



Meeting: Priorities & Resources Review Panel

Date: 13 Jan 2016

Wards Affected: All wards

Report Title: Proposed Removal from Revenue Budget of Crisis Support Scheme

Is the decision a key decision? Yes

When does the decision need to be implemented? Part of the 2016/17 Budget setting process in February 2016

Executive Lead Contact Details: Cllr Dave Morris, Executive Lead for Customer Services, 07766650250. Dave.morris@torbay.gov.uk

Supporting Officer Contact Details: Bob Clark – Exec Head Customer Services – 01803 207420 – Bob.clark@torbay.gov.uk

1. Proposal and Introduction

- 1.1 This report provides members with the background of the current Crisis Support Scheme and recommendations from 2016/17.
- 1.2 From April 2013 responsibility to administer the Discretionary Social Fund was passed from the Department for Work and Pensions (DWP) to the Council and funding was made available to administer the scheme.
- 1.3 Torbay was given a non-ring fenced fund of £1.32 million including admin costs to operate the scheme for 13/14 and 14/15. Of this original funding there is approximately £600000 remaining held in reserve.
- 1.4 Since 2015/16 the Government has no longer provided separately identifiable funding for the Council's Local Welfare Assistance Scheme-Crisis Support.
- 1.5 It is proposed to use the remaining £600000 reserve to operate the Crisis Support Scheme from 2016/17 rather than having an annual funding allocation for Crisis Support contained within the Council's Budget.
- 1.6 In conjunction with 1.5, it is also proposed to make changes to the current Crisis Support policy and Scheme to make it more sustainable and to look at removing overlap and common criteria for all Discretionary Welfare funds operated by the Council.

2. Reason for Proposal

- 2.1 The Crisis Support Scheme is a non-statutory provision.

2.2 In the current financial climate difficult decisions have to be made about the funding of non statutory services.

2.3 There is a total of approx. £1.8 million pa (2015/16 budget) in Discretionary Funds operated across the Council which is available to assist vulnerable Local Residents. This is broken down as follows:

Childrens Services Section 17 payments	£138,400 (£191,000 already spent)
DHP – Discretionary Housing Payments	£256,000
Crisis support fund	£312,000
Housing fix-it fund	£44,000
Total	£750,400

Disability Facility Grant (capital) £1,019,667

2.4 There is some overlap in provision from the current individual funding streams which if managed in a different way could better utilise the overall available funding.

2.5 Financially, it is not considered viable to continue to operate the Crisis Support Scheme in its current form. It is felt a more joined up approach with other Discretionary Funds combined with a review of the Crisis Support Scheme will provide for an effective and viable provision ongoing.

2.6 Running the existing scheme from the reserve of £600,000 will give the opportunity for a considered review of the Crisis Support Scheme whilst not impacting on the Council's annual budget.

3. Recommendation(s) / Proposed Decision

3.1 That the current Crisis Support Scheme is run from existing reserves pending a detailed review of the scheme in order to ensure that a financially viable provision is available to vulnerable residents on future.

3.2 That no revenue budget should be allocated to the Crisis Support provision from 2016 with the option to allocate more funds, once reserves have been exhausted (based on current year spending this is likely to be 2-3 years from April 2016).

3.3 A full review of the current scheme should be undertaken and completed in 2016/17 to consider a number of options to sustain a more economical provision which would still provide support to vulnerable residents.

3.4 The Council as a whole will ensure best and most effective use of all of the Discretionary funding schemes through a joined up centralised administration and where possible eligibility criteria.

Appendices

Appendix 1: Supporting Information

Appendix One:

Background Information:

From 1 April 2013 the responsibility to administer the discretionary Social Fund, which consisted of Crisis Loans and Community Care Grants, was transferred from the Department of Works and Pensions (DWP) to the council and funding was made available to administer the scheme.

Local Authorities were encouraged to look at new ways of meeting the needs of local people living in their area, at times of crisis. This provided an opportunity to develop a local scheme, which ensures an appropriate, but not normally direct financial solution for people in crisis. In general cash funding is avoided wherever possible with goods and services being provided instead of cash.

Torbay received £1.32 million to cover funding of its local scheme (The Crisis Support Scheme) for the financial years 13/14 and 14/15 including administration costs. Funding is non-ring fenced. Spending in the first two years has amounted to approximately £700,000.

Spending in the first two years has amounted to approximately £700,000 leaving around £600,000 in reserve from the original funding. This year the fund is expected to spend £220,000. Staff and administration costs are now included in the Revenues and Benefits base budget.

In 2015/16 the Revenue Settlement Grant (RSG) included an undefined amount for Local Welfare Assistance. As funding has never been ring fenced, the Council is not obliged to spend a set figure on the Crisis Support Scheme.

What is the proposal:

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 further 2+ years to allow alternative solutions to be considered.

Further options for consideration:

The Crisis Support Scheme be revised to increase sustainability through new ways of working and use existing resources to maximum effect.

A review of all Discretionary funding schemes administered by the Council be undertaken, with the aim of: removing duplication through centralised monitoring; and where possible establishing common and consistent eligibility criteria for clients to provide cost effective use of the multiple funding streams.

What is the current situation?

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.

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.

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.

Item	Crisis Support Annual spend by year in £'s			
	2013	2014	2015 to 31/10/2015	2015 pro rata estimated annual spend
Rent deposits	31632.14	78247.06	34248.76	58712.16
Furniture and White Goods	90451.81	79956.14	33977.50	58247.14
Rent in Advance	77324.79	84922.20	33383.02	57228.03
Daily Living Expenses (food Gas and Electric)	32589.33	32855.50	13593.00	23302.29
Removals	13491.34	14043.60	9219.00	15804
Carpets and curtains	660	1798	744.00	1275.43
Travel	2025.83	1479	495.00	848.57
Storage	40	351.95	476.22	816.38
Clothing	3277.50	795	230	394.29
TOTAL Spend	251492.74	294448.45	126366.50	216628.29

Table 1: Breakdown of Crisis Support spending from April 2013 to date.

As can be seen from the table above around £120,000 (2015/16) per annum is spent on rent in advance and rent deposits from the Crisis Support fund.

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.

DHP is a ring fenced pot of money provided by Central Government to provide assistance to those receiving Housing Benefit with "accommodation associated costs", eligible items including deposits, rent in advance and assistance with ongoing rent shortfalls.

Assistance is also provided through Housing Options to clients that approach the service direct as they are in need at risk or have lost their accommodation. The 'fix it fund' operates under eligibility criteria and also assists the local authority in preventing homelessness and hence reducing its temporary accommodation costs.

Support is also provided to clients through other mechanisms including Section 17 awards through Children's Services, although this is minimal. A breakdown of the expenditure across services is provided in the table below.

Payments from 14/15	Budget allocation	Actual Spend	Deposits only (£)	Rent in advance (£)	Fees (£)	Household (£)	Food/Daily Living Expenses
DHP	393,863	392,189	102,965	121,075	-	-	-
Crisis Support	552,980	294,267	78,247	84,922	-	98,243	32,855
Housing Options (Fix It Fund)	44,000	54,200	29,268	22,764	-	1,436	-
HO Reclaimed through DHP	-	-	14,758	14,758	-	-	-
Children's Services	128000	108775	780	780	383	4,861	-
Total	1,118,843	849,431	226,018	244,299	383	104,540	32,855

Table 2: Expenditure across departments for 2014/15

The Crisis Support Scheme is a **non-statutory provision**. 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 where it would be prudent to reduce spending.

Options Appraisal:

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.

Reasons why this option should not be pursued at this stage:

- The required level of ongoing annual funding is no longer affordable and if continued it is likely that other provisions would need to be sacrificed in order for the Council to find the required monies to support the Crisis Support Scheme.
- This would not meet the budget savings proposed.

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 further 3 years approximately.

Reasons why this option should not be pursued at this stage:

- If ongoing funding is to be restricted or removed it would serve the public better to review spending and scheme criteria to protect the availability of the provision for as long as possible.
- Pursuing this option would mean that the scheme would end with effect from April 2019 as reserves would be exhausted by then based on current spending levels.

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 has been 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 proportion 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 DHP's 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 deposit 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.

Daily Living awards cover food, gas and electricity. Food is provided through a food parcel package in partnership with our local food bank, Anode.

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.

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.

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.

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.

Option 4: Cease the Crisis Support Scheme from April 2016, reserves of £600K to be redistributed

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.

Reasons why this option should not be considered at this time:

- Lack of any access to assistance with immediate needs such as food, gas and electricity creating a risk to health and well being of vulnerable residents.
- Added pressure on Local Food Bank who currently receive funding from the Crisis Support Scheme and may struggle to continue to provide a service without that funding. Consultation with the food bank would need to be undertaken.
- Cost shunt to Housing Options Temporary Accommodation budget. Without the provision of obtaining alternative means of accommodation through the private rented sector independently it is anticipated that more individuals would look to Housing Options for this assistance.
- Potential that vulnerable people would resort to pay day loans and loan sharks creating unmanageable debts and worsening their situation in the long term

Officer View

In support of adopting Option 3 as a means of achieving the required budget savings whilst maximising the lifespan of the scheme using the existing reserve pot.

What are the financial and legal implications of the options currently outlined?:

- Requirement for estimated 1FTE to administer the Bond Scheme intended to be covered from existing Crisis Support staff resource.
- Complete removal without the bond scheme will cost shunt – likely to result in an increase in homeless applications. An estimate would be *potential increase in homeless applications to Housing Options of 25% and increased cost on temporary accommodation budget.*
- Loan scheme admin costs of circa £35 per loan
- Removal of Crisis Support scheme as well as impacting on Housing Options and other service areas may leave vulnerable residents without options for financial help in crisis situations.

What are the risks of the options currently outlined?:

- 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.
- 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 £200000 approx per annum funding plus staff costs for what is a non-statutory service. This would mean that the savings would need to be made elsewhere.

- Removal of the service is likely to mean significant cost shunts to other service areas which may mean cutting the service would result in minimal overall saving to the Local Authority
- 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.