

Cabinet

1 July 2014

Report of Cabinet Member for Finance & Performance

Annual Report of the Financial Inclusion Steering Group 2013/14

Summary

1. This report is part of a six monthly process to inform members of the progress in delivering the Financial Inclusion work of the Financial Inclusion Steering Group (FISG). This particular report has a greater focus on the York Financial Assistance Scheme (YFAS) as members will receive a separate update on the council's work on financial inclusion as part of a wider report on poverty work due in September 2014.
2. This report examines the performance, and demand for YFAS in the first year of operation. Members are asked to note this performance and consider the impact of reduced funding for 2015/16.

Background

The work of the Financial Inclusion Strategy Group

3. FISG was convened following approval of the Financial Inclusion Policy and Action Plan by Cabinet on 6 November 2012. Cabinet also approved draw down of £300k from the Economic Infrastructure Fund to deliver the Action Plan.
4. FISG first met on 15 January 2013 and membership includes council directorate representatives, Citizen Advice Bureau and South Yorkshire Credit Union. The group's purpose is to:

'ensure that local people have the knowledge of and access to appropriate services, allowing them to make more informed choices to achieve and maintain financial stability'.

5. The focus of the group is to secure the following outcomes:

- residents have the knowledge to manage their finances effectively;
- advice services are better coordinated across the city;
- residents, advice givers and those 'sign-posting' better understand the welfare benefits system; and,
- opportunities to reduce general living expenses are followed up.

6. FISG progress and achievements in 2013/14 :

- Loan shark training for 100 staff /partners and launch of York's Loan Shark Charter;
- £80k award to the Citizens Advice Bureau which levered in £250k lottery funding to deliver the two-year project to transform citywide advice provision;
- Communication plan in place to encourage school involvement in anti-poverty work generally and financial literacy specifically. The Illegal Money Lending Team have produced quality marked lesson plans for primary and secondary schools and several schools have agreed to use them from September 14;
- Launch of the Small Changes budgeting booklet and set up 'Making the most of your money' area on CYC's website;
- £60k for cashless payment systems for three secondary schools aimed at increasing the uptake of Free School Meals to be in place by September 14;
- £10k for the fuel poverty campaign, which includes encouraging behavioural change to reduce costs and collective energy provider switching;
- Two successful food collections for Carecent and the Foodbank, with Yorkshire Harvest planned for Sept 2014;
- Rental Exchange is a scheme developed by Big Issue and Experian to help build up the credit scores of Social Housing tenants using their rent payment histories. This service is being introduced for CYC tenants and potential other York based

social housing tenants. 66% of CYC tenants will immediately see an increase in their credit score as a result of incorporating their rental data to the credit bureau database.

Performance of YFAS 2013/14

7. YFAS was established from April 2013, following the transfer of funding from the Department for Works and Pensions (DWP) previously spent on Social Fund Crisis Loans and Community Care Grants. Available funding is summarised below with an additional administration grant of £66,592 (2013/14) and £61,039 (2014/15). The council agreed to add £100,000 to the scheme for the 2013/14 and a further £100,000 for 2014/15. The scheme was reviewed after 6 months and at that time funding arrangements beyond 2014/15 were uncertain. **The DWP have confirmed that funding will cease from 2015/16.**

Funding	2013/14	2014/15
Awards (DWP)	£315,141	£315,141
CYC addition	£100,000	£200,000
Total	£415,141	£515,141

8. The current YFAS was approved by Cabinet in December 2012 to provide 'Emergency' and 'Community' assistance based on eligibility criteria and individual circumstances. Residents must be in receipt of a means tested DWP benefit, Housing Benefit (HB) or Local Council Tax Support (LCTS) to apply. The inclusion of HB and LCTS means that the council can help those on low pay who were excluded under the DWP Social Fund.
9. Emergency grants are intended to meet expenses that have arisen from an emergency or disaster and are the only option to avoid risk or harm. Community grants are intended to help vulnerable people to live independently in the community.
10. Payment is made by a pre-paid cash card which can be used at cash machines or in shops, using a 4 digit code provided directly to the customer by the card company. Data on the usage of the cards shows that the majority are used to withdraw cash.
11. Extra help with rent (through Discretionary Housing Payments – DHPs) and Council Tax is also available. These are included

under the YFAS umbrella to increase awareness and take-up and to ensure that residents can access the right support. DHPs are funded from a separate DWP grant - £286,409 in 2013/14 and £231,153 in 2014/15.

12. YFAS is administered by the CYC Benefits Team in Customer Services. Applications are handled by staff that also assess Housing Benefit/Local Council Tax Scheme claims. Where appropriate, customers are referred on to other organisations which may be able to offer further tailored and intensive help (for example, debt problems are referred to the Citizen’s Advice Bureau).
13. Cabinet agreed to a one year interim scheme with full consultation and a review after 6 months, allowing time to focus on the development of a comprehensive localised support scheme including partnerships with other key agencies within the city. In January 2014, Cabinet agreed for the YFAS scheme to continue within the Benefits Service with a strengthening of advice, referrals and researching of other sources of funding.

Applications and Awards – Emergency and Community grants

14. Spend against the original DWP allocation for 2013/14 is summarised in this table:

Funding	DWP grant (excl. CYC addition)
Budget	£315,141
Spend	£240,321*
% spent	76.25%

*£211,677 Emergency/Community plus £28,644 awarded to help with council tax.

15. The underspend from 2013/14 has been rolled forward and added to the funds available for 2014/15. Early indications are that many councils did not spend all their 2013/14 allocation with a wide variation in levels of expenditure, although as the table shows below there is a very mixed picture in the Yorkshire and Humber region from those councils who responded to a request for this information.

	NE Lincs	East Riding	N Lincs
Applications made	1,306	3,284	661
Number Awarded	531	2,185	405
Budget	£696,579	£557,071	£452,585
Budget Allocated	£177,263	£393,310	£130,520
Percentage Spent	25.45%	70.60%	28.84%

16. See details of payments and food vouchers issued at Annex A, from which the following points are highlighted:

- The first full year operation of the scheme saw **2921** applications (Table 1 - an average of **56** applications per week) with total payments of **£211,678** (Tables 3 & 4).
- **1096** (38%) of applications did not qualify (Table 1).
- Over **34%** of referrals to YFAS are from the DWP (Table 2).
- **1132** Emergency Grants have been paid - average paid **£76.61** (Table 3).
- **289** Community Grants paid - average paid **£432.36** (Table 3).
- **27%** of spend has been on daily living expenses with an average payment of **£55.51** (Table 4).
- **38%** of spend was on cookers, washers and fridges (Table 4).
- **60%** of applications made via the public website (Table 5).
- **69%** of applications are from single residents, **18%** from lone parents and **8%** from families (Table 6).
- **69%** of applications for daily living expenses are from single residents (Table 7).
- **37%** of applicants give 'delay in benefit payment' as a reason for applying (Table 8 and 9).
- **9%** of applications are from residents who have no food (Table 8 and 9).

17. Where a customer's DWP claim is delayed and they are not entitled to a DWP 'benefit advance', a small grant for daily living

expenses is made from YFAS. For 2013/14 daily living expenses were £3.07 per day and £3.10 for 2014/15 for single people aged 25 and over. Food bank vouchers can also be issued, provided by the Trussell Trust (see Tables 11, 12 and 13). This incurs no direct cost to the council.

- Data from the Foodbank shows that single residents are the biggest users of the food banks in York.
 - Similarities can be seen between YFAS and the food banks on the levels of / reasons for demand in different Wards.
 - Benefit delays and changes account for **49%** of vouchers redeemed by the Trussell Trust in York.
18. Comparison of data against the 6 monthly review reveals that the family circumstances of applicants and their demands are largely consistent. However, the number of applications received in the last 6 months of 2013/14 has increased by **14%** and monthly expenditure and numbers of applications since January 2014 has increased significantly (Table 3). More customers are requesting grants but particularly Community grants to help them remain in the community, for example, the provision of a washing machine to a family where one member has health problems that require frequent clean clothes or where there is exceptional pressure. Expenditure is being monitored closely.
19. The following analysis (see Table 10 and the map at Annex B) uses the Indices of Multiple Deprivation and Lower Super Output Areas located in Wards: Westfield, Guildhall, Heworth, Micklegate, Clifton and Holgate (*Information provided by CYC Business Intelligence*):
- **14%** of applicants are from areas that are nationally within the **20%** most deprived areas in the country.
 - **59%** of applicants are from the **50%** most deprived areas in York.

Applications are being received more evenly from across more Wards which could indicate increased hardship and increased awareness of the scheme.

Other Findings

20. 289 residents have applied to YFAS for the maximum of 3 times (or more) in a 12 months period:
 - They were aged between 18 and 66 years with an average of 4 applications each.
 - 61% were over 30 years of age.
 - 27% were under 25 years of age, 27% were aged 26-34 years with the balance being over 35 years of age.
 - 56% were male.

21. 28 customers (a 10% sample) were examined closely and the following information is of note:
 - 105 applications were made by 28 customers.
 - The highest number made by one applicant was 8 applications.
 - 21% were lone parents (4 females and 2 males).
 - 79% were single people.
 - 40% received Employment and Support Allowance.
 - 46% received Job Seeker's Allowance.
 - 4 had received a benefit sanction from the DWP.
 - 5 were homeless
 - 2 had fled domestic violence
 - 79% mention benefit delay or changes as a reason for applying.
 - 46% mention debts (including rent arrears as one of their reasons for applying).
 - 36% were concerned about being able to afford to eat.
 - 32% were concerned about paying their fuel bills.

22. One reason for higher demand from single residents is because there are fewer other 'safety nets' for this group.

23. All but 3 of these 289 repeat applicants were of working age. Of the 10% sample only 2 applications out of 105 were made when working and only 1 remained working at the time of their last application. Customers present with different reasons each time but some indicate chaotic lifestyles and lack of any savings to fall back on to for example, replace a broken cooker or fridge.

24. The sample applications show that staff consistently refer customers to other departments and agencies who can help them:

the CAB for debt and money advice, the Salvation Army, DWP for Short Term Benefit Advances and Budgeting loans, Carecent (for homeless, unemployed and disadvantaged members of the community), Housing Options, Housing Support workers and Housing Money and Employment workers.

25. Analysis shows that applicants find it difficult to live on the amount of benefit that they receive. Single customers under the age of 25 on Job Seeker's Allowance received £56.80 per week in 2013/14 with a 55p increase in their benefits for 2014/15 to £57.35. If they are over the age of 25 they received £71.70 in 2013/14 with a 70p increase for 2014/15 to £72.40. With fixed incomes at this level it is easy to see that it would be very difficult to budget to eat and pay bills. Rates of ESA are higher but these customers have greater needs and spend more money on getting around or heating their homes.
26. Most applicants rent their home. Local Housing Allowance (LHA) rates in York for 2014/15 and the maximum Housing Benefit rates payable are, for single under 35 years, £66.43 per week or £288.64 per month. For single over 35 year olds it is £100.38 per week or £436.18 per month. Although DHPs are available in the short term to some to help with rents, many people use their benefit income to make up shortfalls in their rent or risk losing their homes.
27. LHA rates do not always meet the level of rents in York. Rent Officers from the Valuation Office Agency provides the government with valuations and property advice. The median (or mid range) rent for rooms in York is £81 per week or £350 per month (the rates for North Yorkshire are virtually the same). For one bed properties it is £127 per week or £550 per month in York, compared with £95 and £410 respectively in North Yorkshire.
28. Four of the sample customers had been sanctioned by the DWP. On 29th May 2014 the Cabinet Member for Finance & Performance approved an amendment to YFAS, to allow Emergency grant payments to be made to customers who had received a benefit sanction from the DWP but were formally challenging the decision by a reconsideration or appeal. This recommendation followed evidence from partners in 'Advice York' (part of York Citizens Advice Bureau) that residents were being caused severe financial hardship through unfair sanctions.

29. A report will go to Cabinet later in summer 2014 advising members on other steps that the council is taking to address poverty and financial inclusion in the city.

Service Improvement

30. Since the last Cabinet report in January:
- The scheme eligibility criteria guidance on the website has been amended to make it clearer.
 - Benefit staff have received refresher training in YFAS to ensure that consistent decisions are made on awards.
 - Staff liaise more and work more closely with partners, stakeholders, support agencies and council departments.
 - A bid has been made to the FISG for a YFAS support and debt worker to help customers in emergency situations. CAB does not have the capacity generally between 10am and 5pm on their drop-in days to provide this support and this worker would provide access to the specialist advice and support that vulnerable customers need. The outcome of the bid should be available in July.

Withdrawal of government funding in 2015/16

31. This report has outlined the difficulties some residents have in dealing with their living/food costs in times of crisis. The figures show that
- In the first 3 months of the scheme in 2013/14 spend was £29.5k.
 - In the last 3 months of 2013/14 spend was £95.2k.
 - This trend has not slowed down in the first 3 months of this financial year in which £89k was spent, giving a full year forecast spend of £463k without taking into account any peaks or troughs. This will mean that all in-year DWP monies will be utilised in full and the council contribution will be called upon.

Consultation

32. Consultation with 25% of YFAS applicants plus stakeholders was conducted as part of the 6 monthly review considered by Cabinet on 7th January 2014 and feedback was very positive.

Options

33. This report is for information which means that there are no alternative options to consider.

Analysis

34. There is no further analysis other than the existing information in the report.

Council Plan

35. YFAS helps to deliver two priorities in the Council Plan to 'Protect vulnerable people' and to 'Build strong communities'. Financial assistance is targeted at those most in need and assists in allowing residents to continue to live in our communities.
36. It supports the objectives of the Without Walls Poverty Programme Strategy to:
 - Establish an overarching view of citywide anti-poverty priorities and to ensure that actions to meet priorities are agreed at a strategic level first and then made operational;
 - Embed York's vision for a poverty-free city into all future CYC and partner priorities and, through a targeted programme of interventions, start the city's progress towards its achievement.
 - It supports the Child Poverty Strategy principles.

Implications

37.
 - a) **Financial**
 - The base funding from DWP for YFAS, including a grant for administration, was £381,733 for 2013/14 and is £376,180 for 2014/15.
 - The DWP grant has been supplemented with additional funds provided by the council as part of the budget setting process for 2013/15. Additional funding of £100,000 was approved for 2013/14 and a further £100,000 for 2014/15.

- The DWP grant will cease in 2015/16. As such Members will need to consider within the budget report in February 2014 the issues relating to the scheme, and the withdrawal of funding.
- A report was brought to Cabinet in October 2013 on technical changes to Council Tax. That report noted that the further changes that were being recommended for introduction 1 April 2014 would yield an estimated £300,000 per annum but that this would need to be monitored as the precise impact could not be determined accurately at that stage. It was also noted that other factors also impacted on council tax, and that there were issues in particular relating to benefits expenditure that would need to be considered. Cabinet approved the following as part of that report:

“Approve that any additional income from the technical changes to council tax be reserved in the first place to cover potential increases in benefits expenditure, with further consideration at time of budget setting.”

- Since then the position regarding council tax discount scheme has become clearer regarding costs and these are currently considered to be able to be met from existing provision. It is likely that there will be a significant surplus on the council tax collection fund at the end of this financial year as a prudent view was taken of the impact of technical changes, and other risks associated with collection. Any surplus on the fund can only be used in the following year's budget. It is likely that this additional council tax income will be such that it could be used by Members to continue funding of the YFAS scheme at current levels, despite the loss of Government funding.
- Final decisions on the implications of the loss of government funding, and the council's contribution to the scheme, will be made as part of the Budget report in February. Members are at this stage asked to give commitment to maintaining the YFAS funding at its current levels (inclusive of grant) and considering in principle (subject to the full budget approval), the use of additional council tax, primarily from technical changes, being directed towards the YFAS scheme.

b) Human Resources (HR)

The DWP grant provided funds the equivalent of two full-time posts needed to administer the scheme.

c) Equalities

The Community Impact Assessment for YFAS is published on the council's website but the key points for ongoing monitoring and action are:

- Analysis of application data will ensure that CYC directs funds to those most in need.
- Using this analysis, look at alternative ways of supporting residents, which may be, for example, seeking partnerships with more groups who can help address those needs.
- To use the Financial Inclusion Strategy to provide city wide support to financially vulnerable customers.
- To use economic inclusion initiatives to try to ensure the right skills are developed to engage all residents in current and future employment opportunities.
- Staff will receive applications from potentially stressed, desperate and upset customers. Staff are trained to deal with these issues.

d) Legal

None

e) Crime and Disorder

None

f) Information Technology (IT)

None if no change to current service provision

g) Property

None

h) Other

None

Risk Management

38. The key risks are:

- managing the costs of the service (both service delivery and administration) within a fixed budget for 2014/15.
- the potential of less funding from April 2015 will reduce the council's ability to achieve its objectives as stated in the Council Plan to:
 - protect vulnerable people & build strong communities.
 - support the objectives of the Without Walls Poverty Programme.
 - address poverty and financial inclusion issues.
- managing the budget to ensure that customers get the same service irrespective of when they apply in the financial year;
- minimising opportunities for fraud and abuse, whilst ensuring that customers who need help can access scheme easily and quickly;
- any failure to provide an appropriate service will have a negative impact on the wellbeing of vulnerable people and the reputation of the council.

Recommendations

39. Members are asked to:

- a) Note the performance of the York Financial Assistance Scheme following the first year of operation.
- b) Give commitment to maintaining the YFAS funding at its current levels (inclusive of grant) and considering in principle (subject to the full budget approval), the use of additional council tax from technical changes introduced on 1 April 2014 being directed towards the YFAS scheme.

Reason: To ensure Cabinet can properly plan for future financial pressures relating to the York Financial Assistance Scheme.

Contact Details

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Report Approved ✓ Date: 16 June, 2014		
Specialist Implications Officer(s) Financial: Ian Floyd Director of Customer & Business Support Services		
Wards Affected: List wards or tick box to indicate all	All	✓

For further information please contact the author of the report

Background Papers:

Report of Cabinet Member for Corporate Services 4th Dec 2012

Transfer of responsibility of Social Fund to Local Authorities and establishment of the York Financial Assistance Scheme.

Report of Cabinet Member for Finance, Performance & Customer Services 7th January 2014 - Review of the York Financial Assistance Scheme

Report of Cabinet Member for Finance & Performance 29th May 2014 - Amendment to the qualifying criteria of the York Financial Assistance Scheme (YFAS).

Annexes

- Annex A YFAS statistics for period 1 April 2013 to 31st March 2014.
- Annex B Map of YFAS take up by ward
- Annex C Abbreviations