

A Summary of the Impact of 2016-17 Local Authority Budget Cuts on Money Advice Services



Contents

Introduction	3
Background	4
Methodology	5
Key findings	6
No reduction in internal or external funding	7
Contextualising reductions in funding	9
Reduction in funding of in-house service provision	9
Reduction in funding of external services	10
Reduction in funding of both in-house and external services	11
Final position still to be agreed	12
Conclusion	14
Recommendations	15



Introduction

The Improvement Service (IS) is carrying out a review of the impact of the 2016-17 Financial Settlement on local authority spending in Scotland. As part of this exercise, the IS Money Advice Outcomes team, which is funded by the Money Advice Service and the IS, has undertaken additional research to consider in detail how this will influence the funding and delivery of money advice services which are funded and/or delivered by councils. Whilst this report provides a snapshot of the position in 2016, it identifies very clearly that the position in 2017-18 is likely to be one of continued reductions in budgetary provision and that the only way to maintain services is likely to be through wide-ranging transformational changes.

The review is set within the context of additional demands being placed on local authorities at a time of diminishing resources. A report in 2015 by the Joseph Rowntree Foundation suggested that 'Scottish local government lost 11% of its spending power between 2010/11 and 2014/15'¹.

The findings are supported in a more recent analysis by Audit Scotland, which highlighted:

*'... a dependency on incremental changes to services, increasing charges and reducing employee numbers in order to make savings. But these are neither sufficient nor sustainable solutions set against the scale of the challenge facing councils. Cuts can only be part of the solution. What is required is a more strategic approach, longer-term planning and a greater openness to alternative forms of service delivery.'*²

1 JRF 'Cost of Cuts'. Available online at: <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/CostofCuts-Full.pdf>

2 http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr_160317_local_government_overview.pdf



Background

The research undertaken by the Money Advice Outcomes team sought to identify both current and planned changes in financial provision by local authorities for money advice services and, where possible, any resultant alterations in staffing levels and methods of service delivery.

It is worth highlighting that, whilst there is no statutory requirement for local authorities to fund money advice services, these services do make a positive contribution both to local priorities and to the Scottish Government's National Outcomes Framework through addressing inequality, promoting wellbeing, and improving life chances.³ Tackling inequality is also one of the key pillars in Scotland's Economic Strategy⁴.

StepChange⁵, a debt charity, has found that its clients in Scotland in 2015 had an average debt of £12,263. Whilst this represents a slight reduction on that recorded the previous year, it still equates to over 80% of the average client's annual income. Following the recommendations of the Smith Commission in 2014, a range of social security powers are in the process of being devolved to the Scottish Parliament via the Scotland Act.⁶ It has been acknowledged that this will increase the demand made on advice services - particularly from those who may be experiencing economic inequality and disadvantage.

The publication of the first annual performance report for local authority money advice services in Scotland identified that the services support some of the most marginalised individuals living in Scotland's most deprived communities.

*'Money advice services are predominantly used by the poorest members of society – 80% of service users have an income of less than £15,000 per annum.'*⁷

The same report also highlighted the good value for money achieved by money advice services, whereby every £1 invested by councils, resulted in a benefit of £5 within local communities.

3 <http://www.gov.scot/About/Performance/scotPerforms/outcomes>

4 <http://www.gov.scot/Resource/0047/00472389.pdf>

5 https://www.stepchange.org/Portals/0/documents/Reports/Scotland_in_the_red_2015.pdf

6 <http://www.gov.scot/Topics/People/fairerscotland/future-powers>

7 <http://www.improvementservice.org.uk/money-advice-performance-management-framework.html>



Methodology

In relation to the financial year 2015-16, all local authorities in Scotland which had in-house money advice services, funded external service providers or had a combination of both, were approached and an appropriate officer was identified to participate in a semi-structured interview. The findings were recorded and have been used to produce an analysis on a Scotland-wide basis. All 31 local authorities in Scotland that funded money advice services responded to the survey.⁸

Some local authorities shared information on a confidential basis, particularly where discussions were still continuing with staff or if a service review was ongoing. This has been respected in the analysis and individual local authorities are not identified unless consent has been sought and granted.

The analysis reflects the position as reported at 28 May 2016. It is worth emphasising that, in several cases, service reviews are ongoing and final decisions have not yet been fully taken concerning the impact of any cuts on money advice services.

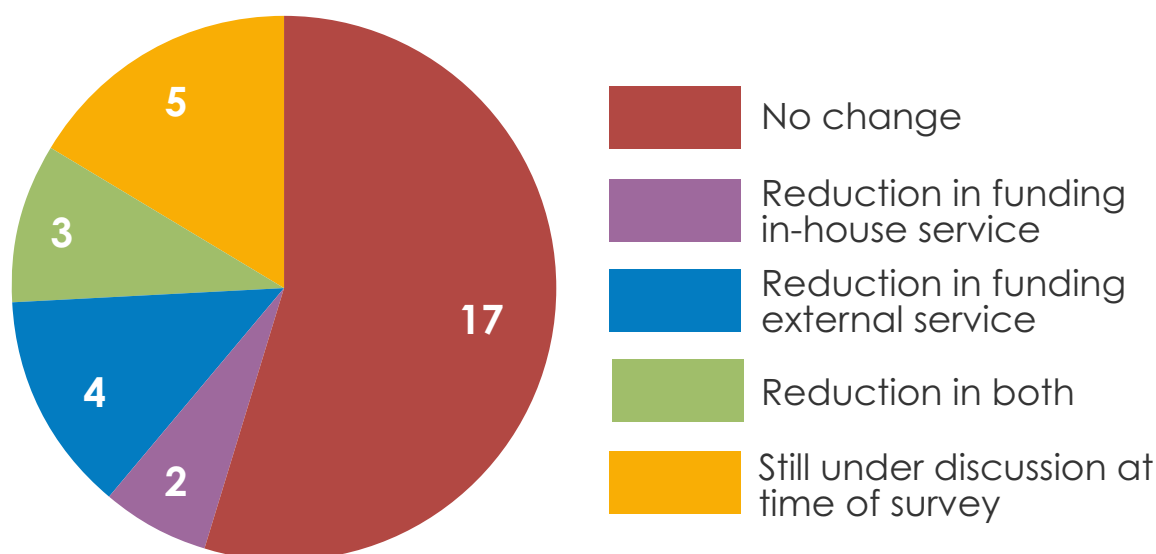
⁸ Shetland Islands Council was not included in the study as 2016-17 will be the first year in which the authority has directly funded money advice services.



Key Findings

Local authorities were asked to comment on any changes in the budget provided for money advice services in 2016-17 in comparison with that for 2015-16. The findings are depicted below.

Figure 1. Change in local authority money advice budgets between 2015/16 and 2016/17



As can be seen, the results were divided into five main categories:

- No reduction in the level of funding (17 councils)
- Reduction in funding of in-house services (2 councils)
- Reduction in funding of external services (4 councils)
- Reduction in funding of both in-house and external services (3 councils)
- Still under discussion at time of survey (5 councils)

In some local authorities, the final position had not yet have been agreed at the time of the survey and a service review was planned or underway, however the service may already have been subject to some reduction in funding. In this situation, in which the final outcome is not yet known but a change had already taken place, the findings in relation to the authority are included in the category that best describes the actions that had been taken at the time of the survey. For example, if there was an ongoing service review but the funding for both in-house and external services had already been reduced, then that local authority would be counted in the category 'reduction in funding of both in-house and external services.'

Each category will now be considered in more detail.



No reduction in internal or external funding

Over half of all Scottish local authorities have been able to maintain budgets for money advice services in the current financial year at the same level as in 2015-16. However, of those local authorities that have managed to protect services this year, several respondents expressed concerns about their ability to sustain the same levels in 2017-18 and significant shortfalls are already being predicted.

Funding levels have been maintained using a variety of approaches.

Three local authorities reported using reserves to maintain funding, but were clear that this would be unlikely to be an option in future years.

Several local authorities have used external funding to support service delivery either through securing grant funding (e.g. from the Scottish Legal Aid Board) or by the use of other funding streams. For example, at present, a partnership between several local authorities is attempting to secure external grant funding. One local authority reduced its contribution to the local Law Centre it supports by ensuring it claims Legal Aid fees whenever it is eligible to do so. Consequently, it was able to use the resources this released to support other areas of advice services. Another has used a small percentage of funding received from the Department of Work and Pensions, which was allocated for Personal Budgeting Support as part of the introduction of Universal Credit, to support service delivery. The majority of local authorities indicated that consideration would be given to the use of external sources of funding and indeed several have allocated staff resources to explore this further. One local authority suggested that pressures can arise to sustain or provide continuation funding for externally funded projects that are time limited but which have made a positive difference e.g. the Macmillan Welfare Benefits.

One local authority is not adopting this approach and, following on from a restructuring of services which involved transferring money advice services into a different department, the position in relation to the use of external grant funding was reviewed and ended. The reasons for this decision were unknown to the survey respondent.

In several local authorities, whilst there had not been a change in the level of funding, money advice services had been affected by internal reorganisation and restructuring. This has ranged from moving the service from one department to another whilst retaining a similar structure, to integrating money advice into other services. Consideration has also been given to establishing better connections between services and increased sharing of resources e.g. placing specialist money advice workers in employability teams and the use of 'service hubs' in communities which offer increased access to services. There has also been a trend toward increased aggregation of services across a wide range of functions, with frontline services being delivered by generalist advice staff. There are advantages in such an approach in terms of client accessibility and cost savings but a potential diminution in the quality of advice provided may result. In one local authority



moving towards an integrated team has allowed additional support for money advice services to be secured by reducing the number of specialist advisors and increasing the number of generic staff which are shared with other services.

There are undoubted advantages to integration, but concerns have been expressed that this may result in reduced awareness and understanding of the nature of the service and of how it might best be delivered - particularly amongst senior managers who may have to assume responsibility for several new areas of work and have to make major decisions with limited knowledge and experience of the subject area.

Two local authorities have suggested that, in the long term, they are likely to move away from providing direct services and are exploring alternative models such as the creation of a charitable trust or staff transfer to external providers.

Wherever the service is located, it is essential to maintain, and indeed enhance, its connectivity with external and internal service providers with whom there may be possibilities of partnership working and resource sharing.

Delivery of advice services, including money/debt advice, in Inverclyde falls under the remit of the integrated Health and Social Care Partnership (HSCP). This has created opportunities for funding to be accessed from that made available in-house to address issues emerging from welfare reform and to contribute to the HSCP's response to those issues.

The gateway to all advice services, including money/debt advice is via a telephone advice line, Inverclyde Advice First, created by Making Advice Work funding from the Scottish Legal Aid Board. The approach has proved successful and will be mainlined once SLAB funding comes to an end.

For money/debt advice this has resulted in the development of a pro forma that allows a telephone advice worker to capture key information. This includes reason for referral, details of urgent issues and key deadlines and a telephone advice filter that informs clients of the steps they can actively undertake prior to an appointment with a money advice worker and which information to bring to the appointment. The aim is to capture the information that is necessary, within a relatively quick phone call, to determine whether the referral needs to be passed for immediate money advice worker intervention or if the nature of the advice need is non priority and can be dealt with within normal allocation time frames.

Several local authorities reported a change in the method by which funding is awarded to external providers. The current position is very varied and includes third sector grants,



service level agreements and the increasing use of tendering and commissioning. The changes are likely to have an impact on the ability of Citizens' Advice Bureaux (CABx) and other providers to access and secure funding. There are indications that most local authorities are taking a very proactive approach to ensuring that support mechanisms are in place to assist with the transition. In one local authority, funding is now given to a single advice consortium, whereas it was previously awarded to separate CABx. This has allowed some key support services to be shared. In general terms, there is an increased focus on requiring recipients of funding to demonstrate the contribution their activities are making to individual local authority and community planning partnerships.

Two local authorities indicated that they were able to justify continued investment and to influence elected members on the basis of the "best value the service provides". One authority plans to arrange briefing sessions for elected members at which they will highlight the benefits the service provides to their constituents and the communities they represent.

Contextualising reductions in funding

In the current financial climate, local authorities are under pressure to maintain services as demand increases and funding reduces. Increasingly difficult decisions have to be made about how best to address local needs and meet priorities. Several local authorities have made the decision that the budget for money advice services, as for other services, must be reduced. The narrative that follows seeks to reflect the reported position and does not question the validity or veracity of local decision-making processes.

Reduction in funding of in-house service provision

A total of four councils reduced in-house provision (two of these reduced both in-house and external provision and two reduced in-house provision alone) For both local authorities that only reduced in-house services, the loss of c.9 posts has resulted. To date, staff numbers have been reduced through a combination of terminating temporary contracts, voluntary severance and redeployment. Whilst the absolute number of posts lost seems small, it should be noted that there were only 139 full-time equivalent staff employed in local authority in-house services in 2014-15⁹ and this represents a reduction of 6%. In such a small service, even minor reductions may have a significant impact.

⁹ http://www.improvementservice.org.uk/documents/money_advice/MAPMF/mapmf-data-analysis-report-2014-15.pdf



At the Council meeting on 25 February 2016, Highland Council considered a series of detailed reports that identified potential savings across a wide range of services. One of these was, *'to review provision of money advice services to consider the current split between internal services and those provided by external providers'*.

The decision was to remove in-house service provision from April 2016. Whilst acknowledging that the *'service provides support for the most disadvantaged and those experiencing debt, the council indicated that its advice and information contracts with external providers will provide mitigation for this proposal'*.

The rationale provided was that *'this proposal is about achieving the same (or better) outcomes wherever practicable at less cost. It will include exploring links with Community Services (Housing) and a reduced in-house provision, overall.'*

Highland Council was the first local authority in the UK to trial Universal Credit. At present there are around c.1,500 claimants, primarily based in Inverness. As the transition to the benefit continues with final completion currently planned for 2022 it is anticipated that demand for advice services will increase.

Reduction in funding of external services

A total of six local authorities reduced the level of funding awarded to external providers (two of these also reduced in-house provision). One council also indicated a reduction in the period covered. One local authority has reduced funding to external providers via a blanket reduction of £10,000 to all providers. All the others have applied 'across the board' percentage reductions to the funding of external bodies. Levels of reductions have ranged from 1% to 20%. One local authority has already received reports that this has resulted in a small reduction in the number of contractual hours for staff members. The extent to which reduced funding will impact on the availability of externally provided services is not yet fully known.

Following a period of public consultation, Glasgow City Council committed to making savings on the Integrated Grant Fund (IGF) budget for 2016/17. The IGF provides grant funding to meet the priorities of the council and of the Glasgow Community Planning Partnership (GCPP) and is a good example of public bodies working together to agree funding priorities. The fund supports 16 external advice services. The City Council's Financial Inclusion Team and Integrated Grants Team provided the following rationale for the decision:



'Following a period of public consultation events, a number of proposals to meet the savings target were offered which included a saving on the Integrated Grant Fund (IGF) budget for 2016/17. It was considered that the saving from the IGF of £6.15m in 2016/17 could be achieved, whilst mitigating, where possible, the effects on small, community-based organisations.

Although the overall saving within the IGF budget equated to 15%, the overall level of savings on the financial inclusion budget was limited to 3.1 %. It should also be noted that a standstill budget was applied over the first three months of the current financial year to allow providers to prepare for this reduction in funding. This was particularly important for those providers who were affected by the savings.

In order to mitigate against reductions in staffing or impact on service delivery within the sector, both the IGF Team and Financial Inclusion Team are working closely with organisations who had funding reductions to offer solutions to deliver savings in non-staffing areas such as co-location within council premises and support in modernising services.

At present we are unable to confirm if any further reductions to grant recipients will be applied in the next financial year. GCC are however committed to considering the overall impact of all services specifically around deprived areas during the decision making process.'

Reduction in funding of both in-house and external services

Three local authorities stated that the budgets for both in-house and external money advice services were to be reduced. In each case, although in-house service provision will be retained to varying degrees, it is anticipated that c.9 posts will be lost, in most cases the affected individuals are experienced staff members. To date, staff numbers have been reduced through a combination of terminating temporary contracts, voluntary severance and redeployment. There are already indications that this has resulted in a diminution of service provision. For example, in one area several outreach services to communities experiencing multiple deprivation have been withdrawn. It has also been suggested that, given limited resources, opportunities to undertake pilot work to test new approaches may no longer be possible and services will have to be much more inward-looking. In one local authority, it was posited that the lack of anti-poverty policies or a financial inclusion strategy may have contributed to the decision to reduce funding. Whilst in each local authority immediate reductions have had to be made as a result of financial pressures, all have indicated that the position is still under review and further changes are likely.



Falkirk Council has reduced the level of financial support for external providers.

The local authority is currently considering how best to align the services it provides 'to respond more effectively to the needs of our customers and make more efficient use of the facilities in our communities'. At the Executive Committee on 15 March 2016, the local authority agreed to move away from the current method of providing services at 'Advice Shops' to a series of hubs at which customers could access a much broader range of services. This approach will initially be piloted in one area.

'The vision is for service provision to be more aligned to meeting the needs of our customers through a variety of channels including single point of access advice hubs which meet the needs of people who require a variety of support. This holistic service would be provided to customers across the council area, with specialist services being available in three central hubs and complemented by additional provision across the council areas on a 'surgery' basis, as appropriate.'

Final position still to be agreed

In five local authorities, until the findings of the reviews of money advice services that are underway are completed, the status quo will prevail on the understanding that vacant posts will not be filled. Although several local authorities have taken and are implementing decisions to reduce funding, they are also carrying out appraisals that are likely to change both the nature and delivery of money advice services. The approach taken by each local authority to assess services is very different in terms of both scale and methodology. Three local authorities are using external consultants and one is reviewing all aspects of advice on an authority-wide basis.

Interim findings would tend to suggest that a variety of options are being considered. In terms of frontline service provision, this includes changes in delivery methods and accessibility to customers and increased use of generic staff that have been trained to deliver a wide range of council services including advice. At an organisational level, amalgamation is looking increasingly probable across a wide range of services, and is likely to include areas which may not previously have been viewed as having any connection. One local authority is exploring the creation of a public social partnership to deliver certain services.



The City of Edinburgh Council has commissioned a wide-ranging review of the delivery of all advice services on a city-wide basis.

At the Council meeting on 28 April 2016, in response to a question about the review of advice services, the Convener of the Health, Social Care and Housing Committee stated:

“As part of the transformation of services within the council and to deliver the significant savings required over the next four years, a comprehensive programme of service reviews has been developed. A review of advice services, inclusive of in-house and commissioned provision across the city is planned for this year to contribute towards [the] savings target. Planning for this review is in the early stages, but its aim is to design a more joined-up, cohesive service, improving and simplifying access routes for members of the public who need advice, making sure that those in need can access advice in the most efficient and effective way.”



Conclusion

Whilst the majority of local authorities have not made major changes to the budgets allocated to money advice services in the 2016/17 financial year, the position in relation to 2017-18 is very uncertain. Indeed, the majority of local authorities that were able to maintain services this year, indicated that this was unlikely to be the position in future years. In many areas, this further reduction in budgetary provision is set against a background of increasing demand as a result of welfare reform.

Many local authorities have demonstrated that a more strategic approach to the delivery of advice services is being adopted or is under active consideration. This is likely to include integration of services, strengthened resource planning, increased generic working and a review of the channels customers use to access services. There are many practical examples of local authorities demonstrating openness to new ways of working and a willingness to explore new partnership arrangements. Accepting and participating in the transformation agenda will be an integral part of the process of sustaining money advice services. Having evidence of the value offered by Money Advice services and the contribution they make to achieving positive outcomes would appear to be influential in determining investment levels. The IS will continue to work with councils to build on and embed tools that can support these processes, such as the Framework for the Public Funding of Advice¹⁰ and the Money Advice Outcomes Performance Management Framework¹¹.

There is also evidence of a strong willingness within councils to identify alternative sources of funding to support advice services either by securing grant funding or through accessing funding allocated for wider purposes.

The crucial role that external advice providers can play in supporting and delivering services is acknowledged and the contribution they make in assisting local authorities to achieve their stated outcomes is recognised. The funding constraints experienced by local authorities will impact on their ability to maintain financial support for external service providers at existing levels but new contractual and partnership arrangements are being explored.

¹⁰ <http://www.improvementservice.org.uk/money-advice-outcomes-project.html>

¹¹ *ibid* 10



Recommendations

1. To ensure the long term sustainability of the service, key players across the public sector must work together to support service transformation and to plan what is required at both national and local levels.
2. Whilst recognising that the circumstances of each local authority are unique, examples of the wide range of alternative approaches that have been taken to organisational structure and the delivery of money advice services should be recorded and shared.
3. The social and economic value that money advice services offer should be highlighted and used to maintain and secure investment from traditional sources and from others that have a shared interest in the positive outcomes delivered by money advice services. This includes community planning partners, national funders and charities.
4. Steps should continue to be taken to achieve best value through avoiding service duplication, sharing resources, exploring further service innovation and better use of technology to meet customer needs.
5. This summary should be shared with partner organisations, such as Citizen's Advice Scotland and Stepchange, who are undertaking similar analyses, with a view to considering the production of a joint report that describes the impact of the effect of 2016-17 local authority budgets on advice services on a cross sectorial basis.

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