

# ABERDEEN CITY COUNCIL

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COMMITTEE : **Finance and Resources**      DATE: 11 March 2010

CORPORATE DIRECTOR: Pete Leonard

TITLE OF REPORT: Update report: Alternative savings proposals - Debt  
Counselling

REPORT NUMBER : H&E/

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## 1. PURPOSE OF REPORT

This report is an update to a report originally submitted to this Committee on 28<sup>th</sup> January 2010, regarding savings relating to Debt Counselling and Welfare rights advice services. The report contains information on funding provided by the Council to Aberdeen Citizen's Advice Bureau (ACAB), and information regarding the progress of a Service Level Agreement between both parties. Finally, ACAB has raised concerns that the original report contained inaccuracies and misleading information which reflected badly on their organisation. This report seeks to incorporate their views and to correct the information presented to Elected Members..

## 2. RECOMMENDATIONS

2.1. That the Committee notes:

**(a) That the report and information presented at the meeting on 28th January contained a number of inaccuracies regarding a) funding from Aberdeen City Council and how appropriately it was being used by ACAB, b) the level of debt advice ACAB staff were qualified to provide, c) the cost effectiveness of ACAB's provision and d) the position regarding a Service Level Agreement. The director of Housing and Environment apologises unreservedly for this.**

(b) The information on the funding streams from Aberdeen City Council to the ACAB detailed in this report

2.2. That the Committee approves the proposals for:

(i) Officers to consider how savings of £70k can be made in the provision of debt advice from the overall funding currently allocated to the Trading Standards service for this function, with the minimum of impact on service users, and report on this to the next meeting of this Committee on 6 May 2010.

- (ii) Officers to engage in discussions with the ACAB to establish a service level agreement as a matter of urgency, with all future funding being contingent on this
- (iii) The payment of a transition amount of £7,000 in funding from the Trading standards budget to the CAB until a decision on future funding is made on 6 May 2010, this being a pro-rata sum based on the existing funding of £70,000 per annum.

### **3. FINANCIAL IMPLICATIONS**

3.1 If a target saving of £70K in resources currently allocated by the council for debt advice cannot be made (whether from a reduction in funding to the ACAB or a reduction in resource for council provided services, or a combination of the two), then an alternative source for the savings will have to be found.

### **4. SERVICE & COMMUNITY IMPACT**

4.1 This report supports the following National Outcomes from the Aberdeen City Community Plan and Single Outcome Agreement 2008-2011, namely:

- **2.** We realise our full economic potential with more and better employment opportunities or our people; and
- **15.** Our public services are high quality, continually improving, efficient and responsive to local people's needs.

4.2 The report also links generally to the Council's policy statement, Vibrant, Dynamic and Forward Looking, in terms of its declared intention to be an efficient Council.

### **5. OTHER IMPLICATIONS**

5.1 The Aberdeen Citizens' Advice Bureau (CAB) has been consulted and their views and other supporting information are incorporated into this report.

5.2 Any savings made through a reduction in the funding allocated to debt advice will have a detrimental effect on service users of debt and money advice services, whether this applies to the ACAB or council provided debt advice services, or a combination of the two.

### **6. REPORT**

#### **6.1 Background**

6.1.1 At its meeting on 28 January 2010, the Finance & Resources Committee decided to make savings through both a merger of the Council's Debt

advice team with the Council's welfare rights Team and retain £70,000 of Scottish Government funding for the Debt Advice Scheme (DAS) allocation currently provided to Aberdeen Citizens' Advice Bureau pending that organisation's employment of a registered DAS approved money adviser. It subsequently transpired that, contrary to the understanding of Council Officers, there had never been any agreement in writing between Aberdeen City Council and the Aberdeen CAB that the CAB should appoint a DAS Approved Money Adviser, and it was not the understanding of Aberdeen CAB that there was any such requirement. Having taken this on board, the Aberdeen CAB has taken immediate steps to ensure the employment of one DAS Approved Money Adviser and has another officer working towards Approval. **Aberdeen CAB are concerned that the previous committee report inferred that the money provided to them is being used inappropriately. This is categorically not the case. Council officers recognise that there are other, equally valid, forms of complex advice and assistance outwith the DAS scheme and that funding provided to ACAB for money advice is used for these purposes.**

- 6.1.2 The Committee also instructed officers to report back on the progress being made with regard to reaching a Service Level Agreement(SLA) with CAB; and to submit a report to a future meeting detailing all of the funding provided to CAB by the Council, in order for an overview to be taken in this regard.

## **6.2 Debt Counselling Funding Streams in Aberdeen City**

- 6.2.1 All funding for the provision of debt counselling/money advice in Aberdeen City is shared between the Council and the CAB. The City council receives an allocation of £151,000 for Enhanced Debt Advice in the GAE funding from the Scottish Government. This money is not ring-fenced. The most recent increase in the funding in 2005 was to enable each authority to have at least 1 additional approved money adviser for the Debt Arrangement Scheme (DAS.).

- 6.2.2 City council funding for debt counselling/money advice is further split between the Trading Standards Service's debt counselling/money advice team and the Aberdeen Citizens Advice bureau (ACAB).

## **6.3 Aberdeen CAB funding**

- 6.3.1 ACAB receives two different streams of funding from the council:
- (i) approximately **£70,000** from the Trading Standards Service for Enhanced Money Advice and uses it for this purpose; and
  - (ii) approximately **£263,000** from the Common Good Fund,. It uses a small percentage of this on basic level money advice provided by volunteers with the support of paid staff as appropriate. It should be noted that, as part of

the councils budget saving measures, there is a proposal to cut the Common Good funding ( "core funding") by 5% from the beginning of the 2010/11 financial year – representing a cut in "core funding" of £13,150.

6.3.2 Approximately 50% of the £263,000 of Common Good Funding is allocated to property costs, rent, heating and lighting, telephones, office equipment, computers etc. The balance is allocated for the employment of the Manager and Assistant Manager, both of whom in addition to their management functions also have specialist roles in relation to immigration and welfare rights, a Volunteer Support Worker, an Employment Worker, computer support and administrative staff. The Bureau deals in-house with all its own HR, Caretaking, Maintenance and Accountancy requirements.

6.3.3 ACAB provides basic and enhanced money advice and court representation for tenants threatened with eviction through a small debt team and volunteers. A breakdown of expenditure for 2009/10 is given below

EXPENDITURE	
	£
<b>Money Advice Staff Costs</b>	<b>69,109.29</b>
<b>Staff Training</b>	<b>476.93</b>
<b>Printing &amp; Stationery</b>	<b>17.81</b>
<b>Telephone</b>	<b>2960.01</b>
<b>Postage</b>	<b>3429.19</b>
<b>General Expenses</b>	<b>17.33</b>
<b>Advertising (staff)</b>	<b>448.00</b>
<b>Total Expenditure</b>	<b>76,458.56</b>

6.3.4 The CAB receives Project funding of £120,000 from the Fairer Scotland Fund ( administered by Aberdeen City Council) to deliver a community outreach advice service for Money Advice and Income Maximisation. This money is reserved for work with clients from specific regeneration areas of the City. It cannot be used for ACAB's mainstream money advice. All statistics relating to this are reported separately to ACC. It is estimated that the Money Advice element of this stream of funding would account for approximately 60% or **£72,000** for 2009/10. However, it should be noted that there is no commitment currently to continue funding in 2010/11 as this will be dependent on the future of the Fairer Scotland Fund. The most recent statistics for the Fairer Scotland Funded Money Advice Outreach are

Financial Gains - £1,057,874  
New Clients - 607

6.3.5 In summary, the funding streams from the City Council to ACAB for the current financial year the funding to ACAB is £333,000, of which £70,000 is

used to fund enhanced money advice cases. Lower level money advice is dealt with by volunteers.

#### **6.4 Aberdeen City Council Debt Counselling Funding**

6.4.1 Aberdeen City Council provides basic and enhanced money advice through a debt team based within the Trading Standards Service with a total budget of **£150,823** for 2009/10 budget, of which £135,362 is staffing costs. The total cost for 2008/9 was **£137,475**, with £128,646 for staffing.

6.4.2 A breakdown of the budget for debt advice 2009/10\* is given below:

	<b>£</b>
<b>Staffing</b>	<b>135,362</b>
<b>Admin Costs</b>	<b>6532</b>
<b>Travel Expenses</b>	<b>2684</b>
<b>Supplies &amp; Services</b>	<b>6245</b>
<b>Payments To Other Organizations (CAB)</b>	<b>72144</b>
<b>Total</b>	<b>222,967</b>

\*Debt advice funding is contained within the Trading Standards Budget and all costs other than staffing costs have been pro-rated according to staffing numbers

#### **6.5 Comparison of Aberdeen CAB and Aberdeen City Council debt advice services**

6.5.1 Information on the work carried out by the Debt Advice Team and the ACAB is contained in the attached Appendices (A and B). It is difficult to make direct comparisons between the two teams due to differences in the way the two organizations record information. Ideally, an SLA will set out expected outcomes and how they will be measured, not just to ensure more direct comparisons can be made between the two services, but so the outcomes can be aggregated. The previous report contained a number of inaccuracies in terms of how ACC funding was used by ACAB for money advice, largely due to the differences in recording described above, and so comparisons between the two services were flawed and unfair to ACAB.

6.5.2 The ACAB's view is that as an organisation, it is extremely cost effective in its provision of both basic and enhanced debt advice, and this was not reflected in the original report. In 2008/9 ACAB's Debt Team dealt with 303 new enhanced debt cases and 382 new eviction cases. It is able to cope with this volume of cases because of the input of its 95 volunteers who can relieve paid staff in the initial stages of interviewing, collating information and dealing with basic cases.

#### **6.6 Impact of funding cuts to ACAB**

6.6.1 The ACAB believe that any cut in funding will severely curtail their ability to provide a debt advice service. The reasons for this are fully detailed in their submission which is attached to this report as Appendix A, but the key points are:

6.6.2 Part of the funding pays for the employment of a Heritable Court adviser who represents clients threatened with eviction at Sheriff Court Hearings, the majority of whom are referred by ACC Housing Service and, due to a local legal decision, may not be represented by ACC staff. Of 848 court appearances in 2008/9, 809 were to represent ACC council tenants. If money advice funding were ceased, the Bureau would cease to offer this service. If funding was reduced the service could not cope with the volume of cases referred by ACC's Housing Department. This could result in a greater number of households losing their tenancies and becoming homeless, which could have a knock on effect for the Council.

6.6.3 If funding were to be reduced rather than ceased altogether, the ACAB believes this would still have a large impact service delivery, as it would lead to a reduction in the numbers of paid staff who provide support to the many volunteers who provide money advice as part of their generalist adviser role. Options for the CAB would be either a reduction in money advice service across the board or advice being limited to basic advice only.

6.6.4 The ACAB are also concerned about clients perceiving a lack of impartiality of the council's debt advice service, in cases where one of the client's creditors is the City Council and say that evidence suggests this discourages clients from using the council's debt advice service. This possibility has always been recognised by the City Council's Debt Team, but other local authorities who provide a wholly in-house debt advice service do not appear to be short of debt clients. The Debt Team has always been based in a separate service to the council's debt collection services and this will not change with the merger with the Welfare Rights team.

## **6.7 Impact of funding cuts to ACC Debt Team**

6.7.1 Savings of £82,000 projected from a merger of the debt advice team and the welfare rights team have already been offered up (details contained in Appendix B). It is difficult to see how further savings could be made without the loss of frontline debt counsellor posts, which would impact not only on clients but also on the ACAB as the City's only major alternative provider of debt/money advice services. In summary, whether the saving is made from reduction in funding to ACAB, or a reduction in resources to in house debt advice service, there will be a significant impact on the provision of debt advice in the city.

## **6.8 Service level Agreement with ACAB**

6.8.1 At the meeting of this committee on 28 January, the ACAB was misrepresented regarding the position of a Service Level Agreement between the Council and the ACAB. It was implied by Officers that the lack of a Service Level Agreement between the City Council and the ACAB was due to a failing on the part of the ACAB, when in fact they had responded to a draft SLA prepared by Officers and were awaiting further developments. Officers apologise unreservedly for this inference, which was due to a most unfortunate breakdown in communication within the organization and subsequent misunderstanding of the actual situation. The Board of ACAB wishes to state that it has for some years been keen to have such an agreement.

6.8.2 It is proposed that the Service level agreement will cover all of the funding streams from the council to ACAB and will clearly define expected outputs from ACAB. Officers have had a preliminary and positive discussion with representatives of ACAB on this matter, and it is intended that much more detailed discussions will take place once a decision on the future of debt advice funding is reached, with a view to establishing a service level agreement as a matter of urgency.

## **6.9. Proposals:**

6.9.1 As the ACAB now has one DAS Approved Money Adviser, and has another adviser working towards accreditation, the Bureau is now capable of providing a full range of money advice services.

6.9.2 It is clear that the ACAB and ACC's Debt advice team provide complementary money advice services to clients. Demand for these services is continuing to increase, most likely fuelled by the current economic situation, and any resource cut to either service will have an impact on the other, with the net result that fewer clients can be assisted. Clearly, if greater numbers of clients end up losing their homes this will have an impact on other council services, for example Homelessness services and Social Care and Wellbeing. Both ACC and ACAB debt/money advice services endeavour to intervene at an early stage and assist in negotiating with creditors to avoid eviction in the first place. The previous report suggested prioritisation of clients by signposting those who are more able to sources of self –help, eg the National Debt Line and similar services. Some clients will still need an initial consultation with a debt counselor/money advisor before referral to such agencies, and it is also the case that in more complex cases Debt Helplines will refer clients to local debt advice agencies. Nonetheless, it is likely that better utilisation of such services will help to reduce the load on those agencies

6.9.3 The intention is to engage with ACAB and other stakeholders such as the National Debt Line, the Consumer Credit Counselling Service, and the Debt Advice Foundation (national charitable organizations who provide free

basic money advice services) to discuss options for debt advice service delivery and determine how existing funding for debt advice, minus the £70,000 saving which needs to be made, can be used to maximum benefit for clients. Recommendations on the future funding of money advice services and how the saving will be made will be presented to this committee on 6 May 2010.

6.9.4 Whether or not the preferred option is to continue to provide funding to the ACAB for debt advice, an SLA will need to be established with the ACAB as it will continue to receive funding from the common good funding. It is proposed that Officers consider responses from the ACAB to a previously drafted SLA and use this as a basis for discussion on an SLA, which should be agreed as a matter of urgency.

6.9.5 Meantime it is suggested that that a payment of the equivalent of 5 weeks money advice funding (£7,000) be made to CAB from the Trading Standards Budget as a continuance payment, until a final decision on funding is made at the meeting on 6 May.

## 7. REPORT AUTHOR DETAILS

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## 8. BACKGROUND PAPERS

- (i) **Appendix A : Submission from Aberdeen Citizen's Advice Bureau (ACAB)**
- (ii) **Appendix B : Background information on funding of Aberdeen City Council Debt Advice Team and current budget savings**