

The Highland Council
Resources Committee – 28 May 2014

Agenda Item	4
Report No	RES/ 02/14

Finance and Welfare Budgets 2014/15

Report by Director of Finance

Summary

The purpose of this report is to bring together all budgets under the direct responsibility of the Director of Finance, to note budget virements under delegated powers, to agree the creation of a Welfare Budget, and to agree to transfer the budget for Citizens Advice Bureaux from the Chief Executive's Service to the Finance Service.

1. Background

- 1.1 The Finance Service is responsible for a number of budgets that are reported to this committee, either as part of the Corporate Revenue Monitoring Report or the Finance Service Report.
- 1.2 Welfare Reform has highlighted the need for the Council to take a more strategic role in managing proactively the various funds over which it has responsibility, and to provide members with the opportunity to scrutinise expenditure in more detail.
- 1.3 Whilst some funds have specific criteria, the level of funding provided to the Council by the Scottish Government does offer the Council some degree of flexibility over the use of this funding.
- 1.4 During 2013/14, when welfare reform first impacted, the focus was on establishing a support mechanism around the new Scottish Welfare Fund, and maximising Discretionary Housing Payments to offset the immediate impact of the "Spare Room Subsidy".
- 1.5 The Council has been extremely successful in lobbying the UK and Scottish Governments around the specific challenges of rural communities, and the additional funding received has made a significant difference to the Council's ability to offset the immediate impact of the "Spare Room Subsidy". This saw tenant rent arrears reduce over the course of 2013/14.
- 1.6 After an initial cautious start with regards to the criteria applied to the Scottish Welfare Fund, applications for community care and crisis grants have increased substantially over the last year, and is now in line with the funding provided by the Scottish Government.

1.7 Now that a full year's information regarding the cost of the Council Tax Reduction Scheme, Scottish Welfare Fund, and Discretionary Housing Payments is available, some realignment of budgets is possible to adjust these to reflect anticipated expenditure within the financial resources available.

2. Finance Service Budget

2.1 The Finance Service Budget has been under significant pressure in recent years, and has relied on turnover savings of between 5% and 10% of staff costs to achieve a balanced budget. In addition, the Service has seen repeated reductions in the Administration subsidy from the Department of Work and Pensions (DWP) which have had to be absorbed. In the last two years this subsidy has been reduced by £308,000 or 17½%. This is not a sustainable position.

2.2 The base budget for 2014/15 proposes that the Service has to achieve turnover savings of £860,000 which is too high and carries a significant financial risk. This paper therefore considers proposals to address this target.

2.3 The Service has undertaken a review of the actual costs of supporting the Scottish Welfare Fund. This results in a net additional cost of £271,000. COSLA continues to press the Scottish Government for additional funding, over and above that already provided, to reflect the real cost of providing this new service. Dealing with a ten-fold increase in discretionary housing payments has cost an additional £125,000.

2.4 In real terms the net cost impact of Welfare Reform to the Finance Service is therefore almost £400,000 and is reflected by staff time within the overall budget. It is therefore proposed to transfer £59,000 from the Council Tax Reduction Scheme Budget, based on the extent of underspend in 2013/14, to partly address this position.

2.5 The Service also believes that it can increase grant income from DWP through improvement in the recovery of housing benefit overpayments, and to reflect work undertaken to reduce the cost of homelessness and the loss of benefit due to the ceiling of rent that qualifies for DWP subsidy. This increased income, through the reduction in homelessness and small decline in Housing Benefit caseload attributable to the initial roll out of Universal Credit has already been partly achieved in 2013/14, and it is therefore proposed to vire £250,000 from the Benefits Budget. This additional income, achieved through proactive debt recovery work, will make a significant contribution towards the additional 5% efficiency savings target that the Finance Service has to achieve in 2014/15. The scope to achieve this is reflected in the Audit Scotland report: *Review of recovery of benefits subsidy in 2012/13*, which is a separate report on today's agenda.

2.6 As part of a review of structures, and reliance on turnover savings, it is proposed to delete the following vacant posts from the current structure. These posts have remained vacant for some time and there are no plans to review the situation.

<u>Section</u>	<u>Post</u>	<u>FTE</u>	<u>Budget</u>
			£
Payroll	Clerical Assistant 2	1.60	29,010
	Clerical Assistant 1	0.94	15,130
Procurement	E-Procurement Officer	0.40	9,190
Revenues (Operations)	Team Leader	1.31	55,780
	Senior Exchequer Assistant	0.40	10,600
	Exchequer Assistant	3.65	97,060
	Visiting Officer	1.00	23,540
Income & Recovery	Supervisor	1.00	26,670
	Clerical Assistant 2	<u>0.50</u>	<u>8,790</u>
		<u>10.80</u>	<u>275,770</u>

2.7 The Service believes that through more effective borrowing and investment that savings of £275,000 can be achieved, and it is proposed to vire this budget from the Loans Fund to the Finance Budget.

2.8 Since the budget transfers fall within the delegated powers of the Director of Finance, members are asked to note these. In particular it should be stressed that the adjustments reflect actual savings and additional income, and do not impact on the overall total budget. The Committee is however asked to agree the reductions of 10.8 FTE in the budgeted establishment.

2.9 The table below shows the effect of these changes:-

	£
Budget Transfers	
- Council Tax Reduction Scheme	59,000
- Benefits (efficiency saving)	250,000
- Loans Fund (efficiency saving)	275,000
Deletion of Vacant Posts	<u>275,770</u>
	<u>859,770</u>

2.10 Whilst these proposals eliminate the need for vacancy management savings in the short-term, the Service still needs to deliver some £760,000 of savings in Business Support. This is a result of an underachievement of savings mainly relating to technical issues and delays in delivering new processes to support technology and new ways of working, plus additional savings targets in 2014/15. Any vacancy management savings will be used to help manage this savings target until process improvements and efficiency savings are achieved.

3. Welfare Budget

- 3.1 As highlighted in paragraph 1.2 there is a need to provide members with the opportunity to scrutinise expenditure in more detail. It is therefore proposed to bring all the various budgets within a wider “Welfare” Budget. These include:-
- Housing Benefits
 - Council Tax Reduction Scheme
 - Scottish Welfare Fund
 - Discretionary Housing Payments
- 3.2 Advice Services provide an important support to people on low incomes who may be struggling to meet financial commitments. These advisory services can also ensure that people access all the various benefits to which they are entitled.
- 3.3 It is therefore proposed to transfer the budget for Money Advice and Income Maximisation from the Finance Budget to this new Welfare Budget. In addition, it is proposed to transfer the budget of £1,269,658 for the Council funding for Citizens Advice Bureaux from the Chief Executive’s Service to the Welfare Budget. As part of this change the Finance Service will take over responsibility for managing the contract that the Council has with the various Citizens Advice Bureaux across the Highlands.
- 3.4 Financial management is, of course, only one part of service management and delivery. Another key element is outcomes, and enhancing financial reporting will enable greater clarity about how the Council is meeting its own, and Government, objectives. It will also enable the performance of the Finance Service to be monitored, with clear links to the Council’s performance framework.
- 3.5 Whilst Housing Benefit payments are largely funded by grant from the DWP, the speed at which the Council processes claims, and the level of error (either individual, DWP or Council) can have a material impact on the level of grant received. The performance of the Finance Service is therefore key to managing the budget, maximising grant income, and allowing funds to be used for other purposes.
- 3.6 The Council Tax Reduction Scheme replaced Council Tax Benefit on 1 April 2013. In reality the current scheme largely mirrors the previous benefits scheme. Scottish Government funding comes through general grant, so any payment of Council Tax Reduction is a direct cost to the Council. However higher expenditure can support council tax collection rates, so there is a direct link between the two aspects of the budget.
- 3.7 The Scottish Welfare Fund was also introduced on 1 April 2013, and covers Community Care and Crisis Grants. There are strict criteria applied to the award of grants under this national scheme. Again, Scottish Government funding comes through general grant, but the budget is set at the exact level of financial support from the Government. The main challenge is to ensure full

spend against this budget within the specified criteria and legal framework for the scheme.

- 3.8 Discretionary Housing Payments (DHP) are intended as a short-term financial support to help people pay their rent (in either the public or social landlord sector). To lessen the impact of the “Spare Room Subsidy” the Council received a significant uplift in funding from the DWP, and this was subsequently increased by additional funding from the Scottish Government.
- 3.9 Through this additional funding the Council has largely managed to offset the loss of benefit to tenants in the public and social landlord sectors through the “Spare Room Subsidy”, with the award of DHP. Where appropriate DHP has been awarded for the full financial year, including backdated awards, and is therefore no longer a short-term financial support as per the previous policy.
- 3.10 By bringing these welfare budgets together the Council will be able to target these for better effect. Policy work is underway, to be coordinated across all services by the Chief Executive’s Service, and overseen by the Member Working Group. This will develop proposals for further support to people as the pace and complexity of welfare changes currently underway increases, and other measures come into effect.

At this time key requirements appear to be:

1. Engaging every service in the Council in welfare reform actions;
2. Vulnerable clients need enhanced support and hand holding to navigate the system and appeal welfare decisions;
3. Employability support needs to accommodate a diverse range of needs and include people furthest from the labour market and with challenging behaviour;
4. Digital inclusion/participation/literacy must be led as a corporate policy, co-ordinated across the Council, linked to the customer services strategy and agreed and delivered in collaboration with community planning partners;
5. Financial capability /budgeting skills should be supported; and
6. Continuing lobbying activity.

4. 2014/15 Financial Challenges

- 4.1 The realignment of budgets based on 2013/14 experience carries a certain risk that the situation may change as caseload or individual circumstances change, particularly as the wider impact of Welfare Reform takes effect. However a higher level of financial management, monitoring and reporting will enable any issues to be identified at an early stage.
- 4.2 The Council is, to some extent, able to manage the total value of payments made under the Scottish Welfare Fund or Discretionary Housing Payments. Clearly however, whilst managing within a total funding envelope, any restriction will have an impact on resources available to provide financial support to individuals.

- 4.3 The Council was also advised, on 27 March, that the Scottish Government was proposing to change the basis on which its funding of £20m was to be allocated to Scottish councils in 2014/15.
- 4.4 In particular, the funding to the twelve rural authorities who received additional DWP funding to reflect their specific challenging circumstances, has been reduced pro rata to allow additional Scottish Government funding to be allocated to the remaining twenty councils.
- 4.5 Representations have been made by officers to COSLA to challenge the basis of this funding allocation, but the proposals have now been agreed by COSLA Leaders. As the proposal stands Highland will lose £466,317 of funding that would have been available if the Scottish Government funding was allocated, as it was in 2013/14, on the same basis as DWP funding.
- 4.6 The total funding provided by DWP and Scottish Government, under current proposals, totals £2,260,684. This compares with £2,542,892 in 2013/14, a reduction of £282,208. It is still above the actual level of expenditure incurred in 2013/14.
- 4.7 Whilst this will be sufficient to meet the existing caseload, it does reduce the flexibility available to the Council to meet additional demand or to allocate funding for specific initiatives.

5. Welfare Fund

- 5.1 Scottish Government funding for Council Tax Reduction Scheme, Scottish Welfare Fund, and Discretionary Housing Payments is paid through overall General Revenue Support Grant. As such the Council has flexibility in how the grant is allocated.
- 5.2 As stated in paragraph 1.4, the focus in 2013/14 has been in maximising expenditure. However, the outturn position for 2013/14 has indicated an underspend in some areas.
- 5.3 It is proposed that these underspends are “ring-fenced” and a Welfare Fund created. This will allow resources to be targeted at areas that will support preventive action that the Council can take with regards to:-
- early intervention
 - enhanced support to vulnerable clients
 - employability support
 - digital inclusion
 - financial capability

Detailed proposals are currently being prepared and will be presented to the June Council meeting once carry forward balances are confirmed.

- 5.4 Whilst this initial proposal utilises balances brought forward from 2013/14, further opportunities may arise during 2014/15 depending on actual spend

against budget. In addition, the Scottish Government has still to announce the allocation of a further £15m in respect of Discretionary Housing Payments or wider Welfare Reform.

6. Implications

6.1 Resource – included in report.

6.2 Legal – none

6.3 Equalities – Any new policy proposals for addressing welfare reform will be subject to equalities screening and impact assessment. People with certain protected characteristics are more likely to experience from low income and unemployment and are therefore more likely to be affected by welfare reform. This is particularly the case for people with disabilities and single parents who are more likely to be women. By making best use of the funding available the Council should be able to reduce the negative impacts that they are likely to experience.

6.4 Climate Change/Carbon Clever - None

6.5 Gaelic – None

6.6 Risk – there is uncertainty over future demand for financial support, and Government policy changes at both UK and Scottish level.

Recommendations

The Resources Committee is asked to:-

1. Note the budgets under the responsibility of the Director of Finance.
2. Note budget virements under delegated powers.
3. Agree the creation of a Welfare Fund.
4. Agree the transfer of the budget for Citizens Advice Bureaux, and the management of the contracts, from the Chief Executive's Service to the Finance Service.
5. Note that new policy work is underway, being coordinated across all services by the Chief Executive's Service, to ensure that the Council has the best possible response and preventative action for people affected now, or to be affected by, welfare reform changes. This will be overseen by the Member working group.
6. Agree the deletion of 10.8 FTE posts from the Finance Service budget.

Designation: Director of Finance

Date: 16 May 2014

Author: Derek Yule

Background Papers: Letter from Scottish Government dated 26 March 2014

Finance and Welfare Budgets 2014/15

	2013/14 £000	2014/15 £000	2014/15 Amended £000	2014/15 Movement £000
<u>Finance Service</u>				
Directorate	(181)	(487)	97	+584
Procurement	551	550	550	
Business Support	5,314	5,210	5,210	
Accounting & Budgeting	1,797	1,820	1,820	
Internal Audit & Risk Management	405	391	391	
Payroll, Pensions & Creditors	753	730	730	
Revenues	<u>3,201</u>	<u>3,031</u>	<u>2,652</u>	-379
TOTAL FINANCE BUDGET	<u>11,840</u>	<u>11,245</u>	<u>11,450</u>	
<u>LOANS FUND</u>	<u>55,510</u>	<u>58,190</u>	<u>57,915</u>	-275
<u>Welfare Budgets</u>				
Housing Benefit				
- Rent Rebates	27,960	27,960	27,960	
- Rent Allowances	<u>24,456</u>	<u>24,456</u>	<u>24,456</u>	
	<u>52,416</u>	<u>52,416</u>	<u>52,416</u>	
Council Tax Reduction Scheme	<u>12,877</u>	<u>12,786</u>	<u>12,727</u>	-59
Scottish Welfare Fund				
- Community Care Grants	555	555	555	
- Crisis Grants	<u>246</u>	<u>246</u>	<u>246</u>	
	<u>801</u>	<u>801</u>	<u>801</u>	
Discretionary Housing Payments	<u>2,543</u>	<u>2,261</u>	<u>2,261</u>	
Advice Services				
- Money Advice & Income Maximisation	-	-	379	+379
- Citizens Advice Bureau	-	-	<u>1,270</u>	
	-	-	<u>1,649</u>	
GROSS WELFARE BUDGET	68,637	68,264	69,854	
Income				
DWP – HB Subsidy	(52,045)	(52,045)	(52,295)	+(250)
DWP – Discretionary Housing Payments	<u>(987)</u>	<u>(1,179)</u>	<u>(1,179)</u>	
	<u>(53,032)</u>	<u>(53,224)</u>	<u>(53,474)</u>	
NET WELFARE BUDGET	<u>15,605</u>	<u>15,040</u>	<u>16,380</u>	
TOTAL NET FINANCE & WELFARE BUDGETS	<u>82,955</u>	<u>84,475</u>	<u>85,745</u>	+1270