

**REPORT TO: SCRUTINY COMMITTEE – 25 JUNE, 2013**  
**REPORT ON: AUDIT SCOTLAND WELFARE REFORM UPDATE**  
**REPORT BY: DIRECTOR OF CORPORATE SERVICES**  
**REPORT NO: 293-2013**

## **1.0 PURPOSE OF REPORT**

To provide elected members with a summary of the above national study undertaken by Audit Scotland on behalf of the Accounts Commission.

## **2.0 RECOMMENDATIONS**

It is recommended that elected members note the findings arising from this national study.

## **3.0 FINANCIAL IMPLICATIONS**

The full financial impact of welfare reform for the City Council cannot yet be quantified. However, appendix A of the Audit Scotland report shows an estimated loss of £58 million to the local economy by 2014/2015.

## **4.0 BACKGROUND**

Audit Scotland issued a questionnaire to all 32 Scottish Local Authorities in January 2013. This was specifically aimed at assessing preparedness for the forthcoming changes.

## **5.0 SUMMARY OF MAIN FINDINGS**

All councils

- Recognised welfare reform as a risk
- Had information on the financial impact and in some cases had already carried out detailed financial analysis
- Had established a working group to work in partnership with key internal and external shareholders to manage implementation.
- Recognised there remained major uncertainties which made it difficult to plan effectively. In particular the lack of information from Department of Work and Pensions (DWP) in respect of the migration timeline from Housing Benefit to Universal Credit and the level of support councils would be expected to provide to customers were major uncertainties.
- Are acutely aware of the need to communicate the changes and are using a variety of methods to communicate with benefit recipients, landlords and external stakeholders including community planning partners and representatives from third sector agencies.
- Have been engaging at varying levels with COSLA, Scottish Government and DWP.

Dundee City Council is specifically named in the Report for its innovative ways of making sure customers and staff are aware of the changes. This includes:

- Developing an e-learning module and placing on its website for staff and general use.
- Using Scottish Government funding to pilot a Welfare Reform “health check”.

This involved customers completing a series of questions which generates a welfare reform action plan outlining the potential impact on customers and providing advice on where to get further information and support.

## **6.0 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management.

The DWP has published a series of Equality Impact Assessments at <https://www.gov.uk/government/organisations/department-for-work-pensions/series/welfare-reform-act-2012-impact-assessments>.

## **7.0 CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services have been consulted on the content of this report.

## **8.0 BACKGROUND PAPERS**

None

Marjory Stewart  
Director of Corporate Services

DATE: 7<sup>th</sup> June 2013

# Welfare Reform Update



Prepared for the Accounts Commission  
May 2013



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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Purpose

1. The purpose of this report is to provide the Accounts Commission with a further update on the welfare reform agenda and specifically on Scottish councils' preparedness for the upcoming changes. This includes:
  - details of the significance placed by councils on welfare reform
  - what plans are in place to implement and manage the changes including details of issues affecting the ability of councils to plan effectively
  - how the welfare reform changes are being communicated to customers and the councils' key internal and external stakeholders, and;
  - information on the likely impact on the local economy by 2014/15.

# Background

2. The UK Government's Emergency Budget in June 2010 and the October 2010 Comprehensive Spending Review introduced a number of welfare reforms that were expected to save around £18 billion per annum by 2014. The Scottish Government (SG) previously estimated that these welfare reforms may take £2.5 billion out of the Scottish economy. However, a recent report commissioned by the Scottish Parliament in April 2013 has revised this figure to £1.6 billion excluding the effect of changing annual uprating from the Retail Price Index (RPI) to the Consumer Price Index (CPI), or £2 billion including RPI to CPI.
3. The Welfare Reform Act received Royal Assent on 8 March 2012. The Act aims to improve work incentives, simplify the benefits system and to deliver planned savings. This is the biggest reform of the UK welfare system for 60 years, promises to affect millions of households, and will result in a number of significant changes to the way councils deliver services.
4. The Scottish Parliament has responded to welfare reform by setting up a special Welfare Reform Committee which has taken the lead role in scrutinising draft legislation required to ensure that passported benefits such as free school meals will still be available in Scotland once Universal Credit (UC) is implemented. The Committee has also undertaken work on the impact of welfare reform and led a debate in the full Scottish Parliament on 23rd April 2013.
5. Following discussion with the Accounts Commission in late 2012, Audit Scotland issued a questionnaire to the Chief Executives of all 32 Scottish councils in January 2013. This questionnaire was designed to gather councils' views on the significance of welfare reform, and their preparedness for the upcoming changes.
6. For the purpose of this report, welfare reform includes all changes to the Department for Work and Pensions (DWP) benefits, the Council Tax Reduction Scheme (CTRS), Tax Credits, and the Scottish Welfare Fund (SWF). However, the financial impact of the CTRS has yet to be

passed on to local authorities and claimants. The 10% cut in the value of Westminster funding for council tax benefit payments equates to approximately £40 million in 2013-2014 and is being funded jointly by the SG and from councils' other resources.

7. The questionnaire asked Chief Executives for their response to ten questions based around the following four headings:
  - Significance of welfare reform
  - Planning
  - Communication
  - Working with others.
8. All 32 questionnaires were returned to Audit Scotland by 31 March 2013 and the responses were analysed. The results of this analysis are provided below.

# Summary

9. The responses to Audit Scotland's questionnaire clearly showed that all 32 Scottish councils had already carried out a significant amount of work to plan for and mitigate against the impact of the changes arising from the welfare reform agenda. In summary we found that:
  - all councils recognised welfare reform as a risk
  - all councils had information on the financial impact of welfare reform, and some had already carried out detailed financial analysis of the impact in respect of each of the welfare reform changes
  - all councils had established a working group or similar structure to work in partnership with key internal and external stakeholders to manage the implementation of the welfare reform changes
  - all councils recognised that despite the information already received from the DWP, there remained major uncertainties which made it difficult to plan effectively for the upcoming changes. In particular, the lack of information from the DWP in respect of the migration timeline from housing benefit (HB) to UC, and the level of support councils would be expected to provide to customers going forward were cited as major uncertainties
  - all councils are acutely aware of the need to communicate the welfare reform changes, and are using a variety of methods to communicate with benefit recipients, landlords, and external stakeholders, including community planning partners and representatives from third sector agencies.
  - all councils have been engaging at varying levels with the Convention of Scottish Local Authorities (COSLA), the SG, and the DWP on welfare reform issues.
10. It is clear from the responses to Audit Scotland's questionnaire that Scottish councils are placing due importance on the significance of the welfare reform agenda, taking appropriate action to ensure that customers and key stakeholders are involved in all stages of the process,

and where possible, actions are being taken to address the risks posed by the implementation of welfare reform.

# Welfare reform changes

## Significance of welfare reform

**Is welfare reform on the council's risk register either at a corporate or departmental level and if so, how significant does the council consider the risk?**

11. Twenty nine of the thirty two councils (91%) reported that welfare reform was on a corporate or departmental risk register. Of the three councils that did not have welfare reform on either a corporate or departmental risk register, Dumfries and Galloway Council stated that it had been highlighted as an area to add for the forthcoming year, Falkirk Council reported that it was in the process of adding it to its corporate and service risk registers, and North Lanarkshire Council advised that its risk registers were currently being reviewed and that welfare reform was a significant risk that was being evaluated as part of that process.
12. In terms of the significance of the risk, councils differed in their assessment and use of terminology when describing the risk. Figure 1 below details the responses.

**Figure 1: Assessment of the risk of the changes arising from the welfare reform agenda**

Description of risk	Number of responses
Major	4
Very high	1
High	7
Top risk	2
Significant	9
Red	1
Medium	6
Not stated	2

*Audit Scotland and Scottish councils*

13. Where the risk has been recorded as 'not stated', this is because the council's response was not explicit about the level of risk it had attributed to the welfare reform changes. It is clear from the responses that the welfare reform changes are considered to be a significant risk to the majority of councils and that this risk is recorded in either a corporate or departmental risk register.



**Does the council have any information on the financial impact of welfare reform on its area?**

14. All thirty two councils reported that they had information on the financial impact of welfare reform in respect of their area. Twenty nine councils (91%) provided detailed information with the remaining three councils indicating that work had been carried out although no financial information was provided.
15. It is clear from the responses that most councils have carried out a significant amount of detailed work to estimate the impact of the welfare reform changes in respect of revenue streams, customer's income, relationships with key stakeholders, and on the local economy.
16. The effects of the welfare reform changes are causing councils great concern in terms of the reduced benefit payable to customers, the subsequent increase in the amount of rent to be collected, and consequently an increase in the value of rent arrears. For example:
  - North Ayrshire Council reported that in respect of the accommodation size criteria, 2,650 tenants would be affected resulting in an estimated reduction in benefit of approximately £1.2 million per year, and an increase in rent arrears of approximately £446,000. Using these figures, the council estimated that it would take nine years to downsize all affected tenants based on current turnover rates
  - Scottish Borders Council reported that the change from the Disability Living Allowance (DLA) to the Personal Independent Payment (PIP) would impact on approximately 5,450 of its customers and result in an estimated loss of £4 million of benefits payable to these customers
  - based on tenants potential behaviour, Fife Council estimated that the loss in benefits to council tenants of approximately £5.5 million per annum would result in a potential annual rent loss of £2.2 million.
17. In October 2012, the Scottish Parliament commissioned the Centre for Regional Economic and Social Research at Sheffield Hallam University to produce a report on the impact of welfare reform in Scotland. This report was published in April 2013 and estimated that the welfare reforms will take out £1.6 billion from the Scottish economy by 2014/15, which equates to approximately £480 per year for every adult of working age.
18. Appendix A shows the estimated annual losses identified by the research for each council.

## Planning

**How is the council planning for welfare reform?**

19. All thirty two councils have established a working group or similar to plan for the changes arising from the welfare reform agenda with many working in partnership with key internal and external stakeholders. These include representatives from:
  - DWP
  - Housing
  - Community Education

- Employability and Money Advice services
- National Health Service
- Police.

### How is the council structuring its response?

20. All thirty two councils provided a response to this question, with nearly all reporting that they have established some form of partnership working to ensure a cohesive approach to delivering the changes arising from the welfare reform agenda. For example, twenty seven councils (84%) reported the formation of a welfare reform working group, with four specifically stating that this group was a cross-service working group. Of the five councils that had not explicitly specified a working group structure:
- Aberdeen City Council have established a programme board led by the Director of Social Care and Wellbeing and supported by a programme management office to mitigate against the adverse effects and risks of welfare reform
  - Falkirk Council advised that a number of work streams had been developed
  - Renfrewshire Council have established a corporate welfare reform programme under the stewardship of the corporate management team reporting to the leadership board
  - West Dunbartonshire Council have established a governance structure to manage its welfare reform work streams
  - Inverclyde Council have setup a project board chaired by the Chief Financial Officer which oversees the operational implementation of welfare reform supported by regular reports to the corporate management team and members.
21. It was also noted that Aberdeenshire Council has appointed three project officers to work in a collaborative cross service way to avoid duplication of effort, while the Highland Council had invested £300,000 for additional in-house posts in Housing, Money Advice and Income Maximisation services. This investment included £100,000 for the Citizens Advice Bureau.

### What is considered to be the major remaining uncertainties that would affect the ability to plan effectively for the changes?

22. All thirty two councils responded to this question with a variety of differing views on the uncertainties which could affect the council's ability to plan effectively. Figure 2 below details some of these responses.

**Figure 2: Issues affecting council's ability to plan effectively**

Unknown level of need for the SWF
Lack of information on the rollout and migration to UC
Interim nature of the CTRS
The CTRS process for second tier appeals

**Figure 2: Issues affecting council's ability to plan effectively**

Lack of clarity in respect of progress towards the Single Fraud Investigation Service (SFIS)
Lack of information on the level of support councils are expected to provide in respect of UC and on the level of funding that would be provided
Unknown impact on the councils discretionary housing payments (DHP) budget and other services
Lack of information in respect of the introduction of the PIP

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## Communication

### How are the welfare reform changes being communicated to benefit recipients?

23. All thirty two councils provided a response to this question and it is clear from the responses that councils are acutely aware of the need to communicate with benefits recipients. In order to ensure that customers are aware of the changes, a variety of different approaches have been used. Figure 3 below details the different ways in which councils have contacted customers to provide advice and guidance on the welfare reform changes.

**Figure 3: Communication methods**

Description	Number of responses
Information leaflets/posters	22
Letters issued to customers	21
Home visits	18
Council website	17
Local press and media	14
Information events/seminars	8
Use of social media	7
Telephone calls	4
Benefits surgeries	3
Texts	1

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24. Although most councils followed a standard approach to communicating with customers by using leaflets/posters, letters, or a visit, Dundee City Council has developed innovative ways of making sure customers and staff were aware of the changes arising from the welfare reform agenda. This included:

- developing an e-learning module and placing it on the council website for staff and customers to access
- using SG funding to pilot a welfare reform 'health check' in frontline offices from March 2013. Staff ask customers a series of questions and the responses generate a welfare reform action plan outlining the potential impact on the customer, and providing information on where to get further advice and support.

**How are the welfare reform changes being communicated to other stakeholders such as private landlords, housing associations and third sector agencies?**

25. All thirty two councils provided a response to this question. In general most councils have been very proactive in respect of ensuring that private landlords, housing associations, and third sector agencies are involved in the process of preparing for welfare reform and a number of different communication channels were being used to good effect. These included:
- providing presentations to local forums. For example:
    - strategic housing forum
    - tenants federations
    - private landlord forums
    - homeless intransigency forum
  - welfare reform seminars specifically for stakeholders
  - providing stakeholders with dedicated welfare reform training and awareness sessions
  - ensuring regular welfare reform updates are included in private landlord newsletters or discussed at landlord forums.
26. To provide a platform for collaborative working, in some cases, representatives from housing associations and third sector agencies have been invited to form part of the council's welfare reform working groups. In addition to the above, Fife Council has established an information helpline, while South Ayrshire Council has developed a welfare reform contacts directory which contains relevant contact details for key council services.

**How are the welfare reform changes communicated to elected members and how have they been involved in the process?**

27. Elected members will play an important role following the implementation of the changes arising from the welfare reform agenda as there is potential for increased contact by constituents adversely affected by the changes.
28. All thirty two councils responded to this question. To ensure that members are in a position to provide advice and guidance to their constituents, all councils have provided members with regular briefings, presentations, reports, or training and awareness on welfare reform. Clackmannanshire Council ensures that members receive copies of all press releases, briefings, publicity and training material as a matter of course, while Dumfries and Galloway, North Ayrshire, North Lanarkshire, Scottish Borders, and South Ayrshire Councils reported that they had developed information packs specifically for members.

29. It is clear that councils place great importance on the need for members to be part of the process of change and that scrutiny is an essential aspect of ensuring that the council delivers the right kind of service to its customers going forward.

## Working with others

### **How has the council included welfare reform in its discussions with community planning partners?**

30. All thirty two councils provided a response to this question. As with the other forms of communicating with key stakeholders, councils reported that contact with community planning partners was an essential part of the process with eight councils reporting that community planning partners were involved in, or had key links with internal welfare reform working groups.
31. Nineteen councils reported that community planning partnerships have received presentations and briefings from council staff, or the DWP on the impact of welfare reform, and in some cases, additional seminars and information events are being planned specifically for community planning partners.
32. East Ayrshire Council has already provided a number of open sessions on welfare reform to a range of staff across its community planning partnership which had been over subscribed. As such, the community planning partnership has identified welfare reform as a key challenge and has recently incorporated this as a risk within its own risk register.
33. The Scottish Borders Council has integrated its welfare reform programme into the local community planning process under the theme of 'Future model of public service delivery'. This theme is managed by a joint delivery team comprising of senior executives from partner organisations and the council's Chief Executive.

### **What involvement has the council had with wider welfare reform groups set up by the Scottish government, COSLA, DWP etc?**

34. All thirty two councils provided a response to this question.
35. Communication and involvement with the SG, COSLA, and the DWP is important if councils are to ensure that the welfare reform changes are implemented and issues arising are managed effectively and efficiently.
36. All councils reported involvement with the SG, COSLA and DWP on welfare reform although the level of involvement differs from council to council. For example:
- Aberdeen City Council has seconded two officers to the DWP to work specifically on welfare reform
  - Clackmannanshire Council's revenues team manager plays a leading role in the IRRV, and is an advisor to COSLA on taxation and benefits
  - elected members from Fife Council participate in COSLA's Executive groups where welfare reform has been widely discussed.

**How has the council engaged with other local agencies such as Jobcentre Plus (JCP) and local charities?**

37. All thirty two councils provided a response to this question and it is clear that councils have a close working relationship with JCP managers and staff with 19 councils reporting that officers from JCP form part of their welfare reform working groups.
38. East Ayrshire Council reported that it was exploring work options with third sector agencies such as food banks and furniture recyclers, while Clackmannanshire Council held a welfare reform event specifically for third sector agencies which was attended by over 100 people representing over 30 organisations.

# Appendix A: Impact of welfare reform on the Scottish economy by 2014/15

Council	Estimated loss per annum	Loss per working age adult per annum
Aberdeen City	£52,000,000	£330
Aberdeenshire Council	£49,000,000	£300
Angus Council	£30,000,000	£410
Argyll and Bute	£24,000,000	£430
Clackmannanshire	£18,000,000	£550
Dumfries & Galloway	£44,000,000	£480
Dundee City	£58,000,000	£600
East Ayrshire	£43,000,000	£540
East Dunbartonshire	£22,000,000	£340
East Lothian	£27,000,000	£430
East Renfrewshire	£20,000,000	£350
Edinburgh	£135,000,000	£400
Eilean Siar	£6,000,000	£380
Falkirk	£48,000,000	£470
Fife	£113,000,000	£480
Glasgow City Council	£269,000,000	£650
Highland	£60,000,000	£410
Inverclyde	£33,000,000	£630
Midlothian	£25,000,000	£480
Moray	£21,000,000	£360
North Ayrshire	£51,000,000	£580
North Lanarkshire	£123,000,000	£560

<b>Council</b>	<b>Estimated loss per annum</b>	<b>Loss per working age adult per annum</b>
Orkney Islands	£5,000,000	£350
Perth and Kinross	£36,000,000	£380
Renfrewshire	£60,000,000	£530
Scottish Borders	£29,000,000	£400
Shetland Islands	£4,000,000	£290
South Ayrshire	£35,000,000	£500
South Lanarkshire	£104,000,000	£510
Stirling	£22,000,000	£380
West Dunbartonshire	£36,000,000	£600
West Lothian	£57,000,000	£490
<b>Total</b>	<b>£1,660,000,000</b>	<b>£480</b>

*The Impact of Welfare Reform in Scotland - Sheffield Hallam University*