Presentation to Corporate Governance Committee

Risk that LCC does not have the capacity to meet demand from vulnerable people caused by the Welfare Reform Act

Risk Scoring: 25 (Impact = 5, Likelihood = 5)

Sept 2013

Welfare Reform Act 2012

Leicestershire County Council

- Approved March 2012. To be implemented between Apr 2012 and Mar 2017.

- Wide range of reforms with the stated aim of making the benefit and tax credits system simpler by:

  - creating incentives to get more people into work by ensuring that work always pays and reducing dependency on social security

  - merging out of work benefits and tax credits to create a single Universal Credit (UC)

  - reforms to other benefits aimed at reducing the cost of the benefits system (projected savings of more than £15billion pa nationally by the end of this Parliament)

- Main changes:

  - introduction of UC together with household benefit cap equal to average household income

  - replace and reform Disability Living Allowance (DLA) with Personal Independence Payment (PIP)

  - new approach to Housing Benefit

  - drive out abuse of Social Fund system by devolving to local authorities

  - reform Employment & Support Allowance (ESA) by retargeting at those with greatest need

  - abolish council tax benefit and replace with localised council tax support

Breakdown of national projected savings in 2015/16

Leicestershire County Council

Benefit Type	**Savings (£million)**
Tax Credits	£5,275
Disconnect benefits and tax credits increases from Consumer Prices Index	£2,680
Housing Benefit for private sector rentals	£1,640
Restrict Employment & Support Allowance to 1 year	£1,600
Replace Disability Living Allowance with Personal Independence Payment	£1,350
Introduction of size criteria for Housing Benefit claimants in social housing	£465
Replace Council Tax Benefit with local schemes	£355
Cap total benefits received	£185
Reduce Housing Benefit and Council Tax Benefit entitlement for second adult in property	£130

Impact on citizens

- Elderly are largely protected from the current tranche of reforms although that is unlikely to be the case after the end of this Parliament.

- Benefit cap and housing size have been high-profile media issues but account for less than 5% of the total reform impacts.

- Three fifths (59%) of all projected welfare reform savings fall on households where somebody works.

- 45% of households of "working age" receive one of the main state benefits, i.e. a DWP benefit or tax credit.

Impact by category

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Estimated total financial impact of reforms by category, 2015/16

• Reforms only affecting those in work	£5.1billion
• Reforms targeting those with health condition or disability	£3.0billion
• Reforms to Housing Benefit incl cap	£2.3billion
• Other reforms – in and out of work	£3.5billion

Estimated reduction for annual income for households claiming benefit will be on average lower by £1,615pa (£31pw) in 2015/16 as a result of welfare reforms. 45% of working age households receive some form of benefit.

Detailed information on user groups and LCC population is not available.

Research on impact of WRA

- The Marmot review, Fair Society, Healthy Lives (2012) concluded that people living in poorer areas will, on average, die 7 years earlier than those in richer areas and will spend an additional 10 years coping with disability

- The DoH report, Mental Health Promotion and Mental Illness Prevention: The Economic Case (2011) found direct links between financial stability and mental illness prevention.

Other factors to consider

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- Continual economic climate / recession. Reduction in wage increases. High unemployment. Benefit Trap

- Introduction of Universal Credit transfers responsibility to vulnerable people, i.e. housing benefit no longer paid direct to Housing Provider

- It is anticipated that Universal Credit will increase entitlements by £190pa for claimant households.

Leicestershire Context (1)

Consequences of Risk Materialising:

There are two ways that losses from welfare reforms can be reduced or avoided:

a. By reducing expenditure – in particular on rent but more generally on non-essential items
b. By increasing income – either through employment (by entering or increasing work) or through benefits

Effectively people will need to move house or earn more through work. Both of these are unlikely so demand for LCC services is expected to increase and LCC income is expected to decrease.

Specific consequences for LCC include:

- A&C debt increases.
- Council tax receipts decrease.
- More demand for CYPS and A&C services as families are less able to maintain independence, particularly those on low wages, and requirement for physical disability, learning disability and mental health support increases.
- More demand for advice services or support from voluntary and charitable organisations

Leicestershire Context (2)

Consequences of Risk Materialising:

Service Delivery: inadequate information for business cases. Jeopardises robust and effective decision making. Service priorities not met. Efficiencies agenda not achievable

People: Difficulty in identifying and implementing effective preventative measures. Not easy to measure the numbers affected. "Hard-to-reach" groups may slip through the net.

Reputation: Potential inspection and reputation impact. Public confused as to which Agency has responsibility

Financial: Demand-led budgets under more pressure. Risk of litigation / judicial review.

Mitigation in place

- Responsibility for Social Fund and Community Care Grants transferred to LCC from 1 April 2013. Claims are lower than under the DWP scheme due to a more focused eligibility criteria and reduced cash payments. Funding for the scheme after 2014/15 remains uncertain.

- A&C Finance team monitoring impact of benefit changes on Departmental income and debt recovery behaviour. Debt strategy plan approved by DMT and being implemented.

- If demand for A&C and CYPS services increases other priorities may need to be reviewed. Management teams monitor performance and service demand levels.

- Modelling of potential changes to individual incomes and associated affect on Departmental income has been completed.

- Information booklet on major WRA changes has been developed and will be circulated to all A&C staff by end Oct 2013. The text will be shared with CYPS for circulation to CYPS staff.

Further Mitigation

- Maintain awareness of legislative changes and timing of WRA roll-out

- Partnership working through Leicestershire Together to facilitate response for Leicestershire

- LCC has agreed to contribute £0.25m towards the 7 district hardship funds to assist people in financial difficulties.

- Additional contingency of £1.2m help for non collection of council tax

- Economic development is one of the LCC corporate focuses