Written Evidence

COSLA has submitted the attached written evidence to the Local Government and Regeneration Committee on the implications and impact of the UK Government’s Welfare Reform proposals on Scottish local authorities. Please refer to Annexe A and B for other relevant COSLA publications on the Welfare Reform Bill.

Annexe A: COSLA submission to the House of Commons Welfare Reform Bill Committee (April 2011)

Annexe B: Supplementary evidence from COSLA to the House of Commons Welfare Reform Bill Committee (May 2011).

SUBMISSION FROM COSLA TO THE LOCAL GOVERNMENT AND REGENERATION COMMITTEE OF THE SCOTTISH PARLIAMENT - NOVEMBER 2011

Welfare Reform – Implications and Impact on Scottish Local Authorities

1. COSLA welcomes the opportunity to provide evidence to the Local Government and Regeneration Committee on the implications and impact of Welfare Reform. Welfare Reform is used as shorthand for a complex package of major reforms as well as detailed changes to existing benefits. The Welfare Reform Bill currently going through the UK Parliament contains provisions for the introduction of Universal Credit to replace existing benefits and tax credits. It is intended to incentivise work and simplify the benefits system. It also replaces Disability Living Allowance with a new benefit ‘Personal Independence Payment.’ The Bill has been preceded by a variety of changes to contributory and means tested benefits which are projected to deliver savings on benefits of £18bn per year by 2014-15. This paper focuses on the main implications for Scottish Local Authorities and Scottish communities.

COSLA Key Messages

2. COSLA supports the intention to reform the welfare benefits system and to remove the barriers from welfare into work. However, COSLA has significant concerns about the scope and timeframe for these changes and the direct impact and unintended consequences it will have for individuals, services and income streams for local authorities.
Direct Changes:

- **Direct payments**  The ability to pay Housing Benefit direct to social landlords must be retained. The bill may give more responsibility to claimants, but it takes no cognisance of vulnerable people who will struggle to manage to budget and pay bills, and it will reduce a secure and vital source of councils’ income. COSLA is deeply concerned that Housing Benefit paid direct to claimants without sufficient safeguards will result in an increase of rent arrears and evictions, sending households spiralling into debt and facing homelessness.

- **Under Occupancy** Benefit to pay for housing costs is reduced for tenants deemed to be occupying a property larger than they need. This reduces income to tenants even when there may be no alternative accommodation. It will lead to increases of rent arrears to councils and force people to move away from employment, family, and support networks. It is also likely to increase presentations of homelessness, threaten housing investment and distort local housing strategies (a devolved matter).

- **Disability** Little information is available yet on how the new Personal Independence Payment to replace Disability Living Allowance will operate. COSLA is concerned that the intention to modernise this benefit is undermined by the already announced intention to reduce DLA payments by 20%. It is important that those with lower levels of disability are not denied access to this new benefit as this is likely to increase demands on council social work services, already under greater pressure since the Independent Living Fund has closed to new applicants. Such an approach would likely increase rather than decrease pressure on the public purse and run counter to the increased emphasis on early intervention and prevention.

Indirect Consequences

- **Demand for services** Scottish local authorities are already faced with rising demand on services. Demographic changes and other pressures mean local government is likely to face a gap rising to £3.7bn. by 2016/2017. Welfare reform is likely to pose major financial and service delivery risks while at the same time increasing demand for local government services. The Scottish Local Government Forum Against Poverty and Rights Advice Scotland have estimated that changes already announced will mean a £600m loss per annum from Scotland's economy which represents a potential threat to 14000 jobs and will impact right across services provided by local authorities.

- **Housing Investment** Direct payments ensure that councils have a secure income for the maintenance and improvement of existing stock, and the capacity to build new affordable housing. Scotland has a pressing need for more new build affordable housing. Increased rent arrears will reduce councils’ direct income, their ability to borrow and require councils to scale back their capital programmes.

- **2012 Homelessness target** Scottish local authorities are working towards the 2012 statutory duty that all unintentionally homeless households will be offered settled accommodation. Direct payments, alongside other housing benefit changes
such as the extension of the shared room rate and under occupancy, may jeopardise councils’ ability to meet the 2012 homelessness target.

- **Timeframe and disruption**   The scope and tight timeframe of changes will cause disruption for those dependent on benefits and existing systems which support them alongside real pressure on advice services operated by local authorities and voluntary organisations.

- **Passported Benefits**   The proposed changes to the benefits system and particularly the replacement of Income Support/Job Seekers Allowance and Disability Living Allowance by Universal Credit and Personal Independent Payment will mean that the current criteria for access to a range of benefits administered by central and local government will no longer exist. These include free school meals, clothing grants, blue badges, transport cards, road tax exemptions, leisure service concessions, Independent Living Fund, Carers allowance. There is no clarity on how thresholds to these might operate in the future and this may require new assessment criteria to be applied involving additional cost and staff resources.

### Delivery of the Changes

- **Pressure on delivery systems**   Significant confusion may result from the inability to deliver fully functioning systems for Council Tax rebate schemes and Universal Credit by 2013 as well as maintaining two systems of benefits until full implementation in 2017.

- **Council Tax Benefit**   COSLA welcomes a local system to administer council tax rebate schemes as a central system of payment through Universal Credit would threaten councils’ income streams and jeopardise investment in services. However, plans to cut this funding by 10% may only increase council tax arrears and threaten council budgets. COSLA is working with the Scottish Government on the Council Tax rebate but councils will be under enormous pressure to have in place delivery systems for rebate schemes by April 2013.

- **Vulnerable Customers**   COSLA supports financial inclusion, but we need to ensure we safeguard the needs of our vulnerable and potentially vulnerable households. The DWP refers to ‘vulnerable customers’ but offers little detail on neither who this would include nor how they will be supported. A broad, flexible definition(s) of vulnerable households is required. It needs to be wide enough to prevent vulnerability. The definition needs to include households that do not fall into clear categories of vulnerability.

- **Workforce**   COSLA believes that the c.1800 benefits administration staff employed by Scotland’s councils are crucial to the success of the UK Government’s plans. However, the UK Government has yet to clarify their future. It is unclear whether Local Authorities will help DWP administer the new Universal Credit, transfer their staff and resources to DWP or dissolve their services altogether. Staff deserve to know how they will fit into the Government’s proposals, and councils urgently need more information to help them prepare for any workforce changes.
Impact on Council Services

3. These changes will have significant impact across a whole range of services currently delivered by Scottish councils.

Finance – Benefits and Revenues

4. The cost of providing Benefits functions is £80m of which £65m relates to the direct costs of provision. Councils receive £50m in income from DWP. In addition, around 1,800 FTE staff are employed by councils in the provision of housing and council tax benefits administration, including over 150 Fraud & Error staff. The total pay bill for these services is approximately £50m.

5. Councils have merged revenues and benefits systems, including council tax collection and council tax benefit, meaning that staff undertake both Housing and Council Tax Benefit functions, within an integrated Finance Revenues function. These functions often also operate in close partnership with a range of other council services, including customer contact centres, housing rent recovery, and advice and homelessness services. This configuration means that councils are uniquely organised to bring together and integrate services locally that improve outcomes for the communities they serve. However, under the UK Government’s plans, Housing Benefit will be replaced by a housing element within Universal Credit and councils will no longer carry out a housing benefit function when the full transition to UC is complete. This is likely to significantly compromise the integrated approach to improving outcomes that has been fostered to date.

6. While Council Tax Benefit is being abolished in April 2013 Scottish councils are currently exploring with the Scottish Government how resources being devolved to SG (and local authorities in England) can be administered as council tax rebate schemes.

7. Although we therefore urgently require more definitive information from the UK Government and DWP about the way that key proposals will be implemented, it is clear that the transition to universal credit will have profound implications for many council employees, councils systems and contractual arrangements. It is difficult to predict the precise impact with accuracy, but the major consequences we anticipate include:

- Delivering services separately will mean significant loss of front and back office efficiencies because existing economies of scale and synergies achieved through joint delivery of CTB and HB will be destroyed
- Major costs and risks associated with large scale re-engineering of IT systems and interfaces and renegotiation of contracts/licences for software, as well as maintaining existing systems over the period of transition.
- Concerns that planned efficiency savings promised by the UK Government will result in significant job losses. Individual councils will do all they can to restructure and redeploy staff but will face major workforce planning challenges and related costs and cannot rule out compulsory redundancies.
- Concerns about the provision of effective benefits services during the period of transition. Councils will need to maintain current services while preparing for
the introduction of changes. These pressures will stretch resources dangerously thin, and will be exacerbated by the negative impact that job security concerns will have on staff motivation and retention. Indeed, councils have identified that due to a number of factors, including restructuring, headcount reductions, and uncertainty about the delivery model, the anticipated loss to councils of experienced staff is a significant risk to effective transitional delivery of benefits functions and the UK Government’s welfare reform plans.

- Concerns that arrears and collection costs will increase with individual claimants receiving payments directly under Universal Credit rather than the Council being able to offset the Benefit funding as is the current arrangement
- Significant increases in workloads and backlogs for benefits staff and advisors resulting from additional communication and advice to individuals about the switchover to Universal Credit and attendant confusion for claimants.

8. In all cases it is our belief that the costs associated with the benefit reform, including staff, systems, contractual and transition costs, should be fully met by government.

**Housing**

9. Income streams to local authority housing services will be threatened if direct payments to social housing providers are ended. COSLA estimates this loss to potentially amount to c£50m per annum. This may impact directly on council’s ability to fund investment in housing stock. The new size criteria and under occupation changes will reduce income to tenants and likely lead to increases in debt and rent arrears which may spiral in homelessness.

10. Housing services will also require to devote more resources to control of rent arrears and may require to review both their housing allocation policies and their housing strategies to, e.g. provide more one bedroom properties. Thus welfare reforms will impact directly upon devolved housing policies and priorities such as the provision of more affordable homes.

11. The impact on tenants of the variety of measures which affect housing benefits may also result in increased homelessness presentations, threatening councils’ ability to meet the 2012 Homelessness target. At the same time changes to eligible charges will threaten funding of temporary accommodation provided as part of homelessness services.

**Social Work**

12. Eligibility to help with childcare costs is extended in Universal Credit to those working under 16 hours per week but the work incentive this represents is undermined by the already announced freezing of child benefit and reductions in the level of childcare costs paid (from 80% to 70%). It is difficult to estimate the specific impact of particular changes such as these on demand for Social Work Children & Family Services. Probably of more significance are the increases in both absolute and relative child poverty by 2020, as predicted by the Institute of Fiscal Studies, from the cumulative impact of the totality of UK Government Welfare Changes, in particular the change in up rating from RPI to CPI. Absolute poverty is forecasted to rise by
about 600,000 children and 800,000 adults in the UK. The likely impact on the most vulnerable children and families will translate into increased demand for social work services across Scotland.

13. There is real concern about the impact of benefit changes for people with disabilities. Disability Living Allowance will be replaced by Personal Independence Payments with 2 levels of support rather than 3 under DLA. Since the UK Government is already seeking to reduce the overall cost by 20% the impact of new assessment criteria is expected to particularly affect those with lower levels of disability. This runs counter to early intervention and preventative strategies as endorsed by the Christie Commission and is likely to increase demand for social work support. While the postponement of the loss of mobility component to residents of care homes is to be welcomed there is as yet no guarantee that this will not be removed. If this happens it will both impact upon the quality of life of residents and put pressure on local authorities to increase funding.

14. At the same time reductions in income as a result of changes will impact upon eligibility for council charging for services. However individuals affected will still require social care services. Glasgow has estimated this impact alone as a £500,000+ revenue loss. Reducing direct payments such as DLA, intended to cover the additional costs of disability, also undermines personalisation approaches and the promotion of self directed care which both councils and the Scottish Government are keen to promote. If individuals loose entitlement for some of their disability payments following re assessment this may threaten Independent Living Fund and Carers Allowance payments to those with existing entitlement, leading to further demand on social work support services.

15. There may also be additional work and costs for local authorities if new assessment processes have to be designed for passported benefits and additional pressure on services if some of these are withdrawn for those currently receiving them.

Advice Services

16. There is expected to be a substantial increase in demand for all kinds of advice services, which in Scotland are mostly provided or funded by local authorities. This will include demand for money advice, debt advice and welfare rights advice and appeals. This will arise from the cap on benefits, the increased expectations on households’ capacity to budget and manage bills and general confusion regarding the new system. Some of this impact could be mitigated if DWP undertakes sufficient investments in support and financial inclusion. Crucial in this respect will be how they define and treat ‘vulnerable customers’ in the new system.

Employability and Economic Development

17. Councils now provide or contribute to a variety of employability services usually through Community Planning Partnerships. The migration of Incapacity Benefit claimants to Employment Support Allowance and Jobseekers Allowance changes the target population for employability measures. North Ayrshire estimates that the increase in those claiming JSA would mean that if the same number of vacancies
exists in 2014 as in May 2010 the number of claimants per vacancy will rise from 11 to 19.

18. Local economies and businesses will also be impacted upon by the overall impact of benefit reductions. Losses estimated at £600m through benefit changes already announced are estimated to threaten 14000 jobs in Scotland.

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Introduction
The Convention of Scottish Local Authorities (COSLA) supports the intention to reform the welfare benefit system and to remove the barriers from welfare into work. However, we are increasingly concerned about the speed at which such a complex task is being progressed, particularly when there seems to have been a lack of meaningful and timely consultation with devolved partners. COSLA believe this has led to a lack of comprehension and meaningful consideration of the interaction between welfare reform and the devolved competencies as well as the specific Scottish implications of this Bill.

COSLA supports the need for change but feels that key to avoiding unnecessary confusion, error and hardship when dealing with people’s financial circumstances is effective, seamless implementation. As such, COSLA supports a staged approach to implementing the reforms, starting with those benefits currently administered directly by DWP and HMRC. Only when that stage has been successfully completed and bedded down should consideration be given to a second development stage involving housing costs and support for council tax payment, should the will still exist. In the meantime, these latter two benefits should remain in place as is.

In terms of the main issues relating to the content of the Bill, COSLA supports
- A realistic review of timelines and transition periods
- Provision being made for direct payments to housing providers
- Devolved competencies to be properly financed to meet current and future welfare expenditure demand
- Local authority administration costs in any new system to be transparent and appropriately financed
- Maintain the link between benefit provision and liability
- Allow flexibility for varying circumstances such as those particular to rural areas
- Council Tax Benefit to remain unchanged

In compiling this submission COSLA has surveyed all Scottish councils and undertaken case studies with a sample in order to understand the impact the intended reforms may have. The evidence below makes use of illustrative examples from Local Authorities to support the arguments made.

Transferring risk and responsibility to Local Government

Benefit Reform and cuts will undermine overall system savings and cost more in the long term
1. Ultimately, cutting the level of welfare benefit, initiating direct payments to claimants and centralisation all increase the financial risk for, and the
responsibilities of Local Authorities. Balancing the UK budget is only effective if it does not pass hidden costs on to other parts of the public purse. For example the 20% cut to working age DLA expenditure, estimated at £1.3bn, will affect the care and mobility support disabled people can access and increase reliance on council services. Similarly, changes to how the private rented sector Local Housing Allowance is calculated could reduce the income of some 50,000 claimants in Scotland, potentially increasing demand for public sector housing, debt advice and homelessness services. Meanwhile, the extension of direct payment of housing costs to social sector claimants is likely to increase rent arrears and collection overheads and result in lost income to local authorities. Furthermore, these reforms and reductions to benefits will impact upon the vitality of local economies and the wellbeing of individuals and communities, and could have a detrimental effect on the wider regeneration of an area and the willingness of individuals and families to remain within the area.

There is a limit to how centralised welfare benefits can effectively be.

2. Welfare benefit is only one aspect of a package of support which is predominantly delivered by local authorities to support sustainable improvements in the lives of recipients and their children. This support (housing, social work, skills, training, alcohol and drug interventions) must be locally managed. To further disaggregate welfare support from this localised agenda may cut the welfare bill in Westminster but will do nothing to improve outcomes for people. Additionally, Local Authorities provide crucial expertise, customer advice and local knowledge which will be lost under the new and faceless system. Furthermore, the Universal Credit service is to be built around an online claims facility but a substantial proportion of claimants do not have access to computer facilities, making local face-to-face claims services for the vulnerable all the more crucial.

Council Tax Benefits

Support for the Status Quo

3. Scottish Local Authorities are clear that any counter proposal to centralise CTB into the Universal Credit would undermine devolution and the principles of localism. At a minimum, CTB should be devolved to Scotland to be managed by Local Authorities. However, both centralisation and full devolution are complex to achieve and Scottish Local Authorities believe that the most effective and efficient option is for CTB to remain unchanged. In a survey of Scottish Local Authorities, respondents argued that abolishing Council Tax provision – regardless of what replaces it – will result in the following problems and costs for Local Authorities: loss of economies of scale; potential overlap of two systems; financial costs of maintaining two systems for a period, particularly dealing with backlog of overpayments; financial penalties for existing contracts; data sharing issues; difficulty with third party system interfaces; loss of experience and local knowledge; and the additional cost and complexity of public communication, advice services and tribunal support.

10% cut to CTB if devolved

4. Indiscriminate cutting of budgets act as a disincentive to local fiscal responsibility. Since 2008/09 Councils have frozen CT and therefore the CTB bill has not risen.
The UK Government have thereby financially benefitted from this policy by around 3% year-on-year savings. Applying a blanket 10% cut to CTB in a devolved settlement for Local Schemes will not reflect this.

The UK Government must provide for current and future liability in a devolved setting
5. If CTB is devolved, the transfer of finance needs to match the transfer of responsibility. Currently, Local Authorities estimate that 65% of those eligible actually take up CTB. Demand for benefit is likely to grow in the immediate future by virtue of economic and employment predictions and therefore this must be reflected in the transfer of resource.

Administering Universal Credit

Paying all benefits direct to claimants
6. Direct Payment to the claimant is not always in the interests of the benefit recipient – vulnerability to debt and financial difficulty should be a factor in sustaining payments made to providers such as councils. Because of the high levels of vulnerability found in the social rented sector, many benefit recipients are likely to struggle with household budgeting. The shift in benefit rates from RPI to CPI, rising food and fuel prices etc may also exacerbate an already difficult financial environment, compromising money management, risking arrears and reducing council income.

7. Paying all benefit to one member of the household could exacerbate the already vulnerable position and dependency of other members of the home who would no longer have access to an independent source of funds. For example, women who suffer from domestic abuse may be further disadvantaged by this proposal. It is equally likely that the cost to local authorities of supporting this group will increase as temporary accommodation and immediate costs are met.

8. Local Authorities are also concerned that paying benefits directly into bank accounts could add to the financial problems of recipients who find it difficult to manage very tight cash flow or who get into debt – albeit from a one-off unexpected cost. As banks reclaim their charges (plus interest) before other commitments can be met, it could result in spiralling debt problems for individuals and non-payment to service providers. Councils are aware that paying for council services such as council tax are likely to be at the bottom of claimant priorities in such situations.

Undermining secured income for Local Authorities
9. Direct payment to the provider maintains the financial stability of large organisations and ending this therefore undermines their ability not only to achieve lower investment overheads but also to secure any additional finance. The removal of direct payment will lead to an increase in rent arrears, a reduction in direct income and pressure on councils’ ability to borrow money, reducing funding available to invest in existing stock and for investment in new affordable housing. Councils will also have to channel resources away from other services into managing and collecting rent arrears. To mitigate the effects of the removal of direct payments, Local Authorities may have to review rents. If rents are
increased, this could cover some of the extra costs involved in monitoring arrears and rent collection. However, this may make social housing unaffordable to those on low incomes or reduce the benefit of the new taper rate.

**Transferring the cost of bureaucracy**

10. Centralisation of HB and paying it direct to the claimant alongside abolishing CTB in favour of local schemes does not remove bureaucracy from the system – it will merely transfer the burden and cost of bureaucracy to the local level. The Universal Credit may deliver a national process which seems less bureaucratic, given that there will be one claim and one payment made monthly to each household. However, the system will need to be administered in one way or another. This must be a transparent part of the system rather than a hidden cost to Local Authorities or the claimant.

11. If the UK Government stops facilitating direct payments to social sector landlords then those organisations will have to establish alternative ‘payment collection’ bureaucracies which engage directly with individuals. This will need to be supplemented by services dealing with arrears control, debt management, eviction proceedings and other court action for pursuit of debt. For example, Glasgow currently experiences 46% arrears for water and sewage costs. The cost of collection per property can be as much as £22. Costs may have to be met either by organisations themselves or passed on to benefit recipients. Demand for help with budgeting problems and debt management is likely to heap increased pressure on Local Authority welfare rights staff as well as on voluntary sector advice services.

12. Scottish Local Authorities currently receive between £76-£90 million from the DWP to administer HB and CTB. Because of the generic way in which financial services are administered in Local Authorities, this cost reflects significant economies of scale for the public purse. If HB is centralised and CTB abolished, this money will be lost to Local Authorities. This will affect the efficiencies councils can achieve across financial services within the authority. The loss of economies of scale is particularly important. In the Highland Council area for example, the shared services agenda has been given a degree of priority. Eight Revenues and Benefits back offices in Highland share a common infrastructure and software (an efficient approach that could apply more widely, and across boundaries). Removing HB is likely to have an adverse effect, which will be compounded by the abolition of CTB.

13. To further detail the type of additional effort required to set up a rent collection and debt management scheme, it is worth noting that on average in Scotland nearly 60% of local authority rental income (ranging from 33%-75%) and nearly 16% of Council Tax income (ranging from 7%-30%) is from Benefits. Furthermore, the complexity of collection from benefit claimants is increased by the mix of full and partial benefit receipts – something which is likely to be exacerbated by the real time flexibility of the new system. For example, in North Ayrshire 43% of rentals are full HB claimants and 26.4% are partial HB claimants while in the Shetland Islands, 25% of rentals are full HB claimants and 17% partial benefit claimants.
14. The current administrative figure of £76-£90million is therefore not an unreasonable estimate of the additional resource which councils may have to find to invest in the administration of local schemes and the local bureaucracy of debt management and rent collection necessary as a result of direct payments to the claimant.

**The hidden cost of administrating the new system may undermine the value of the taper and the incentive it provides to move into employment**

15. As described above, service providers may not be in a financial position to absorb the administration and debt associated with the new system and may pass those costs directly to claimants. If costs were passed to claimants, the impact of the increased central taper would be diminished with increased disposable income being used to meet the cost of establishing and maintaining multiple payment/collection mechanisms.

**Housing Benefit**

**Devolved Context**

16. Centralising Housing Benefit undermines devolved powers contained in law. The implications and housing policy priorities for Scotland are clearly different to the rest of the UK. Cuts already made as part of the CSR will have different significance in Scotland and occupancy rates, non-dependants, single room rate for under 35 year olds and the move to 30th percentile rents are more important here than the £400 cap. However, the concerns London Authorities had with the £400 cap resulted in more generous lead-in times to adjust to the impact of the policy change. For Scottish Local Authorities, the situation has worsened with each spending review and budget from the UK Government and currently, with no consultation and limited notification, the changes to the single room rate will need to be implemented by January 2012.

17. These cuts alongside wider welfare reform will bring about policy changes which compromise devolved authority and have potentially negative financial implications for local authorities and individuals. A key example for Scotland is in terms of the use, disposal and building of stock. No account has been taken of the changes Local Authorities and other housing providers will collectively need to make to their stock composition to meet demand for smaller sized accommodation that will result from the introduction of reduced levels of benefit for those living in accommodation deemed larger than necessary. Insufficient lead-in time and transitional support further increase the likelihood that needs will not be met. People will either have to continue to live in accommodation which costs more than HB, meeting those costs from money earmarked for other essentials, or Local Authorities will have to collect lower rents, or people will need to move.

**Under-occupancy and stock capacity**

18. The implications of the under-occupancy amendments will necessitate one of three responses with regards to affected benefit recipients: i) where accommodation is available, recipients will have to downsize and move. This may result in loss of community connections, opportunities for wider family contact and proximity to employment; ii) where alternative accommodation doesn’t exist
because of policy decisions taken by virtue of devolution, local authorities will have to devalue their rental assets and lose secured income which supports the financial health of the organisation and wider services; iii) where accommodation does not exist and demand for housing of all sizes is high, individuals may be made homeless. However, the homelessness legislation in Scotland means that Local Authorities will again pick up the financial impact of welfare policy by meeting the costs of the placement – with serious implications for sustainable outcomes for benefit recipients.

19. The collective stock composition of housing providers in Scotland is not sufficient to allow people access to right-size accommodation. Most stock-based pressure will be placed on downsizing to 1-bedroom properties. Local Authorities currently make greatest use of 1-bedroom properties to meet legislative duties in relation to homelessness. In Scotland there are 244,420 HB recipients of working age in the Social Rented Sector (2009/10). 31% or 75,800 are underoccupying their property by 1 bed and a further 8% or 19,600 by 2 beds. An additional 26,000 properties are overcrowded. To give some idea of the capacity in Local Authorities, at current levels of homelessness 22 out of 32 Local Authorities will require over 60% of 1-bedroom lets to be available for homeless households. In East Lothian, Edinburgh, Highland, and West Lothian the need for 1-bed properties is substantially higher than availability, with a further 9 Local Authorities close to capacity.

20. In Edinburgh there is currently a significant mismatch between property size and demand. 61.8% of homeless applicants in 2009/10 required a 1-bedroom property. Currently, 1-bedroom properties only comprise 28.6% of the council’s total housing stock. The council does not currently have sufficient stock to meet demand if tenants who are underoccupying cannot afford to make up the difference in rent from their own income and are forced to downsize. This may result in increased pressure on temporary accommodation.

21. Glasgow are not expecting huge numbers of people to lose homes but foresee people will be squeezed from one part of the housing market to the other in a chain of home owners forced into the private rented sector then into social housing, while the capacity to expand social housing is reduced. 19,000 social rented units are due to be demolished between 2003-2015 and Glasgow is effectively experiencing a stock standstill.

22. In Highland there is a high level of housing need and this is projected to continue. There are also very high levels of fuel poverty with large areas having no gas supply. There is a shortage of smaller properties as single people increase demand and an overreliance on B&B which the council is trying to address but which may be undermined by HB changes.

Homelessness

23. In 2009/10 56,669 households made homeless applications to Local Authorities, of which 42,207 were accepted. 6,140 homeless cases presented from the PRS. If 5% of those affected by a drop in income from underoccupancy in the social rented sector become homeless there will be an annual increase in current homelessness levels of 4,700. In the PRS, conservative estimates suggest a
Further 3,000 additional homeless cases will present in 2011/12 and 2012/13 alone. In Scotland, homelessness costs vary from £25 per night for Bed and Breakfast and up to £40,000 for temporary accommodation or refuge.

**Breaking the link between liability and benefit for both CT and HB**

24. The proposed abolition of HB will also significantly undermine the financial stability of Local Authorities as the housing element included in Universal Credit will no longer match rental liability and will be paid as part of a monthly award direct to claimants. This could place already vulnerable people in a very precarious financial position and potentially increase the chances that many more will present as homeless.

25. Moreover, breaking the link between HB and market rents by moving from RPI to CPI makes it more difficult for families to meet all their basic needs from the Universal Credit. This will increase poverty over time – especially for those who cannot access employment.

26. Equally, centralisation of CTB into the Universal Credit or devolution to the Scottish Government could result in a standardised approach to cost which would break the link between people’s actual liabilities and benefit. If such an approach were taken, it would fail to capture local circumstances which vary by neighbourhood, community, local authority and region. It is also highly likely that centralisation and standardisation would either undermine the financial stability of Local Authorities or force recipients to make impossible decisions about money otherwise needed for eating, heating and clothing.

**Timing and implementation**

27. The Bill currently abolishes CTB in April 2013. It is unrealistic to suggest that Local Authorities should have a new scheme established by then. The timelines are so tight as to be unworkable as new arrangements would involve public consultation, political approval, design specifications for IT, tendering processes, modelling and testing periods, and finally, delivery and charging policy. With regards to HB, the lack of transitional arrangements takes no account of how possible it is to deliver the system requirements associated with welfare reform nor whether Local Authorities and RSLs have the required stock to accommodate change.

**Disability Living Allowance**

**Devolved context**

28. Similar to CT and HB, the devolved context needs to be carefully considered with regards to social care if the UK Government is to avoid compromising devolved powers. To date, Scottish Government and Scottish Local Authorities have focussed on the value of co-production, promoting and protecting independent living and self-directed care. Welfare Reform must take this into consideration as part of the reform agenda.
Cuts increase demand for services and compromise the affordability of care

29. The changes to DLA will force those who experience cuts to their income to seek support from Local Authorities in order to meet their needs - which will not have altered. Local Authorities are very sensitive to the fact that cutting the income of benefit recipients will result in increased demand for their services. Nowhere is this more relevant than with regards to DLA. However, increasing demand for services while decreasing the capacity of individuals and Local Authorities to pay for those services is likely to result in vulnerable people being left to cope without support. Dundee City and North Lanarkshire both expect annual losses of £7 million with a direct impact on individuals and indirect impacts on carers, families and the local economy while Stirling Council is estimating a £1.8m loss to care budgets with a possible further £1.2m lost from Attendance Allowance.

30. In Glasgow, the 20% cut to DLA will affect the eligibility of individuals for council non-residential services and their ability to pay for those services. It is estimated this will initially amount to over £500,000 in cuts and result in significant levels of unmet need. It is important to note that presently 60% of DLA appeals represented by the Welfare Rights Team are successful but at a cost to the Local Authority. This suggests that if the DWP do not improve their own error rate, councils could face significant demand for support with appeals on top of dealing with cuts to income and service provision.

31. It is also likely that if service users lose DLA and premiums in income support and pension credit, then they are more likely to fall behind the council’s own tapers for charging, resulting in reduced income but not reduced demand. Often, benefit provision also acts as a match-funding mechanism for the provision of service. Where that funding is cut, it increases the cost to Local Authorities and decreases the added value of investment. Local Authorities will have to consider this impact in light of wider budget cuts and may have to re-evaluate the viability of services.

Impact on Passported Benefits

32. With the proposed reforms, the current criteria for access to passported benefits will no longer exist. A complete overhaul of the rules on access to passported benefits will be needed with considerable administrative, policy and financial implications for councils. This impact is difficult to assess given the range of service configurations councils have developed to meet local need. There will be a requirement for an alternative complex assessment procedure for services, notably applications for Blue Badges and Travel Cards. Carers will require individual assessments for support from Carers Allowance and consideration will be needed for how to transfer the current ‘carer status’.

33. Loss of protection from non-dependant deductions and entitlement to DWP premiums will lead to an overall loss of means-tested benefit, in turn leading to loss of free school meals, clothing grants and access to the Social Fund. A tenant receiving HB and DLA Care with a resident non-dependant would have the non-dependant deduction reintroduced, leading to an increased risk of homelessness resulting from non-payment of the difference.
34. Other indirect losses include home visiting services for libraries, accessible bus travel and a potential impact on shopmobility; if people can't afford transport to shop, demand for the shopping service will increase. In addition, many people currently in receipt of DLA will have less disposable income, leading to lower take-up of other services, including community alarms, health and social activities, support services, home care and gardening.

Employability and economic development

Improving employability
35. Welfare Reform must go hand in hand with a strategic commitment to employability. People coming off benefits are expected to enter a job market which is, at best, precarious, and benefit changes for many claimants will lead to reduced income. Cuts to household income without concomitant growth in jobs will have a knock-on effect on the economy of local communities - Rights Advice Scotland and the Scottish Local Government Forum Against Poverty estimate a loss of £480 million to the Scottish economy. This, in turn, will impact on job creation. Local Authorities must be supported to continue the good work they undertake in this area.

36. Initiatives in Glasgow have reduced the number of people without work from 100,000 to 85,000. It is envisaged that with welfare reform and the withdrawal of DWP funding for local programmes, it will be more difficult to deliver the joint economic strategy with its successful interventions such as the Commonwealth Games apprenticeship initiative which has benefitted 1500 young people to date. It will become increasingly difficult to get marginalised people into employment as the ability to deliver services and a people-centred approach is compromised by cuts in funding.

37. Edinburgh, in partnership with colleges and the NHS, has a new employability model which targets groups that are not ready for employment through single work programmes. They are focussing on individuals in receipt of Incapacity Benefit and alcohol and substance misusers, aiming to engage with clients as early as possible and to better integrate their support mechanisms. These target groups will be entering the labour market at minimum wage. Successful local programmes such as this will be at risk in future.

Avoiding a two tier workforce
38. Jobs must not only be created but they must be good jobs in the right places. Scotland has recently benefitted from a number of large job-creating opportunities. This is a welcome development but may also give the impression that Scotland is well-placed to absorb the impact of benefit cuts through a shift to employment in these areas. This will only be true if the jobs offered are the right level of employment, in those areas which suffer from low employment and low employability.

39. Glasgow has seen a growth in JSA claimants, from 25,245 in February 2010 to 26,045 in February 2011. There has also been a decrease in the numbers of vacancies notified, and the numbers of individuals moved into employment.
Some of the movement will be seasonal but it is anticipated that there will be an overall decrease in the numbers of vacancies which will be available.

40. In rural areas of Scotland such as Highland there are pockets of deprivation even in relatively affluent areas, much work is seasonal and it is not uncommon for people to have more than one job. The Universal Credit – including the sanctions element – must be sensitive to local circumstances such as these.

**The importance of affordable childcare**

41. Under the proposed changes to the childcare element of Working Tax Credit which are intended to incentivise a move into the workplace, we expect more parents of young children to require affordable childcare if they are to maintain their income levels or move from benefit into the workplace. If this childcare does not exist or is not accessible to parents then moving into work may not be an easy option and income levels may be hit. As a provider of childcare, the burden to provide more places may transfer to Local Authorities. There is at least the potential for the proposals to reduce family income and not increase employability unless Local Authorities increase the number of childcare places at a further cost to the devolved public purse.

COSLA

April 2011
Dear Mike Weir MP and James Gray MP

Welfare Reform Bill Committee - Supplementary Evidence

Further to COSLA’s written evidence submission which you received on 26th April 2011, please find attached the case study evidence from Glasgow City, City of Edinburgh and Highland Councils. In our submission we made reference to having drawn our evidence from these case studies, along with wider survey work undertaken with all Scottish Councils. The case studies offer more detail around the specific issues for each of the three Councils. In providing these we hope to inform the Committee’s understanding of the very real concerns which Scottish Councils share over the way in which these reforms are being brought about.

I would also like to draw the Committee’s attention to key messages from the councils given below, many of which have been touched upon in our submission and which are in the case studies attached to this letter.

The messages are as follows:

- Councils have very strong concerns generally at the absolute lack of detail in the Welfare Reform Bill itself, in particular they are concerned that there is no clarity on either on the proposals for centralisation of Housing Benefit or localisation of Council Tax Benefit and what resources are being provided to support transition into the new arrangements.

- The big message from Councils is that the timetable of less than 2 years for Council Tax Benefit local schemes to be in place and transition to full Universal Credit by 2017 is unrealistic. There is a need for a robust and achievable timetable to bring about the changes, recognising the full scale of the changes which Councils will need to bring about operationally.

- Councils are concerned that there is a real risk that large numbers of benefits staff will lose their jobs as a result of the reforms and that there is no clarity as to the role any Council staff will have in the transition to Universal Credit or delivery once UC is fully established. This uncertainty will impact on retention and motivation of staff and Councils’ ability to retain experienced staff over what will be a highly challenging transitional period.

- Councils anticipate major operational impacts and loss of economies of scale from withdrawal of the benefits functions due to their integrated
nature with other finance and housing functions and also where Councils have innovated with shared back office arrangements.

- The introduction of Council Tax local schemes will complicate this picture further and, above all, Councils have big concerns there is insufficient time to bring about the operational changes needed, this includes the re-design of software, re-negotiation of IT contracts, staff recruitment and retention, training and communication in preparation for whatever comes in place of the existing arrangements.
- Councils expect collection rates to drop significantly if the housing element is paid directly to individuals even if they step up recovery efforts which in themselves will have increased costs for Councils. There is an overwhelming strength of feeling that direct payment to landlords needs to continue in some shape or other even under Universal Credit.
- Under occupation is a key issue for Councils as in many instances the housing stock is not available to allow those who are under-occupying to move to smaller houses. This would require housing strategies and investment programmes to be re-focused at a time when with dwindling resources this investment is unlikely to be achievable. Therefore through no fault of their own tenants may be evicted and forced to present themselves as homeless and Councils will then be forced to focus more on crisis intervention rather than prevention strategies.
- Advice is another key issue highlighted by Councils as, whilst the Universal Credit is intended to be easier to understand, the complexity for the individual will increase as many will not have capacity to deal with paying rent and Council Tax and on line application. This will require significant advice mechanisms to be in place both by the voluntary sector and Councils own advice provision.
- There was a unanimous view from Councils that the amount available under Discretionary Housing Payments will be wholly inadequate to address the likely level of claimants and that, in any case, DHP is meant to be for crisis situations often one off in nature rather than an ongoing safety net.

I trust that the case studies and the messages set out above will provide the Committee with sufficient information to back up the concerns raised in COSLA’s written evidence and that the Committee will take these on board as it completes its scrutiny of the Welfare Reform Bill.

Yours sincerely

Cllr Pat Watters CBE
President of the Convention of Scottish Local Authorities
COSLA Evidence to the Welfare Reform Committee of the House of Commons Case Study – May 2011

City of Edinburgh Council

Introduction
1. This report details a case study undertaken by COSLA, in April 2011, of the City of Edinburgh Council (Edinburgh) to assist the understanding of the likely impact of the proposed welfare reform changes.

2. Edinburgh is Scotland’s capital city and has a population of 471,650 people (2008). The population is projected to increase to 550,932 people by 2033. The city has been responsible for generating 15% of the country’s wealth. The owner occupier sector remains the major tenure for households in Edinburgh. The Edinburgh Solicitor’s Property Centre stated the average price for a two-bedroom home in 2010 was £181,000; 20% higher than in 2005 and nearly five times the average household income in Edinburgh.

3. The city’s affordable housing is provided mainly by the council or Housing Associations. Edinburgh owns 21,137 properties (2009/10). There are nearly 25,000 people registered on Edinburgh’s single common housing register waiting to rent a Council or Housing Association home. A projected 16,600 new affordable homes are needed over the next ten years Edinburgh has a large private rented sector which has rapidly increased from less than 9% in 1991 to 19% in 2007/08. Given the shortage of supply in the social rented sector, the private rented sector is a primary housing option for homeless households. The number of homeless applicants being housed in the private rented sector has increased from 8.9% in 2007/08 to 11.7% in 2009/10.

4. Edinburgh was chosen as a case study for the following reasons:
   - it has a shortage of affordable housing;
   - the council owns its own housing stock;
   - there is a large private rented sector;
   - There is a Private Sector Leasing Scheme which now manages 1600 homes, which are used as temporary accommodation for homeless households

Key Issues
5. Key issues raised by Edinburgh were:
   - The removal of direct payment to social and private landlords will result in increased rent arrears and court action for both social landlords and private landlords. Increased rent arrears will not only have an impact upon the Council’s income directly but also on staff resources. The Government should consider retaining direct payments to social landlords within the new Universal Credit system.
   - The Government should consider postponing restrictions on service charges in temporary accommodation until 2013/14 in order to give local
authorities an opportunity to adjust to changes in income and to allow for consideration of other reforms in temporary accommodation finance.

- Restricted payments based on occupancy will present a considerable risk for the Council by increasing the demand for one bedroom properties. These are already in very short supply. This would require changes to the allocation policy and potentially expensive reconfiguration of properties. The Government could consider limiting under occupancy measures to larger properties rather than single people in two bedroom properties.

- The extension of the shared room rate to all single claimants under the age of 35 is a major concern. The demand for shared accommodation will increase dramatically.

- There is a danger that Landlords will not reduce rents to match the reduction in payments to those under 35. The evidence is that private rental rates are already being pushed up by lack of new build supply and mortgage lending restrictions. The Council will have to look at ways of supporting the development of shared accommodation in the private rented sector. The Government should consider direct payment of LHA to private landlords and phasing in the increase in the shared room rate to allow local authorities to better plan for the effects.

- Changes to DLA will increase pressure on the Council’s care services and reduce income from charging for services.

- The abolition of the social fund will increase pressure on local authority provisions. These do not have the same level of scrutiny and some changes in legislation would be required if they are to fulfil the same remit as the social fund. Any increase in resources required to meet this would have to be diverted from other priorities.

**General Trends**

6. The key trend for Edinburgh shows a narrowing of the gap between Edinburgh and Scotland unemployment rates. Edinburgh has previously had a significantly better performance on unemployment than the national average. Edinburgh has 38,610 Housing Benefit (HB) recipients, of which 27,240 are in the social rented sector. There are 42,770 Council Tax Benefit (CTB) Recipients. Scotland wide there are 468,720 HB recipients and 558,500 CTB recipients.

7. In 2009/10 42,921 applications to councils across Scotland were assessed as homeless. In 2009/10, in Edinburgh, 4,648 applications were assessed as homeless under the Homeless Persons legislation, of these applicants 3,814 were assessed as priority homeless applicants.

**Council Tax Benefit**

8. There is potential that the centralisation of CTB will result in increases in non-payment. This would result in both a loss of income and increased costs to attempt recovery. CTB is currently very difficult to recover, and this will be exacerbated if it becomes a direct payment. Edinburgh is concerned that HB and CTB debt will have a cumulative effect, and that debt recovery will be ranked according to the priority of creditors, with HB and CTB at the bottom of the
ranking list. Edinburgh want to see the retention of direct payment of HB and CTB to councils

9. Edinburgh raised the following questions about the centralisation of HB and CTB:
   - What will happen to the administration of the remaining Council Tax payments? How will that be staffed?
   - How will HB overpayments be pursued? By the council? Or centrally?
   - How will Council Tax liability be updated to reduce annual Council Tax charge? How will this link in with Council tax discounts/exemptions?

Housing Benefit and Housing Policy

10. The benefit changes that will have the greatest impact in the council are:
   - The removal of direct payments;
   - Decrease in HB payment to those who are under occupying (including shared room rate);
   - Changes to service charges for temporary accommodation; and
   - Uncertainty surrounding the reaction of the private rented market

Removal of Direct Payments

11. The removal of direct payments will likely increase rent arrears meaning that the council will have to direct more resources in to arrears management and collection. Approximately 75% of all council tenants are in receipt of HB (approx 50% receiving full benefit and 25% receiving partial benefit). The council will have to direct more resources towards management and collection of rent arrears, which could result in services being cut elsewhere.

12. Increased rent arrears will also have an impact on the council’s direct income and ability to borrow. This will limit the amount of money the Council is able to invest in maintaining existing stock, and the amount that is available for investment in new affordable housing. The Council might need to review the new social stock investment plans. A reduction in the income of Housing Associations will also affect the council. This is because they will also have reduced money to invest if rental income falls. Given the major shortfall in affordable housing in the City this is a major concern.

13. Tenants who fall in to rent arrears may also face legal action and ultimately eviction increasing pressure on council services such as advice and information, homelessness services and accommodation.

14. Should the council lose income due to the direct payment of HB, Edinburgh may have to consider carrying out a review of its allocations policies. It would need to reduce or prevent new tenants from moving into larger properties which will not be covered fully by HB in order to minimise the risk of increased rent arrears.

15. In order to mitigate the effects of the removal of direct payments the council may have to review rent charges. If rent charges are increased this could help to cover some of the extra costs involved in monitoring arrears and rent collection. However, this may make the cost of social housing unaffordable to those on the
lowest incomes. Lowering rental rates could potentially make it easier for people to keep up with rental payments, but this loss of income will limit the amount that the council is able to invest in new and existing housing across the city.

16. Another option would be to reconfigure existing stock. Larger properties could be divided to provide more 1-bedroom properties. This option would be very costly.

Decrease in HB Payment to those who are Under Occupying
17. As at 2009/10 the breakdown of Edinburgh’s housing stock by bedroom size is as follows:

<table>
<thead>
<tr>
<th>Bedroom Size</th>
<th>CEC Properties</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio/ 1 bedroom</td>
<td>6,047</td>
<td>28.6</td>
</tr>
<tr>
<td>2</td>
<td>10,925</td>
<td>51.7</td>
</tr>
<tr>
<td>3</td>
<td>3,601</td>
<td>17</td>
</tr>
<tr>
<td>4</td>
<td>549</td>
<td>2.6</td>
</tr>
<tr>
<td>5+</td>
<td>15</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>21,237</td>
<td>100</td>
</tr>
</tbody>
</table>

18. There is currently a significant mismatch between property size and demand. Edinburgh’s 2009/10 figures for affordable housing, showed that 61.8% of applicants require a 1 bedroom property. The above table shows that currently, 1 bedroom properties only compromise 28.6% of the council’s total housing stock.

19. Initial analysis suggests that around 1 in 20 existing working age tenants are under occupying council properties. Around 1 in 5 new lets are made to working age tenants who will be classed as under occupying when the new rules come into force.

20. Edinburgh does not currently have sufficient stock to meet demand if all tenants wish to downsize to avoid the difference between rent and housing benefit levels. This may result in increased pressure on temporary accommodation.

   It is recommended that the Government considers applying under-occupancy rates to properties of 3 or more bedrooms. This would prevent tenants who are unable to access smaller properties from being penalised whilst there are no suitable properties available. Edinburgh cannot meet demand for one and two bedroom properties within the current stock, and would need to consider building smaller properties. Any new build scheme would not meet this shortfall for a number of years.

Uncertainty Surrounding the Reaction of the Private Rented Market
21. There is a large demand for private rented property in Edinburgh. It is not yet clear whether private landlords will be prepared to continue providing accommodation for LHA claimants, particularly if their income is no longer protected by direct payments. It is also unclear whether private landlords will be willing to reduce rates in order to allow current tenants to remain in their home with reduced income. If landlords decide they can fill their properties without having to take on LHA claimants this will certainly lead to increased pressure on social housing and homeless services in Edinburgh, and have serious
implications on the council’s ability to meet its statutory obligation to provide all unintentionally homeless households with settled accommodation.

22. The council are already considering increasing investment in mid market rent to meet the demand for affordable housing that cannot be delivered through current social housing stock.

23. When LHA is reduced to the 30\textsuperscript{th} percentile it will be increasingly difficult for people to find properties in the private rented market within their budget, including those who face reduced income as a result of the extension of the shared room rate. As at April 2011, there are 250 1-bedroom properties available in Edinburgh. Of these, only 90 are below the new LHA rate of £475. There are 551 2-bedroom properties available, but only 178 are at or below the LHA cap of £595. Moving from RPI to CPI may lead to a shortfall in rent, and Edinburgh landlords are unlikely to reduce their rents if they are able to achieve more by renting to young professionals or students. Rents that currently sit within the LHA 30\% are often privately let ex-council stock.

Homelessness and Temporary Accommodation Funding
24. In meeting the 2012 homelessness target, Edinburgh is concerned about the continued uncertainty over funding temporary accommodation. Current guidelines allow the council to claim over £300 per week for service charges in temporary accommodation. This amount will be significantly reduced for accommodation that the council leases as of April 2011. At the moment, 17\% of the council’s temporary accommodation is leased. It is estimated that the proposed caps will result in the loss of approx £1.2m. The loss of this income will impact on other services. Re-negotiation of the rents of Edinburgh’s Private Sector Leasing initiative, which houses homeless applicants, will be difficult.

Extension of the Shared Room Rate
25. The extension of the shared room rate to all single claimants under the age of 35 is a major concern. In 2010/11, 985 single people under the age of 25 presented as homeless. These individuals would require shared accommodation if they are housed in the private rented sector. If the shared room rate was extended to all those under 35 during this period, the number of presentations requiring shared accommodation would have been 1,734. Given the shortfall in social rented housing in Edinburgh, this shows that demand for shared accommodation could increase dramatically when this measure is implemented in January 2012.

Social Fund and Locally Administered Financial Relief
26. Councils have a number of statutory provisions under which they are able, or may be required to provide assistance in cash or kind:

- Sect 12,12B Social Work (Scotland) Act 1968;
- Section 22 Children (Scotland) Act 1995;
- Section 27 and 29 payments Social Work (Scotland) Act 1968; and
- Sects 17,29 and 30 Children (Scotland) Act 1995.
27. There is considerable overlap between these provisions and the Social Fund. There is likely to be increased demand for payments from these provisions as a result of the abolition of the Social Fund. A number of other issues mean the need to consider amendments to primary legislation:

- The existing legislation does not permit payment in the same manner as the social fund – e.g. loans are not permitted under the Children (Scotland) Act;
- Some payments which are common under the social fund are not covered – for example travel expenses to visit someone in hospital;
- Current legislation does not cover all the people and circumstances covered by the social fund; and
- Current arrangements for funding these provisions are not sufficiently robust, and the amount of funding available will need to be increased. Systems for challenging decisions are not as sophisticated as social security review and appeal procedures and will need to be changed.

28. Current local authority budgets cannot be diverted to cover the increased demand without cutting other vital services. It is important that adequate funds are provided to local authorities for the increased demands.

Disability Living Allowance

29. DLA is a very important benefit to enable people with disabilities to maintain themselves in the community and in employment without reliance on Health and Social Care services. The lower rate of care component in particular enables people to live independently and to avoid deterioration in their condition. Removal of this rate of benefit will increase demand for Health and Social Care services such as home care. Reductions in the amount of DLA will have the effect of reducing income for charges for social care services. This in turn will result in further restrictions in the service available for people with disabilities.

30. This change, combined with the abolition of the Independent Living Fund will result in increased demand for Health and Social Care and other council Services – both community care services and advice services. People with disabilities will have significantly lower incomes to deal with the extra costs of living with a disability. They will need additional support if they are to remain in the community. For some the difficulties will be such that they simply cannot continue to remain in the community, and they will need to move into more expensive (both for the council and the individual) and less independent living arrangements.

31. Receipt of DLA results in further increased income in other benefits as well (Pension Credit for those over age 60, Income Support, Employment and Support Allowance, for those of working age, housing benefit for all eligible tenants, council tax benefit for council tax payers etc.) Overall, in 2010-2011 the increased benefit entitlement as a result of the advice undertaken by the Welfare Rights Service at the Advice Shop was over £13 million (final figure to be confirmed).
32. The Welfare Rights Service and other advice agencies funded by Edinburgh already face considerable demand for assistance with claims and appeals on Disability Living Allowance (DLA). This is likely to increase significantly. There are currently 22,865 DLA recipients in Edinburgh. People with disabilities often need help with the extensive DLA claim form. Edinburgh’s Welfare Rights Service provides advice and assistance with this, as do a range of Health and Social Care staff and other advice agencies funded by Edinburgh. With the proposed changes demand is likely to increase. Increased medicalisation of the process is also likely to increase demand for supporting evidence from health professionals, and social care professionals – in particular social workers and occupational therapists.

33. Edinburgh’s Welfare Rights Service (and other Health and Social Care staff) help people to challenge unfavourable decisions by appealing. In 2 out of 3 cases, the DLA decision changes following an appeal in favour of the disabled person. The Welfare Rights Service represents at around 300 appeal hearings per year on DLA, and over 70% of these are successful. The demand for this assistance will increase substantially as a result of increased rates of refusal and increased medicalisation of the rules.

**Childcare**

34. The position in relation to childcare within the new Universal Credit is still not clearly enough defined to assess the impact fully. Help with childcare costs is currently inadequate in a number of areas and any reduction in support will make it increasingly difficult for parents and carers to return to work.

35. Scotland’s childcare infrastructure differs from that in England in that there is no legislative duty on councils and a limited means of systematically monitoring Scottish wide provision. Moreover the UK Government has agreed to subsidise childcare for two year-olds in England and Wales. This does not apply to Scotland.

36. In Scotland in 2008, there were 42,500 parents receiving help with childcare costs through tax credits. They were in receipt of a total annual income to pay towards childcare of £147 million. Reductions in that income for working families will reduce the ability and the choices of parents.

37. The cost of childcare provision has risen across the UK, but the increase in Scotland has been greater than elsewhere. Research undertaken by the Daycare Trust Childcare show that costs have typically increased by more than the average wage, placing parents under further financial strain in the face of rising living costs. The cost of a childminder for a child aged two and over in Scotland increased by 8.3 per cent - almost four times as much as the average wage.

38. At the same time as costs have been increasing, availability has been reducing. Councils are not in a position to make a serious impact on increasing affordable childcare provision unless additional resources are made available.
Economic Development/Job Creation

Edinburgh’s Employability Model

39. Edinburgh, in partnership with colleges and the NHS, has a new employability model which targets groups that are not ready for employment through single work programmes. They are focussing on individuals on incapacity benefit and alcohol and substance mis-users. It aims to engage with clients as early as possible, and to better integrate their support mechanisms. These target groups will be entering the labour market at minimum wage.

40. However, there is the problem of data sharing between agencies regarding benefit claimants and data protection issues. This means it is hard identify individuals within the target groups. Edinburgh has a focus pilot in Craigmillar and Muirhouse which has identified 40 families that are considered ‘high tariff’. They are introducing these families to support services.

41. To get more people in to work the local economy needs to be expanded for entry level jobs, as well as, motivating individuals to enter the labour market. Council still need to sustain target group individuals once they are in employment e.g. help with paying rent and council tax.
Introduction
1. In support of COSLA’s previous submission to the Committee, this case study presents further evidence from Glasgow City Council for the Committee’s consideration.

2. Glasgow City Council is an urban housing stock transfer local authority with a population of around 592,820, which accounts for approximately 11.4% of the total population of Scotland.

3. Glasgow City Council was chosen as a case study local authority for the following reasons:
   - Glasgow is an urban housing stock transfer council
   - Glasgow is Scotland’s largest City, and the largest of the 32 Scottish local authorities
   - Glasgow has particular social and economic circumstances which will heighten the impact of welfare reforms in the city

Key Issues
- Glasgow has a high number of recipients of welfare benefits and reductions in benefits to residents and issues around direct payment and potentially increased arrears will reduce the council’s income
- Glasgow effectively has stock standstill this year with under/over occupancy likely to emerge as an issue, due to the likely rise in household growth but reduction in household size
- Registered Social Landlords (RSL’S) view direct payments as a threat to income, and there is an expectation of increasing rent and council tax arrears
- Glasgow may have greater difficulty in meeting the Scottish Government’s 2012 homelessness targets due to the effects of welfare reform
- Glasgow uses it’s full allocation of Discretionary Housing Payment (DHP), and the additional funds offered will make little impact given the size of the losses
- There will be increasing numbers of people drifting into the worklessness category in the city, and welfare reform will make it more difficult to direct specific initiatives/interventions at this group
- Reductions to Disability Living Allowance (DLA) is likely to have a significant impact on the councils non residential care charging policy
General Trends

4. Glasgow exhibits a relatively high score across a range of deprivation measures, and the rate of unemployment in the city often exceeds the Scottish average. As such, Glasgow continues to experience large concentrations of worklessness, even during periods of growth, and has the highest rate of poverty in Scotland. However, Glasgow City Council remains committed to addressing high levels of worklessness and poverty within the city. In advocating a pro-active approach to easing hardship, Glasgow has been the highest spender of Discretionary Housing Payments (DHP) in the UK in recent years.

5. Up to the recession, and according to the Scottish Index of Multiple Deprivation (SIMD) Glasgow’s share of Scotland’s overall deprivation has been falling, which is supported by other indicators such as the proportion of working-age adults on benefits. Even though worklessness rates have increased recently, as a result of the recession, they are still lower than the rates in the 1990s and early 2000s.

6. The major concern remains that areas of severe and persistent deprivation become cut off from the rest of the city, and that levels of inequality within the city widen. It is possible that areas of less severe deprivation could move out of deprivation while at the same time areas of severe and persistent deprivation are relatively untouched.

Welfare recipients in Glasgow

7. Within Glasgow there are estimated to be 199,000 recipients of DWP benefits, which includes 101,000 of working age. There are 91,740 recipients of state pension, and 44,990 of these recipients also claim the pension credit within the city. Furthermore there are 64,600 families in the city in receipt of Tax Credits. Glasgow has 90,560 recipients of housing benefit, and 101,480 recipients of council tax benefit, with 82,000 claiming both housing and council tax benefit.

8. There has also been a growth in those claiming Job Seekers Allowance, this was 25,145 in February 2010 and rose to 26,045 in February 2011. At the same time there has been a decrease in the numbers of vacancies notified, and the numbers of individuals moved into employment. Although some movement will be seasonal, it is anticipated that there will be an overall decrease in the numbers of vacancies which will be available.

9. In addition Glasgow has 36.5% of its households reliant on Housing Benefit and/or Council Tax Benefit and has the highest rate of reliance on Housing Benefit/Council Tax Benefit in Scotland. In terms of other cities and major population areas in the UK, only Liverpool, Middlesbrough, and the London Boroughs of Hackney and Newham have a higher proportion of households reliant on Housing Benefit or Council Tax Benefit. This highlights the scale and significance welfare reforms will have for Glasgow.
Glasgow City Council’s response to welfare reform

- Coping strategies have targeted resources and services to those in greatest need, such as funding for specific projects via the old Fairer Scotland Fund;
- Ameliorating strategies to minimise the worst effects of deprivation, such as the financial inclusion strategy, credit unions and Scotcash;
- Transformative measures designed to fundamentally improve areas, including the housing Transformational Regeneration Areas and the employability measures covered by Glasgow Works.

The recession, cuts in public services and the possible effects of welfare reform have made the implementation of these strategies much more difficult.

Specific work undertaken to monitor the effects of the recession and welfare reform include:

- Officer and member briefings on key economic trends, and likely cost impact of welfare changes;
- Monitoring claimant numbers via the Scottish Observatory for Work and Health;
- Profiling likely effects on services via joint work with NHS Greater Glasgow & Clyde.
- Briefing sessions by welfare rights team to Advice Agencies on impact of changes to the welfare system and time line for implementation
- Reports taken to the Corporate Management Team and to the Executive Committee highlighting the financial impact of benefit cuts to the Glasgow economy.

Impact of welfare reforms

10. Reforms to the welfare system will have significant and far reaching impacts upon the most vulnerable citizens of Glasgow as well as on Council Services, revenue, staff, RSLs and private landlords. The reduction of welfare will have financial consequences for citizens in terms of increased indebtedness and the increased risk of homelessness, thereby increasing demand for Council services. Changes to Housing Benefit for private sector tenants will lead to high rent areas of the city being less affordable, and potentially leading to a concentration of private sector claimants in low rent areas within the city. It is also believed that there may be increased ‘in work’ poverty within the city due to the reforms to the welfare system.

11. Further issues which may arise for the Council in light of welfare reforms are the efficiency of rent collection and rent arrears, and risks to revenue streams and the capacity for future borrowing. The reduction in council tax benefit resulting from non-dependant deductions could lead to increases in unpaid council tax. This would obviously impact upon the funds available to the council for provision of services to residents and for future planning.

12. There has been a steadily reducing administration subsidy from DWP, from £13.3m in 2006/07 to £9.5m in 2011/12. The DWP provided an additional
£23,000 of administration grant to cover the changes effective in 2011/12. Changes to the administration of welfare and benefits clearly need to be considered in light of this decreasing funding from DWP, and the minimal amounts being offered to help deal with the changes.

13. There will also be a need for customer-facing staff to receive training to allow them to deal with enquiries which arise from the changes. The role and provision of advice will be a crucial issue as the reforms progress, and there is likely to be increased demand for such services. Again, these issues will need to be considered in light of tightened financial circumstances for local government and the current review of advice services.

Council Tax Benefit (CTB)

CTB currently awarded to Glasgow City Council and impact of proposed reduction

14. Currently £74.6 million of CTB is awarded to Glasgow City Council. Assuming the proposed 10% cut in CTB is shared equally and the monies continue to be paid direct to the council, Glasgow will have to collect an additional £7.46 million in council tax to maintain existing income/collection rates.

15. If the monies are paid directly to the claimant as part of Universal Credit the claimant will have to choose to make payment to the council. Affording the claimant that level of responsibility at the same time as housing and other elements of the Universal Credit are capped may increase the risk that monies intended for council tax are used for other purposes. This could put downward pressure on collection rates for CTB recipients, thereby further impacting on the council's income and the indebtedness of the customers.

Council tax liability, balances, and unpaid balances in Glasgow City Council

- At 31st March 2011, there were 68,404 accounts or 26.65% of the caseload with a balance of greater that zero for 2010/11. Of those 5,545 or 2.16% have a balance of less than £10.
- At 31st March 2011, 23,266 CTB recipients had a balance outstanding for council tax of more than zero for 2010/11. This equates to 19.57% of the overall CTB caseload (full and partial CTB).
- At 31st March 2011, 56,577 or 46.93 % of CTB recipients had a balance of greater than zero for Water and Waste Water for 2010/11.
- £16.50 is the estimated cost of collection for 2010/11 per property. This is net of Scottish Water contribution of around £5.50 per property giving an actual cost of around £22.00.
Housing Policy and Housing Benefit (HB)

Background and tenure profile

16. The Scottish Index of Multiple Deprivation (SIMD) is a relative measure of deprivation and the latest SIMD for Glasgow indicates an improvement on previous years showing Glasgow’s population living in the bottom 15% datazones has fallen by 64,887, or by 21.1% from 2004.

17. However, there remain over 240,000 people living in the most deprived parts of the city, representing over 41% of Glasgow’s population, meaning that Glasgow still has disproportionately more people living in extremely deprived areas. This can be defined as the bottom 5% - the 325 most deprived datazones in Scotland. While the number of datazones in Glasgow in this category has fallen from 226 in 2004 to 169 in 2006, and to 147 in 2009, almost half the datazones in Scotland of this type are in Glasgow.

18. It is estimated that around 36% of all households in the city receive Housing Benefit (HB) and/or Council Tax Benefit (CTB), which is the highest rate of reliance on HB/CTB in Scotland. This equates to about 109,000 households and is split by tenure as follows:

- Housing Association (including Supported Accommodation) 76,256
- Private Rented Sector 13,129
- Owner Occupied (CTB only) 19,824

The overall tenure profile (as at April 2010) for Glasgow is shown below:

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Stock</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Occupied</td>
<td>140,743</td>
<td>48%</td>
</tr>
<tr>
<td>Private Rented Sector</td>
<td>44,543</td>
<td>15%</td>
</tr>
<tr>
<td>Glasgow Housing Association</td>
<td>62,168</td>
<td>21%</td>
</tr>
<tr>
<td>Other Social Rented</td>
<td>48,146</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>295,600</td>
<td></td>
</tr>
</tbody>
</table>

19. The owner occupied sector makes up just under half of the stock in the city. Therefore most stock is rented, either social or private rented, with the latter increasing significantly in recent years.

Make up/availability of housing stock

20. In terms of make up and availability of housing stock in Glasgow around a third of the stock is made up of one or two apartment dwellings in the RSL sector. For housing in the city as a whole, 17% of homes consist of one or two rooms with 56% being 3 or 4 rooms. This proportion of smaller sized accommodation should not obscure the fact that the changes regarding under occupancy for working age households, the extension of single room rate to 35 and increased non-dependent deductions present real and significant problems to households and landlords in the city.
21. Although the rate of growth in single adult households is estimated to have levelled off there are still projected to be almost 140,000 single adult households by 2018. At 2008 the estimate was 116,000. Estimates indicate from the above that out of a total stock for the city (295,000) there are about 50,000 properties with one or two rooms. In the RSL sector data shows that there were about 34,000 one and two apartment dwellings in 2009/10 but less than 5,000 were single apartments. More refined analysis is required but there are indications that there may be fairly significant levels of under-occupancy by households many of which will be on low incomes and/or may be eligible to housing benefit. Part of this analysis has to identify where households are under-occupying if households are working age.

22. Even if in numerical terms there is no issue in respect of supply of smaller accommodation, the condition, type, and location still needs to be taken into account. If properties are in unsuitable locations, wrong house type or poor condition, this will affect supply. Landlords may not have access to private finance (partly due to increased loan costs resulting from welfare changes) in order to bring dwellings to suitable standards.

**Impact on the housing sector**

23. Welfare reform will have a significant impact on Glasgow’s housing sector. Although most of the analysis below focuses on housing benefit issues many tenants who claim HB will be dependent on other benefits and/or low paid employment.

24. For example, about 75% of tenants of Glasgow’s largest RSL (Glasgow Housing Association- GHA) are in receipt of Housing Benefit. 61% are on full HB and 14% on partial HB. For the social rented segment of the housing sector as a whole, there is still likely to be a significant level of reliance on HB (about 70%). Measures such as the increase in non-dependent contributions, reduction in benefit for working age households that underoccupy, and the extension of the shared room rate (the lowest Local Housing Allowance rate) to single adults up to the age of 35 will increase pressure on the social rented sector, impose additional administrative costs on landlords and the City Council, and may affect the pattern of investment and re-structuring of the housing supply. For example the impact of extending the age range for shared room rate will affect 1700 claimants with an annual loss of £2.1m.

25. The private rented sector (PRS) also has a large proportion of tenants who claim housing benefit although not to the same degree as the social rented sector. Currently, almost three in ten tenancies in this sector attract an element of subsidy through HB/Local Housing Allowance (LHA).

26. There has been some commentary that linking the Local Housing Allowance (LHA) to the 30th percentile rather than the median rent for the Broad Rental Market Area (BRMA). It is estimated that this will affect 9,000 claimants resulting in an annual loss of £5.45m.

27. There are suggestions that this change might reduce rents in the longer term. However, the segment of the market represented by buy to let owners may
prevent this happening to any great extent. The loan covenants for buy to let may not allow rents to fall below certain levels. It may well be that landlords move out of this market segment. Analysis has indicated that the PRS sector may shrink by as much as 20% over time due to the LHA change to 30th percentile (Scottish Government Community Analytical Services).

28. The cap on LHA may make the high rent areas in the city unaffordable for poorer households. This will increase pressure on the social rented sector and may further concentrate poor households in parts of the city where social rented sector predominates. There are real threats that homelessness representations will increase at a time when the 2012 homelessness target has to be met.

29. The impact of the welfare reform changes will be cumulative and therefore will affect the whole housing sector in short, medium and longer term to the extent that the structure and characteristics of the sector may radically change. Therefore it is felt that further research is necessary.

Impact of direct payments
30. Direct payments are an area of great concern for landlords. Previous pilots south of the border whereby housing benefit was paid direct to the tenant received criticism from landlords and others because of the adverse effect on rental income and increase in arrears.

31. There are two aspects to Universal Credit (UC) that are concerning – Housing Benefit being subsumed into UC and that it is paid directly to the claimant. The concern is that tenants may not regard rent payment as a first priority, that there are other household costs that have to be met and that other debt has to be managed (where there is a fixed income is constrained).

32. It is anticipated that the direct payment of Universal Credit to tenants will lead to increases in rent arrears, more demand for welfare benefit counselling and undermine tenancy sustainment. If tenants cannot sustain tenancies void levels and associated costs will increase.

33. Glasgow has the highest levels of poverty in Scotland and increases in rent arrears could impact on a large number of low income households and also impact upon the income stream for RSLs, thereby limiting their ability to develop affordable social rented housing.

34. The fact that Housing Benefit will be subsumed into UC may have an effect on rent increases. UC will rise by CPI on an annual basis. RSLs normally increase rents annually (after consultation) by some percentage point above RPI: will they have to review increasing rents by RPI+ and move to the CPI index? If so, how might that affect loan covenants with lenders and their working capital?
35. The focus of housing management services will increasingly be in areas highlighted above and a higher proportion of organisations’ costs (and income) will be directed here rather than in other areas of service delivery and/or asset management.

36. Households in greater financial stress, particularly if they do not have access to jobs will make greater demands on welfare and advice services. The impact of increases in non-dependent deductions may mean that more adult children leave the household with the risk of becoming homeless.

Impact of reforms on rents/new builds
37. It is also envisaged that reforms will impact on rents and new builds. The degree of certainty of income stream to RSLs is an important risk factor for lenders when assessing lending to RSLs. Direct payment of Universal Credit to tenants for instance may be viewed as a greater risk compared to direct payment to landlords. It is likely that lenders will see greater risk to rental income streams for RSLs and price their loans accordingly. RSLs have already experienced renegotiation of loan covenants with lenders that have increased their costs before the impact of welfare reform because of the crisis in the financial sector.

38. There are administrative aspects to this change which may also adversely affect households and landlords. Housing Benefit is currently administered by local authorities on behalf of the Department of Works and Pensions (DWP). UC will be administered by DWP rather than Local Authorities with this transition being a phased approach.

39. Higher cost of borrowing will be reflected in higher rents and may also deter RSLs from developing. RSLs could use reserves but their capacity to do so will not be inexhaustible.

40. As a local authority with no stock of its own, Glasgow’s strategic aims with respect to meeting housing needs may be undermined as a result; there may be increases in homeless applications and our capacity to meet these needs will be curtailed by the nature of some of the proposed changes.

41. Supply and demolition, and under/over occupancy are likely to emerge as significant issues. There is an effective stock standstill in Glasgow, GHA have a demolition in place, but counter to that this year it is unlikely that there will be any supply of new units. Again this creates difficulties if insufficient housing is being retained, and has an effect on the drive to eradicate fuel poverty. Under/over occupancy is also likely to emerge as an issue due to the time much of the stock was built, population growth, and the projected new households, which are likely to be smaller in size.

Impact of reforms on homelessness
42. It is also considered that the welfare reforms will impact on homelessness services. The cuts to DLA will mean that some people currently protected from non dependent deductions will be faced with them in the future. Non dependent
deductions this year rose by 27% (potential further increases in the next two years). These two factors in conjunction with lower housing benefit payments in the private sector will make it more difficult, particularly for households with non dependents. Glasgow City Council are expecting to see a number of younger adults leaving home through necessity in order to protect the housing benefit income of their parents.

43. The announced increase to the age of 35 before a single adult is entitled to housing benefit above the shared room rate will make it difficult to meet homelessness responsibilities in that the rental levels may be above the amount available through Housing Benefit. Additionally it will often be inappropriate to place a vulnerable homeless person in shared accommodation.

44. Welfare reforms are also likely to impact upon the Council’s ability to meet the Scottish Government’s 2012 homelessness targets. At present these are challenging targets and welfare reforms will make it more difficult to achieve these targets.

Discretionary Housing Payment (DHP)

45. Glasgow has been the highest spender of Discretionary Housing Payments (DHP) in the UK in recent years, supporting a pro-active approach to easing hardship. The UK Government has announced an increase in funding for DHP UK-wide of £10m. However, Glasgow has not fared well in terms of the allocation of this additional funding, with an increase of only 5%, amounting to around £60,000.

46. Demand for DHP will rise due to changes to Local Housing Allowance and, in comparison with other areas, Glasgow’s allocation is inadequate as the average increase in Scotland is 14%, and a sample of councils in London and South East England reveals average increases of 86%. Glasgow City Council have requested further information from the DWP in terms of the allocation to Glasgow, and have also highlighted the inadequacy of the increase.

Social Fund and Locally Administered Financial Relief

Details of emergency payments and spend on emergency payments

47. Section 12 Social Work (Scotland) Act and s22 Children (Scotland) Act are administered with local Social Work Offices. Discretionary Housing Payments are administered within Financial Services.

48. Section 12 is an emergency payment to vulnerable adults who present at a Social Work office as destitute. The payment can be made to purchase a fuel card when electricity has been cut off or for food or other essentials. Section 12 can also be granted for “promotional use” within a community. These are usually small payments to voluntary groups in a community who provide a service to individuals who would otherwise be requiring a service from social work, e.g. a group who work with disabled children.

49. Section 22 are payments made to families in crisis, which would prevent a child(ren) having to be placed in accommodated by the council. This involves
the department assuming parental rights over these children. The payment could be for beds, white goods, clothes or associated expenses. Payment is to maintain the children at home whilst at the same time assuring their welfare.

50. The payments under sections 12 and 22 are generally made to service users known to the social work department. They are generally allocated cases, in that they have an assigned social worker. As they are known to the department, a financial assessment/maximisation of benefits check would have been carried out at the initial assessment stage.

51. In terms of Glasgow’s spend to date for 2010/11 on Section 22, this amounts to £275,732 and for Section 12 stands at £19,577.

**Disability Living Allowance (DLA)**

**Impact of reductions in DLA on Glasgow City Council’s non residential care charging policy**

52. The UK Government’s attempt to save 20% of DLA budget is likely to have a major on Glasgow City Council’s non residential care charging policy. Total weekly loss of income to the authority through homecare charges would be approximately £10,000. Total annual loss would be in excess of £500,000. Currently 60% of DLA appeals represented by the welfare rights team in the council are successful, if this level of success is continued it could be possible to directly protect around £300,000 of the annual money generated by the non residential charging policy.

53. The government’s proposals to reduce the numbers of recipients of DLA will predominately affect those under 65 years old and there will be a corresponding effect on income raised by all local authorities including Glasgow.

**DLA recipients and estimated loss of income**

54. As at July 2010 there were 8,284 service users receiving a homecare service in Glasgow. Scottish Government statistics show that in Scotland 24.86% of such service users are under 65. This gives a figure of 2,060 relevant cases in Glasgow.

Statistics from the DWP indicate there were 48,550 DLA care component recipients in Glasgow. Awards were split between the rates in the following ratio:

<table>
<thead>
<tr>
<th>DLA Care</th>
<th>Highest Rate</th>
<th>Middle Rate</th>
<th>Lowest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Total</td>
<td>27.5%</td>
<td>41.9%</td>
<td>30.6%</td>
</tr>
</tbody>
</table>

DLA care component was until April paid at the following rates:

<table>
<thead>
<tr>
<th>DLA Care</th>
<th>Highest Rate</th>
<th>Middle Rate</th>
<th>Lowest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly Amount</td>
<td>£71.40</td>
<td>£47.80</td>
<td>£18.95</td>
</tr>
</tbody>
</table>
In order to simplify this analysis, certain assumptions have been made:

- All service users receiving homecare will be in receipt of DLA. This would be expected after the involvement of theIncome Maximisation team.
- All service users are assessed as single people. There are different rates for couples and there is insufficient data to assess the ratio between single people and couples.
- All service users are receiving a 'standard' amount of means tested benefit such as income support and do not have other sources of income.
- Each of the three rates of DLA will be affected equally by the Government's proposed 20% reduction in caseload.
- The charge threshold has been set at the rate for those under 60 and income assessed at the equivalent rate. Those in the age group 60 – 65 are entitled to Pension Credit and have a higher income and charge threshold.

The income and charge of each group was calculated and is detailed below:

<table>
<thead>
<tr>
<th>DLA Care</th>
<th>Highest Rate</th>
<th>Middle Rate</th>
<th>Lowest Rate</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Components</td>
<td>HRC, PA, DP, SDP, EDP</td>
<td>MRC, PA, DP, SDP</td>
<td>LRC, PA, DP</td>
<td>PA, DP</td>
</tr>
<tr>
<td>Weekly Income</td>
<td>£232.15</td>
<td>£194.90</td>
<td>£112.40</td>
<td>£93.45</td>
</tr>
<tr>
<td>Charge Threshold</td>
<td>£109</td>
<td>£109</td>
<td>£109</td>
<td>£109</td>
</tr>
<tr>
<td>Weekly Charge</td>
<td>£43.10</td>
<td>£30.07</td>
<td>£1.19</td>
<td>£0</td>
</tr>
</tbody>
</table>

Note 1: H/M/LRC – Highest, Middle, Lowest Rate Care; PA – Personal Allowance; DP – Disability Premium, SDP = Severe Disability Premium; EDP – Enhanced Disability Premium

Using these figures the potential loss of income to the authority can be calculated as follows for the 2,060 total homecare service users in Glasgow:

<table>
<thead>
<tr>
<th>DLA Care</th>
<th>Highest Rate</th>
<th>Middle Rate</th>
<th>Lowest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of total caseload</td>
<td>27.5%</td>
<td>41.9%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Number of Cases</td>
<td>566</td>
<td>863</td>
<td>630</td>
</tr>
<tr>
<td>20% reduction in line with Budget</td>
<td>113</td>
<td>173</td>
<td>126</td>
</tr>
<tr>
<td>Weekly Charge</td>
<td>£43.10</td>
<td>£30.07</td>
<td>£1.19</td>
</tr>
<tr>
<td>Weekly loss to the authority</td>
<td>£4870.30</td>
<td>£5202.11</td>
<td>£149.94</td>
</tr>
</tbody>
</table>
55. The total weekly loss of income to Glasgow City Council through homecare charges would be £10,222.35. The total annual loss to the authority would be £531,562.22. These figures are at 2010/11 levels but the change will not take place until 2013/14 and therefore the total would be expected to rise. These figures do not take into account the wider loss of income in local communities from the cut in the income of affected claimants, and also do not take into account any effect of Housing and Council Tax Benefits which would also have a direct impact on the authority.

Tribunals
56. In terms of pursuing tribunals between April 2009 and April 2010 there were 1,009 DLA appeals represented by the Glasgow’s Welfare Rights Team within Social Work Services. 46% of all the appeals within that year were DLA appeals. Of those DLA appeals 58% were successful. The total additional benefit payable to individuals as a result of successful DLA appeals was £2.2 Million per annum. This figure includes additional means tested benefits that would become payable as a result of winning the appeal. The above appeal success rate for DLA if maintained under the new rules could potentially save 58% of the projected loss outlined above. Costs per appeal are approximately £110 covering salary costs of welfare rights officers in the appeals team and administrative support.

Childcare
57. Families with children have several different benefit changes; there is the freeze on child benefit and the increases in respect of children in tax credits. However for working families in receipt of housing benefit and council tax benefit, payments of tax credits are assessable income and as such they stand to have up to 85% of the extra tax credit payments clawed back through the benefit taper. As child benefit is disregarded for HB/CTB, the situation would have been better for working families in receipt of HB to have any extra money paid as child benefit. This in conjunction the cut to the amount allowed for child care within Tax Credits available to working families is out of step with the overarching principle of the reform process in terms of making work pay.

58. In Glasgow there are 67,550 families claiming child benefit for 109, 535 children. This will result in an estimated annual loss of £5m.
Economic Development / Job Creation

Partnership working

59. With welfare reform being based upon local opportunities for claimants to enter the labour market, Glasgow City Council are clear that partnership working is essential. The City Council, the Glasgow Regeneration Agency, Skills Development Scotland and the Chamber of Commerce are focusing on greater collaboration and employer engagement.

The Council is looking to achieve:

- a more coherent message from across Employability Programmes;
- targets for securing sustainable employment for targeted clients/claimants and to;
- an increase in the number of employers taking on targeted clients/claimants.

60. The partnership are seeking to demonstrate a strategic approach to economic growth across the city. The Council will work closely with Jobcentre Plus and the new DWP Work Programme Prime Contractors, Working Links and Ingeus/Deloitte. There is also a need to ensure successful delivery of the Glasgow City Council Commonwealth Jobs Fund, which is creating 1000 jobs for young unemployed people in the city.

61. Glasgow City Offenders and the Employability Strategic Group, Glasgow Works and the Glasgow Community Justice Authority are addressing current activity and practice in the area of employer engagement in relation to supporting offenders/ex-offenders to access labour market opportunities in the city. Raising the profile of offenders/ex-offenders as a potential workforce amongst city employers is one of the group’s key actions.

62. Education Services are leading on the School Gates Initiative. This is about raising employment and employability opportunities with parents, particularly those on low income, 50% of whom are Lone Parents. The Young Parent Project is working with women who are 13 weeks pregnant, in terms of addressing employability and parenting issues. The Bridging Service works with health and social care services addressing and bridging the gap with employability.

Availability of work, low pay, and employability outcomes

63. In terms of the work available, in February 2011 there were 26,045 JSA claimants in Glasgow, 3,175 vacancies notified, 4,045 moved into employment compared to 25,145 JSA claimants, 3,455 vacancies notified, and 4,180 moved into employment in February 2010.

64. Low Pay remains an issue across Scotland with Dundee and Glasgow being the urban local authorities with the highest proportion of low-paid workers. Pay rates also vary by industry with the lowest rates of pay being in the food, beverage, accommodation service and retail sectors.
65. Rates of low pay also vary between the public and private sectors. Although directly employed public sector workers are less at risk of low pay than those in the private sector, they nevertheless account for around one-fifth of all those in low pay. Nearly all of these are women and just about all of them work in either education or health, including social work.

66. The impact of welfare reforms, including increased conditionality, will increase the challenge of achieving employability outcomes, particularly for lone parents and people with health related conditions. This is especially true in a labour market which is constricting and increasingly competitive. Whilst this has been a priority focus of Glasgow’s employability activity, it is anticipated that the enabling and person centred approach which had been fostered and encouraged may be put at risk. In addition, Glasgow anticipate an increased demand for support and access to employability related services at a time when, due to financial pressures, services are being revised.

Other Issues

67. A variety of other issues relating to reform of the welfare system and associated implications, questions, and details of the reform process were raised by Glasgow City Council. These include:

- Staff implications of the reforms, both during the transitional period and after 2017
- Administration of a diminishing Housing Benefit caseload from 2013
- Loss of economies of scale and the efficiency of combined Housing Benefit and Council Tax Benefit assessment, and the resultant higher cost of administration
- Further reductions in the administration grant received from the DWP
- Uncertainty over possible subsidy reductions
- Lack of detailed and available knowledge and information about the council tax localised scheme
- Uncertainty relating to the 10% reduced budget for localised scheme and whether local authorities would be expected to fund the shortfall
- Lack of confirmation from the DWP as to whether TUPE arrangements will apply to fraud staff from 2013
- The need for local authorities to inform the introduction of a benefit cap in Housing Benefit in 2013 which will have significant impact on households. This is crucial as from a local authority perspective this means information will need to be gathered, which was previously not required, in order to ascertain the level of welfare benefits a claimant receives. This will determine the excess to be deducted from Housing Benefit. e.g. at present if a claimant is receiving Income Support the council will automatically award maximum HB/CTB. From 2013 it will be necessary to establish the actual amount of income support to determine if an excess applies when added to other benefits. This will require additional work and
resource, and changes to software. This represents a large amount of work for a diminishing caseload

- Local Authorities’ forte is in providing frontline services particular to vulnerable client groups; there is a need for local authorities to be involved to protect these vulnerable individuals

68. There are a variety of issues on which Glasgow City Council felt that additional information was required in relation to the ongoing process of welfare reform.

- Localised scheme for council tax
- What, if any frontline services will be utilised by DWP in administering Universal Credit
- Questions over what will happen to homeless; supported; exempt accommodation housing costs as the Welfare Bill advises they will not be part of Universal Credit (UC).
- What is a ‘housing cost’ and how will this be determined for both working age and pensioners?
- What will be the staffing implications?
- Local Authorities have put an infrastructure in place at a cost to administer housing and council tax benefit. Will Local Authorities be reimbursed as a result of redundancy; TUPE; IT; property costs?
COSLA Evidence to the Welfare Reform Bill Committee

Case Study Evidence

The Highland Council

Introduction
1. This report details a case study undertaken by COSLA, in April 2011, of Highland Council to assist the understanding of the likely impact of the proposed Welfare Reform changes.

2. Highland Council has a population size of 220,000 people and covers an area of 26,484 square kilometres, around 11% of the total size of Great Britain. The population is increasing particularly in the Inverness area however the growth is not evenly spread and this presents challenges to the Council as does a trend toward smaller and more numerous households.

3. Highland Council was chosen as a case study for the following reasons:
   - It is a large geographically diverse and predominantly rural local authority;
   - the council owns its own housing stock;
   - It has unique local social circumstances particularly around remoteness of many of its communities.

Key Issues

- The timescales for change are extremely ambitious and the impact of change needs to be fully assessed in the Scottish context.
- The Council believes that a local approach is more effective both for Council Tax Benefit and Housing Benefit.
- Staff retention and motivation over the transition period are a major concern as is the impact of the changes on any future shared services arrangements.
- The reduced funding available for Council Tax Benefits and for DLA will impact on individuals and will force the Council to make difficult decisions over the support it gives to them.
- Direct payments to individuals of either Housing Benefit or Council Tax Benefit will lead to significant increases in arrears and collection costs and will have financial implications for the Council.
- The Council is concerned about the impact that welfare reform will have on homelessness particularly in such a geographically sensitive an area as is covered by the Council.
- Employability is a big issue for the Council and it is not clear how the welfare reform changes will enhance the prospects of getting people into employment within the Council’s area.
General Trends

4. Economic activity in Highland is high compared to Scotland and UK. However, whilst the rate of unemployment and those claiming out of work benefits is lower than Scotland and the UK, significant challenges remain in Highland.

5. The Single Outcome Agreement between the Community Planning Partners in Highland and Scottish Government identifies key strategic priorities in Highland’s geography and dispersed population ensuring -
   - Provision of infrastructure assisting access to services (Housing; Learning; Childcare; telecommunications; transport links (internally and externally));
   - Growth of sustainable jobs and business, including high value, SME’s and social enterprises;
   - Reduction of inequality by supporting more people with better services and to make better life choices including work;
   - Increasing earnings focused on those with lowest pay;
   - Services are accessible, narrowing the gap and limiting the impact of distance from services in remote and rural communities;
   - That new development and growth is planned and designed for sustainability;
   - Alignment of public sector bodies responses to the recession (short term and long term).

6. There are pockets of deprivation even in relatively affluent wards. 4 Highland datazones are ranked within the 5% most deprived in Scotland and 16 are ranked within the 15% most deprived in Scotland. Nearly all of Highland is classed as access deprived, on the basis of distance to the following services: GP, shopping centre, petrol station, primary and secondary schools, and post office.

   It is universally recognised that poverty is no longer just about no or low incomes. Poverty is multi-dimensional and this is especially true of the Highland Council area. In addition to the traditional issues surrounding poverty, the rural dimension across the Highlands introduces considerable pressures:
   - The difficulties posed through the low wage rural economy.
   - The higher costs of living, transport and housing placed on people living within rural areas.
   - Lack of access to essential services such as banking, post offices, cash machines and financial advice.
   - Households within Highland spending proportionately higher amounts on heating their homes leading to fuel poverty.
   - The national focus upon spatial concentrations of deprivation whereas in rural areas deprivation is spatially dispersed.

7. In common with other parts of the country Highland is experiencing disproportionately high increases in unemployment among young people under
25 and those over 50. Assisting young children out of poverty through parents obtaining or returning to work employment remains a priority in Highland. In April 2011, 4,149 individuals were in receipt of Job Seekers Allowance, of whom 1,085 were aged 18-24.

8. History shows that during recessions, people who have been made unemployed but who have skills (or have re-skilled) and work experience will return to work when the economy recovers and when work is made available. Those individuals already furthest removed from the labour market will be pushed even further away and deeper into poverty. Welfare reform needs to be designed and delivered in a way that will enable such individuals to access appropriate work and support while seeking employment, eg provision of appropriate benefits, training, lifeskills, child care.

Council Tax Benefit

9. The Council considers that centralisation of Council Tax Benefit would not be an option suited to the way the Council provides its services given the scale and nature of the area it covers. The Council has a good track record of local Council Tax collection, across very often sparsely populated communities, and achieves this through direct customer contact when necessary. The Council believes this localised approach achieves higher collection levels.

10. Centralisation assumes residents have financial capability, however the Council is concerned about the impact, in particular on the more vulnerable residents and the elderly. The Council also considers that overheads, including the costs arising from increased administration and volumes of recovery notices, would increase. Increased staff time would have to be devoted to recovery and this would compound over time. The average cost to recover a case where a Sheriff officer needs to intervene is £26 and court action for the “won’t pay” category is £485. There is also a question over whether it would be appropriate to chase recovery in every circumstance.

11. If Council Tax Benefit is localised then the Council considers that there are arguments for overall scheme design at a national Scottish level to ensure uniformity, then to have local variations that can vary within parameters. This would minimise perceptions of a “postcode lottery” of benefits whilst ensuring the Council can respond flexibly to local circumstances.

12. The shared services agenda is particularly important to Highland and the Council encourages shared services where the political will exists. Currently there are 8 back offices within Highland for Revenues and Benefits, which operate on a “virtual team” basis, having a common infrastructure and using common software. The Council believes that there are further opportunities to capture efficiencies and to achieve effective delivery and service to customers through sharing across Council boundaries. The argument would be not to reinvent the wheel but make the best use of existing arrangements for any changed approaches to benefits delivery.
13. Delivering CTB with HB is understood from the customer perspective so it seems a retrograde step to remove this link. Moving forward the Council would want to see any changes to schemes to be demonstrably simple and for the transition to be by way of a staged approach: Stage 1- Universal Credit to include entitlements currently administered by DWP and HMRC; Stage 2- Once Stage 1 fully embedded (this is important), further detailed review required to consider future arrangements for HB/CTB.

14. A 10% reduction in the overall level of CTB would have a very significant impact. The Council has concerns that there is a real risk that what is given out in one hand is taken away with another. If the focus is changed from current Benefits to other rebates the limited resources available would lead to winners and losers. The interplay of CTB with other benefits and knock-on effects, particularly if centralisation is an option need to be considered.

15. The Council’s collection rate for Council Tax is improving so there are concerns that welfare reform will cut across this especially if any decision is taken to centralise Council Tax Benefit. Councils are accountable for their performance unlike DWP which does not provide full and adequate information on its performance. (Will this change?) Councils also undertake important functions such as checking residency and there is no indication as to who will do this under any new arrangements. On-line application means there are no established local safeguards unlike under the current system and this is likely to present a significant risk of fraud and error. The Council is willing to share their fraud performance with the Committee, however as a general point the Council’s track record on fraud is good.

16. The Council has an in house Money Advice and Customer Income Maximisation service and also procures services from the CAB network to deliver advice. An in-house Guide to Benefits is made available to claimants and provided to relevant professionals in health, social work, education and housing services. The extent to which the Council uses local knowledge to ensure that Benefits are paid legitimately should not be underestimated. Service providers have noted an increase in demand from people affected by and concerned about welfare benefit changes. In 2010/11 there were in excess of 36,000 contacts from people in the Highlands seeking advice from the CAB network and the Council’s in-house team, and £8.3m of benefit entitlement was secured for clients through their actions.

**Housing Benefit and Housing Policy**

17. The Council has completed its Local Housing Strategy and Housing Need and Demand Assessment. Key messages are that employment rates are higher but incomes generally lower with a higher proportion of private rented accommodation often tied housing; there is a high level of housing need and this is projected to continue; there are very high levels of fuel poverty with large areas having no gas supply. Population is older and there is no large student population within the area covered by the Council.
18. As at 2009/10 the breakdown of Highland’s housing stock by bedroom size is as follows:

<table>
<thead>
<tr>
<th>Bedroom Size</th>
<th>HC Properties</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio/ 1 bedroom</td>
<td>3,557</td>
<td>26.1</td>
</tr>
<tr>
<td>2</td>
<td>5,560</td>
<td>40.7</td>
</tr>
<tr>
<td>3</td>
<td>4,150</td>
<td>30.4</td>
</tr>
<tr>
<td>4</td>
<td>360</td>
<td>2.6</td>
</tr>
<tr>
<td>5+</td>
<td>25</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>13,652</td>
<td>100</td>
</tr>
</tbody>
</table>

19. There is a shortage of smaller properties and single people are increasing pressure on existing stock. The Council can provide numbers for those under-occupying from Housing Register records, however this is likely to be an underestimate as not all people who underoccupy are registered. Not all of those under-occupying are of working age.

20. Pressure on social housing and affordability of owner occupation mean that under 25s rely on private rented sector and owner occupation is not an option for many under 35s. The Council has concerns about the proposals to change the definition of a ‘young individual’ for Housing Benefit purposes, from 25 to the age of 35 years. The effect would be to limit the award of Housing Benefit for single people up to age 35 to the shared accommodation rate. This rate reflects the cost of renting property where the tenant has sole use of a bedroom but has shared use of other rooms such as a kitchen or bathroom irrespective of whether there is shared accommodation available to rent.

21. The Council has already seen benefit recipients finding it harder to access the private rented sector following the changes from the Emergency Budget.

22. The Council has high levels of homeless presentations, and there is an over reliance on B&B accommodation as temporary accommodation. It is implementing prevention strategies, which include increasing access to the private rented sector to try to address this.

23. The Council has concluded that welfare reform will cut right across its homelessness strategy and put its 2012 homelessness target (85-86% currently) and prevention strategies under severe pressure.

24. Direct payments to individuals will increase rent arrears and there will be additional management costs of recovery including pre-eviction actions. It is worth noting that with the geographic nature and dispersed communities, payments often are made at a paypoint or the post office and whilst the Council actively encourages payment by Direct Debit, these other forms of payment which are more expensive (35p for Paypoint compared with 2p for DD) are anticipated to increase under UC.
25. The Council wants to know what safeguards/exceptions for vulnerable people will be built into UC. An important issue is whether Councils could still receive direct payments in appropriate cases for housing, CTax elements.

26. Non dependant changes will impact on rent arrears and social housing and may actually increase homeless presentations..

27. The Council anticipates the changes to Housing Benefit will result in increased bad debt write-offs. This will impact on the Council’s strategy of reducing unit management and repair costs in order to fund new house building.

28. Discretionary Housing Payments will only have a marginal benefit with only a small sum of £54k available to the Council this year. There could have to be a political choice to top up DHP rather than deal with homelessness.

**Social Fund and locally administered Financial Relief**

29. The Council explained that they are developing a contract with NHS for adult care and find it difficult to see how social fund could be managed within this. There is nervousness on the potential business consequences. This would undermine the whole point of re-structuring if the NHS then have to sub-contract Social Fund administration back to the Council because the NHS don’t manage funds in that way or of that sort.

**Disability Living Allowance**

30. 20% less DLA will immediately have an impact. Self-directed Support grant has to have deflator built in and there are additional complications under NHS/Council contract. The DLA changes threaten to jeopardise early years/prevention services, meaning that there will have to be a review of discretionary spending. There has been an increase in DLA, for example, for children through escalation in diagnosis of children on autistic spectrum in recent years.

31. The Council invested early in self-directed care packages and changes to DLA will threaten that model and fundamentally alter the basis of calculations for resource allocation.

**Economic Development/ Job Creation**

32. The Council has undertaken a strategic review of how to address employability but faces big challenges including issues around care needs and previously looked after children. The challenge of finding employment if you have additional needs is being exacerbated by the deteriorating economic climate.

33. There are a few large companies in the area that can offer large scale employment. There is a highly geographically-sensitive employment market that is very related to the housing market, so the welfare changes will potentially impact on homelessness. Given the size of the area and dispersion of communities, issues such as ability to commute to work are critical. The people who are furthest from employability are also the likeliest to be affected by the recession’s impact on employment chances. As the largest Highland employer, reductions in Council staffing arising from these reforms will create
pressures. The reforms rely on increased availability of work opportunities and child care provision. Economic growth and development are therefore necessary to successfully deliver reform.

Other Issues

34. On “passporting” of Benefits there is concern that the linkages will be lost, for example the link with CTB and charging and transport policies.

35. The Council is moving away from Single Shared Assessment to a different supported self-assessment, Self-Directed Support model and changing eligibility criteria. The links between CTB and HB and these other forms of benefit are critical to this.

36. Access to data – there is a concern that this will all be one way ie the Council provides data to DWP but not the other way round.

37. Elected members are concerned about local implications for Welfare Reform and have written both to Danny Alexander (the local MP) and to the Minister responsible for the reforms.

38. Staff retention is a major concern and clarity is required around TUPE. The impact on staff motivation cannot be under-estimated and there are instances occurring already where more experienced staff are leaving.

39. The Council has a general concern at the lack of prior consultation and continuing absence of detail on how UC will be managed and what role the Council will have.

40. The Council wants to understand impacts on early intervention as there is a concern that good work done so far will unravel. They want to better understand the transition to employability in the measures put forward.

41. There is a general issue re the timing and adequacy of communication of changes, to the general public and various client groups. There are also concerns at the public perception of the Council once the reforms kick in.

42. The LHA 30th percentile is big concern. As the table below shows, a family requiring a 3-bedroom property will face a reduction in benefit of £11.54 per week which in turn may give rise to homelessness and direct social consequences such as fraud, crime and loss of income to the local economy.
43. Example of 30\textsuperscript{th} Percentile rent to median rent (Highlands & Islands) (for illustration purposes only – based on rents for March 2011)

<table>
<thead>
<tr>
<th>Bedroom</th>
<th>Median Rent</th>
<th>30\textsuperscript{th} Percentile</th>
<th>Weekly Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Room Shared</td>
<td>£68.08</td>
<td>£62.31</td>
<td>£5.77</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>£96.92</td>
<td>£90.00</td>
<td>£6.92</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>£115.38</td>
<td>£109.62</td>
<td>£5.76</td>
</tr>
<tr>
<td>3 Bedrooms</td>
<td>£138.46</td>
<td>£126.92</td>
<td>£11.54</td>
</tr>
<tr>
<td>4 Bedrooms</td>
<td>£173.08</td>
<td>£160.38</td>
<td>£12.70</td>
</tr>
<tr>
<td>5 Bedrooms</td>
<td>£196.15</td>
<td>Restricted to 4-bed rate</td>
<td></td>
</tr>
</tbody>
</table>

44. The Council will need to manage legacy computer systems over the transition period and will need to run these down once UC is fully in place – There is an issue about how this can be done without significant disruption and cost.

45. Highland is highly devolved, using technology to deliver services effectively in communities where the local economy is fragile – centralisation goes against this.

COSLA

23 May 2011