

Item: 8

Policy and Resources Committee: 19 December 2022.

Cost of Living Support Options.

Joint Report by Chief Officer, Orkney Health and Social Care Partnership, Corporate Director for Strategy, Performance and Business Solutions and Corporate Director for Enterprise and Sustainable Regeneration.

1. Purpose of Report

To consider Cost of Living Support Options for supporting households and the Third Sector in Orkney.

2. Recommendations

The Committee is invited to note:

2.1.

That the Council recognises that some households are facing challenging financial circumstances and is keen to provide some financial support during the cost-of-living crisis as people face a winter with higher energy costs.

2.2.

That, following discussions with elected members at a seminar on 19 October 2022, a Cost-of-Living short-term officer working group was convened to look at options on how assistance can be provided to reach those who will need it most.

2.3.

That three potential schemes were developed, as detailed in section 4 of this report, with the preferred option being Options 1 and 2, a Basic Low-Income Scheme and a Self-Declaration Scheme respectively, run in parallel.

2.4.

That consideration has also been given to the provision of support to Third Sector organisations who are experiencing substantially higher electricity charges, as detailed in section 5 of this report.

2.5.

That consideration of support to the local business community is also being developed, with options to be presented to the next meeting of the Policy and Resources Committee.

It is recommended:

2.6.

That the undernoted Cost-of-Living Crisis Support Schemes be approved:

- Basic Low-Income Scheme.
- Self-Declaration Scheme.

2.7.

That powers be delegated to the Head of Finance to finalise and implement the Cost-of-Living Crisis Support Schemes, referred to at paragraph 2.6 above, based on the distribution of £100 per eligible household.

2.8.

That, in principle, the Islands Cost Crisis Emergency Fund, utilising emergency grant funding amounting to £305,000 received from the Scottish Government, be used as a source of funding for the purpose of support to Third Sector organisations to alleviate the impact of the higher electricity costs.

2.9.

That powers be delegated to the Chief Executive, in consultation with the Head of Legal and Governance, to establish an Agreement with Voluntary Action Orkney to administer the Islands Cost Crisis Emergency Fund, and to develop criteria for disbursement of funding, including a cap of £15,000 on the amount allocated in response to any single application.

3. Cost of Living Crisis

3.1.

The Cost-of-Living Crisis is affecting nearly all households and the impact of the rising costs for daily necessities such as food, energy costs and transport are predicted to remain for some time.

3.2.

The additional challenges of higher fuel costs, the Orkney climate and lack of mains gas, result in energy costs for a household in Orkney being much higher than those of an average UK household. The Council recognises that some households are facing challenging financial circumstances and is keen to provide some financial support as people face a winter with higher energy costs.

3.3.

Measures by the UK and Scottish Governments have been put in place and have provided some assistance, but this report considers an additional measure using Council resources.

3.4.

Following discussions with elected members at a seminar on 19 October 2022, a Cost-of-Living short-term officer working group was convened to look at options on how assistance can be provided to reach those who will need it most. Following consideration of ideas, schemes have been developed which focus on providing cash to households.

3.5.

Mitigating the impact of the Cost-of-Living Crisis is not possible by one organisation alone and a partnership approach has been taken with the establishment of a Cost-of-Living Task Force by The Orkney Partnership to continue to explore support mechanisms.

3.6.

Additionally, the Third Sector, through the Money Matters Project, is bolstering the support to help people to maximise their income through benefit entitlement checks for example and assistance with money management. The Money Matters Project, supported through the Scottish Government's Local Authority Covid Economic Recovery (LACER) fund provides funding for additional support posts, including Money Matters Links Workers, Energy Advice Support workers and a Mental Health Support Worker, as well as direct energy costs support through Third Sector organisations. To mobilise this support however will require some recruitment and therefore it is appropriate to consider some financial support direct from the Council in the short term.

3.7.

Schemes have been developed which identify the groups which are worse affected, use existing delivery mechanisms and will help the highest numbers possible.

4. Cost of Living Crisis Support Options

4.1.

There are three potential schemes which have been developed and a summary of the options below is attached as Appendix 1 to this report:

4.2.

Option 1 – Basic Low-Income Scheme

4.2.1.

This would mirror the previous scheme funded by the Scottish Government and the eligible groups, which are already means tested, would be:

- Households receiving Council Tax Reduction.
- Households receiving Housing Benefit.
- Parents with Free School Meals and/or Clothing Grant entitlement.

- Recipients of Universal Credit but no Council Tax Reduction /Housing Benefit.

4.2.2.

In addition, Householders who are under 18 or are care experienced young people, have exemption from Council Tax without a means test but are likely to be on a low income and therefore would be included in this option.

4.2.3.

The Council could make automatic awards to householders of most of these groups except for those receiving Universal Credit, but not any other Council delivered benefit, who would have to make an application.

4.2.4.

The advantages and disadvantages of this option are as follows:

Advantages	Disadvantages
Data already held except for Universal Credit group.	Universal Credit group – applications required, not all may apply and there may be a low uptake.
Means testing already satisfied.	Some Customer Service Platform development required.
Low administrative cost.	Criticism of previous schemes – misses those who are just outside thresholds for benefits.
Quick turnaround.	Cut-off date required for assessment/ payment.
Existing process to make payments.	

4.3.

Option 2 – Self-Declaration Scheme

4.3.1.

This scheme is aimed to help households who are not eligible for benefits but are on a low income and need assistance.

- Help those who do not fall into Basic Scheme criteria, including families with parent(s) in work.
- Total household income assessed using Scottish Government agreed low-income threshold.
- Mirror existing benefit schemes to ignore income from disability and child benefits.
- Threshold for savings, suggest at £6,000.
- Application via Customer Service Platform with self-declaration.
- Payment by BACS/cheque.

4.3.2.

The thresholds for low income would be those supplied by the Scottish Government and are detailed in the table in Appendix 1.

4.3.3.

This scheme would involve an application submitted by a householder together with a signed self-declaration that the applicant meets the criteria set out in the application form. The only verification would be a name and address check and verification of bank details to make a bank payment.

4.3.4.

For this option the Council is not placed to confirm a recipient's tax status with the payment, and it will be recommended that citizens would likely need to declare this payment to the HMRC.

4.3.5.

The advantages and disadvantages of this option are as follows:

Advantages	Disadvantages
Targeted help for those 'on the margins'.	No verification process but mitigated by proven signed Self-Declaration requirement.
Alleviate criticism.	Some Customer Service Platform development required.
Help with child poverty.	Potential Tax implications.
BACS payment details in application.	Cut-off date required for assessment/ payment.
	Staff resourcing to be identified.

4.4.

Option 3 – Key Meter Scheme

4.4.1.

This scheme is to assist households with a key meter for their electricity as it is widely recognised that users of key meters pay more for their power than those who receive a bill.

- Households with a key meter.
- Self-identify through online application.
- Verification of address and bank details.
- Automatic entitlement.
- Payment by BACS/cheque.

4.4.2.

Households would be asked to self-identify through an online application and would be entitled provided their names, addresses and bank details could be verified.

4.4.3.

For this option the Council is not placed to confirm a recipient's tax status with the payment, and it will be recommended that citizens would likely need to declare this payment to the HMRC.

4.4.4.

The advantages and disadvantages of this option are as follows:

Advantages	Disadvantages
Targeted assistance.	No Means Test.
Focus on energy cost crisis for those seeing the largest increase in power costs.	No verification process but mitigated by proven signed Self-Declaration requirement.
	Some Customer Service Platform development required.
	Potential Tax implications.

4.5.

Additional variations on the options above were also considered together with the potential administration arrangements for delivery however, for a scheme to have the best reach a significant number of applications would be expected and therefore it is imperative that staff time and costs are kept to a minimum.

4.6.

On this basis, it is recommended that Options 1 and 2 are run together to provide the most reach across as many households as possible. A good publicising campaign would require to be run to ensure that households are aware of eligibility and the process by which to apply. Assistance on the application process would be provided through Customer Services.

4.7.

In terms of administering Option 1, existing staff within the Revenue and Benefits Team would be able to process payments by the end of February 2023. For Option 2, based on full uptake, a small team of administrators would be identified to process applications with the aim of payment within 4 weeks from receipt of the application.

5. Islands Cost Crisis Emergency Fund

5.1.

The Scottish Government has released an Islands Cost Crisis Emergency Fund to target those who are struggling due to the cost-of-living crisis, either through existing schemes or new support. The Council's share of the Fund, amounting to £305,000, which includes £65,000 reserved for capital spend, enables the Council to take urgent action to provide support to the optimum benefit for the community.

5.2.

Given the consideration of funding for households in section 4 above, it is proposed that an emergency fund to support Third Sector organisations in Orkney is established. These organisations are facing exceptional demands on their financial resources due to the cost-of-living crisis and especially recent and pending increases in their energy costs.

5.3.

In July 2021, the Council responded to a request from the Orkney Partnership Board to offer emergency support to Orkney's Third Sector organisations, many of which were struggling to recover from the impact of reduced funding and increased demand during the COVID-19 pandemic. Some had seen their reserves reduced to unviable levels and were on the brink of having to issue staff redundancy notices. Many were experiencing late decisions and/or reduced funding from their regular grant-givers, themselves swamped by twice or more the usual level of demand for funding.

5.4.

The Council agreed to allocate £300,000 to a Third Sector Covid-19 Emergency Fund, to be administered by Voluntary Action Orkney (VAO) according to agreed criteria. Four rounds of bidding were held between August 2021 and March 2022 and £284,460 of grants were approved for 26 organisations, with the remaining £15,000 being VAO's fee for administering the fund.

5.5.

Third Sector organisations in Orkney are finding it difficult or impossible to cover their rising operational costs. While they are facing these increasing financial pressures, many voluntary sector organisations will also see more people coming to them for support. Despite the UK Government announcing a relief scheme for non-domestic customers, the final per unit price for electricity paid by non-domestic customers will be higher particularly for properties in Orkney. Increased energy bills are therefore posing as much of an existential threat to Orkney's Third Sector organisations as did the COVID-19 pandemic with some Third Sector organisations receiving estimates of four times their previous costs.

5.6.

The proposal is to establish an emergency fund along the tried and tested lines of the Third Sector Covid-19 Emergency Fund and will cover the remainder of the financial year to 31 March 2023. VAO would charge an administration fee of 5% to manage the fund, as previously.

5.7.

A grant funding agreement could be drawn up very quickly using the model of the previous fund. Based on this model, the following criteria for the new fund are proposed:

- Applicants to the fund must be charitable or voluntary organisations operating within Orkney.
- There must be a demonstrable, critical need for funding which is directly and solely related to challenges caused by the impact of increasing energy and overhead costs.
- Funds awarded will be to sustain services during 2022-23 or to increase them in response to increased demand caused by the Cost of Living.
- There will be a cap of £15,000 on the amount awarded in response to any single application.
- Applications will be assessed by the VAO Finance and Audit Committee in consultation with delegated officers of the Council at meetings held for that purpose. Any applications made by VAO will be assessed by delegated officers of the Council and recommendations will be made by those officers to the VAO Finance and Audit Committee.
- If successful, the applicant will be issued with a simple letter of agreement setting out the award criteria and to be signed by the applicant and VAO.
- Grant funding awarded may be paid in one instalment by agreement between the applicant and VAO depending on the applicant's individual circumstances.
- Should other funding be secured for the current financial year i.e., 2022-23, any no longer required by the applicant will not be disbursed and will be returned to the Fund for the use of other applicants.
- VAO will implement regular monitoring of grant funding awarded, with support provided as required/requested.
- Applicants must be able to demonstrate compliance with all relevant legislation, court orders and decisions, codes of conduct and guidance issued by the Scottish Government and/or Orkney Islands Council with regard to the expenditure of public funds and provision of services.
- Any specific conditions attached to the receipt of the Islands Cost Crisis Emergency Fund by the Council would also require to be reflected in the grant funding agreement.

5.8.

It is therefore recommended that the Islands Cost Crisis Emergency Fund is allocated to the Third Sector to support the high costs of these crucial organisations.

6. Business Support

It is additionally recognised that businesses in Orkney are also experiencing the impacts of the cost-of-living crisis. Officers are currently developing schemes of assistance providing financial support to local businesses. It is proposed to submit a report to the next meeting of the Policy and Resources Committee considering options.

7. Equalities Impact

A full Equality Impact Assessment has not been undertaken as it would have taken time to identify the numbers of people in each category of protected characteristics to make a comprehensive assessment for each option. In general terms, however, there is likely to be a positive impact on householders who are carers, care experienced, young, elderly and those with disabilities and/or a socio-economic disadvantage as these groups are more likely to be eligible for a payment under any of the options.

8. Links to Council Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Caring Communities.

9. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Living Well.

10. Financial Implications

10.1.

The number of recipients has been estimated from data held or known and each option costed. In addition, the option of providing either a £100 payment or a £200 payment is provided in the table below.

Option	Number of Recipients	Admin Hours and approx. cost.	Approx. Cost for £100 per eligible household	Approx. Cost for £200 per eligible household
Option 1	2,000 – 2,300	150 hours £3,000	£260k	£460k
Option 2	3,600 – 6,000	650 hours £13,000	£650k	£1.25M
Option 3	Approx. 2,400	620 hours £12,000	£255k	£495k

10.2.

To enable the maximum reach, it is recommended that Options 1 and 2 are progressed with payments of £100 per eligible household. The potential cost of running Options 1 and 2 together, distributing £100 to each eligible applicant, would be in the region of £910k for a full uptake of the scheme.

10.3.

This would be funded from the Strategic Reserve Fund with the application process closing three months from the date of launch.

10.4.

The Scottish Government's Islands Cost Crisis Emergency Fund for Orkney Islands Council provided funding of £305,000, which includes £65,000 reserved for capital spend. This funding must be spent by 31 March 2023.

11. Legal Aspects

There are no significant legal implications arising from the recommendations contained in this report.

12. Contact Officers

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13. Appendix

Appendix 1 – Summary of Options.

Cost of Living Options (Summary)

Option	1 – Basic Low-Income Scheme	2 – Self-declaration Scheme	3 – Key Meter Scheme
Potential costs: £100 payment £200 payment	£260k £460k	£650k £1.25M	£255k £495k
Outline	<ul style="list-style-type: none"> Existing Local Authority benefit recipients Householders under 18 Care-experienced young people who are Householders Most don't need to apply 	<ul style="list-style-type: none"> Elderly or working Total income assessed ScotGov low-income threshold Application and declaration 	<ul style="list-style-type: none"> Households with key meter Online application Self-identify Quick verification Automatic entitlement
Advantages	<ul style="list-style-type: none"> Most data already held Means testing satisfied Islands Emergency Fund Low administrative cost Quick turnaround Existing payment process 	<ul style="list-style-type: none"> Targeted Alleviate criticism Focus on child poverty 	<ul style="list-style-type: none"> Targeted Focus on energy costs
Disadvantages	<ul style="list-style-type: none"> Universal Credit group – applications IT development for online applications Low uptake Criticism Cut-off date required Some Winners and Losers 	<ul style="list-style-type: none"> CSP development required Fraud and error Potential tax implications Some Winners and Losers Staff resourcing required 	<ul style="list-style-type: none"> No means test Fraud and error Some Winners and Losers IT development for online applications Potential tax implications

Low Income Thresholds for Options 2 and 3 – based on Scottish Government's suggested thresholds. All amounts shown are gross, i.e. before tax, National Insurance, or other deductions.

Family Type	Monthly £	Weekly £
Single Person with no children	1,928	445
Couple with no children	2,361	545
Lone Parent with one child	3,300	762
Couple with one child	3,734	862
Lone Parent with two children	4,048	934
Couple with two children	4,482	1,034
Lone Parent with three or more children	4,978	1,149
Couple with three or more children	5,412	1,249