Credit work. You also talk about the possibility of exacerbating financial inclusion with the 'welfare reforms' that are going on. I wanted to take a broad definition and talk about a financially inclusive society, which is what I think Sharon and Elaine Kempson put forward in their work for the body that is monitoring financial inclusion following the Financial Inclusion Task Force, which includes Steve McKay and Karen Rowlingson. So the goal would be trying to have a financially inclusive society - which means managing your day-to-day financial transactions, meeting your one-off expenses, managing the loss of earned income, and avoiding or reducing problem debt. They argue that financial inclusion means having a secure income; meeting a minimum standard with availability of appropriate and well-regulated financial services; and easy access to education and advice that is free, particularly about debt. The relevance to Universal Credit is particularly the first two of those, I think, but all of them are important and a striking element of the definitions of that body is that they are advocating for 'appropriate' arrangements. I think that is a particularly relevant concept for low income people.

I do not want to dwell on the issues that have preoccupied policy makers and lobby groups since Universal Credit began to be debated; I want to talk about other things. But I did want to mention the ones that have been debated quite a lot, just to make sure they are on the table. One is of course monthly payment of Universal Credit. This is much more significant than it might otherwise be because it is six benefits rolled into one, so you are going to get one big payment once a month. It is going to be paid, we now know, after seven waiting days - or at least you will not be assessed until after seven waiting days, rather than the more usual three, and it will then be paid up to seven days after the month you are assessed. Although the Government says that monthly payment is meant to be imitating the world of work, so you are practising being in work when you are on benefit, half of those on under £10.000 a year are paid more frequently than monthly. Lots of research by the Department for Work and Pensions itself and housing associations and others shows an overwhelming preference by those on low incomes to budget more frequently than once a month. Citizens Advice has more recently found that 95 per cent of those who are likely to be affected by Universal Credit (their clients) agree that they would benefit from being paid fortnightly (although twice monthly of course would be more appropriate for Universal Credit). Solution: allow claimants to choose that they can be paid more frequently. Currently that is only going to be a fallback if the DWP arranges that for people whom they believe cannot cope or cannot manage their money. Northern Ireland has been given permission, as I understand it, to allow claimants to be paid more frequently than monthly. The problem about that at the moment is that the arrangement would be that you only got half your payment at the end of the month that I was talking about, and you would then get the other half later on, which seems to me to be rather difficult if what you are trying to do is to help people who are finding it difficult to budget.

I am not going to be talking about the housing element that is currently paid direct to the landlord, and will be paid to the claimant instead, because others here are obviously more expert than I am - but just to say 80 per cent of those Citizens Advice clients likely to be affected agreed it would help to have their housing element paid direct to the landlord (bearing out previous figures published by others). Again, in Northern Ireland that is going to be allowed.

Lastly, in terms of the things that have been debated a lot, is the issue of one single payment to couple households, which of course is of particular concern to the Women's Budget Group. The Government wants being on Universal Credit to resemble being in work, as I said, but of course many couples now have two wages coming in rather than just one monthly payment of wages. They may also be on tax credits and have those coming in, and housing benefit. Couples of course often have a mix of accounts at the moment; and they use individual and joint accounts to manage the complexity of modern family life, including repartnering and remarriage. Apparently, 700,000 have no access to any account in their household, but a much bigger number, 1.87 million adults, are presently unbanked in terms of (not having access to) any individual account. Some people have said either that Universal Credit is going to be paid to the main earner (that is not correct) or that Universal Credit is going to be paid to one partner (that is not correct). Universal Credit is going to be paid to one account that the couple chooses and therefore it could be a joint account. But research that I was involved with showed that a joint account was not a guarantee of equal access or control. Of course, if Universal Credit goes to one partner's individual account, even leaving aside the issues of financial abuse that have been raised by Women's Aid, it may mean that one partner does not have experience of practising financial capacity, which I would have thought would have been an issue of interest of you. One in five of the Citizens Advice clients likely to be affected by Universal Credit said it would cause them problems to have a single payment to one account.

A solution: allow the payments to be split between partners in the couple by choice. Again, Northern Ireland has an agreement that they will do that as well. The Minister has said in Parliament that there is no technical reason why having a larger number of split payments is not possible. (The Government has decided that, if couples cannot agree on which account Universal Credit should be paid to, all the payment will go to the main carer if there are children or to the main bill payer if there are no children, as a fallback position.)

For each of those issues the Government is prepared to help with personal budgeting support of course, and/or alternative payment arrangements in exceptional circumstances. I think the Government has increasingly realised that the number of people who will need those is much larger than they initially supposed - and that they need to make sure that they are not suggesting that people are not managing their money well, because that may not be the best way of getting people to accept help. For example, now money management is going to be discussed with every Universal Credit claimant, because otherwise it has been found that people will resist being talked to about it in the first telephone conversation, because they need to be trusting of somebody to talk about issues like that - so it is going to be the face-to-face meeting. But that means this is going to be very labour intensive - and of course, for a Government which is wanting not to interfere in the management of people's own money, it seems to be going slightly in the opposite direction. I think the main insight from research recently is that most of those on low incomes manage their money well. And they are assisted to do so by the current ways in which benefits and tax credits are paid - so, for example, they are paid at more frequent intervals than monthly, and the amounts are also labelled in terms of amounts of money for particular things. Qualitative research by Professor Mary Daly of our Department (unpublished to date) has also just found that the money coming in different tranches like that actually bridges a rather drab and dreary life for people, so the money days are good days, and the Sunday just before benefit is paid is a very difficult day, when people just stay at home and are quite isolated.

However, I just wanted to raise briefly in particular some more fundamental issues about the structure of Universal Credit that I do not think have been sufficiently interrogated and that pose even greater challenges to financial inclusion. The first is monthly assessment (not payment) and, unfortunately, monthly assessment was not really debated in Parliament when Universal Credit was debated. Universal Credit is a monthly benefit. There is no daily rate. There is no weekly rate. There is no rate except the monthly rate; so there is no prorata-ing possible. In particular, the whole month approach to changes in circumstances basically means that only 12 days in the year are important, because those are the assessment dates on which your amount of benefit gets calculated regardless of what is happening for the other days in the year. So it means that income and circumstances will not match as closely as they do with current benefits. (Changes of circumstances are often dealth with on a weekly basis for benefits at the moment.) There will be under and over-payments in relation to your needs in Universal Credit therefore; but those will not be smoothed over by the Government, as they (largely) are currently with tax credits. They will actually have to be absorbed by claimants. Some of those may be over-payments, but some of them will be under-payments. The idea is that you are in the right position for the month to come; so your assessment is based on your circumstances on the day of assessment, and that should be correct for the month to come. But of course Universal Credit is meant to be paid in arrears - so it is meant to be about the month that has just gone. I think claimants will find it quite confusing conceptually in terms of what is going on.

That and other features of Universal Credit make it much more difficult to be certain of the amount you will get and if it will match your situation. So setting up direct debits and so on is less likely because of those features. Real-time information will of course mean that wage and hours changes will result in pro rata adjustments of Universal Credit, as they will immediately take effect in the next assessment. I think it will make it more difficult to achieve the Government's aim of people seeing the impact of work on their benefit amount, because those two things are going to be to be done at different time periods. The whole month approach to changes in circumstances affects, for example, things like your housing situation changing, or the number of people in your household changing. If your 18 year old teenager leaves, for example, the day before the assessment day, you will not get any money for that person in your assessment, even though you have been feeding them for the past month, which is the period that Universal Credit (paid in arrears) is meant to cover.

Lastly and very briefly, in practice conditionality is going to apply to the whole of the Universal Credit payment, so it does not just affect the payment for the adults (as it is at the moment for Job Seeker's Allowance). It applies to your payment for housing costs and your payment for childcare costs and your payment for children as well. For example, if your partner will not sign a claimaint commitment you just do not get Universal Credit at all; but if your partner is sanctioned, for example, then the sanction could apply to the housing cost payment and also to the payment for children or the payment for childcare. From this month, the DWP can deduct an increased rate for arrears of rent; and it is also consulting on taking account of previous earnings in repeat claims to Universal Credit - which the Social Security Advisory Committee says could delay entitlement to Universal Credit for up to a maximum of six months. Those are some of the issues which concern me about the impact of current ‘welfare reform’ on financial inclusion.

Q. Chairman: Thank you, that was very comprehensive and towards the end there you were talking about the way in which sanctions might apply to housing, children and childcare so, Paul, local authorities are obviously both a major delivery mechanism here but you might feel are the front-line of some of this?

Mr Raynes: Thank you and maybe just to introduce myself. I am Paul Raynes, the lead officer at the Local Government Association - which represents 400-odd democratically elected councils around the country - in a number of conversations with DWP about Universal Credit, and I represent local government on the Universal Credit Programme Board. I think we will find a lot of things that Fran has just said complement things I might be about to say, but I want to range slightly more widely. As you say, there is a housing angle here but I do not want to just focus on Universal Credit either.

It seems to me there are three drivers that link welfare reform with financial inclusion, one of which is the ongoing desire to take money out of the system. This throws housing benefit absolutely into relief. Housing benefit is one-third of the non-old age pension welfare budget.

It is inflating on average across the forecast period about twice as fast the welfare cap that it is contained within, so although the Government, through the Spare Room Subsidy, the cap on local housing allowance, and the overall benefit cap - has already done dramatic things to the housing benefit entitlement of people, I think we can expect the pressure on housing benefit to continue, which means that once that is rolled into Universal Credit the pressure on the housing component of Universal Credit will be there into the future as well. Also there are other pressures, so for example what was council tax benefit has become local council tax support administered by councils as a series of local discretionary discounts, but with a ten per cent cut in the budget. So, all in all, we calculated that Government is taking £11.8 billion out the welfare system to 2015-16. So the impact on people's wallets is going to increase.

Q. Lord Kirkwood: Is that an annual reduction year-by-year?

Mr Raynes: That is an annual reduction by 2015-16.

We can send you the detailed figures if you like. We published them about 18 months ago.

The second thing that is going on is the thing that Universal Credit particularly embodies, which is as the budget is reduced, so responsibility for coping with that is increasingly being transferred to the claimant and within all the architecture of Universal Credit that Fran has just been talking about, there are a lot of challenges for claimants. As Fran said, if you actually look at the experience of pilot exercises, of customer insight, before they know anything about the detail of Universal Credit, claimants say, "I am worried about my ability to budget." When they then start to look at the detail, they say, "But hang on a minute, I use this benefit stream to pay this bill, this benefit to stream pay another bill; how am I going to budget over the month?" Fran said people on low incomes are quite good at managing their money. There is very interesting evidence from the direct payment pilots that took place over the last year which shows that people have been quite tactical about allowing their rent to take the pressure and when people go into rent arrears, when it moved to direct payment the evidence was that the rate of arrears doubled from 35 per cent to about 70 per cent. That was not in general people stopping paying. That was people just underpaying by a bit to make the books balance. Of course the council's housing revenue account or the housing association's balance sheet takes a hit, and that is just passing the welfare saving on and robbing Peter to pay Paul, without making a saving to the taxpayer at all.

The other very interesting thing, and again this reflects what Fran has said, is that the pilot evidence shows that it is very difficult to predict who is going to get into arrears, and interrogating people on the telephone when they ring up to make their claim is an ineffective way of filtering them. One of the changes that I think we are seeing as we move into the latest round of rolling out is the DWP are more prepared to contemplate something that is interactive with the claimant to try and work out if they are at risk of getting into financial trouble and needing some help.

Then there is a third driver which is a second transfer of responsibility; which of course is a transfer to the local level of responsibility for sorting things out if they go wrong. This is why we need to look beyond Universal Credit because there is a series of responsibilities within the welfare system which have been transferred to councils. In particular something that generated a lot of debate is what is now called Local Welfare Assistance, the old Social Fund, but that runs in parallel with Discretionary Housing Payments. Ministers have decided on various exceptions to the benefit cap and social sector size criteria and say that is fine, councils will just absorb that through discretionary housing payments, which of course once you have done that for veterans and you have done that for disabled people the extent to which it is a discretionary fund reduces, but also does that create an ongoing entitlement for the next 20 to 30 years for those claimants? Did we really want to reinvent it effectively as an ongoing payment?

Those three questions: less money; more responsibility for the claimant, more responsibility at the local level. I think what I wanted to draw your attention to is the way in which that is driving change already.

We as the Local Government Association have been quite successful in explaining to Ministers that they need to think about human impacts. The original vision that everybody in the future welfare system would be digital by default and the need for human interaction could be removed, I think we persuaded Ministers that was not a model that flew. Through what were initially called the Local Support Services Framework pilots with Universal Credit, (and what is now Universal Support Delivered Locally, which sends a very interesting signal about ownership and branding), something is going on that is developing a service that is more personalised, more discretionary and more delivered in partnership, partnership between the councils and DWP, partnership between councils and third sector organisations and so on, and the private sector. If we look across the landscape at the moment, there is some really interesting stuff happening. So Brighton & Hove, for example, have commissioned a money advice/financial capability service in which they are not just working in partnership with DWP and their lead deliverer (which is the CAB in that case), they are also working in partnership with the five main clearing banks in Brighton & Hove. All those organisations are skilling up their workforces to signpost people who present looking as if they have got issues where they might need help. There is clearly a focus on steering people away from payday lenders. There is lots of learning out of that. I am not going to name and shame because we are not the Government, but at least one of those clearing banks with which they are in conversation finds it very difficult to engage locally because they are on a script that says if somebody presents with a problem they have to be referred to a head office problem-solving service rather than to what is going on locally. Similar things are going on in a lot of other places that are steering away from engagement with the banks towards credit unions. You might cite in particular Birmingham and Bristol. Bristol has now got a thousand rent accounts for private sector housing benefit claimants operated through their local credit union. All this is very interesting because there was a point, was there not, where we all hoped the commercial sector was going to come forward with a jam jar account. Behind the scenes this conversation is still going on, but they are not the big players, they are new entry challengers. It is very interesting that the credit union sector is basically coming in, commissioned by the councils, to deliver that.

Just looking at some of the other points that come out of that. Birmingham, again looking at ways of supporting tenants, developed a digital logbook for new tenants which goes with the grain of digital service delivery. Through that route, they have reduced, even though we are moving into this world of more challenge to people, their rent arrears by £150,000 by doing that for new tenants. Other examples are Lambeth, Lewisham and Southwark. Lambeth is a place where 8.3 per cent of residents have a payday loan of one kind or another. They are again working together across the councils with the high street banks. They have 500 people on basic bank accounts now with those high street banks and this is all being done very deliberately in anticipation of Universal Credit starting to come in over the next couple of years.

Also again – and this comes out of what Fran was saying - it is about trust. This is not about councils doing it, it is not about DWP doing it; it is about finding the right skill set in partnership. In a lot of places it is the voluntary sector that is the place that people will go if they have a problem. If the council is your landlord and you have got a money problem, you do not necessarily want to go to the council. Oxford, for example, has done some really interesting work with the voluntary sector around the kind of intermediation they might get there.

All this does not generate a set of detailed recommendations in the way that what Fran said did, but I think what it does generate is a vision for the future in which there is a locally commissioned service based on people presenting at any one of a number of doors but there being some kind of triage that then directs them to the kind of help that they need. There are hypothetical diagrams out there of the future, let's not call it a Jobcentre, let's call it a local delivery outlet, as DWP did for a while, in which in the front office you have co-located services from a range of different providers and that is what some of the Universal Credit Local Support Services Framework pilots did. They put lots of people together. Again, there was some very interesting learning from Derbyshire. Derbyshire is having all this work led by public health because public health think debt and money worries are a big public health issue. So this is not about "the DWP are going to do it", it is not about "councils are going to do it"; it is about how you can get together the right joint working locally which we think points to commissioning the service locally, probably jointly between the council and DWP.

So three questions rather than three recommendations. How can all the learning from what is going on at the moment actually be taken into account next summer when decisions are taken? In all of that, what will be the funding? Payment by results looks as if it has dropped off the agenda for the moment. There is a conversation about whether that is the right model or whether it is just a commissioning budget that you leave up to local people to use as they see fit. How will it be funded? Indeed, will it be funded given that the local welfare system's budget has just disappeared into the main formula grant for councils? Then the last question is how does the commercial banking sector play into it? Just as a question, it seems to me that the model of Universal Credit, which is based as much on increasing the amount of work and the amount of earnings that people have and on progression within employment as on simply replacing income, is it not a failure of vision to think that providing financial services to people who are on that benefit now is a jolly good business opportunity for the commercial banking sector if it were capable of looking five or ten years ahead, particularly those banks which belong to the taxpayer?

Q. Chairman: Thank you, and very thorough from both of you, which we really appreciate and also ending on that note, Paul, I think it brings it right back foursquare into the issues that we are discussing. I say this not just because one of the architects of Universal Credit is sitting behind you, I say this not to make you nervous, but presumably we are starting ---

Mr Raynes: One of the architects of the building over there was a Reynes!

Q. Chairman: Our starting point here is that Universal Credit presumably is coming. It is not coming as quickly as we expect it will. We probably think it is a sensible thing to do and Governments of whatever colour would have done it but maybe not in this way - I can see Fran wincing - so the question for us is okay, what then has to happen to avoid some of the detrimental impact that could result if we do not take account of the fact that either it is likely to increase hardship or financial exclusion on the one hand or that we cannot smooth its introduction if we do not improve people's financial capability and inclusion? Would that be a fair general assumption? You are still looking worried, Fran.

Ms Bennett: I wanted to say partly that I have had meetings with Lord Freud, and with the Secretary of State for Work and Pensions, about this; so I suppose what I said was partly borne out of frustration about things which had not been corrected about Universal Credit. (I should also say that I have been very critical, as Chris will know, of previous Labour Governments as well.) But I just think that what has happened is that the Government has designed a system which is trying to take people to where it wants them to be, rather than designing a system around going with the grain of where people are in terms of their situation. You could argue that that is a very laudable aspiration, and I am sure lots of people would argue that; but it does not build from the ground up in terms of learning from low income people themselves and asking them what would help them. That is the key. Although you say, Chris, that we would go forward with Universal Credit, I think I may be one of the people who would say I would not because of that - because I really think it does not start from where low income people are at and build on their strengths and their capabilities. I think it tries to make them be something else. That is very sincere. I just think that is the fundamental problem with it. I can see that there are people who believe very strongly that it is the best way to go about things. I may be wrong, and it may be the best way to go about things, but I really think at the moment it is increasingly revealing itself not to be that.

Mr Raynes: Could I come in on the back of that because obviously the LGA is a cross-party organisation that operates by consensus so rather than coming in on the principle of Universal Credit, just an observation which is that a lot of what frustrates Fran I think is to do with the culture of DWP. I think some people in DWP have got this, but the DWP collectively is still gradually absorbing the fact that what Universal Credit does is transformative. It turns DWP from being a colossal great paying agent and enforcer of conditionality into a back office, which is still that, and a front office that is about the way that people live their lives, and that is a real driver of change in the way DWP can operate into the future.

Q. Sir Brian Pomeroy: First of all, personally I think it is more about the way it is being implemented rather than the concept of it. I had early meetings with Lord Freud and other people on this and in the early days, and I do not know if he is still saying it, on this question of the periodicity of payment monthly, he would say things like, "We want everybody to operate their financial affairs in a way that is normal." He would use the word 'normal' meaning people in work, when actually many people in work are not paid monthly, but the idea was that basically normality was receiving a monthly salary and managing it. He used to speak in these terms. I heard him several times say those things and I think that has clearly coloured what has happened.

I wanted to ask a question about support because when Universal Credit was first announced it came with announcement of a £120 million support package which was going to be used partly for contractors to put in a sort of jam jar account and partly for other sorts of assistance. I do not know what has happened to that but, secondly and associated with this, and it may be linked, I think you said everyone is going to get guidance of some kind.

Ms Bennett: Everybody is going to be talked to by the DWP work coach about money management (to work out who will need help).

Q. Sir Brian Pomeroy: So who is going to fund that and will you only get one go? How is that going to work? And what has happened to the £120 million?

Ms Bennett: I have only read DWP press releases, so I am not party to the detail on this, and Paul may know more than I do; but the bunch of press releases that came out at the end of September and in October from the DWP were basically saying that the learning from the personal budgeting support experiments had shown that people did not like being talked to over the initial phone call when they were following up their claim (presumably if they were doing it digitally) -i.e., they did not like being talked to about personal budgeting support at that stage. The triage in terms of the triggers was not necessarily working for those people who might need advice and so the idea, as I understand it, was that the first meeting with the work coach in the DWP, which presumably everybody would go to, would include some discussion about: "Universal Credit is monthly, how do you think you are going to cope?", and would somehow use that to see who might need personal budgeting support or an alternative payment arrangement or both.

Mr Raynes: What is happening about it is that the original proposal was tested through the Local Support Services Framework pilots and the proposal then was that there would be a pot of money for the Local Support Services Framework which would include personal budget support, help with digital literacy, a whole package of support and discretionary money for anything people might need. In all of this it is important to distinguish, I think, between experiments which are trialling what might happen post-2017 in the full Universal Credit world and what is happening in the 80-odd job centres area where a version of Universal Credit is currently in operation. So looking to the medium-term future, that initial pilot has turned into a dozen testing and trialling exercises which are looking at ways in which these services might be commissioned with a big pot of national money for the future. At the same time, in places where there is live running going on now, a decision has been taken on the basis of experience to move from the call centre dealing with whether or not somebody needs personal budgeting support to the work coach which is a slightly more human interaction. Where local government is coming from, we think it probably has further to go in terms of the customer. In the direct payment pilots that were done a year ago, of the people who went into arrears and were interviewed by the evaluators, only eight per cent had been getting personal budgeting support, so there is really something to do.

Sir Brian Pomeroy: I am just thinking of the massive hassle if personal budgeting support goes wrong. People are going to cut lose from their regular tried trusted (albeit maybe a bit primitive) and effective personal financial management practices into something else with this thing called 'personal budgeting support' which may or may not work for them.

Professor Collard: I have been thinking about this a lot and it is a bit like somebody saying to any of us, "Instead of being paid monthly, we are going to pay you every quarter or pay you twice a year, how are you going to manage that?" For most of us it would be less of a concern because we have got money to weather it. It is that level of disruption that you are talking about.

Q. Sir Brian Pomeroy: It does depend on how exceptional the exceptions are, whether it is easy to get an exception or not. I do not know whether it is or is not. Is it very difficult to get an exception?

Ms Bennett: I do not know in terms of what is happening at the moment. I do know that the Government's idea is that exceptions will be temporary, so that in its view both personal budgeting support and alternative payment arrangements in particular are steps in helping people to manage their money better, to move towards monthly payment in the normal way, receiving the housing element themselves and so on. So I think the Government's vision is that these will be exceptions and they will be temporary. My own view is that the DWP has been learning on the job and from local authorities and from the direct payment demonstration projects that this may be a much bigger issue than they actually think And what is happening is the things that help people budget are being taken away - and then personal budgeting support and exceptions and alternative payment arrangements will bring some of them back in again, but only for a small number, and they will be seen as being on a route towards not having that.

Mr Raynes: For what it is worth, learning on the job is not a bad thing, providing they do learn. The big risk around this is that Whitehall does the traditional Whitehall thing and, for instance, invents - this is what is going on - a product called Personal Budgeting Support where you do it is a set way regardless of who your client is or where they are or what their circumstances are.

Q. Lord Kirkwood: Is the universal support locally delivered an ongoing amount of money that survives the transition into full-blown Universal Credit?

Mr Raynes: That is a very good question to which there is at the moment no answer.

Q. Lord Kirkwood: Do we know anything about whether short-term benefit advances are part of that?

Ms Bennett: I was just going to say actually in response to Brian's point that we must not forget that the Government has absolutely said that short-term benefit advances will be available.

Q. Lord Kirkwood: Will they be promoted, is the question. I know they are available. Will they be promoted? If people do not know about them, they cannot ask for them.

Mr Raynes: If you wanted to ask DWP a question you might ask in the 80 places where the live running is currently going on what proportion of cases they are making advances in.

Chairman: I had a note and I do think it would be helpful to have Deven Ghelani sitting in on some of this, given he has been part of it in the early stages just as points of fact come up.

Q. Lord Kirkwood: I think that would be invaluable. Two other very quick technical clarifications from me. Has any of the discussion that is involved in the new face-to-face provision got any scope for digital education?

Ms Bennett: Yes.

Q. Lord Kirkwood: That is good to know.

Ms Bennett: As I understand it, that is going to be part of the Universal Support Delivered Locally package.

Q. Lord Kirkwood: I would really like to learn more about that. Finally, when sanctions arrive is there any advice about how you dig yourself out of that particular hole built into the sanction provision as we understand it?

Ms Bennett: Having said quickly that digital education was part of the new face-to-face provision, I am not sure I am right. Certainly, for example, the pilots - they were pilots, not demonstration projects - in the run-up to Universal Credit that Paul was talking about very much involved in some cases helping people with digital claiming and so on. I was just in the City Council offices in Oxford this morning and saw an old gentleman of about 90 on the computer in the City Council offices doing something or other. There is a big focus on digital- not by default, as I think the Government is no longer saying that - but rather choice of channel. I think they have changed the phrase.

Mr Raynes: It has moved. To start with, the Government's estimate of the number of people who would be digitally not capable was very small. Councils came back and said in their caseloads it is probably 40 per cent who need help. The number that the DWP are prepared to live with is 20 per cent of the caseload on an ongoing basis needing help. Digital education is absolutely part of it and the unsung heroes in all of this who may ride to the rescue are public libraries. I would watch William Sieghart's forthcoming report to the Libraries Minister on the future of public libraries very closely for any signals about the role of public libraries in digital education.

Ms Bennett: Could I just come back on short-term benefit advances very quickly. Other people may know more but I believe that one of the short-term benefit advances is repaid over six months and the other over 12 months. I cannot remember which is which. One is for people coming off the legacy benefits and the other may be a new claim. I cannot quite remember, but there certainly are meant to be benefit advances. I do not see how anybody could manage without that because you have got a seven-day waiting period before you can even claim. Then you have got a month's wait and then you have got seven days, so you are basically talking about more than six weeks before you get a payment, so I do not see how it could work otherwise.

Q. Lord Kirkwood: Is there any built-in guarantee that before somebody gets 40 per cent knocked off all six benefits there will be some kind of tutorial about how you get yourself out of that?

Ms Bennett: I am not sure it is 40 per cent off all six benefits, Archy. I think it is 40 per cent of the standard allowance. I am just saying that could be applied to any bit of the bits of benefit - but I think we have to be careful about this. My own view would be that sanctions would be very much continuing the current situation. In other words, that something like Matt Oakley's report, and I believe another review that is going to be done now on sanctions, may be more important in that than what is going on with Universal Credit preparation. But I may be wrong.

Q. Professor Collard: I was interested in the Birmingham Digital Global. Presumably that had a lot support when they did that with their housing tenants. It seemed to work so successfully.

Mr Raynes: Yes, it was supported in various ways. One obvious way in which it was supported was it got a little bit of DWP money for piloting that helped them to get it off the ground but, yes, you will be aware that the potential impact of increasing rent arrears is a matter of concern not just to councils but to housing associations, and housing associations are currently in a place where their business model is basically dependent on raising quite large amounts of debt on the security of future rent, so they are very keen to focus in on things that can manage rent arrears down.

Dame Mary Marsh: The point you made about what has come through on the libraries front, if that is really strong, is an efficient way of providing support for that. It absolutely challenges the principle of closing libraries. I think there are multiple layers of factors that could be brought in.

Chairman: Presumably that would include mobile libraries as well?

Q. Dame Mary Marsh: It should do.

Mr Raynes: It did not succeed, but there was a bid at the pilot stage for a local council which was trying to reprovision its mobile library fleet on the basis that they would be reused for digital education.

Q. Mr Coppack: Bear with me because Universal Credit is not my area of expertise, but I am struck by what you said earlier about Brighton & Hove and also about the Health Service leading an initiative because often people talk about national approaches to addressing financial inclusion. Do you think that the way to go is the local strategic partnerships so people are dealt with in a tailored fashion according to their needs? Is that what you are saying?

Mr Raynes: That is a leading question, is it not? I would not use the label 'Local Strategic Partnerships' which is a term of art that has some political baggage to it. The way I often try to express the concept of localism is that public services need to be - and this harmonises exactly with where Fran came in - delivered in a way that meshes with the way that people live their lives. It is extraordinarily difficult, even for a completely unconstrained and brilliant person in Whitehall to anticipate all the complexities of the ways people lead their lives, and that is to leave out of account the fact that everybody in Whitehall is very constrained anyway by all kinds of other considerations and not all of them are brilliant. I used to be one myself. You can get distracted by the word 'localism'. It is about tailoring public services. You have to be close to the client in order to do that.

Q. Mr Coppack: It is a bit like what consumers ask for from their own bank; they want a tailored response when they need something.

Mr Raynes: This is the lovely thing that some of the councils are picking up in their work with the commercial banks where the bank managers are saying, "I would love to be able to train my front desk staff to refer people to the CAB but I am not allowed to. I have got to refer them to the head office money management service."

Q. Professor Collard: We are coming back to the point that Fran made earlier which we are picking up here about starting where people are and some of the conversations we have had today with some of the bank representatives and other providers, the different providers like

PayPoint or the Change Account, which is a new type of bank account, and actually what I was struck by is that some of those new providers (although PayPoint has been around for ages) some of those non-bank providers understand that point much better than the banks and they are much more attuned to the needs of people on low incomes. They do not see people on low incomes as their main customers. They see themselves as being services for everybody, but the way that they think about things means they are very good at understanding how people on low incomes manage their money. I think that is a very interesting development in terms of financial inclusion and how Universal Credit is playing out.

Mr Raynes: And also start-ups of course are *ex hypothesi* more innovative, more entrepreneurial and bigger risk takers.

Q. Professor Collard: And they may not see people on low incomes or Universal Credit claimants and I do not think they would see them with that label. They would see them as a potential customer or not a potential customer and they are a bit more flexible.

Ms Bennett: Can I just add one thing – because so far I have been talking with all my hats on, rather than just the Women's Budget Group - but I think in terms of starting from where people are at, it is quite important to recognise the potential impact on women. Although this is absolutely not universal, the Government's own figures show that for families with children, in particular low income families, it is often the woman who takes the major responsibility for managing the money from week to week, not necessarily controlling it but actually managing it from week to week. Our qualitative research that we did a few years ago with couples on low to moderate incomes showed that a common pattern (though again, not universal) was that the bloke was responsible for the direct debits and the bills monthly and the woman was responsible for the day-to-day and week-to-week purchases, particularly for household things and children. If you think about how Universal Credit is going to work and the encouragement to set up direct debits and so on, and then you think about who is going to take the strain of managing day-to-day and week-to-week, I suspect often it will be women, particularly in families with children. And of course in families with children it is even more difficult to budget on a monthly basis, because by tightening up each week you are denying your children. People find it much more difficult than they do if they are just doing it for themselves as adults.

Professor Collard: Can I pick up on that point? We have talked about Universal Credit and welfare reform all afternoon and actually one of the things that we have not said explicitly is people have less money and how do they manage that. It brings me to thinking about budgeting advances but also the types of credit that people use. There were some links with credit unions and so on. I just wondered whether either of you have any knowledge and whether there is any evidence about the link to changes to the Social Fund for example and how people are using other forms. The question is do changes in the Social Fund mean that people are more likely to use high-cost consumer credit? Is there any evidence about that because where there is the withdrawal of money that people were using to manage in the past, how is that gap going to be filled now.

Q. Chairman: Indeed any of you because this is something you have thought a lot about.

Ms Bennett: I do not know of any specific research on that. In Oxfordshire our county council is one of the two that has abolished its equivalent of the Social Fund (local welfare assistance), before the money runs out so it abolished it this year and pocketed the grant from the Government and used it on something else. I think I am right in saying that the initial research on the introduction of Universal Credit - which was just, if you remember, for single claimants with uncomplicated lives in the first instance - showed that people were more likely to borrow, and that this was from family and friends in particular. Obviously, we have got lots of research on payday lending going up and so on, but I do not know whether anybody has specifically linked that to the withdrawal of parts of the Social Fund and their replacement b local welfare assistance. We do have research on food banks of course - and we do have research that came out the other day from the Child Poverty Action Group and others that does link that partly to not just benefit cuts but benefit delays and benefit sanctions as well - but I do not know how much evidence there is at the moment linking all those things together. Paul did talk about quite a few of the cut-backs in benefits, but the less visible bit of benefit cuts is the uprating, so the fact that working age benefits have been uprated by CPI rather than RPI, and have then been uprated by one per cent (most, not all) - and some have been frozen, such as Child Benefit - that is less visible to people than the actual 'welfare reforms' that have been brought about in terms of specific cuts to housing benefit or other things. Council tax benefits is one of the most heinous, in my view. When the Poll Tax was brought in, you got an average amount of increase in your benefit to pay it. When I was at the Child Poverty Action Group, we all complained because it was an average amount and therefore it did not cover completely what some people had to pay. But with the council tax support, you have had nothing. You have just had a new impost, with absolutely nothing to meet it. Oxford is one of the city councils that has not implemented that. They have gone on with the previous council tax benefit scheme that they had before. Good for them. But a lot of councils have started asking people on basic benefit to pay a tax which nobody has given them any money to be able to pay.

Mr Ghelani: I would back that anecdotally. There is not any really strong research that says this is where they are going once they are short, but certainly from the conversations, it is not just the local welfare assistance. Here you have discretionary housing payments that all of a sudden might stop for a period of time and where do people go? The feedback from front-line advisers is that people seem to accept it and go away, but there is not that engagement. This is partly where I think something like local support work needs delve a bit more deeply and understand what is going on.

Mr Raynes: Could I come back on the local welfare assistance issue? In particular, I probably just need to pre-emptively defend Oxfordshire and we would need to establish just what has gone on there because there are a lot of anecdotes about the way councils have used this money. The fascinating thing which bears directly on your point about the relationship between local welfare assistance and other sources of money is that it is clear that as councils have done new things to manage what was the Social Fund, so whereas in the past people would present saying, “I need money for a fridge”, what councils have been doing is giving them vouchers or giving them the item. Essex has been working with Emmaus to recycle furniture and all these kinds of things. What that has really flushed out is that people who came to the Social Fund were often actually after cash and offering goods and offering prepaid payment cards that can only be used for one purpose really drives down demand, which then is suggestive of the fact that if the need was really cash they will be going somewhere else.

On the other hand, one of the things that comes out of this is the ways in which when you do give people that freedom to use the money in different ways, they do very creative things, some of which are about better management of the budget. My favourite anecdote is somebody who presents as a single parent affected by the spare room subsidy, costing her £60 a week. This is a case from Exeter. In the course of a conversation about discretionary housing payment/local welfare assistance, they understood her circumstances and they realised she was a nurse who qualified overseas and made a discretionary housing payment for a limited time and made a local welfare assistance payment for the £400 cost of converting her overseas qualification into a UK qualification - after which she had a job.

Ms Bennett: I should correct what I said about Oxfordshire. They commissioned a social enterprise to do the local welfare assistance last year and the social enterprise did it for a year and reportedly did not get much demand (although advice agencies locally thought that was partly because there had not been very much publicity about the change, and who you had to go to and how and so on - and they wanted documents scanned in order to make the decisions, and so advice agencies were having to scan passports for people to claim an extra payment). That is what happened last year. This year, Oxfordshire have abolished and just stopped that arrangement. They have said they will continue with payments for young people leaving care, however - so I should not exaggerate, they have continued some payments, and I think they are probably doing that themselves. But apart from that they have stopped the arrangement a year in advance of the money being absorbed into the general grant to local authorities.

Mr Ghelani: I just wanted to make two general points and then go back to the questions. One was talking about starting where people are. It is a principle I very much agree with and when you think about the role of welfare reform and Universal Support Delivered Locally being very focused, and I think this applies to financial inclusion as well, but that Universal Support Delivered Locally has been very much focused on financial inclusion and support with getting on-line or getting additional cabling. I was in Birmingham just last week and going around the country I wonder if you had a set of resources to support people, whether those are the two areas you would put them given the issues people present with. For example, to get on-line, there are two things that spring to mind. The first is that often people just need language skills. That is a really big one. I hear that pretty much every single place I go. The other piece around getting on-line and filling in forms is not the fact that it is an on-line form; it is the form itself and the questions it asks and the options it gives you and where it has a yes/no dropdown, but you are a ‘maybe’. There is still no room whether it is on paper or on-line if that is the issue. I think some of that general principle might apply to financial inclusion so where else do we need to tackle financial inclusion? Are there other barriers before that?

The other bit that I could talk more about but I will ask you whether you want me to is some of that rationale behind the payment structure of Universal Credit, but I will leave that for the Commissioners.

Q. Chairman: Can we have a written version of that, just in the sense we are now out of time?

Ms Bennett: I was just going to say one thing - because the Government is talking about not wanting to interfere with how people manage their money. But I think splitting the payment of Universal Credit between members of a couple is not about doing that. It is not about managing money; it is about people having access to resources - and what they do with them after that is their business. I went on the Money Advice Service website - and this is some time ago, so it is possible they have changed it - and pretended I was a member of a couple who manages their finances separately at the moment (independently) and it said, “You will have to make some changes to how you manage your money in order to fit with Universal Credit” - which clearly you will, because it is going to be just one payment for the couple. So the idea that this is not interfering in how people manage their money is not actually right.

Professor Collard: It is bizarre.

Ms Bennett: Particularly for couples.

Q. Professor Collard: It is giving people responsibility on the one hand and not trusting them with it on the other.

Ms Bennett: It is also not really matching rights and responsibilities because you all have to sign an individual claimant commitment of conditionality and yet only one account gets all the money. There is some asymmetry there really.

Chairman: We had better wind up there but that has been a really useful session. If we may come back to each of you. It is only going to last another five months, we cannot go beyond that unless we can persuade David Cameron to change the date of the Election, but if in that period we could come back to you and if there are specific points that come up, it would be very helpful. Thank you very much for your time.