Local Government and Regeneration Committee
Inquiry into the Impact of Welfare Reforms
on 2014/15 and 2015/16 Spending Plans and Resources

Submission from Falkirk Council

As part of our scrutiny of local government budgets the Local Government and Regeneration Committee is seeking the following information from your council on the financial and resource impact of UK Government welfare reforms, for the period 2012/13 to 2014/15—

• Q1 – In what areas of (a) work and (b) costs and resources has the ongoing programme of UK welfare reforms affected your council?

• Q2 – What was the level of actual or budgeted crisis grants made by your council in the period 2012/13 to 2014/15? What percentage increase/decrease did this represent over the previous three financial years?

• Q3 – What has been the financial and resource implication of the welfare reforms for your social work and housing services in the period 2013/14 to 2014/15? What has been the level of emergency housing applications your council has dealt with in 2013/14? What level do you expect to deal with in 2014/15?

• Q4 – What actions has your council taken to coordinate its efforts and responses to the welfare reform changes to ensure the most needy/vulnerable people in your council area receive the support and assistance they require?
1. Q1 – In what areas of (a) work and (b) costs and resources has the ongoing programme of UK welfare reforms affected your council?

1.1. The welfare reforms have impacted on the council as follows:

1.1.1. Introduction of the benefits cap. This was an additional new burden. Falkirk Council area not significantly affected. There were 28 potential cases with 13 of those having cap applied at end of financial year resulting in an estimated annual HB loss of £20K:-

1.1.1.1. Funding - DWP provided additional admin funding of £20K which was sufficient to cover costs incurred in 2012/13 and 2013/14. They have also provided additional admin funding of £25K for 2014/15 which will meet our costs in full. The funding is not ring-fenced and any surplus will be used to offset DHP admin costs.

1.1.2. Introduction of the under occupancy restrictions. This was also an additional new burden. The work involved included identifying households affected by the changes in collaboration with housing, personally engaging with those affected to inform them of the changes and their options and administering the deductions in housing benefit (£1.119m) for over 3500 households affected, ensuring mitigation is applied via additional rooms / DHP where appropriate. It has been the subject of intense media and political scrutiny, case-law and has been difficult to administer because of the never-ending changes as a result making the admin costs incurred in administering this change excessive:-

1.1.2.1. Resources - delivery of these changes has required significant resources within Revenues and Benefits Division of Finance which has had to be redirected from critical front-line services to ensure not only that it was delivered on time from initial implementation through every subsequent change, but that DHP was used effectively to mitigate impacts, support and advice provided and collection rates optimised where appropriate. This has impacted on performance in other key areas such as rent collection, benefits speed of processing etc. Two additional staff were employed to carry out the visiting programme for those already in rent arrears totalling £45K for 2013/14.

1.1.2.2. Cost – the estimated cost of not only administering the Housing Benefit impacts of size criteria but mitigating the impacts on our tenants, citizens and communities has outweighed the HB saving that DWP has made (see Appendix A). The LA has borne a significant proportion of that cost.

1.1.2.3. Funding - DWP provided an additional £16K admin funding for 2012/13 and 2013/14 and £28K for 2014/15. As you can see from Appendix A this does not in any way meet the costs the LA has incurred.
1.1.2.4. **Impact on Rent Arrears / Collection Rates 2013/14** - of the additional £1.119m we have had to collect from council tenants, 32% (approx £350K) remains outstanding. Our effective use of targeting DHP to this category helped us mitigate the impact on tenants with £280K being awarded during 2013/14; otherwise the impact on the rent arrears would have been greater.

1.1.2.5. **Impact on Rent Arrears / Collection Rates 2014/15** - the total HB loss for council tenants and the additional rent the LA will have to collect for 2014/15 is expected to be £1.159m.

1.1.2.6. **Mitigation / Funding 2014/15** - the impact of the announcement re additional Scottish Government monies to fully mitigate this impact for 2014/15 nationally is still unclear. If there is no change to the overall DHP threshold, then there will be additional costs in setting up an alternative write-off scheme.

1.1.3. In addition, identifying those affected by the ‘1996 legal loophole’ required significant resources within Revenues and Benefits and housing. We had to manually review over 1000 records to identify the 140 cases affected. The total HB gain for those affected was £55K:-

1.1.3.1. **Funding** - DWP has provided an additional £7K admin grant to offset costs incurred which we expect to be in the region of £15K. This does not reflect the cost of additional appeals administration as we have received approx 40 of these to date. No financial cost for 2014/15.

1.1.4. **Administration of Discretionary Housing Payments and Benefit appeals**:

1.1.4.1. **DHP** – the budget and number of applications for DHP increased over 14 fold in 2013/14 compared to 2012/13 as DHP has been used as a mechanism to mitigate the impact of the under occupancy restrictions and other Welfare Reform measures. Our 2012/13 DHP awards totalled approx £40K and in 2013/14 we paid out 99% of our total DHP budget of £449,300 (maximum allowed). This has had a significant impact on the Revenues and Benefits Division who administer the applications process. A further 45% increase in the DHP funds available for 2014/15 will again result in further additional staffing / admin / appeals admin costs.

1.1.4.2. **Appeals, FOIs and Complaints** – the number of benefit appeals, FOIs and Complaints has also increased 2.5 fold in 2013/14 as a result of the Welfare Reform changes.

1.1.4.3. **Staffing** - a new team of 5 staff (estimated salary cost £140K), overseen by a Senior Manager, has had to be put in place to oversee the implementation of all the HB Welfare Reform changes, administer the DHP scheme and deal with the increase in appeals and FOIs and Complaints administration within the Revenues and Benefits Division.

1.1.4.4. **Funding** - DWP provided under £10K in admin funding to resource the increase in DHP applications / benefit and DHP appeals for 2013/14. The cost of funding the team has been fully met by the LA as the additional Scottish Government grant was used to maximise DHP funds available to those in need and enabled the LA to pay up to the maximum
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threshold. DWP has provided a further £7400 admin funding for 2014/15. Again the Scottish Government monies that have been announced to date will be used to make payments of DHP up to the maximum threshold of £645 145. The cost of administering DHP for 2014/15 will fall again on the LA.

1.1.4.5. Take – Up - In addition, significant work has taken place with finance and other departments to ensure that customers likely to benefit from DHP are encouraged to apply.

1.1.5. Local Housing Allowance – Additional admin costs were also incurred in implementing the LHA changes in the private rented sector for both 2012/13 and 2013/14. The additional admin funding that DWP provided has been allocated to offset the increase in DHP applications from this client group and is reflected in that section. Again the funding provided did not meet the costs incurred.

1.1.6. Main HB/CTR Admin Grant Cut

1.1.6.1. 2013/14 – despite receiving additional admin / new burdens funding for these Welfare Reform changes totalling £70.3K for the years 2012/13 and 2013/14, DWP cut the main HB administration grant for 2013/14 by £81K and the additional admin grant to mitigate the impact of the economic downturn by £61K, despite the increased workload needed to administer these changes and the deficit in new burdens funding against costs incurred.

1.1.6.2. 2014/15 - DWP has confirmed we will receive an additional £61373 admin funding to deliver these Welfare Reform changes, but the overall grant is being cut by a further £136K for 2014/15, despite the increased demand for the Benefits Service which will not reduce until 2016 if Universal Credit starts to roll-out then as planned.

1.1.6.3. Additional Resources Significant resources (7 full time equivalent staff, approximately £185k) have been allocated to deliver in these areas within the Revenues and Benefits Division, which impacts on performance in other areas where resources have had to be reduced.

1.1.7. Tenancy Sustainment - Falkirk Council are currently implementing a joint Housing / Finance initiative to refocus activity around tenancy sustainment to help reduce rent arrears by providing appropriate support to tenants who find themselves in difficulty. This initiative to establish a specialist team that in addition to mitigating the impacts of Welfare Reform on our tenants, will ensure that key themes within the Housing (Scotland) Act 2010, in respect to Pre Action Requirement protocols and the council’s wider responsibilities to prevent homelessness and sustain tenancies will be achieved locally. The financial investment in this initiative is approximately £360K per annum.

1.1.8. As other welfare reform changes are introduced, tenants will experience further financial pressures making it more difficult to meet their rent liability,
increasing the likelihood of further increases in the level of arrears. Consequently, this will place increased pressure on the Housing Revenue Account and in particular reserves, rent levels and the affordability of future improvement and maintenance work. The ability of the Housing Revenue Account to maintain this level of investment will be severely restricted if the Housing Service is required to increase the level of bad debt provision.

1.1.9. The abolition of Council Tax Benefit and the introduction of the Council Tax Reduction Scheme resulted in an additional administrative burden to the Revenues and Benefits Division both in 2012/13 and in 2013/14:-

1.1.9.1. **Funding** - whilst a national scheme that mirrored CTB remained in place in Scotland, that scheme had to be delivered for 10% (approx £40m for Scotland) less than its predecessor, with DWP cutting the budget that was transferred to Scottish Government to deliver. Scottish Government agreed to meet part of the funding gap for 2013/14 and 2014/15 with LAs collectively meeting the remainder. This resulted in a deficit between our payments made in 2013/14 (£8.633m) and grant received (£8.508m) of £125K which was a cost to be met by the LA. In addition, there were approx £75K of ICT/admin costs for the new scheme being set up. As no additional new burdens funding was received from Scottish Government to mitigate this, this cost also fell on the LA. For 2014/15, the funding gap that the LA will need to meet is expected to increase further.

1.1.10. Introduction of the Scottish Welfare Fund required significant work within our Customer First team to establish the service, including establishing a delivery team, procuring a system to administer applications, developing an applications process and supporting mechanisms to handle appeals, ensuring all relevant services were aware of the fund and communicating the fund to customers. Whilst a grant was provided by the Scottish Government to support initial set up costs and administration, a further £147k was met by Falkirk Council to cover the administration costs for 2013/14, and it is expected that a similar amount will be required for 2014/15.

2. **Q2 – What was the level of actual or budgeted crisis grants made by your council in the period 2012/13 to 2014/15? What percentage increase/decrease did this represent over the previous three financial years?**

2.1. The table below shows the actual crisis grant spend by Falkirk Council for 2012/13 to 2014/15 and the budgeted spend for 2014/15. Falkirk Council did not provide crisis grants prior to 2013/14 as these were administered by the Department of Work and Pensions and it is therefore not possible to provide these figures as a percentage of previous years.
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<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis Grant total</td>
<td>0</td>
<td>157,618.38</td>
<td>293,480</td>
</tr>
<tr>
<td>amount</td>
<td></td>
<td>(Actual)</td>
<td>(Budgeted)</td>
</tr>
</tbody>
</table>

3. **Q3 – What has been the financial and resource implication of the welfare reforms for your social work and housing services in the period 2013/14 to 2014/15? What has been the level of emergency housing applications your council has dealt with in 2013/14? What level do you expect to deal with in 2014/15?**

3.1. The impact of the changes on the housing service in terms of resources and costs has been significant and details are included in section 1 above.

3.2. Whilst it is expected that the welfare reforms will impact on demand for social work services, we do not yet have figures to support this.

3.3. There are significant challenges for staff to maintain awareness of the changes and how they might impact on customers. This is a particular challenge for services such as Community Advice Services who deliver welfare benefits support to customers. Changing timescales for roll out of the changes add to the challenge for staff of keeping their benefits knowledge up to date.

3.4. From 1st April 2013 to 31st March 2014, Falkirk Council dealt with 1056 cases of homeless applications. It is hard to estimate what level of emergency housing applications we are likely to deal with in 2014/14, however we would hope to see a reduction in the number due to the implementation of our housing options strategy which aims to maximise housing advice to customers via a number of tools and techniques thereby assisting with the prevention of homelessness.

4. **Q1 – What actions has your council taken to coordinate its efforts and responses to the welfare reform changes to ensure the most needy/vulnerable people in your council area receive the support and assistance they require?**

4.1. Welfare Reform is already having a significant impact on individuals within our communities and will continue to do so. We need to make sure that we continue to support people through these changes and target those most affected and most vulnerable in a focussed way that allows for early intervention and prevention.

4.2. Funding has therefore been provided from our Fairer Falkirk Fund to support the following:

4.2.1. Funding for three additional posts for a period of two years as follows:
4.2.1.1. Welfare Reform Project Manager
4.2.1.2. Financial Inclusion and Credit Union Development Officer
4.2.1.3. Financial Capability Development Officer
4.2.2. Additional funding for the Support and Connect FAWBASU project which provides additional resources in the Falkirk area to respond to benefits issues as a result of Welfare Reform

4.2.3. One off funding to Falkirk and District Credit Union to cover the cost of a new ICT system that will allow online banking for members.

4.2.4. One off funding to Denny Citizen’s Advice Bureau to support accommodation costs.

4.2.5. £100k to support work related to financial inclusion and capability including exploring social lending alternatives to payday and short term loan companies and the potential for a low cost furniture initiative as an alternative to high cost home credit stores.

4.2.6. Provision of ICT training sessions including Money Advice for people via community learning and development.

4.3. Falkirk Council is currently undertaking a study to improve our understanding of customers’ requirement for support services such as debt advice, welfare benefits support and crisis grants. This work has a particular emphasis on understanding the requirements of ‘hard to reach’ vulnerable customers who may not currently engage with the council.

4.4. The findings from this work will be considered as part of a broader consideration of current and future service delivery mechanisms. It is intended that the outputs of this review will inform future support service delivery, including identifying additional service requirements and opportunities to improve service delivery and communications, especially to target service delivery at ‘hard to reach’ customers.

4.5. Falkirk Council is currently working up a proposal to implement a specialist triage service aimed at preventing crisis in our most vulnerable customers through assessing their needs and underlying issues and engaging appropriate support to address these.
### Appendix A

**Estimated Cost of Mitigating Impact of Under Occupancy Restrictions**

<table>
<thead>
<tr>
<th>Category</th>
<th>DWP</th>
<th>Scottish Government</th>
<th>Falkirk Council General Fund</th>
<th>Falkirk Council HRA</th>
<th>Total</th>
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<tbody>
<tr>
<td>Impact of Under Occupancy Restrictions</td>
<td>£1,184,000</td>
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<td>-£1,184,000</td>
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<tr>
<td>DWP DHP funding</td>
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<td>£179,720</td>
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<tr>
<td>Scottish Government DHP top up funding</td>
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<td>£266,868</td>
<td></td>
<td></td>
<td>£266,868</td>
</tr>
<tr>
<td>Falkirk Council DHP top up funding</td>
<td>£2,712</td>
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<td>£2,712</td>
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<tr>
<td>Additional Staffing costs – DHP / WR</td>
<td>£100,000</td>
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<td>Opportunity Cost - Diverted Staff / Resources</td>
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<td></td>
<td></td>
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<td>£250,000</td>
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<tr>
<td>Resource cost of Legal Loophole</td>
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<td></td>
<td></td>
<td></td>
<td>£10,000</td>
</tr>
<tr>
<td>Cost of advice and publicity</td>
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<tr>
<td>Additional Bad Debt Provision</td>
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<td></td>
<td>£300,000</td>
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<tr>
<td>Pending Impact HB Loophole</td>
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<td>£55,000</td>
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<tr>
<td>Net Cost/savings</td>
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<td>£179,720</td>
<td>£266,868</td>
<td>£115,712</td>
<td>£550,000</td>
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</tbody>
</table>

- Does not include staff / management time dealing with planning, mitigation, enquires, appeals, complaints etc
- No costs included of remodelling housing stock / new build

**Future Impacts 2014/15**

- Further Increase In Bad Debt Provision: TBC
- Additional DHP funding (all sources): £195,845
- Additional resources for pilot on mitigation: £360,000