Introduction

1. CAS has not commented on each of the questions posed by the Committee, but would like to submit the following response in relation to the draft Scottish Budget 2013-14.

2. CAS welcomes the Scottish Government focus and commitment to increase sustainable economic growth and to encourage more employment opportunities for those from areas of multiple deprivation. However we also recognise there are many barriers to employment for some sections of society and we remain concerned over how welfare and benefit changes that have been recently introduced or are in the pipeline between now and 2017 will impact on the lives of people in Scotland. CAS hopes that the draft Scottish Budget 2013-14 will recognise the challenges ahead especially in relation to changes in welfare and how that will impact negatively on the economy.

3. One of CAS’ main points in our response to the Scottish Spending Review 2011 and Draft Budget 2012-13 was that the impact of UK welfare reform changes had not been taken into consideration. We made the point that the Spending Review did not mention the changes which will lead to £2.5 billion being taken out of the Scottish economy over much of the period of the spending review. We stated that, at a time when public services and local authority funding was also being reduced, this was short-sighted. This remains our major area of concern.

4. CAS has stated on several occasions that we believe that aspects of the welfare changes introduced by the UK Government – both through legislation and policy decisions – will have a damaging and significant impact on the people, services, and economy of Scotland. Some of these changes are already being felt by citizens across the country who are turning to services such as CAB for advice and support in coping with the changes. In this submission we aim to give a short illustration of the impact of welfare changes on the economy, on local authorities and our own CAB service to show that the impact of welfare must be accounted for in future Scottish budgets.

Impact of welfare changes on Scottish economy and employment

5. The Fraser of Allander Institute has stated that that benefit cuts will result in £2 billion being taken out of the Scottish economy by 2014-15 and they expect this to “contribute to the weak growth of household spending”. An estimated £1 billion of this £2 billion will be from disabled people and their families. Neil Couling, director of working age benefits at the Department for Work and Pensions confirmed to the Scottish Parliament Health and Sport Committee that the UK Government were
seeking to reduce the welfare budget across the UK by £18 billion by 2015 with Scotland’s share being £2.5 billioniv.

6. These changes and the loss in personal income will have a direct impact on local economies and communities. As welfare payments, and therefore spending power, is reduced, the money being spent within local economies across Scotland will decrease also; with what could be very damaging consequences for some local communities. CAS believes this must be accounted for in the next Scottish budget.

7. The massive impact that benefit loss will have on personal finances means there is also a major impact on the priorities of the Scottish Government such as reducing inequalities, taking people out of poverty, eradicating fuel poverty, and creating a fair and equal society with better life chances. Reductions in benefit levels and eligibility will also inevitably drive demand for public services and advice provision at the same time as cuts are being felt across the public and voluntary sectors.

8. We can look at just two examples of how recent changes in welfare policy (not legislation) have affected citizens in Scotland and led to a reduction in their income. This is income that would have previously been redistributed within local economies through paying for food, goods and services.

9. In April 2012 the eligibility rules for Working Tax Credit and Child Tax Credit changed impacting on 85,000 low income Scottish families. These changes mean that 73,300 families in Scotland will have lost Child Tax Credits worth around £545 per year and a further 11,370 families will have lost Working Tax Credits worth up to £3870 per yearv.

10. Employment and Support Allowance (ESA) was introduced in October 2008 as the replacement benefit for three benefits paid on the grounds of illness/disability. Claimants are assessed for the benefit through the Work Capability Assessment (WCA). From April 2011 170,000 existing claimants in Scotland began to be reassessed for sickness benefits; at a rate of around 1,000 per week to 2014vi. The sheer number of people and families involved, including many with very serious health problems, means, for better or for worse, the lives of hundreds of thousands of people in Scotland will change vastly in the next few years. Of these 170,000, an estimated 115,000 IB claimants will lose entitlement to sickness benefits. More than half (65,000) will be moved out of the benefits system altogether with a drop in income of at least £99 a week – not including any consequent reductions in Housing Benefit and Council Tax Benefit. Most of the remainder (36,000) will be eligible for Jobseekers Allowance (JSA) with a drop in income of £27 a week. This makes a total of over £390 million a year in lost payments to individuals and the economyvii.

11. CAS welcomes a focus in the Scottish Budget on getting people who have experienced multiple deprivations into work, but want to bring attention that there will now be a much greater number of people looking for work due to welfare changes. Whilst we welcome people, where they are capable of work, moving into the workplace and benefitting from the positive social and economic outcomes that employment can bring, we are concerned that labour markets will not be able to absorb the consequent increase in unemployment that removal from ESA will bring.
12. Although there will undoubtedly be success stories, IB claimants are likely to face multiple barriers in the labour market. Incapacity Benefit claimants are likely to have previously worked mainly in low grade manual jobs and a high proportion have no formal qualifications\textsuperscript{viii}. The majority have been out of work for at least five years\textsuperscript{ix} and are therefore some distance from the labour market. Over one hundred thousand people with recent employment experience are also looking for work and are more likely to be taken on by employers.

13. CAS believes therefore that economic growth in the regions most affected by the IB migration should be encouraged and that employers should be incentivised to employ former sickness benefit claimants.

14. Of course this is also all stated without discussion of the actual WCA itself and under the assumption that those people being assessed as being fit for work are being appropriately assessed. Unfortunately, the evidence so far suggests that the outcomes for many claimants is not, and will not, be positive. CAS has evidenced in several publications – as have many others - that there are significant flaws in the assessment system and that these flaws will impact heavily on many of the most vulnerable people in society.

**Local authority funding**

15. The SPICe Financial Scrutiny Unit estimate that the Local Government portfolio will decrease by 1.8% in cash terms in this financial year increasing to 4.1% by 2014/15\textsuperscript{x}. Local authorities have also had a freeze in council tax imposed and have a number of additional expenditure commitments which will be placed on them. Alongside an expected increase in demand for public services, local authorities face tough decisions on where spending should be concentrated and prioritised and where it should be reduced.

16. The consequence has been that the third sector has also experienced a significant reduction in the funding that it receives from local government which in turn has led – or will lead - to organisations offering reduced services or ceasing to provide services altogether.

17. The reduction in local government income will have a significant impact on public service provision and, as stated in the Spending Review, ‘In order to accommodate the reduction in real terms of the overall funding package and the increased inflation and demand pressures, local government will be faced with a number of very difficult decisions’.

18. Our concern is that local authorities will also face further pressures due to welfare changes – first, due to the areas of welfare that are being devolved to the Scottish Government but will be delivered by and/or impact on councils; secondly, pressures put on services because of policy changes eg. to housing benefit and local housing allowance payments; and third due to additional demand for their services from citizens who have been adversely affected by welfare changes, particularly in the areas of social work, housing, and advice.
19. The reduction in income of benefit recipients will also have an impact on local authority income and their ability to provide services. This will particularly be the case in charging for personal care, council tax payments, and rent payments. It is likely that local authority income from charges will reduce as benefit recipients struggle to pay council tax and rent on reduced benefits.

20. At the same time, it is when incomes drop and benefit support is reduced or removed, that people turn to public services and advice providers for support and advice. Local authorities will need to balance the need to make reductions in spending alongside the impact those reductions will have on service users who are likely to be affected by cuts in benefits.

The need for advice and impact on CAB

21. Local CAB receive the majority of their funding from local authorities and many have recently received financial settlements that are at best stagnant, or at worst represent large cuts. CAS is obviously concerned that future cuts will impinge seriously on the ability of bureaux across Scotland to maintain and deliver their current level of service at a time when welfare changes in particular are increasing demand for services.

22. Bureaux across Scotland are already working at capacity, in the majority of cases on a reduced budget. Many have used up their reserves to deliver their ongoing service and meet increased demand. This is of course unsustainable.

23. CAS and CAB are continually looking to find new income streams to ensure they can deliver and increase core advice services as well as develop new areas of work – both at national and local level. For example, in 2011/12 we were successful in bidding for the delivery of the Money Advice Service which provided another income stream for bureaux. However it is clear that finding alternative income is proving harder as organisations and services make cutbacks and of course, project money is usually ring-fenced for its purpose and cannot be used to fund core services.

24. Despite new sources of income being found in the financial year 2011/12, total funding for bureaux still reduced by 5% in cash terms on 2010/11 – therefore a real terms decrease of 7.5%1.

25. At the same time, the issues that clients present with at their local bureaux are now more numerous, more complex, and therefore more time consuming. We have seen an increase in volume of work but have not been able to see an increase in clients. In fact in 2011/12 we saw a 4.7% decrease in new clients. We believe this to be for two reasons, first because of the reduction in funding and second due to an increasing number of ‘repeat’ clients.

26. Repeat clients are clients who seek advice on a number of occasions, although it will be for different aspects of advice. For example, a client may initially

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1 Using CPI the UK Government’s preferred method of measuring inflation.
come in for advice when they receive a letter about being reassessed for sickness benefits and their work capability assessment (WCA), again for help to fill in their WCA forms, on another occasion because of debt issues, and then once more because of an issue with the social fund. This is an illustrative example only but shows how we can deal with a number of issues at different stages of the advice process, but only one client. In 2011/12 we saw a 5% increase in repeat issues [NB: not client numbers].

27. If funding to Bureaux for advice provision continues to be stagnant or further cut, we envisage that the number of new clients will reduce further, yet it is a time where demand is rising. Our concern is therefore that people will experience delays in accessing advice or will not be able to receive the advice that they desperately require – and that this could cause fundamental problems for those experiencing problems due to welfare changes.

28. However at present we cannot see how to expand our service to try and meet demand on current funding levels.

29. What we are doing to ensure we can continue to provide a quality advice service to those people who need somewhere to turn to at time of need, is to get bureaux ready for the changes ahead. We are assessing what resources and changes bureaux will need to make and instigating a development programme for our 3000 staff and volunteers. This involves briefings, training, and development of alternative services, support, referrals information and guidance, and communications, along with the co-ordination of work both on a Scottish and UK wide level.

30. We have a number of concerns over the welfare changes ahead as our Bureaux gear up for the changes to come and these are currently being assessed. However we are particularly concerned that CAB may have to start making stark choices about what level of advice they give due to constraints on time and resources.

31. The time consuming nature of many problems people present with could cause future problems. For example some bureaux cannot deal with representation at employment tribunals due to the time that this takes although they will help and advise clients right up to that point. Would that choice have to be made over welfare appeals? Or will we simply not be able to deal with numbers seeking advice – especially where time is of the essence – eg helping with an appeal within the 28 day period or with a much needed hardship loan. Equally we are concerned that other areas of need and advice may become overwhelmed by the need for benefits advice. Our statistics show that benefits work is increasing but as we are at capacity it means that other areas of work has to decrease.

32. Whilst CAB cannot put the pounds lost in reduced or changed benefits back into people’s pockets, we can help with benefit entitlement and take-up; assessments, financial inclusion and capability; money management and budgeting. Initial estimates for 2011/12 show that CAB intervention around benefits meant an average financial gain of around £5000 for each client who gains as a result of
advice\textsuperscript{2}. That is money that will be going direct to individuals and families and being spent in local communities and on local services.

33. Advice is also a good example of preventative work. Good advice can prevent outcomes that are expensive for the public purse and are disastrous for the person and families experiencing them. Investment in advice saves public money in the short and long term as well as leading to positive outcomes for clients. For example dealing with a debt or benefits issue can stop the more costly events of homelessness and family breakdown as well as improve people’s health and wellbeing and therefore stop a cost to the NHS of stress illness caused by such problems. The focus on prevention the Scottish Government has should include the work that advice agencies undertake each and every day to help thousands of clients - and funding streams need to be made available.

34. Currently, taking into account the welfare changes, migration programmes and increased assessments ahead, we believe our services will not be able to cope with the numbers of people that will need our advice.

35. The introduction of Employment and Support Allowance (ESA) is an example of a benefit change that has driven demand for advice. Over the past two financial years Scottish CAB have seen a 61% increase in the number of new ESA issues. In March 2012 alone, CAB dealt with more than 100 new ESA issues every working day.

36. It is clear that there is a need for our services not only to help and support and advise the people of Scotland when they need it but also to help mitigate welfare changes for citizens and prevent people ending up at the door of other more costly services. Or, more worryingl y, people could slip through the net altogether and not get the help they need and deserve.

Conclusion

37. Whilst CAS could have commented on various aspects of the draft Scottish Budget we have chosen to focus on welfare changes only. This is because we fundamentally believe that many aspects of the changes ahead could potentially have a major negative impact on the Scottish economy and have devastating impacts on the citizens of Scotland.

38. At a time when public spending is being cut, the economy is stagnant and employment – especially youth employment - remains an issue, welfare changes may be felt even more deeply by many people both in and out of work.

39. CAS believes the Scottish Budget must consider the pressure that welfare changes and economic pressures will place on public services and advice services, employment, and the overall economy of Scotland.

\textsuperscript{2} Figures averaged not all clients get financial gain.
References

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