
Report to: Audit and resource Committee

Date of Meeting: 4 October 2012

Subject: Financial Resilience final report

Report by: Senior Support Services Manager

1.0 Purpose

This report sets out the impacts that the effects of Welfare Reform, public spending cuts and the economy have had or are forecast to have on the Clackmannanshire community and the service provided to that community by Clackmannanshire Council.

2.0 Recommendations

- 2.1.** It is recommended that the Committee note the content of the report, in particular the estimated financial impact on both the council and the community (**Appendix 1**) once the changes are implemented;
- 2.2.** recognises that the impact that future changes to the benefits system requires a strategic review of how the council provides its services, what its priorities are and how preventative work could reduce the demand on services.
- 2.3.** notes that officers are developing options for collaborative working with community partners that might offer solutions to the pressures facing public services over the next few years.
- 2.4.** notes that different ways of working and proactive change management may provide cost effective solutions to meet customer and community expectations in the future.

3.0 Considerations

3.1 Background

The review of financial resilience was commissioned by Scrutiny Committee in December 2011. The scope of work (**Appendix 2**) was agreed and work was progressed on that basis.

This final report on the council's financial resilience was due to be presented to the Scrutiny Committee in September 2012. New committee arrangements have delayed the presentation by a month.

The Audit Commission's "Impacts of Public Sector Expenditure Change" was used as a key reference document. This document was commissioned specifically for Clackmannanshire and produced in September 2011.

The report considered the known changes to welfare and benefits over the next 12 - 36 months, analysed the economic geography and trends in Clackmannanshire and considered the impact of these changes on the communities in Clackmannanshire.

Appendix 3 demonstrates the impact that changes to welfare and benefits, combined with the poor economic situation might have on the community, the council and its partners.

3.2 Part of the scope of the review was to involve Clackmannanshire's partners in the community; a presentation was made at the Alliance forum on 19 June 2012 where the forecast position was explained. Further joint sessions will be held in the future with the aim of involving partners in strategic decisions affecting the community.

3.3 The changes known and anticipated include:

- A reduction in public spending, resulting in inevitable changes to the shape, size and structure of the public sector workforce and how public services are delivered in the future.
- Significant changes to the welfare and benefits system - Clackmannanshire households have a higher than average percentage of income derived from welfare and benefits.
- Changes to the criteria under which benefits will be paid. Reduction in payments for "under-occupancy" of premises; reductions for those of working age; localised council tax support replaces council tax benefit; working tax credits reduced; child benefit ceases for those earning over £60k; benefits cap introduced (£500 pw.)

4.0 Implications - communities

- The number of benefits claimants in Clackmannanshire is 5,266 (Housing benefit) and 5,791 (Council Tax benefit)
- The most recent figure for total benefits payment to the population of Clackmannanshire was £152,105,405. It is anticipated that the changes to the benefits system will result in a reduction of disposable income in the local economy of £14.4million (9.46%) in 2014/15 and up to £18.2million (11.96%) by 2015/16.
- Certain groups will be affected by the changes significantly more than others: The unemployed, disabled, pensioners, those occupying larger properties, those currently receiving benefits in excess of £500 per week, lone parents.
- Although all areas of Clackmannanshire will suffer from the impact of Welfare Reform, the areas relatively hardest hit by the reduction in benefits will be Fishcross, Sauchie and Alloa South and East.
- Statistics are being collated that will set potential loss of income against known benefit claimants in an attempt to qualify the scale of the problem.

- The possibility of the development of an increase in the "black market" economy where those previously dependent on benefits and unable to find paid work may seek jobs that pay cash in hand.
- A potential increase in crime and social disorder as those with significantly reduced incomes turn to crime to fund their lifestyle.

An exercise is underway to plot data on an electoral ward basis to identify those areas where council services need to be targeted to ensure maximum support is made available to those most affected by the changes. Examples of how these might look will be presented at today's meeting.

4.1 Implications - Council

The way in which the Council is funded to manage the payment of benefits and the receipt of income is also subject to change.

- The UK Government administration grant that funds the benefits team has been reduced by 5% cumulatively for the last four years. Further reductions are assured.
- Temporary accommodation subsidy reduced in 2012/13 with further reductions in 2013/14. A cap on the amount that will be funded for the procurement of temporary accommodation of £146 per week.
- Payments currently made via DWP / social fund totals £500k per annum in Clacks. This budget will be passported to Clacks for local management and distribution. It is anticipated that the cost of administering the devolved social fund will need to be met from the grant funding - effectively reducing the amount available to those in need.
- Reduced income for majority of benefits claimants leads to risk of increase in debt levels for the council.
- Council Tax administration will remain with the Council but funding will reduce as a result of Universal Credit.
- Councils will need to invest in new systems to process local payments despite uncertainty about the system specification or timing. Ongoing maintenance and licensing are additional (unknown) revenue costs.
- Increased transactional and recovery costs along with an increase in the number of Member and MSP enquiries as the changes hit constituents.
- Increased demand for free school meals, uniform / clothing grants amid uncertainty as to how these will be provided / funded in the future.
- Increased demand for money advice service - some customers will be operating a basic bank account and budgeting for the first time.

- Council resource will be required to provide loans, administer systems and arrange / ensure repayments.
- Reduction in housing benefits as a result of "under occupancy"
- Universal credit will be paid monthly in arrears rather than fortnightly as now.
- A number of households could experience significantly lower incomes as a direct result of reduced benefits payments.
- The amount of work necessary over a very short period of time will require a responsive and flexible workforce. The management of change will be critical to successfully delivering services in the future.

4.2 More General Issues to be taken into account

- Small, local businesses could be at higher risk of failure resulting in further job losses and subsequent reduction in the collection of non-domestic rates. Those affected by a reduction in benefits tend to be those that spend in the locality rather than further afield.
- Potential for a number of families to be pushed into poverty that had been managing previously.
- Impact on local Housing Associations and private landlords - as the risk of default of payment of rent increases, more tenants could be at risk of eviction. The Council provides the safety net for this group of people.
- Impact on the council's capital investment plan for housing. If income from rents is significantly reduced, this could have an impact on the amount of capital available to deliver the council's housing strategy.
- Council's debt recovery and prosecution policies will be tested if debt levels increase.
- Increase in the number of people requiring intervention - social or financial, leading to increased workload for those providing social services and money advice.
- The economy is fragile at the moment. Estimated job losses in the public sector across Clackmannanshire is 456; the same number of jobs in the private sector will also be lost.
- The highest concentration of public sector workers live in Sauchie, Alloa West and Alloa South and East.
- The cost of food and energy continue to rise placing even more pressure on families and individuals with reducing income.

- In order to bring about some of the required changes, a faster pace of change will be required.

4.3 Financial Implications

Appendix 1 attempts to forecast the financial impact on council resources and the community. The budget years 2012/13 through to 2014/15 are considered. It should be noted that a significant amount of information is not yet available to Officers. Representatives from Clackmannanshire are actively involved with national groups involved in the changes. Central government agencies are responsible for providing information and confirmation of future arrangements.

4.4 Next Steps

Taking the above changes and forecasting into account, the council must consider the most effective use of resources to support those in the community who will require support in the future. That support could include working collaboratively with community partners, the voluntary sector and the private sector.

Families identified as those with complex needs require time and resource from the council and other community partners. Consideration could be given to whether joint preventative work could be instigated that would reduce the impact of the changes and address the issues at source. eg: consider the cost of preventing homelessness rather than accepting the deficit that the changes will bring.

Consider how different ways of working could prevent or minimise the risk of job losses within the council and partner organisations.

Regular briefings will continue to inform elected members and community partners of the impact of the changes to benefit and welfare systems, the state of the economy, unemployment levels and financial pressures.

Review how the council prioritises its spending. A robust assessment of the services provided and how they contribute to the council's priorities will be carried out and the results shared with elected members.

Consider innovative solutions created by others across public, private and third sectors and whether adaptation is possible for Clacks.

The council has recently set up an Organisational Change Group. This could provide the mechanism and forum for decision making and the facilitation of a faster pace of change.

5.0 Conclusions

The changes to the benefits system in conjunction with the economic situation results in a need to re-evaluate how the council provides its services, what its priorities are. Preventative work could reduce the demand on services and funding and partnership working might provide solutions to the pressures facing public services over the next few years.

On-going analysis will assist future strategy decisions, informing how the Council and its community partners provide services in the future

The proactive and timely management of change, a flexible approach by staff and managers and consideration of new and different ways of working may provide cost effective solutions and ensure that customer and community

demands are met in accordance with the high standards set out in the Corporate Plan and SOA.

These actions will build resilience and expand the skills base of the Council's employees to better equip them for the future.

6.0 Sustainability Implications

6.1 No environmental sustainability issues

7.0 Resource Implications

7.1 *Financial Details*

7.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Such Information as is available at the time of writing has been used in the compilation of this report.

Finance have been consulted and have agreed the financial implications as set out in the report. See section 3.6 and Appendix 3

Yes X

7.3 *Staffing*

There could be implications for staffing as a result of future changes to the way in which services are delivered.

8.0 Exempt Reports

8.1 Is this report exempt? Yes (please detail the reasons for exemption below) No X

9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

The area has a positive image and attracts people and businesses	X
Our communities are more cohesive and inclusive	X
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	X
Vulnerable people and families are supported	X
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	X

(2) **Council Policies** (Please detail)

10.0 Equalities Impact

10.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

11.0 Legality

11.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

12.0 Appendices

12.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1: Indicative costs of change / financial impact of proposed Welfare reform

Appendix 2: Scope of Work, Financial Resilience, December 2011

Appendix 3: Impact Assessment produced by financial resilience working group

13.0 Background Papers

13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)



Yes (please list the documents below)

"Impacts of Public Sector Expenditure Change" - Audit Commission, October 2011

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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Welfare Reform

Indicative costs / income for Clackmannanshire based on information known as at 31.8.12

Change	Cost of change (additional)	Income (additional)	Financial impact on community
2012 / 2013			
Reduction in funding for temporary accommodation (2012/13)	£600k reduction in funding	None	None
Working tax credits reduced	Negligible	None	Negligible
Income support for lone parents - work requirements when child reaches age 5	Negligible	None	Negligible
Preparation for localised social fund	1: £75k - £100k to set up scheme 2: £120k - £150k to administer	1: £2.4k - £7.5k in to be confirmed 2: c£50k in 2013/14 to be confirmed	None
Total Impact	£795k - £850k	£2.4k - £7.5k	

2013/14			
Change	Cost of change (additional)	Income (additional)	Financial impact on community
Localised Council Tax Support	£170k to meet shortfall in 2013/14	None known at this time. Budget transfer from DWP via Central Govt. Anticipated that LG costs will be met from transferred budget.	None, although less budget available to meet needs.
Localised Social fund	Estimated at £120k - £150k p.a.	Estimated at c£50k	Fund will be limited to amount allocated in each year
Size criteria implemented for working age HB claimants	Reduction in HB payments of £509k	None	Reduction in HB by c£509k p,a,
Benefits Cap introduced (£350 / 500 p.w.)	Reduction in HB payments of £775k	None	Reduction in benefits paid by £775k p.a.
Subsidies for HB administration and temporary accommodation further reduced.	Total of £1.2m reduction in subsidy for temp accommodation	None	None
DLA changes to PIP	None	None	Affects 3,650 residents. 730 may lose DLA Reduction in benefits of £2.7 million p.a.
LHA to be up-rated by CP rather than average rent increases.	None	None	Private sector tenants £100k p.a.
Universal credit introduced for all new claimants	Unknown but workload will decrease slightly (by 10-15%)	None anticipated	New benefits claimants receive one payment that covers all benefits
Total Impact	£2.774m - £2.804m	£50k	-£4,084m

NB: The figures of £509k and £775k included above as impacting on both the Council and the community are stated in that way as the Council will receive less funding once the new criteria is applied (for existing claimants) At the same time, claimants will see an decrease in the amount of housing benefit or total benefit payable. The phased introduction of Universal Credit will see claimants payments reduce and the Council will be facing the challenge of how to collect amounts owed.

2014/15			
Change	Cost of change (additional)	Income (additional)	Impact on community
Planned migration of Universal Credit for all claimants. 2014 - 2017	Unknown but HRA payments to council will cease	None anticipated	1: Benefits claimants migrate to one payment. 2: Expectation that all benefit transactions will be digital. 3: Bank accounts will be required for most of the population.
Planned migration of Universal Credit for all claimants. 2014 - 2017	Level of debt (unpaid rent) could increase substantially. Forecast additional cost to recover debts £75k Cost of increase in homelessness £50k	None anticipated	Potential increase in no of evictions leading to more homeless applications
Preparation for Localised Council Tax Support		None	Beyond 2014 6,200 claims lose c£800k per annum
Total Impact	£125k		£800k

Scrutiny Reviews 2011/12
Scope of work

Financial Resilience

This review has been selected in recognition of the fact that in common with the wider public sector, the Council is subject to a period of financial pressure which is anticipated to continue beyond the current Spending Review period into the medium term. Against this background the Council, in collaboration with its partners, aims to maintain its focus on improving outcomes for service users and delivering continuous improvement for the area's residents. The theme of doing 'more with less' has required a sustained focus on prioritising the needs of the most vulnerable service users and clarifying the strategic priorities for the area and all council services.

Over the last 18 months, a significant amount of work has been undertaken to ensure robust financial planning arrangements are in place. This work includes :

- development of Finance/Reserves Strategy
- development of a comprehensive Budget Strategy
- development of a robust Investment Strategy
- embedded arrangements for robust budget monitoring and reporting arrangements
- service redesign and restructuring proposals developed to ensure appropriate financial and technical capacity.

In undertaking its planning for 2011/12, the Committee acknowledged these procedural improvements. As a consequence, this review aims to focus on the tangible local impacts or otherwise, of constrained finances on the Council's ability to deliver improved outcomes and specific impacts within individual communities. It also considers the impact and implications for economic development in the area as a whole.

The Council's contribution can not, however, be viewed in isolation from the contribution of its partners, particularly the area's Community Planning Partnership, Clackmannanshire Alliance.

OBJECTIVES

The objectives of the review are to:

- review the impact of the recession on economic development within the area
- identify the key barriers and levers to improving outcomes/ achieving the desired level of improvement in the current operating environment
- review the potential impact of employment trends and financial pressures in geographic communities in terms of demand for council services
- evaluate the implications of changing demands and economic performance on demand for council services in the future
- evaluate the arrangements for keeping resource allocation under review to ensure resources are directed to areas/ services of greatest need/ priority.

SCOPE

The review is focused on establishing the potentially changing picture in Clackmannanshire as a consequence of the financial pressures in evidence across all public sector service providers and the need to reduce their operating cost base. This may be manifested through changes in the nature or range of services provided and/or capacity to manage increasing demand in response to increasing demographic pressures. A key factor may be the differing levels of financial pressures being experienced by different public sector bodies who are currently working together to secure improved outcomes for the area.

In addition the review will seek to establish the external impact of the wider recession on business and employment in the area. Significant factors here may include the trends and geographic incidence in local employment levels and the impact over time of implementing planned Welfare Reforms.

A key focus will be to assess the implications of ongoing financial pressure in broad demographic terms to allow the Council and its partners to design, plan and resource services for the future.

The review of financial planning arrangements is not explicitly under review, however, it will be necessary to consider the financial impacts and arrangements in place in considering many aspects of those areas defined within scope.

APPROACH

The review will use the following approach:

- Interviews with a sample of senior managers and elected members, partners and businesses
- Focus groups with a cross section of service users and residents from across the range of council services
- analysis of demographic and demand data for services provided within specified geographical areas over recent years to establish potential future demand and trends
- analysis of economic performance data in specified geographical areas
- analysis of the likely impact of planned welfare reforms across the council area to identify those areas and age groups most affected
- selection and analysis of 3 SOA priority themes-one which is performing well, one which is performing less well and one which is maintaining performance. In all cases, the key positive influences and barriers to improvement will be analysed and appraised to establish common themes and traits
- review of appropriate documentation including: Government proposals, Alliance minutes, project plans, monitoring reports,
- reference to Audit Commission research in Scotland and England.

RESOURCES

In order to achieve the planned timescale, it is important that appropriate corporate and partner resource is allocated to deliver the review. It is proposed that a small group of senior managers will be established to undertake the review. This group will comprise the following service managers:

- Stuart Crickmar, Service Manager Strategy and Performance
- Julie Hamilton, Service Manager, Development
- Susan MacKay, Revenues and Payments Manager
- Representation from Clackmannanshire Alliance will also be sought

The work of this group will be overseen by Julie Burnett, Senior Support Services Manager. The group will also be supported by appropriate analytical and Business Support resources as required.

The work will be quality assured by the Director of Finance and Corporate Services and the Head of Customer and Strategy prior to consideration by the Scrutiny Committee.

REPORTING

The reporting of the review will be in three stages:

Stage 1: Agreement of draft scope with Scrutiny Committee and Clackmannanshire Alliance

Stage 2: Progress report to Scrutiny Committee and Clackmannanshire Alliance against planned timescales and a summary of emerging issues

Stage 3: Draft review report to Scrutiny Committee and Clackmannanshire Alliance to identify potential recommendations to Council.

TIMESCALES

The table below sets out the planned timescales for each stage of the review:

Stage of review	Planned start date	Planned completion date
Scoping	October 2011	December 2011
Fieldwork	February 2012	April 2012
Progress report to Scrutiny Committee	5 April 2012	5 April 2012
Progress report to Clackmannanshire Alliance		
Analysis	April 2012	April 2012
Report drafting	May 2012	May 2012
Final draft report to Scrutiny Committee	June 2012	June 2012

Impact of proposed changes

Matrix to identify areas that impact on future strategies on council, what impact is, who it affects.

Issue	Impact	Timeline	Which council / partner service	Quantify
Increased youth unemployment (25% of young people not in employment)	More unemployed youth Social issues around rising crime levels, anti-social behaviour Rent arrears (early intervention)	Happening now	Social Services Homeless Team Economic development Clacks Works (consider models/funding) CAB (timing of actions) Money and Debt services	The proportion of 18-24 year olds claiming out of work benefits is 13.7% (Feb 12) - significantly higher than Scottish average of 8.9%. The proportion of school leavers unemployed and seeking employment is 9.1% - better than the national average at 11.3%.

Issue	Impact	Timeline	Which council / partner service	Quantify
<p>School leavers' aspirations ie not seeking employment</p> <p>(resolution through Clacks Works etc)</p>	<p>Go straight to benefits</p> <p>Social issues</p>	<p>Happening now</p>	<p>Clacks Works (European money)</p> <p>MCMC (European money?)</p> <p>Modern apprenticeships</p> <p>Jobcentre plus</p> <p>Private sector initiative/council</p>	<p>The proportion of school leavers unemployed and not seeking work is 3% - the highest in Scotland (national average is 1.3%)</p>
<p>Reductions in household income (benefits, low wages, loss of job, utility costs)</p> <p>More households moving into "working poor" category</p>	<p>Increased arrears/debt – less money to council</p> <p>Increased workload for council</p> <p>Impacts on local business</p> <p>Homeless – eviction cases increase</p>	<p>Changes to benefits system from April 2013</p> <p>Continuing changes from 2013 - 2015</p>	<p>Education – school meals, clothing grants</p> <p>Social services, assessment of care needs (income assessment)</p> <p>Crisis loans/grants/social funds – issued by council (social services)</p> <p>Debt recovery service (R&P)</p>	<p>750 households paying rent for first time 12/13</p> <p>Almost a quarter of Clackmannanshire's residents earn less than £7 per hour - the third highest incidence across Scotland.</p> <p>In Clackmannanshire the gross weekly pay is £464.50 compared with £490.60 in Scotland.</p>

Issue	Impact	Timeline	Which council / partner service	Quantify
Less spend in Clacks locality	Image of local community		Local businesses and linked impact of NDR income	Claimant rates for all benefits are high (19.8%) when compared with the national average (16.7%). ESA accounts for 9.4% of these and Job seekers 5.4%
Introduction of Universal Credit	<p>Increase in workload</p> <p>Increase in debt levels</p> <p>Currently weekly arrears</p> <p>Future monthly Rent and council tax</p> <p>Who gives people budgeting advice?</p> <p>Credit Unions? Bank accounts?</p>	2013 onwards through to full implementation by 2017	<p>Revenues and Benefits</p> <p>Change to ways of working</p> <p>Different skill sets</p> <p>Housing services</p> <p>Housing Associations</p> <p>Economic development</p> <p>Increase in petty crime and anti-social behaviour (Police)</p>	

Issue	Impact	Timeline	Which council / partner service	Quantify
Introduction of Universal Credit	<p>CAB we have welfare money advice – we fund both – housing support have income support team</p> <p>co-ordination of landlords (private and HA) with council</p> <p>Significant impact on private landlords/social landlords (risk of default)</p> <p>Risk to cash flow</p> <p>Access to data/information - sharing with partners</p>	2013 onwards through to full implementation by 2017	<p>Council, private landlords, Housing Associations</p> <p>Finance service</p> <p>Revenues and Payments</p> <p>Benefits services</p> <p>ICT (systems) police, HAs, health partners, CAB</p>	

Issue	Impact	Timeline	Which council / partner service	Quantify
Population	<p>Increased requirement for social housing</p> <p>Benefit cuts due to "overpopulation" in houses.</p> <p>Little/no house building (public/private)</p> <p>Population projected to grow (highest in Scotland)</p> <p>Younger children increasing (increase in vulnerable children??)</p> <p>pressure on schools - capacity and staffing</p> <p>Reduction in child benefit</p>		<p>Nursery provision</p> <p>Social services</p> <p>School pressure - support</p>	<p>Population figures and number and structure of households are projected to significantly change until 2035. By 2035 we will have seen a 39% increase in pensionable ages (approx 15k people aged 65+). We will also see a 7.5% increase in people under the age of 15 and a 7.7% increase in the working age population of Clackmannanshire.</p> <p>We expect to see a increase in the number of households in Clackmannanshire, significantly single occupation households.</p>

Issue	Impact	Timeline	Which council / partner service	Quantify
Economic Development (creation jobs/business)	<p>Need more jobs created locally</p> <p>Town centre – dependent on locals – reduction in traders</p> <p>Travel to shop</p> <p>Not willing to travel to work</p> <p>Hourly earnings lower in Clacks</p> <p>New business startups down</p> <p>Council initiative subsidise travel or Discretionary housing payments – assistance for short term as opposed to travel costs – partnership resources</p> <p>Shared service partner reciprocal arrangement</p>		<p>Council / health board</p> <p>Forth Valley partners</p> <p>Glassworks OI</p> <p>Marshall construction</p> <p>Diagio</p>	<p>Clacks has relatively low job density - this means that there are 0.5 jobs for every resident aged 16-64. Stirling has 0.88 jobs per resident by comparison.</p> <p>The ratio between the number of job centre vacancies and JSA claimants is 1:16 - in Stirling the ratio is 1:10.</p> <p>The latest business start up figures suggest that new business starts are slower than they were 4 years ago and the survival rate of businesses have fallen.</p>

Issue	Impact	Timeline	Which council / partner service	Quantify
Economic Development (creation jobs/business)	Public transport Develop labour force locally (school and university leavers) Be proactive in schools to promote working (issues identified relate to cost of travel)		Local transport providers Forth Valley College / secondary schools Education service (careers)	

