



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# FINANCE COMMITTEE

Wednesday 13 June 2012

Session 4

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**Wednesday 13 June 2012**

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**FINANCE COMMITTEE**  
**18<sup>th</sup> Meeting 2012, Session 4**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

\*Gavin Brown (Lothian) (Con)

\*Mark McDonald (North East Scotland) (SNP)

Michael McMahon (Uddingston and Bellshill) (Lab)

\*Elaine Murray (Dumfriesshire) (Lab)

\*Paul Wheelhouse (South Scotland) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Angela Constance (Minister for Youth Employment)

Mary Fee (West Scotland) (Lab) (Committee Substitute)

Morag Johnston (Glasgow City Council)

Hugh McAloon (Scottish Government)

Michael McClements (Convention of Scottish Local Authorities)

Jonathan Sharma (Convention of Scottish Local Authorities)

Alan Sinclair (City of Edinburgh Council)

Derek Yule (Highland Council)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

Committee Room 6



## Scottish Parliament

### Finance Committee

*Wednesday 13 June 2012*

[The Convener *opened the meeting at 10:00*]

### Decision on Taking Business in Private

**The Convener (Kenneth Gibson):** Good morning and welcome to the 18th meeting of the Finance Committee in 2012. I ask everyone present to switch off their mobile phones, BlackBerrys, pagers and so on. We have received apologies from Michael McMahon, who is unable to be with us today. Mary Fee is here in his stead. The deputy convener hopes to join us shortly.

Item 1 is to decide whether to take items 4, 5 and 6 in private. Is that agreed?

**Members** *indicated agreement.*

## Employability

10:00

**The Convener:** Under item 2, we will take evidence from Angela Constance, the Minister for Youth Employment, on the need to improve the employability of individuals who are experiencing high levels of multiple deprivation, as a prerequisite to increasing sustainable growth. This is our final evidence session on the theme. The minister is accompanied by Hugh McAloon, who is head of youth employability and skills at the Scottish Government.

I welcome the minister and invite her to make a short opening statement.

**Angela Constance (Minister for Youth Employment):** Thank you, convener. I am grateful for the opportunity to attend the committee this morning and to contribute to your sessions on the need to improve the employability of people in Scotland. I am sure that we all want Scotland to be a successful country and one in which people want to live and work. I am determined that we should be ambitious for all our people, because we know that all our people, including our young people, have talents and have a desire to use those talents to achieve their ambitions in life and work.

As I am sure you will appreciate, given my post as Minister for Youth Employment, I have a particular interest, although not an exclusive one, in the employability and work readiness of our young people. We want to ensure that all our young people have the best start in their adult life and the best start to their working lives so that they can become confident individuals and play an important part in the life and future of Scotland. It is clear to me that giving young people the best start in adult life needs to start as soon as possible. This has seen the introduction of the early years strategy, the implementation of the curriculum for excellence and the review of post-16 education, "Putting Learners at the Centre—Delivering our Ambitions for Post-16 Education".

I know that there has been much talk of attributes such as work readiness at the committee's earlier evidence sessions. Employability and work readiness are not traits that people learn overnight. They reflect a confidence in our ability that is built up over time. We are therefore committed to ensuring that Scotland's education and learning systems support people to make positive transitions on their path into the labour market. Ultimately, the issue must be a core priority for all parts of government, and we are now better at linking public sector investment through public

procurement to improved skills and training opportunities.

The economic challenges that we have experienced have resulted in changes to the demographics of our young unemployed people. Although we still have a significant number of young people with complex barriers to employment, we also have a group that, in better times, would have good job prospects. We have to ensure that we continue to support those who are furthest from the labour market to re-engage in learning and training and, at the same time, we have to work to ensure that those who are closer to the labour market do not move into long-term unemployment. As a result, we need to ensure that individuals can access a range of targeted employability services that are responsive to people's needs and to local and national labour markets.

I turn to some examples of recent activity. As part of the programme for government, the First Minister announced the opportunities for all programme, which is an unprecedented offer of a place in learning or training for every 16 to 19-year-old who is not engaged in work, education or training and who requires one. That means that there is support for those who are at risk of disengaging and support for those who have already disengaged. It also means a much greater focus in the post-16 education system on moving young people towards and into employment.

As committee members will be aware, at the end of last year we announced an additional £30 million to back up opportunities for all. Other funding has already been committed: there is £1.5 million over the next three years to help up to 1,000 disadvantaged young people, including care leavers and young carers, on their road to employment; £6 million has been targeted to support the continuation of community jobs Scotland; there is a £2.5 million challenge fund to support social enterprise and third sector organisations, which are well placed to provide strong support for young people, particularly those who are experiencing considerable disadvantage or who are quite far away from the labour market; and £9 million has been awarded to six local authorities for 2012-13 to help them to tackle youth unemployment. The councils that were identified have particularly acute challenges of youth unemployment—they are local and national hotspots, if you like. They are also areas with high levels of multiple deprivation.

Other strands of funding include £5 million to support up to 2,500 young people into opportunities linked to the major cultural and sporting events that are being hosted in Scotland in the coming years. Also, members will be aware of Alex Neil's recent announcement that £25

million of European structural funds will be used to support young people into work.

I will continue to engage directly with employers of all sizes across all sectors to make them fully aware of what our young people can achieve and to take forward ways of supporting employers to make it easier for them to recruit our young people. In the coming months I am running a series of action forums targeted at employers throughout Scotland. The first one was in Lanarkshire and the second one was in Glasgow yesterday. Other events are arranged in Dumfries and Galloway and the Lothians in the coming weeks. I will certainly try to get round all of Scotland.

We have to endeavour to provide opportunities to help those young people who can work to get work, regardless of any barriers they face. On that note, I am delighted to take questions.

**The Convener:** Thank you for that opening statement. In time-honoured fashion, I will ask you a few questions to start us off before I open up the session to the rest of the committee.

As you will know, we have had a number of evidence sessions already, some in round-table format, including one that involved a number of employers. One of the issues that was raised was the flexibility in support for employers. For example, on the issue of training, according to the Federation of Small Businesses,

"nothing that they wanted to do actually fitted with what was available".—[*Official Report, Finance Committee, 23 May 2012; c 1198.*]

In its submission, the FSB said that

"unemployed individuals without a degree are significantly more likely to make transition to employment with small employers"

and that

"Small businesses are more likely to employ people with low or no qualifications than large businesses",

yet, according to the FSB,

"only 8 per cent"

of SMEs

"had taken on an apprentice".—[*Official Report, Finance Committee, 23 May 2012; c 1198.*]

Another submission to the committee said:

"There is often a disconnection between the nationally articulated employer support needs and those which exist at a local level."

Skills Development Scotland said last week that some of the issues raised by the FSB, such as the possibility of sharing an apprentice, would be taken on board. Given what I have just said and the comments of the FSB, what steps will the Scottish Government take to ensure that the

employability measures that are delivered by the Scottish Government are more focused towards small and medium-sized enterprises?

**Angela Constance:** The very strong impression that I have formed from my engagement with employers large and small is that there is a huge untapped potential, particularly in our small and medium-sized enterprises. I often meet large employers who are already doing great things to support young people into work or to employ them, but that is undoubtedly more challenging for small to medium-sized companies because of the current economic climate and the difficulties in accessing affordable finance. However, there is a huge opportunity to get more young people into small to medium-sized enterprises. Part of the debate that we will have in Parliament tomorrow will involve articulating the positive business case for employing young, energetic and talented Scots.

With regard to specific provision, I draw the committee's attention to the flexible training opportunities, which have been very popular. They are an ideal opportunity for small to medium-sized employers in particular to receive up to 50 per cent of training costs up to a capped limit for an existing member of their workforce.

The point about small to medium-sized companies being more likely to take on people with low or no qualifications is interesting. However, we need to look at opportunities within those businesses for all young people, ranging from those with entry-level qualifications to those with degrees.

I will start with young graduates. The Scottish Further and Higher Education Funding Council is undertaking a lot of work to link more graduates—and more students while they are studying—with work placements, particularly in SMEs. That is important for the growth of those small businesses and for our economy.

We are looking at opportunities to share or pool modern apprentices. That is complex and there is no quick and easy solution, because the success of our modern apprenticeship scheme ultimately hinges on employed status, so apprentices must always be employed. However, there are good examples out there in which larger employers, such as Balfour Beatty, act as the host and then utilise their supply chain.

I will ask Hugh McAloon to speak about some of the specifics around the sharing or pooling of modern apprentices.

**Hugh McAloon (Scottish Government):** The convener is right that 8 per cent of SMEs take on an apprentice. However, we need to think about how many SMEs there are. When we look at which companies employ the 25,000 MAs, we see

that the proportion of them that are SMEs is much higher. We will provide the committee with that information—I have a number in my head, but I am not sure that it is right and I do not want to misquote it.

More generally, we have been exploring the potential for big companies to work with the supply chains to support smaller businesses to take on more young people in general and apprentices in particular. That was part of the review of training that we carried out at the end of last year. We are looking at how we can make that model work well for small businesses, and for larger businesses in terms of their relationship with the supply chain, which is quite an important driver for getting them involved. We are developing that in conjunction with SDS, and we will bring forward some proposals soon.

10:15

**The Convener:** Another issue that was raised was the amount of bureaucracy that businesses face. I realise that that is not all to do with the Scottish Government—for example, Europe was mentioned in the evidence. Kelso Graphics said:

“You have to empathise with us and understand the pressures that we are under and the amount of bureaucracy that we face”.

Minerva People said that

“Micro/SME businesses are unlikely to have an HR department or specialist ... and this can put them off being involved”

and pointed out that

“the number of websites, initiatives and programmes out there for micro SMEs is causing confusion.”—[*Official Report, Finance Committee, 23 May 2010; c 1210.*]

During this difficult economic time, a lot of businesses are fighting to stay in business. Many of them have a lot of good will towards young people and would like to help the Scottish Government to meet its employability targets, not least because they see themselves as part of the community and want to take on local people. However, there are only so many hours in the day and they are confronted with a lot of bureaucracy and are often bewildered by some of the information that they get. Indeed, the witness from Menzies Hotels told us that, since January, he had been approached 20 times by various officials from different organisations associated with local government, the Scottish Government and even the United Kingdom Government, asking him to take someone on. Given that those who wish to assist are often put off by the difficulties that I have highlighted, what can be done to improve the effectiveness and efficiency of delivery in this area?

**Angela Constance:** I have huge sympathy with your point. We have to strike a balance between ensuring that we get outcomes for public investment and being mindful of the need to simplify any bureaucracy in and around all that and to ensure that we do not have repetition for repetition's sake. We certainly need to strive for minimum bureaucracy; indeed, as part of the "Making Training Work Better" review, Skills Development Scotland has recently reviewed some of its own processes with a view to streamlining its engagement with employers and training providers.

Your point about alignment is well made. An array of offers is available to employers from the Scottish Government and, indeed, local government, which is involved in a wealth of good local activity. In that respect, I should highlight a piece of work entitled better alignment of Scottish employability services—or BASES—which has two strands: first, the client or the young person seeking employment, which is very much tied in with the post-16 review and learner outcomes; and, secondly, employers. I often say that, apart from young people, employers are the most important group of people here and Skills Development Scotland, along with all our other partners, is heavily involved in this work and finding out how to make it easier for employers to recruit young people and give them opportunities. In September, Skills Development Scotland will launch our skills force, which is an online facility offering a single point of contact and a one-stop resource with all the information that an employer needs about what is available to them both nationally and locally. For example, it will allow someone sitting in, say, West Lothian, Falkirk or North Ayrshire to see at a glance the offers that are available not only from the Government but, crucially, in their local area.

With that in mind, we are working towards the introduction of a local employability fund. That work is still in its early stages, but the point is that SDS, Jobcentre Plus, local authorities and colleges will need to work together, where possible, to align employability funds.

**The Convener:** A number of witnesses, including Who Cares? Scotland, have highlighted the role of the public sector. The sector itself makes up about a quarter of the Scottish economy, but there is a widespread view that it might not do its bit in taking on apprentices or young people at the edge of the jobs market. What is the Scottish Government doing to persuade local government, the national health service and so on to fulfil their duty and reach out to people with employability difficulties?

**Angela Constance:** I agree absolutely that the public sector needs to lead by example. Of course

we want to appeal to private industry by talking about corporate social responsibility as well as the positive business case for recruiting young people, but we must be clear that, if we in the public sector marshal that argument, we need to lead by example. The Government will finalise its youth employability strategy in the coming weeks, but an important piece of work on the ground is that on the youth employability plans that are produced at local level between Skills Development Scotland and local authorities.

The Cabinet has agreed to ensure that all Scottish Government agencies and non-departmental public bodies have youth employment plans in which the issues are addressed. There are great examples out there. For example, Perth and Kinross Council, despite the difficult economic and financial climate that we are living through, has made a public commitment to a threefold increase in its young workforce in the next three years. Scottish Enterprise has set itself the objective of doubling its young workforce. However, we need that approach more comprehensively in the public sector, so that we are clear about what we are doing for young people.

**The Convener:** I know that colleges are dear to your heart, as a former minister in that area. In evidence to us, Scotland's Colleges stated:

"we generally need about two years to enable the young person to gather the skills to fit in with teamwork and the social norms, and to gain the skills that prepare them for employment."—[*Official Report, Finance Committee, 16 May 2012; c 1158.*]

You will be aware of the fairly controversial evidence that Arnold Clark submitted, in which it said that it considered that about 81 per cent of the people who come to it are not fit for work. It was also highly critical of colleges. How confident are you that colleges are aligned with the employability agenda?

A lot of people said to us in evidence that many training courses—although not MA courses—are not of sufficient duration or quality to make a serious impact. Who Cares? Scotland and other organisations talked about the revolving door of people going on to one course for a few weeks and then another for a couple of months, but without a real impact. Will you touch on the alignment of colleges with the employability agenda and the duration and quality of training courses that are provided, other than MA courses?

**Angela Constance:** It is hard to generalise about the length that courses should be without considering specific courses and who they are aimed at. The drive towards post-16 reform is about upskilling young people and getting connectivity between college provision and local labour markets. I am a big advocate of learning for



learning's sake and lifelong learning, but our provision, from schools through colleges to universities, must focus on the needs of our economy. In that context, we have to look at employability and how best we meet young people's needs.

There is an issue to do with progression. I am happy to try to answer questions about specific courses. As someone who has worked with disadvantaged groups and young people—although it was in relation to offending behaviour rather than employability issues—I believe that we have to be careful about creep. It is sometimes convenient for providers to expand and extend courses, but we need a balance.

There is evidence about the effectiveness of shorter, sharper input. However, it is difficult to generalise when, through both post-16 reform and curriculum for excellence, we are moving towards a more personalised approach for young people. Ultimately, the issue for me is progression. We do not want a revolving door but, at the same time, if a young person starts on an activity agreement that leads to them going on a get-ready-for-work course that enables them to get a modern apprenticeship, that is a good series of stepping stones that I would consider a success story. If we start a disadvantaged young person on an activity agreement that looks at their specific issues, then get them on a get-ready-for-work course, then a modern apprenticeship, that is a good story.

**The Convener:** Thanks. I do not want to hog the evidence session, as colleagues want to come in, but there are millions of questions that I could ask. I realise that there is a dichotomy between ensuring that people are on good-quality courses and what Who Cares? Scotland wants. However, you have just reiterated that the programme should fit the person rather than the person fitting the course and that the person-centred approach is important.

The deputy convener, John Mason, will be followed by Gavin Brown.

**John Mason (Glasgow Shettleston) (SNP):** First, I apologise to everybody for being slightly late. It shows that I am on time when I come by train but not when I come by car.

The convener referred to local government involvement and the minister mentioned the programmes that Perth and Kinross Council and Scottish Enterprise have. It strikes me that local government and other parts of the public sector are perhaps very good at the big programmes, but are they as good at getting to the youngster who is far from their job market? The local joiner in a small town, for example, might know somebody who needs a bit of help and take them under their wing. Is it inevitable that local councils cannot do

that kind of thing because they do not go through all the right hoops?

**Angela Constance:** It is always difficult to generalise about local government, given that we have 32 local authorities. However, from my experience of and exposure to local government, I think that councillors are getting far better at—forgive my language—getting into the guts of things.

An example is the City of Edinburgh Council's guarantee, which is its local equivalent of the opportunities for all programme. The council did some fairly rudimentary stuff that is not rocket science. Some of it is cultural in that it stopped talking about percentages of young people who are not in employment and education and started talking about hard numbers. It was looking at a cohort of 500 young people in the city who were not progressing from the schools in the sense of making the transition from school to work or to college. The council systematically went through all its departments and asked how many young people they could offer an opportunity, and it has undertaken extensive engagement, which is ongoing, with small and big businesses in the city in that regard. Some councils have their eye on the detail.

We must get to where we need to be at a local level—we are on the road to it—through the data collection that Skills Development Scotland does and through the 16+ learning choices work that is related to the positive destinations of school leavers. We need to track and monitor young people, and such work should expand to cover opportunities for all.

My experience is that local authorities are getting a better handle on who their young people are, where they are and who is engaged and who is not. That is the result of good collaboration between SDS and local authorities.

Have I missed anything out, Hugh?

10:30

**Hugh McAloon:** Another aspect of that work, which probably began in better economic times as part of the more choices, more chances agenda to deal with a core group of kids facing multiple disadvantage, was the real enthusiasm among the professionals working in councils and professionals from other agencies working with councils to focus on this agenda in the kind of way that the minister has described with the example of Edinburgh—that happens in all parts of Scotland—and to work with and learn from each other. People in other parts of the country will be very interested in and willing to learn from what is going on in Edinburgh and I am sure that such interest will be reciprocated.

We do quite a lot of work through the national delivery group on employability, which now covers both adult and youth employment and brings together the leads of community planning partnerships, local authorities and so on not only to allow them to learn from each other but to inform what we do. Local authorities are engaging a lot, but I take your point that, when big public bodies get involved, it is not the same kind of thing as the joiner in Brechin, say, who takes a kid with a few rough edges under his wing. However, a lot of the kind of work that the minister described, with local authorities trying to find employers to match with those kids, is happening in places such as Edinburgh. Although it is challenging, there is a lot of enthusiasm and collaboration and, as some of these school leaver destination statistics demonstrate, there has been a lot of progress.

**John Mason:** The minister talked about young, energetic, talented Scots. I think that we accept that we have many young Scots; that many if not all of them are talented, although we might have to dig to find those talents; and that some appear not to be very energetic. I do not think that it is anything like the size suggested in the Arnold Clark submission, but there might be a core of young people who come from families where no one works, who are not as used to seeing people go out to work as some of us were or who have to stay at home to look after a family member who is not well. How can we break into that situation and change it?

**Angela Constance:** I am not going to stop talking about young, energetic, talented Scots who have a lot to offer this country and businesses large and small. Of course, that does not mean that I do not recognise that some young people have had to live through considerable disadvantage and that that is reflected in their skills, confidence and abilities at a particular time. We need to be focused not only on young people who are near to the labour market but on those who are far away from it, and some of that has to begin with our systemic work on the early years and the curriculum for excellence.

As for the here and now, I am clear that opportunities for all must cover all young people, including the harder-to-reach ones whom we will have to go the extra mile to get to and engage with. I do not know whether people are familiar with the concept of the skills pipeline, but I often use it to demonstrate a certain type of thinking and policy coherence and make it clear that, irrespective of one's distance from the labour market, suitable interventions are available. Sometimes, however, we will have to go the extra mile with some young people, which is where the tracking and monitoring that build on the school leaver destination figures come in. After all, those figures are only a six-monthly, twice-a-year

snapshot. We need a more live information system that can tell us how many young people are or are not engaged at any point in time and to be able to bore down to the local level to ensure that we know who those young people are.

**John Mason:** I have a final question. At yesterday's event, somebody—I think they were from Jobcentre Plus—said something about finding it difficult because there are differences between Scotland and England and between different local authorities. They suggested that they would find it easier if everybody did exactly the same as everybody else. Do you feel that Jobcentre Plus is engaged enough? Is it flexible enough to deal with rural and urban areas and with different situations?

**Angela Constance:** The key word is "alignment". I do not think that we need to be prescriptive and state that every area of Scotland should do everything in the same way, but we all need to be able to work together. In that sense, we must get the mechanics right.

I have views about Jobcentre Plus. I would much rather that it were devolved, as that would give me more scope to do what I want to do. Notwithstanding that, the Government aims to work closely with Jobcentre Plus. I have had constructive and helpful dialogue with the Department for Work and Pensions at a senior level and with Jobcentre Plus, and I know that Skills Development Scotland and Jobcentre Plus aim to get on with things at a local level. They are often co-located. I am not going to criticise Jobcentre Plus for being inflexible. I just think that we all need to take a mature, adult approach. We should show flexibility where we can, but it is about ensuring that all the bits of the jigsaw fit together.

**Gavin Brown (Lothian) (Con):** You said that you would like Jobcentre Plus to be devolved because that would give you scope to do what you want to do. What things do you want to do that you cannot do at the moment?

**Angela Constance:** I would like Jobcentre Plus to be devolved in order to create far better integration between Skills Development Scotland and Jobcentre Plus. They do a lot through co-location—considerable effort has gone into that. If the DWP part of it were devolved, I would want to look seriously at things such as national insurance holidays, particularly for small and medium-sized companies.

**Gavin Brown:** In your opening statement, you talked about Alex Neil's announcement on European structural funds. Will you tell us what control you, as Minister for Youth Employment, have over that money? What is the timescale for the £25 million?

**Angela Constance:** We take an all-Government approach to youth employment. Although I lead the response, the Government has always made it clear that the youth employment agenda must be core to everybody—it is not going to sit out there on the periphery.

Alex Neil and I were agreed from the outset that the focus of the £25 million must be on getting young people into jobs as well as on any additional training. By and large, we have a comprehensive training and skills system, but we need to get more young people into jobs. We also want to do more work with small and medium-sized enterprises and we will consider how we can incentivise recruitment and link young people up with business to support business growth.

The money is for a two-year period and it gives us great opportunities because, in order to be utilised, it will have to be match funded, which will grow the pot. It has initially been through a programme board in terms of the broad direction about the focus on business and getting young people into work, but we need to do more work with our stakeholders and my officials will do that in July. There are real opportunities ahead through that additional resource.

Have I forgotten anything, Hugh?

**Hugh McAloon:** No. On the point about how much control we have over the money that was mentioned, obviously there are rules about the use of European funding. The direction that we have wanted to follow and have followed—to use residual resources from the programme to focus on youth employment—is very much in line with what the European Commission has said.

We work with partners. The programme management committee includes representatives from a range of organisations, including local councils and the Scottish Trades Union Congress, and it is involved in the overall strategic direction that we set. The Scottish Government is the managing authority for the money, which gives us a responsibility to ensure that its use fits in with the European rules. It also gives us some ability to set the strategic direction, which we tend to do.

**Gavin Brown:** Let us say that there is a proposal to do something with a slice of the money but the minister does not believe that it represents a good use of money to help with youth employment. Is there control to prevent money from being spent in a certain way or to have it spent in a different way if, in the minister's opinion, the best use of public money is not going to be made?

**Hugh McAloon:** As I said, the Government sets the strategic direction and the programme management committee reinforces that. It will tend to look within the strategic parameters that are set

and make recommendations to ministers about how things will go. Ultimately, ministers can make decisions on those recommendations, but in general everybody is trying to pull in one direction. The area is not contentious.

**Angela Constance:** I am confident that we will make good use of the resource.

**Gavin Brown:** In your opening statement, you talked about how the money has been allocated thus far for 2012-13. Some £9 million of it has been allocated across six local authorities. Everybody accepts that money is tight, and the committee has considered how to analyse the best use of the money and evaluate whether it has worked. I suppose that the sum is half of your budget for the year. Why was a decision taken to allocate £9 million to local authorities? Will you talk us through the process?

**Angela Constance:** I have always been clear that our general approach is to marshal efforts across local and national Government. The voluntary sector and the social enterprise sector also have quite a unique contribution to make, particularly in relation to disadvantaged young people. It is important to get a balanced approach between public sector and non-public sector bodies—in this case, those in the voluntary or third sector—and a balance between universal and targeted provision.

You are right that the £9 million is targeted towards six local authorities and it is half of the opportunities for all funding for year 1. We looked carefully at what local authorities were doing across the piece. A wealth of work is going on at the local level, there are lots of wage subsidies, and many local authorities made extra political commitments to young people, particularly in the lead-up to the local authority elections. Things were quite simple in some regards.

I know that it is always hard if some people get and some do not, but the six local authority areas were local and national hotspots. We looked at the statistics for the previous years and saw that those six local authority areas were in the top 10 in both their numbers and their percentage rates of young unemployed Scots. That correlated with other issues to do with long-term employment and multiple disadvantage. In many ways, that is quite a simple but fair criterion.

The other chunk of this year's money has gone to a range of initiatives in the third sector for the continuation of community jobs Scotland and the challenge fund for social enterprise as well as the funds that specifically target young care leavers and young carers.

10:45

**Gavin Brown:** On the specifics, you have said that there will be £1.5 million over three years to create up to 1,000 opportunities for particularly vulnerable young people such as those who have been in care, and they will be aimed at 16 to 24-year-olds who come from disadvantaged backgrounds. That is a quite specific and clear outline of what you are hoping to achieve, and I presume that you will be able to evaluate that at the end of the three years.

You have also decided to give £9 million to six local authorities, and I understand your reasoning for choosing the six that you chose; it is fairly clear. My question is about the step before that. Why was the decision taken that the £9 million should go only to local authorities? It is not at all clear to me what you hope to get out of it. The local authorities seem to have quite a lot of flexibility, and I have not been able to find evidence of any tracking of what the money is going to do.

**Angela Constance:** My officials have been in dialogue with the six local authorities since the announcement was made. You will appreciate that it is important to get money out there for this year because of the decisions that had to be made earlier in the year. There is close working between my officials and the individual local authorities. Hugh McAloon has been personally involved in that.

**Hugh McAloon:** I have spoken to five of the six local authorities. We have asked each of them to tell us what it is going to do with the 16 to 19 years cohort and what support it will provide. We will ask them for quarterly reports on progress, and we will be able to provide Parliament with that information as we go. It is not just a case of giving £9 million to six local authorities and hoping that they spend it on youth employment. From the outset, we will track what they do with it. Those that I have spoken to are largely looking at supporting young people into employment through initiatives such as the wage incentive and a little bit of work on youth entrepreneurship, along with some support for those who are further back.

What is being done will vary across the local authorities, but that is the general shape of what they are doing. They are being asked to provide numbers. We are finalising that just now; we will track it as we go and report back throughout the year.

**Gavin Brown:** I do not want to put words into your mouth, but would it be fair to say that the announcement was made and the money was awarded before you had worked out what the local authorities were going to do with it?

**Hugh McAloon:** It was made clear at the time that we would work with them after the announcement on what they are going to do with the money.

**Angela Constance:** There is a lot of need out there that is waiting to be addressed. In making decisions about the allocation of funds, discussions about the overall direction of travel take place at a higher level. Local and national Government spend time thereafter in boring down to the detail and being clear about reporting.

**Gavin Brown:** I agree with that entirely, which is why I think that it is important that every pound is spent wisely. I am concerned that the money was announced without clarity about what it will achieve.

**Angela Constance:** It is for assisting areas that have the most acute need. In that regard, having 6,500 young people between the ages of 18 and 24 claiming unemployment benefit in Glasgow speaks for itself. I have every confidence that the local authorities, in partnership with the Scottish Government, will use every penny wisely.

**Gavin Brown:** Did you consider spending money whereby you would leverage in additional money from, say, the private sector if it agreed to co-fund certain initiatives, so that more than £18 million would be available during the year? Did you explore such opportunities?

**Angela Constance:** We certainly have an on-going dialogue with the various aspects of the private sector. In the weeks ahead, I hope to say a bit more about the work that we will be doing in relation to the private sector. I cannot underestimate how important it is for us. Certainly in the longer term, if we look at how much private industry spends on training—for Scotland alone it is £4 billion—there are opportunities there.

**Paul Wheelhouse (South Scotland) (SNP):** I have two areas that I want to cover. The first area has not been focused on today, but it was noted in the briefing paper for this meeting. It is to do with rurality, but I suppose that the message could apply equally to urban areas where there is a lack of job opportunities.

A number of witnesses—particularly SURF—identified the fact that youth unemployment is about not just skills issues, but lack of job opportunities. The wider economic conditions underlie the peak in youth unemployment that we face at the moment. However, there are particular communities across Scotland—not just the six that have been identified for funding—with certain shared characteristics. The type of employment that there is locally has a low skills demand and therefore there is a low demand for training and a low opportunity for things such as modern

apprenticeships and other skilled training opportunities.

In our private session last week with the Joseph Rowntree Foundation, it pointed out that even before the start of the recession a trend was emerging of young people facing increased competition. Due to the baby boom, there was a large pool of people who were older and more experienced, had skills and were in the labour force. The young people were finding it tougher to compete because they did not have the experience or the skills. That problem is particularly acute when there is a lack of skilled job opportunities as well. Do you have any general thoughts about how to tackle the somewhat intractable problems in rural communities—and some urban areas—where that trend emerges?

**Angela Constance:** I am conscious of the rural dimension. Although eight out of 10 young unemployed Scots are in urban areas, we have to pay attention to the vibrancy and sustainability of rural economies and I am interested in that issue.

One of the reasons for embarking on action forums was to try to address some of the issues that are specific to a particular community—as well as to develop our understanding of challenges for young people at a local level. I am certainly looking forward to the action forum in Dumfries and Galloway—it is either next week or the week after—and I have visited companies in Paul Wheelhouse's region. We have to remember that rural communities need to be sustainable and that the economic challenges are quite different.

In terms of the challenge fund for social enterprises, I am keen to encourage as much as I can—I am not sure that that is the right phrase; as a minister I do not want to get into hot water in terms of codes of practice and so on. The challenge fund for social enterprises has been set up so that there are opportunities for social enterprises possibly to get into consortia to try to address some of the issues in rural Scotland.

**Paul Wheelhouse:** That was helpful—I was going to raise the issue of social enterprise, but you dealt with that. You mentioned that you have visited the south of Scotland—I know that you visited Hawick to meet the Scottish Borders knitwear group training association.

The interesting thing about that model is that, historically, the Borders has not punched above its weight in generating modern apprenticeships. Instead of having 2 per cent of the total number of modern apprenticeships—which would equate to 500—it has typically had 250 to 300 apprenticeships a year, which is perhaps well below what it should have been getting. However, the pooling of opportunities among the knitwear

group training association is providing a stream of up to 100 modern apprenticeships.

I am sure that the minister will remember that the anecdotal evidence was that about 60 to 80 per cent of the people she spoke to seemed to be candidates referred from Jobcentre Plus—people who are, obviously, more distant from the labour market.

What lessons can we learn from that model about overcoming the risk perceived by employers that somebody they train will be poached? The textiles sector has always had that characteristic: it is a highly skilled manual occupation and if one employer trains somebody there is always a risk that a neighbouring employer will pinch them and the full investment that the employer has made will be lost.

Also, is this textiles model replicable in other sectors? What other sectors—if you have had a chance to think about the issue—might be suitable for the model?

**Angela Constance:** The key point about what I witnessed in the Borders in terms of pooling resources was that it was an industry-led solution. The knitwear companies had realised the futility of their cautiousness in training people in case they would be lost to their competitors. They got together to overcome that, because it was holding back the industry. That said to me that Government most certainly does not have all the answers, and that many of the solutions to upskilling and getting more people in training and work will come from the industry.

There are good examples of industry leadership. The oil and gas sector is coming up with interesting industry-led solutions to its particular issues. We often hear about the oil sector's difficulties associated with berth space on rigs. It is getting together as an industry to look at flotels, and at what training can be done onshore, as opposed to offshore, to change the balance a bit to overcome difficulties that are specific to its sector. My job—which is also the job of other ministers—is to have an acute ear for industry-led solutions, to contribute to those solutions where we have a role to do that, and to make life easier for employers.

**Paul Wheelhouse:** The textiles and oil and gas sectors are obviously fairly buoyant at the moment. People do not normally associate textiles with buoyancy, but, in a previous session we heard Dr Lena Wilson, from Scottish Enterprise, highlight it as a sector that has had a bit of recovery in its growth. Even for sectors that have flat or declined trading conditions, there is a huge issue about what is termed replacement demand, because there is an ageing workforce and there is, obviously, a strategic need for employers to

ensure that they have a steady stream of people coming through to fill those vacancies as they emerge, even if their companies are not growing.

Are there any messages that we can help to get out to employers? Even though conditions are tough and money is tight, they have a strategic need to ensure, for their viability and future sustainability, that they have enough people coming through to meet the emerging skills gap when times recover. That was clearly the trigger in the case of textiles—the sector realised that it was up against a wall. It had a workforce skewed towards people who were in their 40s and 50s, who were very skilled, but employers were obviously running out of time in which to make the best use of those skills, before they were lost, in training the next generation.

11:00

**Angela Constance:** Absolutely. The example that you gave about an ageing workforce is an issue that employers and particular industries need to be acutely aware of. It is very short-sighted not to look at the next generation. That needs to be a constant factor in every sector, because time stands still for no man. We all get older. Albeit that people are working longer and retiring later, an ageing workforce is a particular issue in particular sectors. A lot of the work on that is encapsulated by the sector skills councils and industry leadership groups, which cannot have their eye just on today but must have their eye on tomorrow. As a Government, we are focused on not just where the jobs are today, but where they will be tomorrow.

Do you have anything to add to that, Hugh?

**Hugh McAloon:** I will give an example of a sector that is doing the kind of thing that Paul Wheelhouse is talking about. I have worked in this area for about three and a half years, since the start of the recession. A sector that has impressed me hugely with its attitude has been the construction sector, which has been pretty badly hit by the recession. It is a notoriously cyclical sector that is badly hit by most recessions.

The response from construction companies across Scotland to the issue of redundant apprentices has been fantastic. The Scottish Government, with Skills Development Scotland, introduced the adopt an apprentice scheme fairly early on in the recession. I have been impressed time and again by the response of companies that, in tough times, are stepping forward and helping apprentices to finish their apprenticeships. I think that that is because that sector has ingrained in its history, over hundreds of years, an understanding of what Paul Wheelhouse is talking about, which is that for a sector to be sustainable, it is necessary

to bring people into it and to work on their skills. The response from the construction sector on redundant apprentices is a fantastic example of that and one that I will never tire of telling people about. The conditions were not good for the scheme to be as successful as it was. It is true that there was public support for it, but the sector drove its delivery.

**Elaine Murray (Dumfriesshire) (Lab):** What would you describe as being the primary purpose of the modern apprenticeship scheme? Is it to bring unemployed young people into work, or is it to reskill people once they are in work?

**Angela Constance:** It is and always has been about both those things. We have increased the priority that we attach to young people. We have a particular focus on 16 to 19-year-olds, as well as a focus on the larger cohort of 16 to 24-year-olds. The modern apprenticeship scheme is the same scheme that has existed since 1994. I have frequently been asked—by Labour MSPs, primarily, and John Park, in particular—about the importance of all-age apprenticeships. It was always a balanced approach, but we have increased the number of modern apprenticeships that are available, which is to the benefit of adults and young people alike. Young people between the ages of 16 and 24 have always been the first priority.

**Elaine Murray:** Is the primary focus of the modern apprenticeship scheme to bring unemployed people into work?

**Angela Constance:** To my mind, the employed status of modern apprentices has always been key to the programme's success, because it links an apprenticeship opportunity with a real job, which means that the skills that a young person learns are relevant to that job, to the needs of the employer and to the economy.

Under this Administration, an increasing number of young and adult apprentices have been employed for less than six months, so the modern apprenticeship programme has an important contribution to make on the youth employment agenda. That is not the only part of the jigsaw, but it is an extremely important part of it.

**Elaine Murray:** Do you see that changing because we currently have high youth unemployment? Will there be a greater focus on bringing people who are currently unemployed into work rather than on upskilling people who already have work?

**Angela Constance:** At a simplistic level, it would be tempting to say that, given the extremity of the economic climate for young people, all of the 25,000 modern apprenticeships should go to young people, but that misses a really important point that the STUC has made. I chair a trade

union working party on lifelong learning and that group has marshalled arguments to show that, in the context of youth employment, you cannot ignore older workers and broader issues of workforce development, because you need older people in the workforce to progress, move on and develop, which creates space and opportunities for young people.

I think that we have got the balance right, but I am always open to suggestions. I have not heard it being suggested that we should change the balance.

**Elaine Murray:** Older workers might not come from the unemployment register but might be older adults who are in work and are being trained further, and you intend to recruit young people to undertake the jobs that they used to do.

**Angela Constance:** A positive development is that a third of the older workers are new to the specific job—35 per cent of them have been employed for less than six months. In 2006, the proportion of, if you like, adult apprentices—the over-25s—that had been employed for less than six months was only 9 per cent. Indeed, in 2006, 20 per cent of the over-25s on modern apprenticeships had been employed for 10 years or more, so there has been significant improvement in that regard when it comes to apprenticeships for adults. Crucially, in respect of apprenticeships for young people, in the 16 to 19-year-old age group, 81 per cent of apprentices had started their job within the previous six months.

**Elaine Murray:** But since 2006 there has been a significant increase in the unemployment level. We are in a very different economic situation from that which existed in 2006, so the response has to be different.

**Angela Constance:** Indeed. That is why there are now 67 per cent more modern apprenticeships.

**Elaine Murray:** Hugh McAloon referred to the adopt an apprentice scheme. Can you explain what its current status is? Is it still running? It was due to run out at the end of March. Has it been rolled over?

**Hugh McAloon:** Yes. It is still going.

**Angela Constance:** I made that announcement about six weeks ago. I can check my diary to get the exact date.

**Elaine Murray:** You referred to the youth employment forums. You are actually coming to Dumfries a week tomorrow. Thank you for your invitation to that event, which coincides with the Olympic torch coming to Dumfries.

**Angela Constance:** I apologise to Elaine Murray. You have to forgive me, as I am not

immersed in important local events in Dumfries and Galloway.

**Elaine Murray:** It is a happy coincidence.

**Angela Constance:** Absolutely not.

**Elaine Murray:** You have said that you will hold a number of events across the country. What is the overall purpose of the events? What do you hope will come out of them? Are they seeking to identify local solutions to local unemployment problems? Do you hope that there will be opportunities to spread good practice?

**Angela Constance:** All those things. The local action forums are not called action forums by accident. When I open the forums, we are looking for actions and additional activity as well as bringing people together at a local level.

This course of action was prompted by the success of the national economic forum on 1 February. I believed that there was a good opportunity to try and replicate that at a local level. The involvement of local employers in those events is key.

**Elaine Murray:** I presume that you will invite people from small businesses in the Dumfries and Galloway area, where microbusinesses are particularly important.

**Angela Constance:** Yes. If there are people who you would like to ensure are invited, Ms Murray, you are more than welcome to tell me. Suggestions from MSPs in that regard are always welcome. My instruction to officials and SDS is to try as hard as possible to ensure that we get good representation from local employers.

**Mark McDonald (North East Scotland) (SNP):** The two issues of stigma and role models have come up in our evidence sessions. Can you comment on the difficulties faced by care leavers—people who were looked-after children—when trying to access the job market? Often, when a care leaver is up for a job against individuals who have not been in care, there is the feeling that a stigma can be attached, which makes it difficult for care leavers to have parity of opportunity. Can you also comment on the role that the public sector can play for looked-after children? You spoke about the Edinburgh opportunity. In Aberdeen City Council, there has been a move to give work experience to some of the city's looked-after children. As corporate parents, should local authorities do more to improve employment opportunities for looked-after children in their care?

**Angela Constance:** I am a former social worker and a former children's minister, so it is perhaps no surprise that the first announcement that I made as the Minister for Youth Employment was on the allocation of funds specifically geared

towards young carers and care leavers. You cannot be a children's minister or be exposed to the plight of looked-after children without always carrying that with you. I have a personal commitment to that agenda, as do many MSPs. Those who are former councillors always articulate well the responsibility that we all have as corporate parents.

There were two parts to the announcement that I made. One was about the employer recruitment incentive to actively support young care leavers into work. There is also an aftercare work coaching element. I recognise that small to medium-sized businesses have a lot to contend with—the convener touched on that earlier—and may not necessarily have large human resources departments to organise things such as mentoring. It is important that we get young care leavers into not just training, but work, because their life chances are considerably and shockingly poorer than those of their peers. That is a matter in which the Parliament takes great interest, and into which the Education and Culture Committee has had a recent inquiry.

Mark McDonald is absolutely right. The notion of a family firm—which came up at the Glasgow event yesterday, as Mr Mason will recall—is sometimes an important one. These are our children and young people. They may not be biologically ours, but they are ours. Like any other parent, we must make exceptional effort on their behalf.

11:15

**Mark McDonald:** Do you think that those who have been in care and are now holding down steady employment might play a role in offering advice and guidance from their own perspective to young people who are about to leave the care system?

**Angela Constance:** Forgive me, Mr McDonald—I omitted to answer that question.

I absolutely agree with you. We have some brand spanking new young people who have had to cope with horrendous circumstances that would be our worst nightmare and have come through the other end to make a considerable success of their lives. Of course, not everyone wants to wear their heart on the sleeve and talk about the past, but if there are young people—now, of course, adults or older people—who want to speak about their past difficulties and provide encouragement or something for others to aspire to, that will be very important.

**Mark McDonald:** Another area of stigma that I have touched on over the piece is that, during the good times and in the past, certain jobs have for whatever reason been viewed as undesirable.

They are the kind of jobs that people who do not stick in at school are told, “If you don't stick in, you're going to end up doing job X or job Y”, with the result that people tend not to gravitate towards them. Are we doing enough to tackle that stigma by, for example, making it clear to people that such jobs should not be viewed as any less desirable?

**Angela Constance:** There is always room for improvement. A number of sectors have huge perception issues that we will have to overcome. For example, the problem with the number of young women entering engineering or science-related industries is about perception, and some of the barriers to young disabled people seeking work are to do with a lack of awareness or understanding on both sides about particular sectors. We could be doing an awful lot more to get better connectivity between the realities of the world of work in particular sectors and our education system, and we certainly need far closer collaboration and working with employers.

**Mark McDonald:** The witness from Asda told us that the company's chief executive started as a shelf stacker with one O-level and moved up through the company. Can we use as role models such individuals and people like Jim McColl who, although they had no formal further or higher education qualifications when they first left school, have still been successful, to show students who, for whatever reason, are not going on to further and higher education that even if they go into a company at entry level they can go on to achieve great things and have a significant career?

**Angela Constance:** Absolutely. I am often quite irked by comparisons that are drawn between academic pursuits and vocational education and believe that we need a far more integrated approach. Some skills and opportunities should be for everyone; indeed, in a core sense, vocational education should be for everyone. It should not be an either/or. If there are any role models who can connect with young people, we should be making more of them. Certainly Skills Development Scotland's my world of work website has thousands and thousands of YouTube clips featuring young people working in particular industries. As adults in a privileged position ourselves, we must become more acutely sensitive to those who can make connections with the young people we want to inspire.

**Mark McDonald:** The issue of soft skills has also been raised. Although it is great that we are doing what we can to train and educate young people, one of the difficulties is the acquisition of soft skills such as confidence and, indeed, self-confidence. How can we tackle what I appreciate is a difficult issue and develop some of those soft skills? Should we look at, for example, Young



Enterprise Scotland's work, which, by letting young people work as part of what is in effect a small business in their school, can give them a bit of confidence?

**Angela Constance:** I do not really like the term "soft skills" because it implies that they are inferior. Instead, I prefer to talk about core skills; after all, confidence is pretty core to how a person operates in life as well as work.

This work needs to begin with very young children. I might end up in hot water again, but I think that happy, healthy, strident, opinionated children are something to be encouraged. I have certainly never believed that children should be seen and not heard—that will probably get me into the *Daily Mail*—and I know that some people will say that it is just as well I hold that view, given my own rather opinionated and strident four-year-old.

In all seriousness, though, our perception and view of young people has to change from the early years upwards. The aim of bolstering core skills such as confidence, communicating with other people, working in a team, numeracy and literacy must be ingrained in everything we do in our education system and beyond and is, in fact, core to curriculum for excellence.

With regard to your final comment, I had last night the privilege of speaking at the Young Enterprise Scotland awards and that organisation is one of many good examples of how we might be able to upskill and boost young people.

**Mary Fee (West Scotland) (Lab):** I will be brief, convener, because most of my points have been covered. However, I want to return to the earlier comment that training should be fitted to the person, not the person to the training. In evidence, Social Enterprise Scotland talked about

"the programme needing to fit the young person rather than the young person fitting the programme"—[*Official Report, Finance Committee*, 16 May 2012; c 1161.]

and Who Cares? Scotland referred to the "tightrope" that these young people were on and the need to turn it into "a plank". What is being done to ensure that young people have that plank? What is being built in to those programmes and how adaptable are they? After all, there are a number of very big and very small organisations involved in this work, but the very small ones might find it more difficult to put that plank under the young person.

**Angela Constance:** Absolutely. Given the trend towards a more personalised approach to learning—I am thinking, in particular, of the senior phase of curriculum for excellence—we really need to follow that up with the post-16 reform and take all that forward into the work that we have commenced on the employability fund. In the fullness of time, we will have to challenge

ourselves on our national training programmes. It is good to have such programmes, particularly in this climate, but the important question is how we tailor them more to individuals' needs. Much of that work needs to be carried out at local level with local partners.

The part of the jigsaw that I omitted earlier relates to community planning partnerships, which are currently the subject of a review by Derek Mackay. Moreover, the single outcome agreements will, one would hope, give us better alignment at local level. Getting all the players better aligned will unleash an opportunity for far more flexible and imaginative provision that is utterly geared to the needs of young people and employers.

**The Convener:** I thank the minister and Mr McAloon for their evidence in what has been a very interesting and worthwhile session.

11:25

*Meeting suspended.*

11:33

*On resuming—*

## Welfare Reform Act 2012

**The Convener:** Item 3 is to take evidence on the financial implications of the Welfare Reform Act 2012. I welcome our witnesses: Morag Johnston from Glasgow City Council; Alan Sinclair from the City of Edinburgh Council; Derek Yule from Highland Council; and Michael McClements and Jonathan Sharma from the Convention of Scottish Local Authorities. Given that there are five of you and that we have the relevant papers in front of us, I do not propose to allow opening statements. We will go straight to questions.

The witnesses represent four organisations, so I think that the fairest thing to do is for me to ask a representative from each organisation one question. Then I will open out the discussion to my colleagues, who can ask whomever they wish whatever they wish.

My first question is for Ms Johnston, who represents Glasgow City Council. In paragraph 8 of your written submission, which is headed “Direct Financial Implications for Wider Council Services”, you state:

“The obvious areas are increased demands for money advice and welfare rights services that are funded by the council.”

Will Glasgow City Council consider realigning some of its budgets to give additional support to, for example, citizens advice bureaux?

**Morag Johnston (Glasgow City Council):** Just as background, members may be aware that we awarded a three-year contract for the provision of advice and information services in Glasgow from April this year. The contract includes a number of CABx and other advice services in the Glasgow area. In the contract is a recognition that the welfare reforms that are due to come in will have an impact. We expect to work with the organisations involved in the contract to see what additional requirements there will be from potential increased demand. As the relationship with those organisations is contractual, the work is not grant funded, so the council must build in any additional money that might be required.

**The Convener:** Thank you.

Mr Sinclair, the City of Edinburgh Council’s written submission states:

“Taking all the measures together there are likely to be adverse effects on Housing and Homelessness; levels of debt; Council Tax Collection; demand for advice; pressures on Health & Social Care and Children & Families.”

That is a pretty bleak prospect. Can you tell us a bit more about the financial impact that the welfare reform proposals will have on Edinburgh?

**Alan Sinclair (City of Edinburgh Council):** We still do not have some of the detail of the proposals, but the changes to housing benefit and council tax benefit are likely to mean that there will be major cuts in services in areas such as temporary accommodation and homelessness, which are pretty much covered under the current rules. It is up to every council to do what it can in that regard. The City of Edinburgh Council has put together a working group of people from various departments to consider how best we can deal with matters. For example, because the homelessness service is quite a labour-intensive service its costs are fairly high, but those are currently covered in full by housing benefit. That is not likely to be the case under the 2012 act. We need to think about how we can offer a much more streamlined service. Do we continue to accept people as homeless as we do now, or do we have to change the definition so that the council might not have a duty to house intentionally homeless people?

The implications are wide ranging and the prospect is pretty bleak. I am normally quite a positive person, but it is difficult to be positive about the changes that will come. Some changes have already happened, but the situation will become much more difficult as we move forward. The Government’s plan is to take £18 billion out of social security by 2014-15, which is a lot of money.

**The Convener:** I know that the dust has not completely settled, but can you quantify what the impact will be on Edinburgh?

**Alan Sinclair:** One of the changes coming in for council housing is that some people will be classed as being overaccommodated, which means that they have one, two or more bedrooms more than their household requires. We have done some initial analysis in Edinburgh on that and we believe that it could adversely affect 4,000 tenants, whose housing benefit could be cut by between 14 and 25 per cent. Within a year, that could total a £2.5 million loss of benefit. We are talking about trying to recover relatively small amounts of rent from people who have been used to getting all their rent covered by housing benefit, and the collection costs will fall on the council. The £2.5 million total does not include what will happen in housing associations, which will be equally affected by the change.

**The Convener:** Thank you.

Mr Yule, I found your written submission fascinating—although all the submissions are good. You refer in your submission to breaking

“the direct link between the value of benefits paid and grant received to compensate.”

You go on to say that every £1

“of benefit paid by councils is a direct cost to that council. It therefore provides a disincentive for councils to promote additional benefits take-up ... There is therefore the potential for councils to accept lower levels of tax collected, and higher levels of bad debts, rather than promote further benefits take-up, as this may actually save the council more in financial terms.”

In effect, you are saying that you get a set grant but you do not want to encourage too many people to access the benefits to which the grant refers, because otherwise the council will potentially end up in a seriously adverse financial position. Can you say a bit more on that?

**Derek Yule (Highland Council):** Yes. The role of councils at the moment in this area is to act as agents for the Department for Work and Pensions and to focus very much on promoting benefits, be it housing benefit or council tax benefit. It is probably one of the services that is most closely monitored, internally and externally, but the focus is very much on how well councils are performing on maximising benefit take-up.

In the submission, I highlight the fact that, from April next year, that direct link to councils' welfare benefit role effectively disappears from the funding point of view. Instead of receiving grant money that is based on the value of benefits that the council pays out, the council will receive a sum of money from the Scottish Government to administer a scheme that will replace council tax benefit. That will be a direct cost on the council.

At the moment, as a finance director, I am concerned very much with the promotion of benefits, because that helps collection levels in terms of housing rent and council tax. Across Scotland, about 60 per cent of housing rent is paid through the benefits system. When that link is broken, councils will have conflicting roles. I suppose that I am coming at the issue very much from a finance point of view, and I believe that the change in roles will place an additional cost pressure on councils, as the financial risk will rest with the council whereas, at present, it rests with the DWP.

**The Convener:** On direct payments, the COSLA submission says that councils

“expect that rental income will be significantly diminished and arrears and collection costs will increase as individuals may not then prioritise payment of rent”

and that

“COSLA estimates this loss to potentially amount to £50m per annum.”

The figure of £50 million is quite a round one. Is that a guesstimate, or has work been done to assess it?

On revenue and benefits functions, the submission says:

“it is our belief that the costs associated with the changes to Benefit delivery, including staff, systems, contractual and transition costs, should be fully met by government.”

Which Government do you mean?

**Jonathan Sharma (Convention of Scottish Local Authorities):** The figure of £50 million is a rough estimate. We do not have the information to tell us what the impact will be of the transition of the housing element from housing benefit to universal credit. Equally, we do not know at this stage what sort of behaviour patterns will be involved.

As Alan Sinclair said, we are talking about people who never really had to pay rent before, so we estimated the figure based on the collection rate for water charges. People who are on benefits get a 25 per cent discount on their water bill, but have to pay the rest. There is a much lower collection rate for that than there is for council tax as a whole. We gave ourselves an extremely rough estimate of approximately £900 million for the amount of rental income that is collected and, using that collection rate, came up with a figure of roughly 10 per cent, although we narrowed it down conservatively. The sum of £50 million is a conservative estimate of the loss of income. Clearly, steps must be taken to mitigate that. We hope to open up that conversation as we go along.

What was the second question?

**The Convener:** You said that the costs should be fully met by Government, but you did not specify whether you meant the UK Government or the Scottish Government.

**Jonathan Sharma:** On the changes that are being brought about by the introduction of the universal credit, we would say that, in situations in which councils are having to bring about changes in their systems or provide additional advice and support to enable the UK Government's policy to be put into place, we think that it is right that the UK Government should meet a good part of the associated cost. That is our focus.

11:45

We are having a discussion with the Scottish Government on a number of fronts about the impact of the welfare reform changes, and that discussion will continue. The committee will be aware that we have come to an agreement about how we will deal with the replacement for council tax benefit for 2013-14. That involved both the Scottish Government and local government putting forward sums of money. It is clear that we will have to have discussions with the Scottish

Government, but at present the focus is on what influence we, together with the Scottish Government, can have on the DWP as we explain to it what our costs are and how they should be met.

**The Convener:** Do you have anything to add, Mr McClements?

**Michael McClements (Convention of Scottish Local Authorities):** Just to clarify the position, I add that councils are funded to provide an integrated council tax benefit and housing benefit service. One issue that will arise is that, because housing benefit will be incorporated in universal credit, councils will no longer be responsible for it; in time, the DWP will have a view that some of the subsidy that is paid should fall off.

One issue for councils is that not all the work will go away when the change happens. Most claims—about 80 per cent—are interview claims, and consequently that work will still exist for councils. A crucial issue for local government is how much will be provided in administrative subsidy when the UK Government provides resources to the Scottish Government for a council tax benefit replacement scheme. Local government costs will not simply halve because councils are no longer responsible for housing benefit. That is an example of the issues that are of concern to councils.

**The Convener:** Yes. There are also concerns about the impact of the change to housing benefit on registered social landlords.

I am sure that my colleagues will wish to explore many of the issues with you in depth. I open up the meeting for questions from my colleagues. Paul Wheelhouse will start, followed by Mark McDonald.

**Paul Wheelhouse:** I have two questions. The first is about council tax benefit. As I said to the earlier witnesses, we had a private session last week with the Joseph Rowntree Foundation. The data that it presented to us showed that there is a massive shortfall in the number of people in the bottom two or three deciles of income distribution who apply for council tax benefit. Ironically, the number of people who apply improves as we go up through the deciles; as income increases, people have a lower entitlement to council tax benefit, but they are better at claiming it.

Do you have any views on the implications of what is happening in welfare reform? Is there anything that we need to take into account to ensure that, before the date of the change, people are claiming the appropriate amount of council tax benefit? It seems that there is a low take-up relative to the number of people whom we know should be entitled to it.

**Derek Yule:** I am happy to give an initial response to that. You have homed in on one of the concerns that I tried to highlight in our written submission. In a sense, for the reason that you gave, there will be a direct cost to councils in the future. That takes us from the welfare support agenda to the real financial cost. There is going to be a dilemma for councils in future.

As my colleagues have said, councils have an important role in educating people who are currently in receipt of benefit, never mind potential claimants, to ensure that they are fully aware of the changes. I am thinking of housing rent as much as council tax. We need to look at the issue closely to ensure that such people continue to pay their rent. We also need to ensure that the resource is in place to support those people once the changes come into play, particularly in the early months. That is a real challenge.

A number of us have mentioned our relationships with money advice services and citizens advice bureaux. We are seeing an increasing volume of applicants coming through those arenas who are looking for help in managing debt, and we have to recognise that the number of such people is likely to increase significantly in the future.

**Paul Wheelhouse:** In the transition phase, we are likely to see a substantial increase in people who are in arrears with rent or council tax. That situation has its own negative social outcomes, which we may have to pick up as a Parliament.

**Derek Yule:** Absolutely. The challenge for us is to try to prevent that from happening in the transition phase. It will be a big change for people. They will probably receive more cash in their hand, particularly if the proposal for universal credit and housing rent to be paid monthly goes ahead. Practices vary across Scotland, but I think that the majority of people get weekly payments.

People will have more cash in their hand than they may have been used to, and we must ensure that they remember to pay their rent. We need to put a lot of resources into that area to ensure that that cultural change happens.

**Paul Wheelhouse:** I direct my second point to Morag Johnston of Glasgow City Council. I was particularly interested in the reference in paragraph 6 of your submission to the social fund successor arrangements. You state that there is already

“a pro-active drive by the DWP to dampen current social fund payments.”

I am aware of that issue, particularly in relation to funeral costs.

Eilidh Whiteford, a colleague in the Westminster Parliament, recently received an answer to a

parliamentary question that indicated that there has been a downward trend in the amount that is being paid by the DWP through the social fund to meet funeral costs. Obviously, such costs are rising, which puts people into greater difficulty.

Do you have any particular view on that? I am not expecting anything specific at this stage, because we do not really know what the arrangements will be, but how concerned are you about how things have panned out with regard to that concerted effort to reduce payments, if that is what is happening? Do you have any recommendations for how we take that issue forward?

**Morag Johnston:** My comment was based on statistical information that we received from the DWP, particularly around crisis loans for living expenses. Not all the current elements of the social fund will come to the devolved Administration and then to local authorities, just the two discretionary elements, one of which is crisis loans for living expenses.

The current working arrangements appear to suggest that grants rather than loans will be paid out. The statistics show that, over the past few years, the DWP has started to reduce those payments. My understanding is that it works very much to a set budget each year, and will manage those payments within that budget.

As you have heard from my colleagues, our approach to benefits has previously been that if someone meets the criteria, the benefit is paid. We do not necessarily think about changing criteria in order to dampen demand.

With regard to the social fund, a set amount will be allocated to Scotland that will then be distributed among local authorities. It will be another ring-fenced budget within which we will need to manage resources.

The DWP's approach seems to be that once the budget is used up, people cannot qualify. That is not necessarily an approach that we are used to in local authorities. It will be difficult for us to try to manage that demand with the welfare reform changes that are coming. Obviously, we expect that demand will increase, and that more people will find themselves in crisis situations. They will need assistance, and that is one of the funds to which they will look.

**Paul Wheelhouse:** So, under the current DWP arrangements, we have already moved to some degree from a demand-led model—as you outlined—to a supply-led model. The nature of things such as funeral costs means that one cannot predict when they will arise. I am particularly aware of constituents who have been caught out by the tragic loss of a young person in their family—they had not anticipated that the

person would die so young and had therefore not saved for that.

With a supply-led approach, we could have a situation in which someone dies towards the end of the financial year, and there is no money for their funeral costs. Is that a real risk?

**Morag Johnston:** My understanding is that funeral payments will stay with the Department for Work and Pensions social fund arrangements. However, the point is still well made that such payments should not depend on the point in the month or financial year at which issues arise. We need to think about how local authorities budget and how the money is distributed from the Scottish Government.

**Paul Wheelhouse:** So we have to be wary about front-loading the expenditure through the funds in the first half of the year, because crises that affect families could, by their nature, happen at any time.

**Morag Johnston:** Yes. One of the key things that directors of finance will need to do is to consider the trends of budgeting to try to ensure that we spread the money throughout the year, taking into account past seasonal trends. That means that it is important that we get the historical information from the Department for Work and Pensions to allow us to take an informed view when we set our budgets.

**Paul Wheelhouse:** That is helpful—thank you.

**Mark McDonald:** The COSLA submission talks about the potential for rent arrears arising from the introduction of direct payments. COSLA estimates the potential loss through rent arrears to be £50 million per annum. Is that figure simply for rent arrears?

**Michael McClements:** As Jonathan Sharma explained, that figure was based on our assumption about the rent that will not be gathered when people receive their benefit directly on a monthly basis. That is obviously a big worry for councils and registered social landlords, so they will be considering the potential impact. They will need to look at their existing systems of arrears controls and they will probably need to invest much more in those systems to try to ensure that the level of arrears is minimised. Therefore, that might not be the figure at the end of the day, but that is the potential risk.

**Mark McDonald:** Do you have figures for the current level of rent arrears nationally, to give a comparison between the situation now and the situation post change?

**Michael McClements:** I am not sure of the exact figure. Obviously, the amount will vary from landlord to landlord. Most landlords will have

arrears of about 3 to 4 per cent, rather than up at the 10 per cent level. That is the range.

**Mark McDonald:** My next question is on the underoccupancy measures, so council colleagues can feel free to leap in. It strikes me that we are in danger of self-perpetuation of a problem. Most local authorities do not allow people to transfer if they have arrears. People might get into significant arrears because their housing benefit is removed as a result of the underoccupancy rule. If someone then applies for a transfer to a smaller property, the authority might, through the application of its policies, perpetuate the problem by not giving them the transfer, even though the only reason why they are in arrears is that they are in an underoccupied property.

**Michael McClements:** That problem is not of the councils' making. The measure is supposedly intended to address issues about underoccupancy of properties and demand for housing. Our sense has always been that the measure has been introduced largely to address what is primarily an English problem and, in fact, more of a London problem. The potential impact on Scottish housing policies is significant. Councils and social landlords will have to review some of their existing policies, because of the possible impact. At present, efforts will be made to identify who will be affected, but there are limitations to the assistance that can be offered. Neither councils nor social landlords want to make the situation worse because their existing policies have adverse effects that were not anticipated when those policies were put in place. A review of policies and systems is a big part of what everyone in the housing sector will have to do in the next year.

12:00

**Mark McDonald:** I am not suggesting that it is a problem that the councils have created; I am merely pointing out that—as you rightly identify—policies other than simply the collections policy will need to be considered because there will be a knock-on effect.

What assessment are you aware of councils making of their current situation regarding underoccupancy and the flexibility within their own housing systems? Some local authorities are offering a downsizing incentive to deal with underoccupancy and to free up family-sized housing. What work are local authorities doing to deal with the problem in advance of the underoccupancy issue becoming live?

**Alan Sinclair:** We must first identify how many people we are talking about. New legislation is going to be introduced—in the first week in July, we think—that will allow data sharing between local authority revenues and benefits teams, RSLs

and people working on our own council stock. Many of the tenancies were allocated 10 years ago and the council or the RSL does not know how many people are staying in the house. The first thing that we need to do is to start sharing data so that we can identify the problem. We cannot do that just now, but the legislation is changing to allow that.

It may be that people have not declared a son or daughter in the house because their benefit would have been reduced but, when they find out that their benefit might be cut, they suddenly declare that son or daughter. The problem may not be as large as we think. In Edinburgh, we have estimated that 4,000 people will be affected, but that is before we are able to share data. The fundamental problem for local authorities is that we do not have the one-bedroom stock for people to move into.

**Derek Yule:** That is probably the biggest problem. We know that there is a shortage of housing full stop in the social rented sector and, as Alan Sinclair says, there seems to be a particular shortage of smaller, one-bedroom properties. Although councils can look at the degree of underoccupancy that we have at the moment, the issue is our capacity to do anything about it. The housing stock is not available to effect the degree of movement that is perhaps needed.

**Elaine Murray:** One of the things that concerns me in the evidence from the City of Edinburgh Council is the assumption by the DWP that 80 per cent of customers will be able to apply for the universal credit online and that local authorities will somehow cater for the other 20 per cent, but without access to the universal credit system and possibly without any funding to assist them to do so. Is it realistic to assume that 80 per cent of people who apply for the universal credit will be able to do it online? People may not have access to facilities, may have literacy issues or may not be confident about using computer systems. It is an extraordinary assumption that 80 per cent of people will be able to apply for their benefits via their mobile phone or their computer at home.

**Alan Sinclair:** I think that that is an aspiration. The DWP does not expect that, on day 1 of the universal credit, 80 per cent of people will apply online, but it is doing what it can to encourage that. Over the years, local authorities have encouraged people to apply online for housing benefit and council tax benefit, with varying degrees of success. A lot depends on people's access to the internet and their skills. That is a real difficulty. The DWP has a team that is doing what it can to encourage people to apply online. In reality, that is not how people will apply in the early days, and the contact centres may take the brunt of the calls. Face-to-face access will be through

Jobcentre Plus, but it does not have a large number of local offices for customers to contact.

I think that customers will gravitate towards local authorities because that is who they have dealt with over the years but, because we will not have access to the universal credit system, we will be limited in what help and advice we will be able to give. We could perhaps help a person to process a claim for universal credit online, but that is quite labour intensive and there would be days when there would be queues of people out in the street. If we have to do that, local authorities will expect funding for it.

**Elaine Murray:** Am I right in assuming that the people who would be able to do that are those who used to deal with council tax and housing benefit, and that their funding is likely to be reduced because they are no longer dealing with housing benefit? Their problems are going to be compounded.

**Alan Sinclair:** They are indeed.

**Michael McClements:** COSLA and local authorities in Scotland have been engaging directly with the DWP alongside the Scottish Government. There has been concern about the impact on vulnerable people who will not have access to a PC so it is not viable to assume that they will be able to claim benefits in that way.

Local authorities anticipate that they, along with advice centres—many of which they fund—will see a lot of displaced demand as a new system comes in. We have been engaging with the DWP and making the point that we think that local authorities are in a position to provide support, but the services are under pressure and the DWP needs to resource that activity effectively. We are exploring that further. The DWP is working with us on piloting some activity during the next year that we hope will highlight what local authorities have to offer and indicate the levels of support that will be needed.

**Elaine Murray:** My experience is that there is already pressure on the advice services with the changes that have come in so far. One of the advice centres in my constituency has had to shut its doors to the public because it can no longer deal with the number of people who are coming in and the other work that it is expected to do. It is quite concerning to hear the view that things are going to get a lot worse as the scheme is rolled out.

I am also worried about the lack of clarity around passported benefits and the sort of information that local authorities will require in order to ascertain entitlement: they might not have the core data that will enable them to do that, and I can see no consequence other than people who were previously entitled losing out. If you do not

have the information, you do not get the funding, and there will be no incentive to ensure that people get their benefits. That ties in with what Mr Yule said earlier.

**Derek Yule:** I agree with the concerns expressed in Elaine Murray's previous question and that one. As Michael McClements said, we are trying to negotiate what we think is the proper role for a local authority. My particular concern is that we are now in June, the changes will come in in about nine months, and we still do not have clarity around the exact role of local authorities.

To answer Ms Murray's previous question about the 80 per cent, the DWP is looking at the situation across the whole UK, and the level of coverage in Scotland is quite different. The rurality of the Highlands is a particular concern for us. I think that I am right in saying that there are no Jobcentre Plus offices north of Inverness, and the broadband connections do not exist that allow people to access online facilities in rural areas of Scotland. There is therefore a disparity in provision and in what different areas of Scotland can do at the moment. We urgently need clarity so that we can fulfil our proper role by supporting the people who need it.

**Gavin Brown:** I have a couple of questions, convener. An issue was raised in Glasgow City Council's submission, which stated:

"Equally important is ensuring that data held by DWP/HMRC can be fully shared with Scottish local authorities."

Where are we with that? Mr Sinclair referred to there being some legislation in July, but is it being negotiated?

**Morag Johnston:** My understanding is that that is the subject of on-going discussions. At the beginning of the process there was a suggestion that legislative changes would be required, and I am not clear whether those have all been fully implemented. In our discussions with the Department for Work and Pensions, it has recognised the requirement for local authorities to have the data. Those discussions are on-going.

Our current difficulty is that we do not know what information will be finally available. When processing housing benefit and council tax benefit, local authorities are used to having wide access, through a system that is controlled by the DWP, to allow us to process benefits and run take-up campaigns. Our difficulty is that we do not know whether that system will be available.

Our other risk concerns how universal credit will be calculated. We are starting to get information about that, and it will be quite different. Passported benefits—which were mentioned previously—are currently based on automatic entitlement for those who are already in receipt of certain benefits.

Universal benefit will be quite a different type of benefit; it will be made up of lots of different components, possibly with certain reductions for various things, so a different way of understanding entitlement will be required. Lots of people will get universal credit, ranging from very small to very large amounts. Being on universal credit will no longer be an automatic eligibility criterion for other passported benefits. We need to discuss that.

To go back to the original question, the discussions on data sharing are on-going. All officers involved in the specific groups in the DWP are discussing that with officers from the Scottish Government, and we need to make sure that that progresses.

**Jonathan Sharma:** A UK data-sharing working group is being established by the DWP. It has not yet met, and it has been looking for representation. We want Scottish representation at critical stakeholder level within that group, which we expect to take forward work that covers the whole area of data sharing, including the passported benefits side. We will need to see what develops. It is the type of mechanism that will take forward many matters.

**Gavin Brown:** I have a brief follow-up to Mr Yule's point about the disincentive for councils to promote additional take-up of benefits, which has already been touched on. I presume that, as things stand, everybody wants 100 per cent of council tax to be collected. However, the cost of collecting it can sometimes outweigh the additional tax that is collected, above a certain level—whether that is 92, 95 or 98 per cent. I presume that there is an optimum level that has the biggest net benefit. Have you done—or are you going to do—any modelling on where you think things might end up? You pointed out the potential concern. Can you do any modelling to work out the optimum lower level of tax collection? I know that that is not a straightforward question.

**Derek Yule:** I understand the question. We have not done specific modelling; it would be very difficult to do. Part of the point that I was trying to make is that there are probably two elements: we need to separate benefits from collection of council tax. There are two major financial risks. One concerns collection levels. Gavin Brown is right—there is an optimum level. Most councils' collection levels are holding up reasonably well, at the moment, with percentage rates in the mid to upper 90s. From a financial modelling point of view, we will need to look at what the impact of a reduction in that figure would be. That will be a budgeted impact.

The other big financial risk is the value of payments that will be made in a council tax discount system. Again, we will need to make assumptions about risks that will be associated

with that. As highlighted in our written submission, that is probably one of the areas of biggest risk. In many respects, it is an area that cannot be controlled. Once you establish a scheme and establish entitlement, you are committed to that scheme.

One of the big issues is that matters that are outwith our control could impact on that, particularly if the financial risk is held at council level. At the moment, it is held at UK level. The best example of what could happen is the closure of the Johnnie Walker plant in Kilmarnock a couple of years ago. If something similar were to happen in any council area, that would have a huge impact on the finances of that council.

12:15

**John Mason:** I have a question about practical issues. There will be a changeover period, which I presume means that you will have to run two systems. Will there be staff and information technology implications and other complications?

**Alan Sinclair:** Yes. Universal credit starts in October 2013, but it will not be fully in place until October 2017. There will be three major migrations of data to do with housing benefit and various other state benefits across to the new system. In addition, we have the local council tax support scheme to operate. There will be multiple schemes to administer.

**John Mason:** Are the councils relaxed about that? [*Laughter.*]

**Alan Sinclair:** No—councils are not at all relaxed.

**John Mason:** Is it an unknown, or are you clear about what the challenge is?

**Alan Sinclair:** I think that we know what the challenge is. Local authorities have a history of being able to manage and deliver benefits, systems and so on; our track record on that is pretty good. We know what we face, but it will not be an easy task and how hard it is will depend on how much data on universal credit we can get from the DWP. A person's universal credit will be made up of various elements, one of which will be the housing element. When we come to determine whether that person is entitled to local council tax support, we cannot take into account the housing element of universal credit and, as I understand it, the DWP will not be able to give us a breakdown of the constituent parts of universal credit. That is a real difficulty. Local authorities have been saying to the DWP that they need that breakdown so that they can award the correct level of council tax support to people. If we take into account the housing element of someone's universal credit, we



will reduce their potential entitlement to local council tax support.

**John Mason:** Are you saying that the DWP will not give the breakdown to you or that it will not give it to anyone? If a mistake is made in someone's universal credit, how will they be able to challenge it?

**Alan Sinclair:** As I understand it, the DWP is saying that its IT systems will not be able to provide us with a breakdown. As Morag Johnston mentioned, people have various levels of means-tested benefits, so there are various qualifying levels of entitlement to universal credit. If someone is not entitled to the maximum amount of universal credit, a calculation will be done. As I understand it, the DWP will not be able to—it is not that it does not want to—say what proportion of the universal credit is for housing costs.

**Morag Johnston:** Now that we have more clarity on the local council tax support scheme, we need to work through the system changes that will be required to allow it to operate. Because it is expected that, at least in 2013-14, what is in place will be very similar to the current system, at the moment we are working on the basis that the staff are already trained and that it should be possible to change the system easily.

The one area in which there is a lot more uncertainty relates to the social fund requirements that will come to local authorities. At present, there is no IT system for that in the local authority arena. The DWP has its own system. We are only now at the stage of talking to our software suppliers to see what they can supply. On top of that, there are all the usual issues associated with the introduction of any new administrative process, such as staff training and who will administer it. We are talking about a system that is coming in April 2013.

From Glasgow City Council's perspective, that is probably the area of the welfare reform changes that gives us most concern, because it is probably the area that we are, from an administrative perspective, least prepared for. However, we are working actively to address the issue. We are talking to the software suppliers and we are engaging with the design and implementation group that is chaired jointly by COSLA and the Scottish Government. As has been said, local authorities have a track record of getting such things done, but the timescale is challenging.

**John Mason:** The other issue that I want to return to is rent not being passed on when people get the cash. I think that Mr Sinclair said earlier that he is normally an optimist, but I am a huge pessimist about that. I think that there will be a huge problem. The figure of £50 million has been mentioned, but who knows what the figure will be?

I am wondering about the practicalities. How quickly will we be able to find out whether there is a problem, go back to the DWP and challenge the whole thing? Are we talking about the end of April or May or June next year? When will we know whether things are working?

**Alan Sinclair:** The City of Edinburgh Council is involved in a demonstration pilot project for paying housing benefit directly to tenants. We are doing that project in conjunction with one of the housing associations in Edinburgh, and it will start in August and run until next June. Currently, 90-odd per cent of benefit is paid directly to the housing association, but that will change from August. The change will not happen all at once, but over a period of time. The customer will be paid directly, and they will have to make arrangements to pay their rent.

A lot of support will be needed for people. We must find out whether they have a bank account that money can be paid into, whether they will be able to set up a direct debit and so on. As I said, we are working closely with the housing association and with the DWP. The demonstration pilot is one of six in the United Kingdom, and it is the only one in Scotland.

If someone misses paying their first month's rent, say, there will be a switchback arrangement. Initially, we will say, "This person hasn't paid their rent, so we'll have to revert to direct payment of housing benefit." An arrangement will then have to be made with the customer so that they start to pay off the rent arrears. If they start to pay off those arrears, there will be a switchback so that the money is paid directly to them in the hope that they have learned. Many people might need support with budgeting and managing their money. That already happens in private sector cases with the local housing allowance, but it is obvious that there is a much greater level of vulnerability in the social rented sector than in the private rented sector.

**John Mason:** There are pretty vulnerable people in the private sector. Landlords have come to me with exactly that problem. Are you saying that a month should be the maximum period for somebody to be in arrears, at least to start with?

**Alan Sinclair:** There are six demonstration projects. The switchback arrangement in Edinburgh will kick in after four weeks, but in some of the other projects, the period will be eight or 12 weeks. An analysis will be done to try to inform the DWP about the best way of dealing with matters. We do not know whether the period will be four, eight or 12 weeks with universal credit. For instance, for the local housing allowance for private sector tenants, the legislation says that, once they have eight weeks of rent arrears or more, the landlord can ask for the housing benefit

to be paid directly to them rather than to the tenant.

**Paul Wheelhouse:** I would like to pick up on a point about private landlords that John Mason mentioned. Perhaps only one of the witnesses need answer the question, if that is possible. Do you foresee there being a problem with landlords simply pulling out of work with DWP clients? Do you foresee landlords completely abandoning that sector and putting more pressure on the local authority or housing association rented supply?

**Alan Sinclair:** The local housing allowance has been running in Edinburgh since 2004, because the council was a pathfinder authority. It was rolled out nationally in 2008. I do not see universal credit fundamentally changing matters, because customers have been used to paying their rent, although there are people who do not pay it for various reasons. The local housing allowance started in Edinburgh in February 2004, and our big concern was that, come Christmas that year, we would suddenly be inundated with requests from landlords who would say, "This tenant hasn't paid me the rent, presumably because they have bought Christmas presents." However, that simply did not happen. Sometimes there is a danger of thinking that all benefit claimants will take the money and run, but there is absolutely no evidence that that happened with the local housing allowance, and I do not see the situation changing with universal credit in the private rented sector.

**Paul Wheelhouse:** So we might need to get the message out to landlords in the private rented sector that, in your experience, that has not happened, in order that they do not jump away from providing accommodation to supported tenants.

**Alan Sinclair:** Because the amount of housing benefit might be reduced as a result of how it is calculated, one of the Government's suggestions with regard to universal credit was that, if a landlord, particularly a private landlord, threatens to bring a tenancy to an end, the landlord, rather than the customer, could be paid directly. We put that point to the private landlord forum in Edinburgh, which we meet every six months, and it was open to the idea. However, although the new system has not started, we have not yet had any requests for that to happen.

**The Convener:** That completes the questions from members, but I have a couple of questions to finish off. The first, which is for the COSLA representatives—although other witnesses can answer if they wish—is about the indirect financial consequences for social work. The COSLA submission talks about the disability living allowance being replaced by personal independence payments and states:

"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 and is likely to increase demand for social work support."

It goes on to state that, even though there will be

"Reductions in income as a result of changes",

which will

"impact upon eligibility for council charging for services",

individuals will still require social care services support. What impact will the legislation have on social work delivery and what will be the cost to local authorities?

**Michael McClements:** It is difficult to quantify that exactly. However, a number of aspects of the benefit changes will impact on people with disabilities. The move from DLA to PIP will be introduced in a similar timeframe, up to 2017. Everyone who now gets DLA will be reviewed, and people will normally be reviewed every three years. There will be two levels of PIP, rather than the three levels of DLA. The Government has already announced its intention to reduce expenditure by 20 per cent, so the broad assumption is that some people who currently receive a disability benefit will not receive it under the new regime. It is expected that some of those people will have lower levels of disability, but no one is clear about that because the assessment criteria and process are different and we have not yet had experience of them.

Along with that, we know that a significant proportion of the households who are affected by underoccupation measures and various other housing-related measures are families who include people with disabilities. Another issue is that the independent living fund was closed to new entrants about 18 months ago. We therefore anticipate that the pressures on social work and social care services will increase simply because individuals will have less capacity to manage their situations with the benefits and support that they receive from central Government. However, it is difficult to estimate the effect.

There will be people who, because they lose income that is provided through the benefits system, will no longer have to pay for social care services under the charging policy, but they might still require support. Given the increasing demand that local authorities are experiencing, we expect pressure on some of the services from people with disabilities simply because of that impact. It is hard to assess how big the impact will be.

**The Convener:** I just wanted to know whether the impact on council budgets will be marginal or significant. I realise that you cannot give a specific cash sum.

**Michael McClements:** Glasgow City Council estimates that, as a result of the impact of the 20 per cent reduction in the cost of DLA payments, and because of the charging policy, it could lose about £0.5 million in income that it currently receives from charging people who receive services. That alone is significant, but the other impact is about the amount of new demand that arises as a consequence of the pressure that families are under.

**The Convener:** Mr Sinclair, we have talked a wee bit about the universal credit system. Your submission says:

“The face to face service will not, as I understand it, be a statutory duty.”

The submission also talks about the cost in terms of staff resources, and says:

“If the funding is insufficient then Local Authorities will need to decide if they can afford to do this or simply not provide any kind of face to face service.”

That is clearly an alarming prospect for many people across Scotland. Can you give us an indication of the thinking on that issue?

12:30

**Alan Sinclair:** As I said earlier, people will naturally gravitate towards local authorities, as that is who they have dealt with in the past. However, many local authorities that I have talked to have specifically asked the DWP whether the service is a statutory requirement.

There is a desire for local authorities to provide the service, and we want to help the people whom we currently help, because the changes are significant. However, there is a difficulty around how much access we will have to the universal credit system and, therefore, how much added value there will be. It appears that all that a council officer in a public-facing role will be able to say to a customer who says to them, “I applied for universal credit six weeks ago and I haven’t heard anything,” is, “Hang on a minute, I’ll go and phone universal credit for you.” Speaking personally, you could not pay me enough to do that job. At the moment, if there is a problem, my staff and I have access to the housing benefit and council tax benefit systems and, if there is a pressing need, we can go ahead and process someone’s benefit quickly. However, that facility will no longer exist under universal credit.

In discussions with the DWP, the point is made repeatedly that local authorities want to have a significant role in the delivery of universal credit. It appears, however, that that will not necessarily happen.

Of course, local authorities’ budgets are under pressure, and the provision of the service could be very labour intensive.

**The Convener:** If you are unable to do anything other than act as a go-between, one has to wonder what the value of that will be. Issues of rurality will also need to be considered. In Arran and Cumbrae, in my constituency, there is a local authority presence but no DWP presence.

What is COSLA’s view on the issue?

**Michael McClements:** Council leaders have considered a number of papers on the matter. They have certainly taken the view that they anticipate that there will be significant demands on council services, and they have asked us to engage with the DWP to shape some of the delivery within Scotland and to seek to shape a role for local authorities to help vulnerable people to access their benefits.

We do not yet know precisely what local authorities will be asked to do in that regard, how they will be funded to do that and what level of funding they will receive. There is significant uncertainty. Along with the Scottish Government, we have sought to take a fairly proactive approach as we have asked questions and put our case. We have said, “This is what we think we’re in a position to do, but these services are under pressure. We cannot do this without support, and we need the DWP’s support.” We need to get into that level of detail, and I hope that we will be able to get more clarity over the coming months. It is difficult to make plans in the current situation.

Local authorities are likely to see a demand coming through their doors and they will want to be in a much more proactive position and to have plans set out for how they will work with the DWP. They will also want to be effectively resourced to do what has to be done.

**The Convener:** I thank all our witnesses. This has been an interesting and illuminating session, if disconcerting in many ways.

I ask our witnesses to leave, as the rest of our meeting will be held in private.

12:34

*Meeting continued in private until 12:56.*



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e-format first available  
ISBN 978-1-4061-9090-8

Revised e-format available  
ISBN 978-1-4061-9104-2

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Printed in Scotland by APS Group Scotland

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