



Office of the Comptroller and Auditor General  
Report on Value for Money Examination

## Means Testing

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## **Report of the Comptroller and Auditor General**

### **Means Testing**

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out a value for money examination on means testing.

I hereby submit my report of the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in black ink, appearing to read 'John Purcell', with a large, stylized initial 'J' and a long, sweeping horizontal stroke extending to the right.

**John Purcell**  
**Comptroller and Auditor General**

29 December 1995

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## Glossary

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CWO	Community Welfare Officer
DPMA	Disabled Persons Maintenance Allowance
DSS	Department of Social Security (UK)
DSW	Department of Social Welfare
HEG	Higher Education Grant
ISSS	Integrated Social Services System
LPA	Lone Parent Allowance
NSSB	National Social Services Board
OAP	Old Age Pension
SWA	Supplementary Welfare Allowance
UA	Unemployment Assistance
UB	Unemployment Benefit
VEC	Vocational Education Committee

# Summary of Findings

## Background

Means Testing is a necessary procedure carried out in order to validate entitlement to various state and local authority schemes.

Means information gathered usually relates to an applicant's financial status at a particular point in time. Accordingly, subsequent applications generally result in a requirement for a fresh assessment of means to establish the up to date financial status of the applicant.

The examination identified 42 means tested schemes, twenty of which are administered by either the Department of Social Welfare (DSW) or the health boards. These twenty schemes account for the bulk of expenditure on all means tested schemes and the majority of means tests themselves.

It is estimated that the annual cost to DSW of staff involved in the administration of means testing is £4.4m. The annual cost of health board administration of means testing was estimated at £9.7m. In the case of local authorities, the annual cost of staff involved in means testing differential rent claimants was estimated at £1m.

When account is taken of schemes operated by other bodies, the estimated annual cost of means testing would be in excess of £15m. At least 600,000 means tests are completed annually.

The Public Accounts Committee of Dáil Éireann has in the past questioned whether the system is efficient and whether the multiple testing of applicants is necessary. Accordingly, the examination set out to identify whether scope existed for simplification and rationalisation of means testing.

## Means Testing Inefficiencies

Three principal inefficiencies were identified.

- In a test examination, it was found that 40 per cent of applicants already in receipt of welfare payments at the time of application were retested.
- Supplementary Welfare Allowance (SWA), while funded from the Vote for Social Welfare, is administered by the health boards. This leads to duplicate testing of applicants for DSW schemes by health boards.
- A high proportion (38 per cent) of applicants had no means at the time of application.

### **Impediments to Harmonisation**

The examination found a number of impediments to harmonisation of means testing.

- Variation occurs in how data is processed and held by organisations thus affecting their capacity to share information. Much data is manually processed.
- The Data Protection Commissioner has reservations about information sharing systems and is of the view that any move to augment the existing level of sharing of means data should be preceded by the introduction of legislation to enable this to be done.
- Certain schemes allow residual discretion, even after formal means assessment, to mitigate cases of hardship.

### **Opportunities to Achieve Efficiencies**

The examination identified a number of possibilities to achieve more efficient means testing. It is not possible at this stage to indicate whether and to what extent savings can be achieved. A range of options set out below would have to be assessed in the context of social policy before a choice could be made on their application.

- There may be merit in considering the use of a single means testing agency.
- Categorisation of claimants on the basis of risk might be more extensively applied and interim awards made to low risk cases.
- Schemes could be integrated by either placing them under the administration of a single department and/or consolidating assistance payments and client records without altering the power of decision or the attendant accountability.
- There would appear to be merit in linking assistance schemes so that qualification for one may serve as a passport to other schemes thus eliminating duplicate means tests for applicants and reducing administration.
- Efficiency could be achieved through greater sharing of information by means testing organisations. The provision of a definite shelf-life or currency for a means assessment would facilitate such sharing as would agreement between public sector means testing organisations on a unique identifier, such as the RSI number.

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### *Summary of Findings*

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- Adoption of a common definition of means with allowance for social policy driven variations in entitlements would assist in a harmonisation of reckonable means.





## **Part 1 : Introduction**

### **General**

- 1.1 While each State and local authority assistance scheme has its own distinct objectives, qualifying conditions and administrative procedures, a common qualifying condition in the case of most schemes is that the financial status of the applicant must not exceed a defined level. In order to determine that status, means testing is carried out. Means usually include both income and the financial benefit a person derives from any accumulated capital.
- 1.2 Testing is usually carried out in conjunction with other procedures to validate entitlement, including the identification of the applicant.

### **Purpose of Means Testing**

- 1.3 The cost effective delivery of assistance schemes is dependent upon
  - the efficient conduct of means assessment and reviews
  - their effectiveness in ensuring that recourse to such schemes is on the basis of genuine need.
- 1.4 Accordingly, a balance must be struck between the need of the claimant to receive prompt assistance and the requirement to safeguard public funds.

### **Extent and Nature of Means Testing**

- 1.5 At least 600,000 means tests are carried out annually.
- 1.6 The examination identified 42 means tested schemes. Twenty of these are schemes administered by either the Department of Social Welfare (DSW) or the health boards. These twenty schemes account for the bulk of expenditure on all means tested schemes and the majority of means tests themselves.
- 1.7 Means are defined in respect of each assistance scheme. The examination found that the definition of means could vary from scheme to scheme.
  - Some used a gross income basis while others used a net basis.
  - The figure determined was compared against an income threshold which varied with each scheme.
  - The period in respect of which means are calculated or the point in time used for calculation purposes varied mainly with the employment status of applicants.

- 1.8 In general, the onus is on the applicant to supply evidence of means. The applicants' status varied, the main categories being
- employed
  - self-employed
  - not working.
- 1.9 Appendix A gives a general description of the means tested schemes together with the segment of the population which they assist and shows the approximate number of means tests carried out each year for each scheme.

### Cost of Means Testing

- 1.10 Means testing is an integral part of claim processing in the case of most assistance applications. In particular, schemes in the social welfare and health areas are designed primarily to meet basic financial need and consequently, consideration of that need is central to the processing of the claim. As a result, it is difficult to segregate the cost of resources employed on means testing. Some indicative figures can, however, be estimated.
- The annual cost of DSW means testing staff who cover all assistance schemes administered by that Department has been estimated at £4.4m. This figure includes the cost of travel (£0.7m) which is a necessary part of the operation.
  - In the case of the largest health board (the Eastern Health Board)<sup>1</sup>, the salary cost of administering means testing of the major schemes was estimated as follows
    - Supplementary Welfare Allowance (SWA) £3.50m
    - Disabled Persons Maintenance Allowance (DPMA) £0.28m
    - Medical Cards £0.36m
  - In the case of Dublin Corporation, the estimated staff cost of administration of means testing in respect of differential rent assessment was estimated at £300,000.<sup>2</sup>

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<sup>1</sup> The Eastern Health Board accounts for 47 per cent of all SWA cases, 29 per cent of medical cards and 27 per cent of DPMA. If other boards' costs are pro rata, the total salary costs would be of the order of £9.7m.

<sup>2</sup> Dublin Corporation accounts for 33 per cent of all rented dwellings in the State. On this basis the total costs of staff involved in such testing could be of the order of £1m.

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### **Calculation of Means**

- 1.11 In the case of employees, means are generally taken as gross earnings. In addition, any benefit arising out of ownership of capital assets is assessed.
- 1.12 With self-employed applicants, entitlement is usually restricted to schemes such as Higher Education Grants and assistance to farmers. Means are usually calculated based on historical profits.
- 1.13 Applicants who are not currently working are generally in receipt of welfare payments and their means for purposes of other entitlements are generally assessed as the net weekly welfare entitlements together with the value of benefit from capital assets, as in the case of the employed.

### **Evidence of Means**

- 1.14 The evidence of means which was required by organisations surveyed varied considerably. Although the primary method of establishing evidence of means was by submission of particular documents, in some cases the means testing organisation used its discretion to make an award in the absence of documentary proof after taking all the circumstances of the applicant into account. This was particularly so in the case of SWA.
- 1.15 In the case of employee applicants, primary evidence of means is determined from documents which the applicant would normally be expected to have as an employee. These documents include
  - statements of income produced for tax purposes (for example, P60)
  - certificates of income by employers or payroll slips.
- 1.16 State pensioners were normally required to produce their pension book to the official carrying out the means test, whereas in the case of those drawing Unemployment Benefit (UB) or Unemployment Assistance (UA), the DSW local office issues a certificate for the applicant.
- 1.17 Applicants who are self-employed are required to submit audited financial statements showing the results of their business for a financial year prior to the date of application, and which had been accepted for tax purposes by the Office of the Revenue Commissioners. In addition, they may be required to submit a notice of assessment to tax which is issued by the Office of the Revenue Commissioners.

### **The Shelf-Life of Means Test Data**

- 1.18 With the exception of the historic information used in the case of the self-employed, means information usually relates to an applicant's financial status at a particular point in time.
- 1.19 Accordingly, subsequent applications, on foot of other State assistance schemes, generally result in fresh assessments which are required to establish the up to date financial status of the applicant.
- 1.20 As a result, applicants may have to present their cases to a number of organisations in pursuit of all their entitlements at a point in time. This results in some organisations duplicating the effort already expended by others and applicants may be obliged to incur additional expenses and delays as a result of duplicate testing.

### **Current Developments**

- 1.21 In December 1993, the Government approved the principle of developing an Integrated Social Services System (ISSS). It was envisaged that the proposed development would, in addition to bringing together the administration, delivery and management of certain assistance schemes, provide a more integrated approach to the determination of entitlements, for example, through the use of a common means database.
- 1.22 Following the launch of the ISSS, a working group was set up consisting of representatives from the relevant departments, a health board, a county council, the Office of the Revenue Commissioners, and an expert group on tax/social welfare integration.
- 1.23 The ISSS working group is in the process of producing a report which will include recommendations and proposals on these issues.
- 1.24 It is planned to transfer the administration of the DPMA scheme, currently administered by the health boards, to DSW.

### **Purpose and Scope of Examination**

- 1.25 The Public Accounts Committee has expressed concern that the public may be subject to unnecessary inconvenience and the State may be wasteful of resources under the present system of means testing.

- 1.26 The specific objectives of the examination were to identify
- areas of administrative inefficiency
  - whether scope existed for simplification and rationalisation of means testing.
- 1.27 Appendix B outlines the methodology for the examination.



## **Part 2 : Administration of Means Testing**

### **Organisation of Means Testing**

- 2.1 The onus is placed on applicants to demonstrate their entitlement under the rules attaching to State assistance schemes. This usually involves them
- understanding the requirements of schemes
  - obtaining documentation to support an application
  - attending at administrative offices
  - discussing their circumstances with scheme administrators.
- 2.2 Most organisations are structured so as to serve the client population in a geographically convenient way. For example, applicants for social welfare assistance apply in their local DSW office, regardless of where the decision on their claim takes place. Similarly, in the case of SWA, the nearest Community Care centre to the applicant's residence can deal with most claims on the spot.

### **Informing Potential Applicants**

- 2.3 It has been the experience of the National Social Services Board (NSSB) that applicants are often uncertain as to what their entitlements are. Applicants can be confused due to
- the multiplicity of schemes
  - the multiplicity of tests
  - the differing eligibility criteria.
- 2.4 In addition, there is often confusion as to what documents they should supply and whether their means are above or below the income threshold or whether they satisfy the other eligibility criteria of available schemes.

### **Means Testing Arrangements**

- 2.5 While means testing relating to each individual scheme is a relatively simple operation, the major bar to harmonisation of the process is the variation that occurs between schemes. This variation occurs for a variety of practical reasons -
- Applicants' recourse to assistance may be on the basis of immediate necessity or be capable of being anticipated. The degree of urgency affects the processing time available to the assessing organisation.
  - The type of assistance may be ongoing or once-off and in these circumstances different assessment arrangements could be applied depending on the categorisation of risk involved.



- The differing social policy considerations which attach to individual schemes and which tend to be reflected in the allowable means thresholds and calculation methods.
  - The status<sup>3</sup> of the applicant will also affect the administrative arrangements especially in the area of evidence requirements.
  - The administrative requirement to minimise the State's exposure to fraud causes the intensity of the assessments and reviews to vary.
- 2.6 All means tested schemes are subject to procedures which are designed to ensure that only genuine new and ongoing claimants are allowed to benefit under the scheme.
- 2.7 The methods used to establish an applicant's identity and assess his means by reference to documentary evidence submitted vary in intensity, including some or other of the following
- approval of claim on application
  - desk assessment<sup>4</sup>
  - outdoor visit.<sup>5</sup>

### **Intensity of Assessment**

- 2.8 Approval of claims on application requires the organisation to consider the risk of a claim being put in payment incorrectly, whether due to fraud or other reasons.
- 2.9 DSW is the only organisation to use formal risk analysis techniques to determine the intensity of assessment. For example, DSW has risk analysis procedures which allow it to put certain claims immediately into payment, while referring others to investigators for processing later. In the case of UA, for example, 31 per cent of successful claims cases<sup>6</sup> were passed on application.

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<sup>3</sup> Status here refers to whether the applicant is employed, self-employed or not working.

<sup>4</sup> Desk assessment involves approval of an application while the applicant is interviewed in the local administrative office.

<sup>5</sup> An outdoor visit involves a personal call by an investigating officer to the residence or place of abode of the applicant.

<sup>6</sup> There were 111,000 successful claims in 1994.

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- 2.10 Health boards subject all first time applicants to a full enquiry. Thereafter, their review procedures are determined mainly by the nature of the scheme itself.
- DPMA is subject to review in accordance with the degree of disablement of the recipient.
  - In the case of SWA, each weekly payment requires that an applicant presents himself at a Community Care Office<sup>7</sup>.
  - Medical Card holders are subject to review by reference to the difference between their means and the threshold means at the time of application.
- 2.11 Means tests for Higher Education Grants (HEG) generally require no home visits or interviews. Limited risk analysis is performed in that certain applications being renewed, in accordance with the progress of the student, are subject to rigorous follow-up.
- 2.12 Rent assessments by local authorities<sup>8</sup> are carried out either by clerical staff based on documentation or following desk-based interviews by Rent Investigation Officers. In the case of Dublin Corporation, which has approximately 31,000 rented dwellings, there are an estimated 50,000 rent changes per annum.
- 2.13 By way of comparison, in the United Kingdom, decisions on all applications for Income Support, Housing Benefit and Council Tax Benefit are generally made on receipt, if accompanied by the necessary supporting evidence. Home visits are only made, or visits arranged, in response to particular sets of circumstances. Subsequent control is exercised by selective targeting of particular sets of circumstances and subjecting clients to intensive review procedures.

#### **Documentary Evidence**

- 2.14 All organisations require documentary evidence of means to support an application. The form of evidence varies with the category of applicant, i.e. employed, self-employed or not working.
- 2.15 The same set of documentation submitted by an applicant to one organisation is not used to support an application to another organisation. Organisations generally require applicants to submit original documentation.

<sup>7</sup> *While this falls short of a formal review, it involves a reconsideration of entitlement each time a payment is being issued.*

<sup>8</sup> *This is based on our survey of Dublin Corporation.*

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### **Inter-Organisational Verification**

- 2.16 Most verification procedures revolve around the procurement (by the organisation or the applicant) of documents and statements from other organisations in the public sector, including other means testing organisations.
- 2.17 The principal public sector sources of documentary and other sources of evidence for an applicant's means are
- DSW (welfare entitlements, current and historic)
  - the Office of the Revenue Commissioners (earnings from all sources)
  - health boards (health board assistance).
- 2.18 Secondary sources include
- the Valuation Office (property values)
  - the General Register Office (for evidence of date of birth, marital status, etc.).
- 2.19 Non-public sector sources of evidence include
- bank statements
  - legal title documents
  - employers' statements as to income.
- 2.20 The main public sector source of evidence which can be used by testing organisations to establish or confirm status or means is the DSW computerised system (Infosys). Information from this system is made available on a selective basis to
- FÁS
  - Dublin and Waterford Corporations
  - Dublin County Council
  - Department of Enterprise and Employment
  - health boards.
- 2.21 Other information is available by deciding officers at health boards.
- There is frequent telephone contact between health board officers and their DSW counterparts in verifying the status and means of applicants.
  - Certificates from DSW local offices are used in the case of persons in receipt of unemployment payments.
  - Pension books are used to establish status in the case of pensioners.

- 2.22 DSW supplied certificates to applicants wishing to obtain HEG. In these cases, however, there was usually no direct contact between the local authorities/Vocational Education Committees (VECs) and the DSW offices. In addition, certificates were issued to local authorities for rent assessment purposes.
- 2.23 We did not find direct contact between the Office of the Revenue Commissioners and means testing agencies regarding applicants' means. However, the major portion of DSW information on income of employed and self-employed persons is transferred to it on computer medium by the Office of the Revenue Commissioners and, in addition, much of the verification process carried out on assistance applications generally involves the submission by applicants of Revenue documents.

### **Means Testing Inefficiencies**

- 2.24 Three principal areas were identified in the course of the examination where there appeared to be some inefficiency in means testing arrangements
- retesting of applicants who were already in receipt of welfare payments at the time of application
  - duplication of testing in respect of SWA recipients
  - testing of applicants with nil means.

### **Applicants in Receipt of Welfare Payments**

- 2.25 Many applicants for means tested schemes are in receipt of welfare payments from DSW or health boards.
- 2.26 In the case of DSW payments, that department's computer records are designed to show the current payment status and amount of entitlements. In a sample study of schemes, we found that a substantial portion of means testing was carried out on persons in receipt of welfare payments. (See Table 2.1.)

**Table 2.1**  
**Applicants for schemes whose means included welfare payments<sup>a</sup>**

Assistance scheme	Total examined <sup>b</sup>	Number whose means included welfare payments <sup>c</sup>	%
Medical Card	46	26	57
SWA	41	13	32
DPMA	18	6	33
HEG	102	38	37
Total	207	83	40

*Notes: <sup>a</sup> The samples examined on audit are indicative of the pattern encountered at the centres examined. A larger sample would need to be carried out if the figures were to be used for planning purposes.*

*<sup>b</sup> In certain cases, means tests are carried out on family members as well as the individual making the application. The applicants and family members may have non-welfare means mixed with total assessable means.*

*<sup>c</sup> Forty five percent of welfare recipients were in receipt of social insurance benefit.*

### Supplementary Welfare Allowance

2.27 SWA is administered by health boards under the general direction of the Minister for Social Welfare. SWA is available

- as a payment of last resort to persons in financial need
- as an interim payment pending investigation of entitlement to DSW payments.

Both types of payment are funded from the Vote for Social Welfare.

2.28 Most need-based payments are made to persons

- in need of a basic income support
- experiencing difficulties with rent or mortgage payments
- experiencing other financial hardship.

2.29 SWA differs from other social assistance schemes in that an applicant must present himself to the Community Welfare Officer (CWO) for payment each week. Effectively this necessitates a consideration (no matter how brief) of means each time. Repeat applications are normally required even where a short break occurs in the claim pattern.

- 2.30 Repeat assessments by CWOs tend to be less rigorous in view of the more frequent contact with applicants. Oral evidence regarding means is usually deemed sufficient unless the CWO has grounds for requiring a more formal review.
- 2.31 Applicants awaiting the result of a decision in respect of a DSW assistance claim undergo two separate means tests, one by a Social Welfare Officer and the other by a CWO.
- 2.32 From a test examination of files in DSW and health boards, we found that DSW means tests for new claims are more rigorous than the equivalent test in a health board. The health board normally limits its checks with the local DSW office to the establishment of the bona fides of the individual seeking SWA or to verify that a DSW claim is pending. The administrative time of the health board in such means testing was minimal in most cases.

### **Applicants with Nil Means**

- 2.33 Our examination of a sample of applications noted that a high proportion of applicants for social assistance were assessed as having no means at the time of application.

Table 2.2 shows the result of the sample test in respect of all schemes examined.

**Table 2.2**  
**Applicants for means tested schemes with nil means<sup>a</sup>**

Assistance scheme <sup>b</sup>	Number examined	Number with nil means	%
UA	20	9	45
Old Age Pension (OAP)	20	7	35
Medical Card	46	8	17
DPMA	18	11	61
SWA	41	20	49
Total	145	55	38

Notes: <sup>a</sup> The samples examined on audit are indicative of the pattern encountered at the centres examined. A larger sample would need to be carried out if the figures were to be used for planning purposes.

<sup>b</sup> In addition to the schemes shown in the table, 20 Lone Parent Allowance (LPA) claims were examined which showed that most claimants had no means in excess of their existing welfare payment entitlements.

## **Opportunities to Achieve Efficiencies**

- 2.34 Possibilities to achieve more efficient means testing identified in the course of the examination included
- the conduct of means testing by a single agency
  - greater use of interim awards to speed up decision making
  - greater integration of services on a client centred basis including means testing
  - use of 'passport' arrangements under which entitlement to key assistance awards would be accepted as evidence of means
  - greater sharing of information
  - harmonisation of reckonable means for similar schemes.
- 2.35 It is recognised that legislative adjustments would be necessary to facilitate certain such amendments. In addition, the choice of one or other of these options might preclude another. For example, using UA or OAP as passport schemes could only be effective if all such awards had themselves been based on means tests.

## **Single Means Testing Agency**

- 2.36 In order to be cost effective means testing has to
- avoid duplicating tests
  - be targeted on the basis of risk
  - be consistently applied across the tested population
  - be economic.
- 2.37 Scope exists for the use of a single means testing agency which would allow for normal processing to occur for all schemes on the basis of interim or provisional awards, with means testing being done by referral on the basis of risk.
- 2.38 It may be opportune to consider this approach in conjunction with the transfer of DPMA administration to DSW. It would be essential in any such arrangement to
- have consistent risk assessment procedures
  - supplement risk based reviews with random reviews.
- 2.39 This approach if properly applied offers the possibility of administrative savings and greater equity by removing any duplication of testing and ensuring consistency.

### **Interim Awards**

- 2.40 Thirty-eight per cent of a sample of means tested applicants reviewed in the course of the examination had no means. This suggests that categorisation of claimants on the basis of risk might be more extensively applied and interim awards made to low risk cases. At present, this system is used by DSW in processing UA claims.
- 2.41 A system of interim awards can most effectively be applied
- where there is a reasonable annual volume of new applications
  - where the case load may be analysed under various levels of risk
  - where there is some urgency to obtaining payment
  - where it is unlikely that an applicant's means will change in the foreseeable future.
- 2.42 Other possible areas where interim awards might be considered in association with risk assessment include OAP and LPA. While there would be no material gain in economic terms the use of such awards would
- meet the needs of applicants on a timely basis
  - make existing resources available for risk-based reviews which should help reduce any unwarranted recourse to schemes.
- 2.43 Such changes could only be introduced in circumstances where a policy was adopted on
- risk assessment, so as to minimise exposure to incorrect payments
  - the type, timing and intensity of reviews.

### **Integration of Schemes**

- 2.44 Many schemes service the same clientele with the result that ongoing payments are received from different agencies. Schemes may be integrated either by
- placing them under the administration of a single department
  - consolidating assistance payments and client records without altering the power of decision or the attendant accountability.



- 2.45 Fifty-seven per cent of applicants for medical cards were in receipt of welfare payments which had to be taken into account for means testing purposes. Certain DSW clients also receive health board assistance (for example, SWA). A closer integration of these schemes would have the effect of making the assistance more client centred which should in turn allow consolidation of means assessments to occur.
- 2.46 In the case of DPMA, it is anticipated that the administrative responsibility will transfer to DSW in mid-1996. However, other health board schemes will continue to be administered as at present but a greater degree of integration of client data will occur.
- 2.47 Means testing efficiencies should be available where client records are integrated, thus permitting reliance on a common assessment. In order to achieve such efficiencies it would be essential that the maximum amount of data be gathered at the point of the initial assessment and that each means assessment has a definite shelf-life so that only one means test will be needed in the case of tests carried out in respect of applications made around the same date.

### **Passport Schemes**

- 2.48 Contingent qualification schemes eliminate duplicate means tests for applicants and also reduce administration. A system under which entitlement to certain types of social assistance is contingent on successful qualification for other schemes (passport schemes) is operated to a limited extent at present
- by DSW in the case of free schemes including Fuel Allowance and Butter Vouchers schemes
  - by health boards in processing medical cards for persons on non-contributory pensions.
- 2.49 Linking social assistance in this way is a feature of the system of Income Support in the UK, where a means test carried out for Income Support by the Benefits Agency may be used by local authorities to qualify individuals for Housing Benefit and Council Tax Benefit. Local authorities do not require to see the results of the means test in these cases.
- 2.50 There would appear to be merit in ranking schemes in order of allowable means thresholds and using, to the extent possible, all schemes with lower thresholds as 'passports' to higher ones.

- 2.51 There appears, in particular, to be scope for designating UA and OAP as passport schemes for all other awards. This could achieve economies in the administration of means testing.

### **Information Sharing**

- 2.52 There is not much scope under present regulations for the sharing of data since it has a limited shelf-life. However, the process of assessment could be assisted by the sharing of existing data which helps establish a claimant's work and claim history, personal details and general bona fides.
- 2.53 Health boards at present have access to DSW records on computer and it may be possible for other assessing authorities such as VECs and local authorities<sup>9</sup> to obtain similar access.
- 2.54 In order to effect a meaningful sharing of information it would be essential for all public sector means testing organisations to agree a unique identifier. The current Revenue and Social Insurance (RSI) number is the most appropriate identifier due to the fact that it is so widely used at present. In addition, the provision of a definite shelf-life for a means assessment would facilitate such sharing. This should reduce the cost of assessments and ensure that applicants were obliged to undergo only one test in respect of all claims made around the same time.

### **Harmonisation of Reckonable Means**

- 2.55 There are two main reasons why reckonable means vary from scheme to scheme
- a number of means thresholds are used
  - means are calculated differently.
- 2.56 We found that schemes operated by DSW and the health boards have different income thresholds. For example, the income threshold for a couple with 3 children for eligibility for a medical card is currently £166 per week whereas the equivalent threshold for long-term UA is £139.60 per week.<sup>10</sup>

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<sup>9</sup> DSW information is currently available to 3 local authorities (Dublin and Waterford Corporations and Dublin County Council).

<sup>10</sup> In addition, a different basis of assessment is used in both cases. The long-term UA threshold is calculated on the basis of net income. The equivalent gross figure, before deduction of PRSI, would be £144.81.

- 2.57 Means calculations varied as to the treatment of key items such as
- the assessment of capital
  - the extent to which benefits are disregarded or reckoned
  - the treatment of deductions such as tax and Pay Related Social Insurance (PRSI).
- 2.58 The sharing of means information is only possible where the basic means determined for all schemes are comparable. It is suggested that this might best be achieved by adopting a common definition of means and allowing variations in entitlements, considered necessary for social policy reasons, to occur through disregards, supplements or adjustments to the rate of entitlement.
- 2.59 Appendix C gives examples of schemes where income thresholds differ.

### **Impediments to Harmonisation**

- 2.60 Most schemes are underpinned by legislation and therefore adjustments would require legislative action. In addition, adjustment of limits would have budgetary effects. Other constraints identified in the course of the examination included
- technology and recording media varied
  - the power of Chief Executive Officers of health boards to make discretionary awards
  - the impact of data protection requirements on the capacity of organisations to share information.

### **Recording of Means Test Information**

- 2.61 With the exception of DSW, organisations do not maintain means information in computerised format. In the course of this examination, we found that means test data in health boards and local authorities was generally held in paper file format.
- 2.62 DSW is the most computerised of all means testing organisations. It has developed a means database capable of recording means information gathered in the course of testing. The total cost of this development is estimated at £120,000. Full value will only be derived from this expenditure if the information is capable of being used for other assessments around the time it is gathered. At present, means data becomes obsolete almost immediately except in the case of the self-employed whose means are based on historic profits.

### **Health Board Discretion**

- 2.63 Income guidelines governing the award of medical cards are not binding on health boards. Chief Executive Officers may award cards to those exceeding the guidelines if they would not otherwise be able to meet their medical expenses. They may also refuse cards to those with income below the guidelines who are considered to have adequate alternative means of providing for their own medical care.
- 2.64 The Report of the Commission on Health Funding (1989) expressed the view that it would be undesirable to remove the discretionary power of the Chief Executive Officers to award medical cards in cases where the income guidelines are exceeded. The purpose of this provision is to avoid 'poverty traps' whereby a small increase in gross income could take an individual over the guidelines and worsen his net financial position, as a result of the withdrawal of the medical card.
- 2.65 The existence of this provision would, however, militate against reliance by other agencies on health board medical card awards as evidence of means.

### **Data Protection**

- 2.66 The Data Protection Act, 1988, provides for the protection of the privacy of individuals with regard to personal data maintained by organisations in computer format. There is no equivalent legislation for data held in paper format.<sup>11</sup>
- 2.67 Section 2 of the Act lays down specific provisions which apply to data controllers, defined as persons who, either alone or with others, control the contents and use of personal data.
- The data (kept by the data controller) shall be accurate and, where necessary, kept up to date.
  - The data shall be kept only for one or more specified and lawful purposes.
  - The data shall not be used or disclosed in any manner incompatible with that purpose or those purposes.
  - The data shall be adequate, relevant and not excessive in relation to that purpose or those purposes.

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<sup>11</sup> *We understand that an EU Directive is being prepared on this matter.*

- 2.68 At present, most organisations engaged in means testing do not share information directly with each other as a matter of routine. The exceptions to this are
- the organised transfer of income data from the Office of the Revenue Commissioners to DSW after the end of each tax year
  - the limited access to DSW information by health boards and certain other users.
- 2.69 It is proposed by the ISSS working group that means data, centrally stored by DSW, will be shared by other means testing organisations. This proposal stems from
- advances in technology which facilitate sharing of information
  - pressure to combat fraud
  - a desire to achieve value for money
  - a desire to provide a better service to the individual.
- 2.70 The Data Protection Commissioner has strong reservations about the introduction of information sharing systems without public debate on the issues involved. The Commissioner is of the view that any move to augment the existing level of sharing of means data should not be put into effect by administrative action alone and should, therefore, be preceded by the introduction of legislation to enable this to be done.
- 2.71 In addition, since departments are themselves governed by the specific legislation which guides their actions including means testing procedures, any extension of the powers of departments to share information regarding individuals could require an examination of the underlying legislation.

# Appendices



## Appendix A

### Means Tested Schemes<sup>a</sup>

Means testing authority	Means tested scheme	Principal individual means tested	Estimated number of new means tests per annum
Department of Social Welfare	Old Age NCP <sup>1</sup> and Blind Person's Pension	Persons 66 years of age or over and blind persons 18 years of age or over	10,000
"	Pre-retirement Allowance	Persons aged 55 to 65	3,000
"	Widows NCP	Widows	1,600
"	Orphans NCP	Orphans	100
"	Deserted Wife's Allowance	Deserted wives	300
"	Lone Parent's Allowance	Lone Parents	12,000
"	Family Income Supplement	Families with low income employment	14,000
"	Carer's Allowance	Full-time carers	2,000
"	Unemployment Assistance	Unemployed persons	140,000
Health Boards	Medical Card <sup>2</sup>	Persons on low income	121,400
"	DPMA	Permanently disabled people	24,000
"	Supplementary Welfare Allowance	Persons in need of immediate funds	63,000
"	Disabled Persons Rehabilitation Allowance	Non-permanently disabled people	1,000
"	Mobility Allowance	Disabled persons unable to walk	350

<sup>1</sup> NCP denotes non-contributory pension.

<sup>2</sup> The figures quoted represent the number of new cases and changes notified to the General Medical Services (Payments) Board. Other reviews and assessments are performed which do not result in such notifications.



*Means Testing*

Means testing authority	Means tested scheme	Principal individual means tested	Estimated number of new means tests per annum
Health Boards (Cont'd)	Infectious Diseases Maintenance Allowance	Persons being treated for certain infectious diseases	70
"	Supplementary Blind Welfare Allowance	Necessitous persons on DPMA/Blind Pension	900
"	Domiciliary Care Allowance	Persons taking care of Handicapped children	2,000
"	Private Nursing Home Subvention	Applicant and Family	5,500
Department of Education	Remote Areas Boarding School Grant	Pupils whose homes are outside the range of transport services	90
Córas Iompair Éireann	School Transport Scheme	Second level pupils and parents/guardians	41,800
School Principals	Leaving Certificate Exam Fee Reduction	External/Repeat Exam Candidates	3,000
"	Repeat Leaving Certificate Course Fee Exemption	Students repeating and parents/guardians	5,700
Local Authorities and/or VECs	Higher Education Grants <sup>3</sup>	Third level students and parents/guardians	36,000
Local Authorities <sup>4</sup>	Differential Rents	Tenants of local authority housing	93,000
"	Local Authority House Improvement Loan	Persons with essential work to do on property	700
"	Local Authority House Purchase Loan	Persons in need of housing but unable to get loan	500

<sup>3</sup> Includes Higher Education Grants Scheme, VEC Scholarships Scheme and Maintenance Grant Scheme for Trainees on European Social Fund-aided third-level courses.

<sup>4</sup> Certain categories of tenant may, on leaving local authority housing, obtain a house purchase loan without regard to an income limit and therefore without means testing.

*Appendix A*

Means testing authority	Means tested scheme	Principal individual means tested	Estimated number of new means tests per annum
Local Authorities (Cont'd)	Shared House Ownership Plan	Persons prepared to pay local authority rent and loan	700
Department of Agriculture, Food and Forestry	Scheme for Control of Farmyard Pollution	Farmers	8,000
Teagasc	Farm Improvement Programme	Farmers	4,000
"	Scheme of Installation Aid for Young Farmers	Farmers	400
Department of Transport, Energy and Communications	Farm Electrification Grants	Farmers	940
Department of Defence	Veterans of the War of Independence Allowance	Veterans or spouses of deceased veterans of the War of Independence	45
Law Centres and Legal Aid Board	Civil Legal Aid and Advice	All citizens	11,000

*Note: \* A number of other schemes were identified in the course of the examination which are subject to means assessment but are relatively minor and have therefore been excluded. These are*

- *DSW Prisoner's Wife's Allowance*
- *Teagasc Small Farm Development Programme (excluded because advice only is given to farmers on means criteria)*
- *Córas Iompair Éireann (CIE) Travel Facilities Scheme (excluded as it is operated by a commercial body)*
- *The Arts Council Cruas Scheme*
- *Criminal Legal Aid Scheme and the Attorney General's Scheme (excluded as they are within the absolute discretion of the Judiciary).*



## Appendix B

### Examination Methodology

The examination was conducted by staff of the Office of the Comptroller and Auditor General.

In view of the wide application of means testing and the multiplicity of schemes, a decision was taken to limit most of the examination to seven schemes. These were

- Unemployment Assistance
- Old Age Non-Contributory Pension
- Lone Parent Allowance
- Medical Card
- Disabled Persons Maintenance Allowance
- Supplementary Welfare Allowance
- Higher Education Grants.<sup>1</sup>

#### *Interviews*

Staff in means testing organisations including DSW, health boards, local authorities and VECs were interviewed at various stages throughout the examination.

Audit staff visited the UK Department of Social Security (DSS) and a UK Borough Council to ascertain relevant means testing practices in the UK. (See Appendix D.)

#### *Questionnaire*

A postal survey of means testing organisations was undertaken to provide information regarding the fundamental procedures and conditions applying to means tests carried out by them. The questionnaire used in the survey included questions in relation to

- the period used for means calculation purposes
- the actual means taken into account
- review period(s)
- recording medium used
- other organisations contacted
- documentation required by the organisation.

<sup>1</sup> *Higher Education Grants in this context encompass means tested third level education grants in general.*

### *Examination of Files*

A random sample of files was selected for each of the schemes examined in three locations. The locations were

- Dublin (DSW, Eastern Health Board)
- Sligo (DSW, North Western Health Board, Town of Sligo VEC)
- Cork (DSW, Southern Health Board, Cork County Council, City of Cork VEC).

A database of information on the files examined was compiled to assist in determining means testing arrangements and areas of overlap. In a sample of cases, DSW computer records were examined to determine what information might be available to other means testing organisations carrying out a similar exercise as DSW.

### *Liaison with the ISSS Working Group*

DSW provided the secretariat resource for the ISSS working group. There was contact at various stages between the staff of the Office of the Comptroller and Auditor General and the secretariat of the ISSS.

## Appendix C

### Sample Table of Means Tests Qualification Variables

(Based on the example of a couple with three children)

Scheme	Income threshold <sup>a</sup> (£)	Gross/net income considered	Deductions allowed from income	Capital taken into account	Initial approach to
Medical Card	166.00	Gross	PRSI	Yes	Health board
Unemployment Assistance	139.60 (long-term) 137.50 (short-term)	Net	Tax, PRSI, work expenses	Yes	DSW
Rent/ Mortgage Subsidy under SWA	137.50	Net	Tax, PRSI	No	Health board
Back to School Clothing and Footwear Scheme under SWA	171.50	Gross	PRSI, work expenses	No	Health board
Differential Rent	Household Income	Net	Tax, PRSI	No	Local authority
Family Income Supplement	225.00	Gross	None	No	DSW
School Books	None Set	n.a. <sup>b</sup>	n.a.	n.a.	School Principal

Notes: <sup>a</sup> In the case of Unemployment Assistance, the gross income equivalent, before deduction of PRSI would be £144.81 (long-term UA) and £142.59 (short-term UA). The gross income equivalent for Rent/Mortgage Subsidy under SWA would also be £142.59.

<sup>b</sup> n.a.: not applicable.

Source: National Social Services Board.



## **Appendix D**

### **Note on UK Income Related Benefits**

#### **Policy**

The UK Social Security system includes a number of income-related schemes, including help for people in work with low pay. The thrust of social security policy is to strike a balance between providing for need whilst maintaining and improving incentives for work.

Income Support is a social security benefit available to people whose income falls below a certain level depending on their family circumstances. Policy responsibility for Income Support lies with the Department of Social Security (DSS) which is also responsible for general policy-making matters for Housing Benefit and Council Tax Benefit.

#### **Administration**

Income Support is delivered by a separate agency known as the Benefits Agency (BA). Qualifying for Income Support gives automatic qualification for full Housing and Council Tax Benefits administered by Councils. Dual assessment in this way is facilitated by the similarity in scheme conditions.

Applicants for Income Support are obliged to complete the appropriate application forms which are passed on by the BA to the relevant council together with a qualification certificate in respect of its Income Support award. The Councils use the application forms and qualification certificates in their decisions regarding Housing and Council Tax Benefits for the same applicants.

Decisions on applications for income related benefit are made on receipt if accompanied by the necessary supporting evidence. Home visits are only made or interviews arranged, in response to particular sets of circumstances.

Although the DSS do not have ongoing access to council files, data matching exercises are periodically carried out to ensure that both organisations have up to date information on clients.

#### **Customer Satisfaction**

The BA stated that most complaints had centred around the difficulty customers had with completing forms. A National Consumer Council survey found this had been improved following the redesign of forms, but that some forms were still lengthy due



to the complexity of the conditions attaching to the schemes. In addition, offices have been refurbished, removing customers perceptions that offices had been intimidating places in which to conduct business.

## **Current Developments**

A major current development in the DSS is the 'one-stop programme'. The emphasis in this programme is on providing a service more efficiently tailored to the needs of customers and which will also help to combat fraud.

The programme was officially launched in 1993 and would have consisted of three phases of implementation

- one place
  - all BA offices could offer customers the full range of BA services at one outlet
- one person
  - would enable customers to deal with one person to access the full range of BA services available
- one time
  - customers would benefit from advances in information systems and the broadened skills of BA staff to have their needs satisfied in one place, by one person, and at one time.

However, following testing of the 'one person customer service' concept the BA decided to refocus the 'one stop programme' around two principles

- the right first time collection of fully verified information, subsequently passed to the right place
- providing a single point of contact.

Although similar to the one stop concept, the requirements are considered to be more realistic and flexible. A date for implementation of the revised arrangements has yet to be decided.

In addition, the DSS has identified two difficulties with providing an integrated service to applicants with multiple needs

- retention of trained staff
- the data protection issues involved.

## Value for Money Reports by the Comptroller and Auditor General

Report Number	Title of Report	Date
1	The LEADER Programme	December 1994
2	Energy Management in the Health Service	April 1995
3	Garda Transport	August 1995
4	Gas Interconnector Project	August 1995
5	Management of Telephone Facilities in the Civil Service	November 1995
6	Regional Development Measures	December 1995
7	FEOGA Borrowing	December 1995
8	Means Testing	December 1995