
Report To:	Policy & Resources Committee	Date: 13 th November 2012
Report By:	Chief Financial Officer	Report No: FIN/91/12/AP/CM
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Subject:	Welfare Reform Update and Associated Budget Pressure	

1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee in respect of the Welfare Reform changes which will have a significant impact upon the Council and to seek approval for an unavoidable budget pressure to commence in 2013.

2.0 SUMMARY

- 2.1 The Committee has previously been advised of the main aspects of the UK Government's Welfare Reform Agenda which will impact upon Inverclyde Council both from an operational and financial perspective.
- 2.2 The scale and complexity of the matters which require to be resolved within the next five months is a matter of concern for Officers and the report outlines where the main risks currently lie.
- 2.3 It is essential that the Council adequately resource the support to some of the most vulnerable members of the Inverclyde community who will experience significant changes to the way their finances are provided and managed come 2013/14. Once further clarity is received from the Scottish Government and Cosla as to the detailed operation of the Scottish Welfare Fund, the Council Tax Support Scheme and the Council's role in the implementation of Universal Credit then Officers will need to act quickly where appropriate to ensure that the appropriately trained staff are in place. To this end Committee is asked to delegate authority to the Chief Financial Officer in consultation with the Head of Organisational Development, Human Resources and Communications to utilise the DWP Earmarked Reserve to obtain the necessary resources.
- 2.4 In developing the 2013/16 Revenue budget Members require to have an indication of the potential financial impact on the Council's budget due to the Welfare Reform changes. Due to the above mentioned lack of clarity it is not possible to provide a figure with any great accuracy however it is known that the reductions in Council Tax Benefit/Support Grant will cost the Council somewhere between £750,000 and £1.1 million by 2015. In addition there are expected to be other ongoing financial implications arising from the need to support claimants whether this is through financial advice or delivering the Scottish Welfare Fund. Therefore at this point in time it would be proposed that the Council builds in a recurring sum of £1.3 million into the 2013/16 Base Revenue Budget to meet the recurring costs of Welfare Reform.
- 2.5 The Corporate Management Team recognise the significant agenda which requires to be progressed in a very short time scale and have asked for updates no less frequently than bi-monthly from the Chief Financial Officer and the Corporate Director Community Health and Care Partnership on this matter.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee consider the issues raised in this update report and note its contents.
- 3.2 It is recommended that the Committee approve the “direction of travel” in respect of the Scottish Welfare Fund outlined in paragraph 6.6 and delegate it to Officers to progress matters as required.
- 3.3 It is recommended that the Committee delegate to the Chief Financial Officer in consultation with other relevant Officers to utilise the DWP Earmarked Reserve Fund to ensure that the Council is in position to deliver its responsibilities in respect of the changes brought about by Welfare Reform by the 1st April 2013.
- 3.4 It is recommended that the Committee agree that £1.3 million be allocated by 2015/16 to meet the estimated financial impacts on the Council of the Welfare Reform Agenda.
- 3.5 It is recommended that the Committee agree that further updates are brought to Committee as required.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Committee has previously received updates in respect of the Welfare Reform Agenda and has been advised that there will be significant financial and operational impacts on the Council.
- 4.2 A significant amount of work and documentation has been produced by the DWP, Scottish Government and Cosla over the last two months and the following report attempts to encapsulate the main issues which will impact upon the Council.

5.0 COUNCIL TAX SUPPORT

- 5.1 Council Tax Benefit will no longer be paid by the DWP from the 1st April 2013. The Scottish Government is currently finalising legislation to replace Council Tax Benefit with Council Tax Support Scheme for 2013/14 whilst a more permanent solution is developed.
- 5.2 The aim during 2013/14 is that the Council Tax Support Scheme ensures that individuals are no worse off than had Council Tax Benefit continued.
- 5.3 As part of the overall Welfare Reform Savings the Westminster Government removed approximately £40 million from the amount of Council Tax Benefit Grant it paid to the Scottish Government. The Scottish Government agreed that for one year only it will contribute £23 million to this shortfall leaving Local Authorities to pick up £17 million. The recently announced Scottish Budget for 2013/16 confirmed that the Scottish Government support will be for one year only therefore Local Authorities will require to pick up £40 million of the shortfall from 2014/15 onwards.
- 5.4 It is estimated that Inverclyde Council's share of £40 million will be of the order £750,000. In addition papers produced by Cosla indicate that the amount of funding removed by the Westminster Government by 2015/16 could be as high as £70 million. It is proposed that whilst work is ongoing in this regard, the Council sets aside £1.1 million by 2015/16 to fund the shortfall in Council Tax Support Grant as part of the 2013/16 budget.
- 5.5 The implementation of the new scheme requires changes to the existing Benefit Software Systems operated by the Council and via a national negotiation the Council's share of these development costs has been agreed as £65,000. This cost will require to be funded from the DWP Earmarked Reserves albeit the Scottish Government has indicated that it will meet set up costs but the amount involved has not yet been confirmed. The software changes require to be fully operational by the end of January.
- 5.6 It is not yet clear how Councils will in the future assess eligibility for Council Tax Support given that with the advent of Universal Credit Council's will no longer have access to the necessary level of details regarding an individual's benefits. The DWP and Local Authority representatives are discussing this matter further but a new data sharing protocol is being developed,

6.0 SCOTTISH WELFARE FUND

- 6.1 From the 1st April 2013 the DWP will no longer give Crisis Loans for living expenses or Community Care Grants.
- 6.2 The working title of the new scheme set up by the Scottish Government to replace these former DWP forms of assistance is the Scottish Welfare Fund. The intention is that this will be a national scheme supported by national guidance, with national training and involve the completion of a nationally developed form. The Scottish Welfare Fund will provide Crisis Grants rather than loans and Community Care Grants. The DWP view is that this is a brand new scheme set up by Councils and therefore at a national level are

having a “hands off” approach in the development of proposals and its associated delivery.

- 6.3 It is projected that the funding devolved from the DWP will not be sufficient to meet the demand especially as there has been a move away from Crisis Loans to Crisis Grants. In October the Scottish Government announced a further £9.2 million for the Fund which would be sufficient based on current demand. There is no clarity yet where responsibility for any shortfall in funding will lie and what options are available to Councils in the event that it spends its annual budget before the end of the year.
- 6.4 Indications are that application for Crisis Grants will need to be processed within two days and Community Care Grants will be processed within fifteen days. A key consideration will be how the Council will administer applications for support and this matter is being discussed with other Local Authorities and at National Forums to try and develop a coherent approach across Scotland.
- 6.5 The main issues at present are;
- a) How will the Council administer the Scheme?
 - b) How will assistance be provided to claimants ie money, vouchers, goods and services?
 - c) The ICT systems required both in terms of cost and delivery timescale?
 - d) How best to liaise with other parts of the Council and the third sector?
 - e) Budgetary control?
- 6.6 At this point in time it would be useful to get Committee approval to the general direction of travel being developed by Officers as follows;
- a) The proposal is that most applications for assistance be dealt with over the telephone with the forms being completed by Officers using an online application. Applicants will also be able apply directly online. It is recommended that face to face completion of forms be kept to an absolute minimum but will be clearly be available for those claimants with specific needs.
 - b) It is recommended that applications will be completed directly by claimants or by appropriate staff within CHCP and the Customer Service Centre.
 - c) It is proposed that assessment of the application should be kept independent from the application process and as such should be carried out by the Benefits Processing Team within the Finance Service who have experience in these matters.
 - d) It is proposed that Officers develop proposals where appropriate for the substitution of monetary grants with support in kind or vouchers and the monetary payments should be made directly into bank accounts.
 - e) It is proposed that Officers bring back proposals for the best location to be set aside for the communication with claimants regarding any rejected applications or appeals after taking into account any staff/customer safety issues.
- 6.7 It should be noted that a software solution is being developed and again the indications from the Scottish Government that they will meet some or all of these costs however to date no sums have been specified.
- 6.8 The intention that there will be an appeal process available for the claimant and this is currently being developed by the Scottish Government.
- 6.9 It is clear that the Council will need to create a team to deal the specialised area and that this will have resource implications for the Council. However it has not been possible to get any accurate information from the DWP in terms of resources they currently dedicate to this service within Inverclyde. In the short term therefore it would be proposed use the DWP Earmarked Reserve to fund the recruitment/training of

appropriate staff if this is required once more detail has been received from the Scottish Government. In the medium term however it is proposed that funding for any extra resources be met from an extra recurring sum it is proposed to set aside in the 2013/16 Revenue Budget as a contingency for extra financial implications arising from the Welfare Reform Agenda plus any funding from the Government.

7.0 HOUSING BENEFITS

- 7.1 From April 2013 the Housing Benefit cap comes into place across the UK. Currently it is expected that there are approximately 20 households within Inverclyde which will be impacted and these households are being supported at present by the DWP.
- 7.2 A far larger number of working age Inverclyde households (approximately 1500) are impacted by the "Bedroom Tax". This is the situation where households are deemed to be in accommodation which is too large for their needs and as such their benefit will be curtailed. This clearly has the potential to have a knock-on impact on the household's ability to meet their housing costs and as a result will potentially impact on the rent collection figures for Registered Social Landlords (Private Landlords not affected as LHA rules already count bedrooms). The potential knock-on implications for the Homlessness Service are clear.
- 7.3 The Council is due to send a letter to all affected households by 16th November with enquiries directed to the Housing Associations.

8.0 UNIVERSAL CREDIT

- 8.1 Three pilots are ongoing in Scotland in relation to aspects of Universal Credit. The outcome of these pilots will help influence and shape the ongoing role which Councils will have in the delivery of Universal Credit.
- 8.2 The key assumptions underpinning the DWP move to Universal Credit are as follows;
 - a) Application will be made online ie "digital by default"
 - b) Universal Credit will be a single monthly payment to a household rather than payments to and individual
 - c) All claimants will have access to a bank account and personal budgeting
- 8.3 It can be seen by the above that there are very significant implications for claimants in the way that they submit claims and manage payments. This will impact on the Council in a number ways as follows;
 - a) Digital by Default – There will be a significant number of claimants who will not have access to the internet within their households both from a cost and training perspective. The Council therefore has a role to identify locations where individuals can access secure ICT facilities to enable them to submit applications to the DWP. In addition to providing the physical infrastructure the Council is likely to have a role in providing support to claimants to complete the claim which is understood will take at least one hour to complete.
 - b) Resources - In the event that in the medium term the Council has a role in helping claimants complete Universal Credit application forms then it is clear that there will be resource and financial implications. Whilst this may help partly offset the loss of jobs arising from the cessation of Housing and Council Tax Benefit it is not clear what funding will be given by the DWP to compensate the Council. In addition consideration will need to be given to the best locations where this support could be provided as it is doubtful that the Customer Service Centre will have the capacity to be able to deal with a large number of applications which take in excess of one hour to complete.
 - c) Financial Advice and Budget Management – Making a single monthly payment to a single member of the household will be a huge change from the way that

households who have been in receipt of benefits for a significant period of time will operate. Support will need to be given to help some households manage their budgets and the Council requires to be appropriately resourced to support this. Any resource implications will need to be contained initially in the DWP Earmarked Reserve and thereafter the previously mentioned Welfare Reform Contingency.

8.4 A further impact brought on by the implementation of Universal Credit is the withdrawal of the Independent Living Fund which is funded by the DWP. In 2012/13 it is estimated that payments of approximately £250,000-£300,000 will be made to individuals to help them live independently within Inverclyde. Whilst the Council does not have legal obligation to meet this reduction in funding there will clearly be an impact on it's independent living agenda if individuals find the can no longer live independently without this funding.

8.5 DWP timescale for the implementation of Universal Credit is that the natural migration will commence in October 2013 with all claimants migrated to Universal Credit no later the April 2017.

9.0 PASSPORTED BENEFITS

9.1 Another key concern raised through the implementation of Universal Credit has been the impact on passported benefits. By amalgamating a number of current benefits into a single payment then it is less easy to identify specific parts of that benefit which currently may entitle individuals to free Council services such as free school meals, clothing grants etc.

9.2 Again work is ongoing at national level facilitated by Cosla to develop a proposal for managing this however it is important that the Committee recognise that as Universal Credit rolls out the Council will need to have an appropriate response and process in place to ensure that current entitlement is not reduced.

9.3 Committee is also asked to note that the passporting of benefits is heavily linked to anticipated saving workstream around single assessments and a concessions policy. More details in respect of these will be developed over coming months and presented to Committee at the appropriate time.

10.0 FINANCIAL IMPLICATIONS

One-Off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Other Comments
Earmarked Reserves	DWP EMR	From 2012/13	Final Balance 30.9.12 is £98,300	Costs contained within Government Support and by ring fencing budget pressure funding

Recurring Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Other Comments
Revenue & Customer Services	DWP Grant	From 2013/14	£1.1 million per year	£0.7 million from 2013/14 and £1.1 million by 2015/16
CHCP	Employee Costs/Software Maintenance	From 2013/14	£0.2 million	Detail of use to be reported back to Committee

- 10.1 Due to the lack of clarity at a UK and Scottish Government level on some of the details including funding then it is not possible at this point in time to accurately estimate the financial impacts of the Welfare Reform Agenda on Inverclyde Councils budget. However as the Council is undertaking a three year budget exercise it is important that a high level estimate is provided and to this end it is proposed the Council sets aside £1.3 million by 2015/16 to meet the loss of Council Tax Support Grant the net resourcing of the Scottish Welfare Fund and the provision of Financial Advice and support to individuals.
- 10.2 It is proposed that this sum is ring fenced and added to the DWP Earmarked Reserve Fund and used to meet not only the recurring costs but any set up costs in relation of ICT, staffing and accommodation related to Welfare Reforms.
- 10.3 Regular updates in respect of the use of the Earmarked Reserve will be provided to the Policy and Resources Committee.

11.0 HR IMPLICATION

- 11.1 As previously advised it is expected that there will be a significant reduction in the number of Housing and Council Tax Benefit staff arising from Welfare Reforms and initial indications from the DWP are that TUPE doesn't apply. Whilst discussions are ongoing between the DWP and Cosla on this matter it is not expected that there will be any clarity in the near future and it is appropriate the Council plans on the basis that TUPE will not apply. Steps are being taken to provide continuity of employment in appropriate posts for the displaced employees in order to stabilise the Service at a time of uncertainty.
- 11.2 It is anticipated that some of the displaced employees will be able to deliver some of the replacement items of the Welfare Reform Agenda however it should be noted that the Council may be expected to fund elements of these rather than utilise the DWP administration grant which it does at present.

12.0 CONSULTATIONS

- 12.1 Officers are meeting with Local DWP Officials on a regular basis to get updates in respect of the National Agenda and to discuss where possible opportunities at a local level. These matters could include joint working, co-location and data sharing and are progressing well. However Committee needs to bear in mind that DWP is highly centralised and that there is a UK wide agenda regarding driving out savings and as a result they are not tying themselves into local agreements which could cost money and divert DWP Officials away from their key objective of the implementation of Universal Credit.
- 12.2 The contents of this report have been considered by the Corporate Management Team who support the proposals and recommendation.

13.0 EQUALITIES

It will be a key consideration within the development of the Councils response to the Welfare Reform Agenda that the services it provides can be accessed equally by all.

14.0 REPOPULATION

In view of the Council's demographic and higher than average levels of deprivation it is important that the Council has a robust and coherent response to the Welfare Reform changes. By providing a quality and responsive service to individuals then it will assist in reducing the drift of population away from Inverclyde.