

## DRAFT - Supporting Information and Impact Assessment

Service / Policy:	Social Fund
Executive Lead:	Cllr Morris
Director / Assistant Director:	Fran Hughes

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### Section 1: Background Information

1.	<p><b>What is the proposal / issue?</b></p> <p>This proposal is to reduce the 'Social Fund' budget provision to Nil. There is currently £600k in a reserve, if agreed this reserve could be used to fund this service meaning it could continue for a at least 2 years to allow alternative solutions to be considered.</p> <p>This will mean withdrawing the annual revenue contribution of £312,000 to the Social Fund and over a number of years depleting the £600k reserve to Nil.</p> <p>The Social Fund (Crisis Support Scheme) is a non-statutory scheme.</p> <p>The Social Fund currently consists of Crisis Loans and Community Care Grants. The Social Fund Scheme provides assistance to local people who need urgent assistance in a crisis type situation. The range of assistance covered includes daily living expenses, food and electricity, clothing, removal costs, storage and setting up home costs such as furniture, rent in advance and deposits.</p>
2.	<p><b>What is the current situation?</b></p> <p>As outlined above the Crisis Support Scheme provides assistance to local people who need urgent assistance in a crisis type situation. The range of assistance covered includes daily living expenses, food and electricity, clothing, removal costs, storage and setting up home costs such as furniture, rent in advance and deposits.</p> <p>The Crisis Support Scheme is a <b>non-statutory provision</b>. In view of current financial pressures and with further spending cuts to come in future years the Crisis Support Scheme has been identified as an area to investigate alternative methods of provision.</p>

3.

### **What options have been considered?**

This proposal is to reduce the 'Social Fund' budget provision to Nil. There is currently £600k in a reserve, if agreed this reserve could be used to fund this service meaning it could continue for at least 2 years to allow alternative solutions/options to be considered.

Since the proposal was established some further options work has been undertaken by officers at the request of the Priorities and Resources Panel as follows:

#### **Option 1: Continue with the current Scheme and funding**

Based on current 2015 expenditure, this would require annual funding of circa £220,000 with effect from approximately April 2020 if the £600K reserves were exhausted before additional annual funding were input.

#### **Option 2: Operate the current scheme from within existing reserves without ongoing annual funding from 2016/17**

Without ongoing funding this would mean the scheme would have a finite life span. Based on current 2015 expenditure this would operate for a at least 2 years.

#### **Option 3: To alter the criteria for Crisis Support applications, remove annual funding and operate the scheme using the reserves of £600K**

As part of this proposal, a package of cost effective alternative provisions would be developed to enable the Council to provide support to those most in need in the future, with the intention of recycling funds. These options are outlined below.

Proposed alterations:

- (a) To replace cash deposits with an enhanced bond deposit scheme for landlords
- (b) Provision of a loan scheme through the local Credit Union to replace grant awards for all items except Daily Living expenses
- (c) Review of all Discretionary Funds operated by the Council to avoid duplication and ensure cost effective use of funds
- (d) Retain a grant provision to meet daily living expense needs (food, gas and electric) and rent in advance.

#### **Option 3(a) Landlord Bond Deposit Scheme**

The largest proposition of Crisis Support fund (55%) is spent on housing related applications, i.e. housing deposits and rent in advance. Hence options have been explored to meet this need more cost effectively.

Housing Options currently operates a Deposit Bond Scheme. At its height it provided 177 Bonds to landlords. . However following the introduction of the availability of Discretionary Housing Payment's (DHPs) and Crisis Support for cash deposits, which provided a readily available cash alternative for landlords without assessment by the local authority on the condition of the property, there has been a significant decline in bond take up. As a result there are now only 20 live bonds.

The basis of the Bond Scheme is that the Council provides a deposit indemnity to the landlord for a finite period. In contrast to Crisis Support and Discretionary Housing Payment Deposit payments, **no money is given to the landlord unless the landlord claims against the bond** when the tenancy has come to an end whilst the bond is active. Historically the claim rate against the bond scheme has been 15%.

Consultation has been undertaken with landlords and landlords associations in the area to see how the scheme could be developed and their reaction to the removal of cash deposits. A number of alterations have therefore been proposed that additionally help the local authority discharge its housing duty into the private rented sector.

A full business case for the provision of a bond scheme, removing the option for clients and landlords to obtain cash deposits from both Crisis Support and DHP has been developed. This also covers a risk appraisal and suggested mitigation measures. Based on current demand it is projected that there is the market for 415 applications for bonds.

To underwrite the scheme a one off contribution to the bond reserve would be required of £31,000 based on a conservative estimate of 20% claim rate.

It would also require 1FTE to develop and administer the scheme and to reduce financial liability to the local authority.

Based on current expenditure levels and proposed savings an enhanced bond scheme for deposits **could extend the current funding by approximately 1 year.**

Benefits of single Bond Scheme access for deposits:

- Overall estimated saving based on 2014/15 expenditure of £226,018 across all funds including DHP. Cashable savings would equate to £107,000 (Crisis Support and Housing options deposit spend table 2) as DHP funds are ring fenced.
- Ability to discharge liability into the private rented sector, meeting statutory requirements.
- Better integration across services to identify further opportunities
- Improved accommodation standards in Torbay
- Retention of ability to assist those most at need in a more cost effective way

Some of the implications of this option are:

- Removal of support to the most vulnerable in the community when existing Crisis Support resources run out if no further funding is provided.
- Potential transfer of costs to other areas such as Discretionary Housing Payments, Housing Options and Children's Services (Section 17 Payments). However if this option were put into practice it is advised that access to deposits across all service areas would only be provided through the bond scheme.
- Mitigation measures have been included in the full business report. If the bond is not taken up by landlords the biggest pressure would be upon Housing Options with regards to increasing pressure on temporary accommodation provision.

### **Option 3b - Offer Loans as a partial replacement to the current Grants Scheme.**

Prior to the introduction of Crisis Support Scheme, a combination of loans and grants were offered. Funds were administered by the DWP who had statutory powers to recover loans from a claimant's ongoing state benefit entitlement at source, resulting in cost effective high recovery rates. In contrast the Council has no such powers of recovery.

Research has indicated that local authority recovery rates can vary from 10-80% depending on the mechanism used. The most successful are those that utilise Local Credit Unions to facilitate payment and recovery of loans. Such schemes can therefore be financially sustainable subject to working with a local credit union to maximise recovery rates.

Same day payments are currently not available through Torbay's local Credit Union, Plough and Share. This means that due to their urgent nature Daily Living Expense awards could not be provided through a loan.

It would therefore be more appropriate to offer a loan option for larger items such as furniture, white goods and removals.

Rent in advance would also be retained as a grant option initially due to the need for fast turnaround times of payments to secure accommodation.

#### **Costing of a Loan Scheme**

Plough and Share are keen to work with the Local Authority, with administration costs per loan in the region of £35. Admin costs cover Plough and Share normal recovery processes of letters, texts phone calls etc. Based on 2015/16 demand of 214 awards pa, the administration charge would be £7.5k per annum on a £76K loan base. Assuming a conservative 50% recovery rate, this would save £30500 per annum (50% of £76,000 less £7500 admin costs).

Loan amounts would be based on second hand furniture prices from Anode/refurnish which are much cheaper than new. It would appear based on the information available that working with Plough and Share to provide loans for, furniture, white goods, removals and storage is a viable option and one that could increase the financial sustainability of the Crisis Support scheme.

Operating a loan scheme would save approximately 17% of the Crisis support budget each year. This would extend the scheme by 0.7

years as a standalone option.

#### Reasons for implementing a loan scheme

- Increased future sustainability of the scheme if recovery of loans is successful
- Lower cost to the Local Authority but again only if recovery rates are high
- If operated in conjunction with a credit union would give access to budgeting and money advice, budgeting tools through a jam jar type account and future financial inclusion/independence for vulnerable residents.

#### Implications of this Option

- Figures from sample Local Authority operating in house recovery shows recovery rates very low to the point where a loan system would have very little or no cost saving benefits to the Local Authority. In house recovery would not appear viable on that basis.
- Adding to the debt of vulnerable applicants who may already be in financial hardship.
- Should recovery rates be poor, savings to the Local Authority would be reduced.
- Potential for cost shunt to other service areas such as Childrens Services Section 17 budget and Housing Services who may have a duty to provide funding if the applicant does not take the loan option for any reason. This could occur for example with homeless families needing furniture and white goods to enable a move into permanent accommodation from temporary accommodation.
- Offering second hand under the current grant only system is less controversial (aids local recycling, keeps costs down protecting funds and goods are “free” to the claimant as awards are not repayable). If a loan system were operated instead, the claimant is effectively paying for the goods. It could be seen as controversial to restrict choice under a loan scheme.

#### **Option 3c- Review of all discretionary funding provisions provided by the Council to avoid duplication and provide consistency, ensuring cost effective use of all funding streams**

It is considered that a more joined up approach for access to all of the Council’s Discretionary funding streams is vital to preserve support available to vulnerable residents and ensure that the provision is an economically viable option for the Council. Support is currently provided through 4 different sources totalling £750,400 per annum (2015/16). There is currently only limited informal cross referencing to see if the same individual has applied for each fund and qualifying criteria for the individual funds are sometimes inconsistent.

#### **Option 3d- Retain a grant option covering emergency daily living expenses and rent in advance**

Arguably the need for daily living expenses is the most essential and immediate need which is met through the Crisis Support Scheme. Based on first 6 months of 2015-16 as detailed in question 2 above this would have an annual cost of approximately £24K per annum.

	<p>Daily Living awards cover food, gas and electricity. Food is provided through a food parcel package in partnership with our local food bank, Anode.</p> <p>Same day payments are considered necessary and are currently offered in these cases, for applications made and completed before the daily cut off time. Same day payments are not currently possible through the local credit union which means a loan option for daily living expenses is not viable.</p> <p>It is also felt that providing food parcels rather than cash provides a cost effective way of ensuring awards are used for their intended purpose whilst supporting the food bank provision in the wider community as the Crisis Support Scheme makes payment for food parcels provided by Anode.</p> <p>Rent in advance would also be retained as a grant option initially due to the need for fast turnaround times of payments to secure accommodation.</p> <p>Summary: Based on implementing both a bond deposit scheme and the introduction of loans for household items it is estimated that it would reduce the annual expenditure from Crisis Support by 43%. This would result in an extension of the lifespan of the existing £600k reserves from 3 to 5 years.</p> <p><b><u>Option 4: Cease the Crisis Support Scheme from April 2016, reserves of £600K to be redistributed</u></b></p> <p>If this option was taken up then there are limited alternative funding sources available including Budgeting loans from the Job Centre and Plough and Share Loans. Most alternatives have restrictive eligibility criteria which many Crisis Support applicants would not satisfy.</p>
4.	<p><b>How does this proposal support the ambitions and principles of the Corporate Plan 2015-19?</b></p> <ul style="list-style-type: none"> <li>• Using limited resources to best effect</li> <li>• Integrated and Joined up approach</li> </ul>
5.	<p><b>Who will be affected by this proposal and who do you need to consult with?</b></p> <p>External:</p> <ul style="list-style-type: none"> <li>• Torbay Landlords</li> <li>• Residents of Torbay</li> <li>• Voluntary Sector as representatives of more vulnerable residents more likely to access the Crisis Support Scheme</li> <li>• Anode, Refurnish charitable organisations who provide services under the Crisis Support Scheme</li> </ul>

	<p>Internal:</p> <ul style="list-style-type: none"> <li>• Revenues and Benefits, Housing Options, Housing Standards, Children's Services</li> </ul>
<b>6.</b>	<p><b>How will you propose to consult?</b></p> <p>Consultation on the proposal to reduce the 'Social Fund' budget provision to Nil and fund the service for 16/17 and 17/18 using the £600k, allowing alternative options to be considered has been undertaken as part of the general budget consultation – please see section 11 for the results of this.</p>

<b>Section 2: Implications and Impact Assessment</b>	
<b>7.</b>	<p><b>What are the financial and legal implications?</b></p> <p>The Crisis Support Scheme is a non-statutory provision</p>
<b>8.</b>	<p><b>What are the risks?</b></p> <ul style="list-style-type: none"> <li>• Increase in homeless applications to the local authority should the Crisis Support Scheme be ended or in the case of an implemented Bond Scheme if the bond was not widely accepted by landlords.</li> <li>• If significant changes are not made to the Crisis Support scheme and current spending levels continued on an ongoing basis, there would be a requirement of £200,000 approx per annum funding plus staff costs for what is a non-statutory service.</li> <li>• Removal of the service has the potential to mean cost shunts to other service areas</li> <li>• The Crisis Support Scheme provides support to local residents in crisis type situations. Removal of the scheme could result in vulnerable residents being unable to access support in such situations. However, there has been a year on year decline in application numbers since April 2013, perhaps indicative of improvements to the Local economy recently.</li> </ul>
<b>9.</b>	<b>Public Services Value (Social Value) Act 2012</b>

	N/A
10.	<p><b>What evidence / data / research have you gathered in relation to this proposal?</b></p> <p>The Crisis Support Scheme provides assistance to local people who need urgent assistance in a crisis type situation. The range of assistance covered includes daily living expenses, food and electricity, clothing, removal costs, storage and setting up home costs such as furniture, rent in advance and deposits. Wherever possible goods and services rather than cash are awarded to ensure funds are used for their intended purpose and to maximise available assistance for vulnerable residents.</p> <p>For the first two financial years of the scheme the average annual spending (excluding admin costs) has been £273,000. Awards made are in the form of non-repayable grants. The Council does not currently offer Crisis Support Loans.</p> <p>In the first 7 months of 2015, there were 1332 applications received of which 476 were approved resulting in a spend of £126,000. The predicted annual claim number for 2015/16 of approximately 2300 represents a significant downturn compared with an annual number of applications in 2014/2015 of 3200.</p> <p>Around £120,000 (2015/16) per annum is spent on rent in advance and rent deposits from the Crisis Support fund.</p> <p>The Council also pays cash deposits and rent in advance from the Discretionary Housing Payment Scheme (DHP). This equates to approximately £141,000 per annum and just under half of this figure would relate to deposits.</p>
11.	<p><b>What are key findings from the consultation you have carried out?</b></p> <p>Public consultation on the budget proposals started on 6<sup>th</sup> November 2015 and closed on the 4<sup>th</sup> January 2016. The proposals were communicated to the Torbay community via local newspaper (Herald Express &amp; Western Morning News), local radio, Twitter and Facebook and were detailed on the Torbay Council website. Emails were sent to key stakeholders and a range of opportunities were provided for people to contribute to the consultation, including a Budget Event held in Paignton. People were also able to send representations via email and post to Torbay Council.</p> <p>Responses for this proposal were as follows:</p> <p><b>Q) Social Fund:</b></p>



	<p>To reduce the Social Fund budget provision to nil.</p> <p>This proposal is expected to save £312,000.</p> <p><i>The Social Fund Scheme currently provides assistance in a crisis type situation i.e. the issuing of Crisis Loans and Community Care Grants.</i></p> <table border="1" data-bbox="875 395 1496 663"> <thead> <tr> <th>Do you support this proposal?</th> <th>Number</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>Yes</td> <td>376</td> <td>52.9%</td> </tr> <tr> <td>No</td> <td>311</td> <td>43.8%</td> </tr> <tr> <td>No answer</td> <td>24</td> <td>3.3</td> </tr> <tr> <td><b>Total</b></td> <td><b>711</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Do you support this proposal?	Number	Percent	Yes	376	52.9%	No	311	43.8%	No answer	24	3.3	<b>Total</b>	<b>711</b>	<b>100%</b>
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<p><b>12.</b></p>	<p><b>Amendments to Proposal / Mitigating Actions</b></p> <p>None at this stage.</p>															

### Equality Impacts

<p><b>13</b></p>	<p><b>Identify the potential positive and negative impacts on specific groups</b></p> <p>The Social Fund Scheme provides assistance to local people who need urgent assistance in a crisis type situation therefore by reducing the 'Social Fund' budget provision to Nil existing users of the service may be negatively impacted, however this proposal will have no differential impact on the specific groups listed below.</p>
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Mitigation: There is currently £600k in a reserve, if agreed this reserve could be used to fund this service meaning it could continue for a further 2+ years to allow alternative solutions to be considered.

	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people		No Differential Impact	
People with caring Responsibilities		No Differential Impact	
People with a disability		No Differential Impact	
Women or men		No Differential Impact	
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>		No Differential Impact	
Religion or belief (including lack of belief)		No Differential Impact	
People who are lesbian, gay or bisexual		No Differential Impact	
People who are transgendered		No Differential Impact	
People who are in a marriage or civil partnership		No Differential Impact	
Women who are pregnant / on maternity leave		No Differential Impact	
Socio-economic impacts		No Differential Impact	

	(Including impact on child poverty issues and deprivation)		
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)		This proposal has the potential to mean cost shunts to other service areas – this will need to be investigated further if this proposal is approved and further options are investigated.
<b>14</b>	<b>Cumulative Impacts – Council wide</b> (proposed changes elsewhere which might worsen the impacts identified above)	This proposal has the potential to mean cost shunts to other service areas – this will need to be investigated further if this proposal is approved and further options are investigated.	
<b>15</b>	<b>Cumulative Impacts – Other public services</b> (proposed changes elsewhere which might worsen the impacts identified above)	This proposal has the potential to mean cost shunts to other service areas – this will need to be investigated further if this proposal is approved and further options are investigated.	