

Report To: Policy & Resources Committee **Date:** 19th June 2012
Report By: Chief Financial Officer **Report No:** FIN/32/12/AP/LA
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Subject: Welfare Reform – Impacts on Inverclyde Council

1.0 PURPOSE

- 1.1 The purpose of this report is to bring Committee up to date regarding the impacts on Council Services and Budgets as a result of the ongoing Welfare Reform Agenda.

2.0 SUMMARY

- 2.1 Members have received a couple of reports from Officers in respect of the wider Welfare Reform Impacts on the Inverclyde area. As more detail emerges it has been agreed by the Corporate Management Team that the progression of the Council's response to the Welfare Reform Agenda should be split into 2 areas with the wider community impacts being led by the Head of Planning, Health Improvement and Commissioning and reported thereon to the CHCP Sub-Committee whilst the operational and financial impacts on the Council should be led by the Chief Financial Officer and reported to the Policy & Resources Committee.
- 2.2 Whilst there is a significant amount of uncertainty on some of the impacts of the Welfare Reform Agenda on the Council there is now greater certainty regarding changes to the current Council Tax Benefit Scheme, the implementation of Universal Credit and the Social Fund. These are outlined more fully in the covering report.
- 2.3 As part of the Management Restructure responsibility for Customer Services was merged with Revenues & Benefits and this affords an opportunity for the Council to review the best Service delivery methodology to support and advise claimants impacted by the various changes.
- 2.4 There will also be significant impact on the Benefits section within Finance Services arising from the move to Universal Credit and this will require a Workforce Development Plan to ensure that employees are protected as far as practicable. The DWP have confirmed their view regarding TUPE in a letter to all Chief Executives. This is attached as Appendix 1.
- 2.5 The above issues will be progressed in detail by an Officer Group led by the Chief Financial Officer and supported by an Action Plan. It is proposed that progress against the action plan will be reported to future meetings of the Policy & Resources Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the latest position in respect of operational impacts on the Council of the developing Welfare Reform Agenda.
- 3.2 It is recommended that the Committee note that further reports be brought back on this matter at the appropriate time.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Westminster Government is progressing significant changes to the Welfare System and as previously reported to the Council there will be significant impacts on the wider Inverclyde Community.
- 4.2 It has been agreed by the Corporate Management Team that the Council's response to the Welfare Reform Agenda would be best progressed in 2 specific workstreams namely that the impact on the wider Inverclyde Community should be progressed by the Head of Planning, Health Improvement and Commissioning and reported thereon to the CHCP Sub-Committee whilst the Operational and Financial Impacts on the Council should be progressed by the Chief Financial Officer and reported to the Policy & Resources Committee.

5.0 LATEST POSITION

- 5.1 **Council Tax Benefit** - The Westminster Government is abolishing Council Tax Benefit with effect from the 1st April 2013 and in doing so is devolving responsibility for the administration of a replacement scheme to the Scottish Government.
- 5.2 A significant amount of work has been ongoing between the Scottish Government and COSLA regarding this specific issue and the latest position is that a national scheme administered by Councils in the form of a Council Tax Relief Scheme which has no impact on claimants is viewed as the best way ahead.
- 5.3 At the same time as devolving responsibility for Council Tax Benefit to the Scottish Government the Westminster Government has top sliced 10% from the current level of Council Tax Benefit payments and the impact on the Scottish block is estimated to mean that there is a shortfall of approximately £40 million between the amount of grant devolved from Westminster and the amount of Council Tax Benefit currently paid. The Scottish Government and COSLA have agreed to meet this gap by the Government putting in £23 million and Councils putting in £17 million. This solution relates to 2013/14 only.
- 5.4 The distribution of the £17 million funding gap has not yet been agreed by COSLA and the Scottish Government however it is estimated that the cost to Inverclyde Council will be between £400,000 and £700,000. This sum will require to be factored in to the 2013/14 Revenue Budget. It should also be noted that the Scottish Government has made no commitment beyond 2013/14 as to its £23 million contribution.
- 5.5 The Committee needs to be aware that the timescales to implement the Council Tax Relief Scheme are ambitious and Officers will continue to liaise closely with COSLA and the Scottish Government to ensure there is minimal impact on those Council Tax payers who currently receive benefit.
- 5.6 **Universal Credit** - The major plank of the Government's Welfare Reform agenda is to replace a number of benefits including Housing Benefit by a single Universal Credit payment which it is intended to be paid directly to claimants. It is envisaged that the transfer over to Universal Credit will take place on a phased basis with the first claimants moving over in October 2013 with all claimants having been transferred to Universal Credit by 2017.
- 5.7 In practical terms what this means is that over time the Council will no longer administer claims for Housing Benefit with the resultant impact on staffing levels, DWP Administration Subsidy Grant and the ability for the Council to provide support and advice to claimants.
- 5.8 It is not envisaged there will be a direct operational impact for the Council until 2014/15 and reports will be brought back to Committee on this matter as the agenda develops.

- 5.9 **Single Fraud Investigation Service** - It has been agreed that a Single Fraud Investigation Service will progress benefit fraud cases with effect from 2013.
- 5.10 Following lengthy discussions it is proposed that the best model in the short term would be that existing Council Fraud staff would remain employed by the Council but could be co located to form a single team with the DWP in order to reduce duplication and bureaucracy. The Council Fraud Team currently numbers 2 employees and again reports will be brought back to Committee once greater certainty over timings and impact are received.
- 5.11 **Benefits Passporting** – A further complication which has been highlighted in England is the impact on eligibility for free Council Services as a result of the changes to the Welfare System. The current approach is to “Passport” benefits whereby if a family is entitled to one free Council service then it usually entitles them to access a number. The concern is that the current eligibility criteria for passporting benefits could change significantly and as such the Council will need to redefine eligibility criteria and develop methodologies for processing applications efficiently whilst using a “Tell Us Once” approach. It is inevitable that there will be some financial implications as a result of these changes and reports will be brought back at the appropriate time.
- 5.12 **Social Fund** – Responsibility for the Social Fund currently administered by the DWP will be devolved to the Scottish Government from April, 2013 and discussions indicate that the Government is keen that Councils take on this role. At this point in time details are at a high level but there are a number of issues around the operation and financial impacts of Councils taking on this responsibility which will need to be considered and reported upon to Committee.

6.0 NEXT STEPS

- 6.1 It is clear from section 5 that there a number of very significant issues which impact on the operation of the Council arising from the Welfare Reform Agenda. It is therefore important that the Council’s response is managed in a coordinated way and this will be achieved via a multi disciplinary Officer Group producing regular reports for the Corporate Management Team and the Policy & Resources Committee.
- 6.2 Given that there will be a number of impacts on employees it is also important that the relevant trade unions are involved in developing solutions and that the Council has a Workforce Development Plan for dealing with any displaced employees as a result of the move towards Universal Credit. It should be noted that this situation is further complicated by any potential Shared Support Services agenda.
- 6.3 Any financial implications will need to be firmed up and included in the Council’s 2013/15 Revenue Budget and in the Financial Strategy for 2015/16 and beyond.

7.0 IMPLICATIONS

7.1 Financial

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
Finance Services	Council Tax Benefit	2013/14	£400 - £700k	-	To be firmed up and included in the 2013/15 budget proposal
Finance	DWP Administration Grant	From 2013/14	£?k	-	Reduced DWP Grant to reflect reduced case load.

7.2 It should be noted that over and above this there may be other impacts on Council Income Budgets as a result of changes to individuals benefit entitlements arising from the Welfare Reform Agenda. These matters will require to be considered as part of the 2013/15 Revenue Budget process.

7.3 **HR Implications** - There are currently approximately 52 employees based in the Revenues & Benefits section and a significant proportion of these employees will experience changes as a result of the Welfare Reform Agenda. Discussions have recently commenced between the Finance Service and Human Resources to develop a Workforce Development Plan which will give clarity to the existing employees regarding their medium to longer term future within the Council.

From a service delivery perspective it is vital that the Council retains its skilled and high performing Benefits Team throughout this turbulent period.

7.4 **Legal Implications** – There are no specific legal implications arising from this report.

8.0 EQUALITIES

8.1 Whilst it is inevitable that there will be impacts on the Council's workforce and customers as a result of Welfare Reforms there are no specific issues at this point in time that would impact on the equalities agenda. Equalities however will form part of the action plan which will be developed over the summer months.

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To: Local Authority Chief Executives

We will shortly be announcing those DWP and HMRC sites that will deliver the telephony and processing services for the first phases of Universal Credit (UC). As UC will supersede a number of existing benefits, including Tax Credits and Housing Benefit, we have considered the *Transfer of Undertaking (Protection of Employment) Regulation 2006 (TUPE)*. DWP has concluded that UC is so fundamentally different from the existing services that it does not represent a relevant transfer for the purposes of TUPE.

It was announced in May 2011 that for the introduction of UC we would use existing telephony and processing capabilities and the best operational units within DWP and HMRC. Local authorities were therefore not in scope for selection for Universal Credit telephony and processing sites from 2013. However, representatives from local authorities, HMRC and DWP are working to establish what part staff from each organisation will play in the delivery of UC, and what the impact will be upon job roles and organisational structures. We will continue to work with you and other partners in shaping the future wider model for UC delivery. You may also be aware that the DWP and the Local Government Association have jointly issued a prospectus calling on local authorities in England to deliver LA-led pilots to support residents in preparation for the introduction of Universal Credit in 2013. Separate arrangements to develop and take forward similar local authority led pilots are also being developed with the local authority associations in Wales and Scotland.

DWP's local authority transition working group, a joint consultation group between the UC programme and local authorities, will schedule a discussion about the impact of the TUPE position at its next meeting.

Terry Moran

