

Audit Committee – 7 April 2014

Submission of corporate risk for scrutiny

The risk selected for scrutiny is in the public domain and is an issue nationally.

1. Summary of report

- 1.1 This report provides feedback on the corporate risk selected for scrutiny by Audit Committee at their meeting on 6 January 2014 (risk number 15 – Welfare Reform Act 2012).

2. Background papers

- 2.1 Corporate Risk Register (CRR)/files/working papers.

3. Recommendations

- 3.1 Audit Committee are recommended to:

- Note the contents of the report.
- Comment/challenge as appropriate.



James T Walsh
Assistant Director – Finance (S151 Officer)
28 March 2014

4. Resource and legal considerations

- 4.1 There are no direct resource implications relating to this report. However the statutory requirements are detailed in the governance section below.

5. Governance

- 5.1 Audit Committee's responsibility for risk management includes the following:
- Reviewing the mechanisms for the assessment and management of risk.
 - Giving assurance about the process.
 - Ensuring the council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2011 as follows:
 - Regulation 4 (1) – The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

- 5.2 Audit committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are identified and being actively managed, including reporting to full council as appropriate.

6. Performance management and risk management issues

- 6.1 Risk management is an integral part of the corporate governance framework. This recognises that the member committee with responsibility for risk management takes appropriate action to ensure that corporate business risks are identified and actively managed. By periodically selecting sample risks for scrutiny, Audit Committee fulfils this requirement and enables challenge where risks are not considered to be effectively managed. By periodically selecting sample risks for scrutiny Audit Committee exercises its regulatory function and enables challenge where risks are not considered to be effectively managed.

7. Summary of Risk Selected for Scrutiny

7.1 Corporate Risk No 15 – Welfare Reform Act

- 7.2 This risk first appeared on the Corporate Risk Register (CRR) in July 2013.

- 7.3 A comprehensive risk assessment is attached at **Appendix 1**.

8. Equality implications

- 8.1 None arising directly from this report.

9. Consultation

- 9.1 The officer with responsibility for managing the corporate risk selected for scrutiny has been consulted and updates included in **Appendix 1**. Officer(s) will be attending the meeting to discuss mitigating actions.

Author

Pam Cox - Risk Management Officer

☎ 01922 653792

✉ coxp@walsall.gov.uk

15	Welfare Reform Act 2012	Last Reviewed	Last Updated	Current Risk Score	Target Risk Score	Achieved by
		Jan 2014	March 2014	(I x L) 3 x 4 = 12	(I x L) 3 x 3 = 9	October 2015

Risk Owner: Executive Director – Resources (RB)

Risk Description

The Welfare Reform Act 2012 came into effect in January 2012 introducing a wide range of reforms to the benefits and tax credits system, administered across government departments, agencies and local authorities. Many benefits are being changed, or withdrawn and replaced by new systems. There are also complicated transitional arrangements as the reforms are phased in over the next few years, and uncertainty remains in some areas. Most of the changes will impact upon those of working age, with residents of state pension credit age being largely protected from adverse impacts.

Elements that are administered by the local authority are being implemented in parallel to 'business as usual'. This involves moving resources from the benefits processing/customer support into project work or dealing with the increased customer enquiries. Additional funding has been allocated to help with the implementation but skilled permanent staffing resources are difficult to obtain and there is a shortage of costly agency staff.

In addition these changes are also being implemented alongside the implementation of systems thinking within "My money, My Home, My Job" (MHJ).

From April 2013 there has been a significant amount of change for the residents of Walsall.

1. **Council Tax Reduction Scheme**

The design and implementation of a local scheme, where pensioners are protected and there is a fixed grant that is delivering circa 10% reduction in funding from central government, equating to circ £3m. Whilst the council has identified its preferred scheme, retaining the current scheme, there is a financial risk to the council of any movement in the customer base.

The scheme passes all of the financial risk to local authorities for rising caseloads. If a large employer closes in any area the additional cost of supporting these customers will have to be met locally. The rising pensioner population who have to be

Impact: 1=Negligible (Little effect to organisational objectives) 2=Marginal (Affects some of the organisational objectives)
3=Critical (Affects most of the organisational objectives) 4=Catastrophic (Affects all of the organisational objectives)
Likelihood: 1=Almost Impossible; 2=Very Low; 3=Low; 4=Significant; 5=High; 6=Very High.

protected on the same benefit levels provide a further financial pressure. Council considered options and have adopted to protect the working aged customer base from the reduction in budget during 2014/15.

2. Household benefit cap

The benefit cap was announced in the spending review 2010. In April 2013 a cap was introduced on the total amount of benefit that working age claimants can receive so that households on out of work benefits will no longer be entitled to receive more in benefit than the average weekly wage, after tax and national insurance. Initially the cap will be administered by local authorities via housing benefit. This has now been implemented by four London boroughs from April 2013 and Walsall went 'live' from 15 August 2013. From October 2013 it applied to all new claims to Universal Credit.

We have capped 216 claimant households, with large families being the biggest losers. Some families have lost £100 per week.

As at 17 March 2014 the number of capped households has reduced to 153 as a result of the following:- change in people's circumstances that take them below the cap threshold – ie: child leaves, person stops claiming JSA (Job Seekers Allowance), moves out of the area, begins to receive DLA (Disability Living Allowance), starts work and claims WTC (Working Tax Credit) etc.

3. Social sector size criteria ~ (bedroom tax)

From April 2013 the maximum rent for households has been reduced depending upon how many bedrooms the household is considered to need. The estimated number of households affected is circa 4,000.

Rates of reduction: 14% of the total eligible rent for under-occupation by one bedroom; eg: £12 per week
25% of the total eligible rent for under-occupation by two bedrooms or more, eg: £21 per week

January 2014 urgent circular received from the Department for Work and Pensions (DWP) re tenants who have now been identified as being exempt from this reduction. "They must have been continuously entitled to housing benefit since at least 1 January 1996 and occupied the same dwelling since that date"

Action – the LA to identify cases that are potentially affected by this issue. LA's to check eligibility and then to revise the assessment of HB (Housing Benefit). However DWP will be amending the regulations to ensure that the policy intention is delivered. When regulations amended the LA will have to revise the assessment. Risk –1/ scarce resources being absorbed in identification, revision + reassessment. 2/ That affected claimants may make seek compensation. 3/ IT system may need an upgrade to allow this change which may be chargeable.

It is estimated that 250 residents will be affected by this "loophole" At the end of February 111 had been paid. The DWP have

Impact: 1=Negligible (Little effect to organisational objectives) 2=Marginal (Affects some of the organisational objectives)
3=Critical (Affects most of the organisational objectives) 4=Catastrophic (Affects all of the organisational objectives)

Likelihood: 1=Almost Impossible; 2=Very Low; 3=Low; 4=Significant; 5=High; 6=Very High.

revised the legislation with effect from 3 March 2014. These customers will have their benefit entitlement reassessed to re-apply the “bedroom” tax.

4. Social fund - Community Care Grants and Crisis Loans (Walsall Crisis Support Scheme)

As part of the Government’s welfare reforms, Community Care Grants and Crisis Loans for general living expenses, previously administered by the DWP within the social fund, have been abolished from April 2013 and replaced by a new local provision (Walsall Crisis Support Scheme). The timescales for the design and the development of a local scheme and the limited data available from the DWP the authority implemented an interim scheme from April 2013 to enable the 2014 scheme to be designed against demand for support under the interim scheme.

Program funding allocation for Walsall is £1,098,510.

A Cabinet report on the revised scheme for 2014/15 was presented to cabinet February 2014.

DCLG released the Authority’s draft funding settlement for 2014/15 and provisional 2015/16 on 18 December 2013. *Alongside the settlement further information was published on each authority’s spending which includes £1.311m within the in 2014/15 spending powers detailed in relation to Local welfare Provision Grant but no allocation shown in 2015/16. Whilst further work will be required to understand the implications of this at present there is now no funding within the MTFP allocated for Crisis Support from 2015/16 onwards.*

A press release from government received 24 December 2013 reads as follows:-

"This Government is devolving more power and discretion to local councils, so they can best target those most in need. From 2015, the Local Welfare Provision Grant is being wrapped up in general central government grant to local authorities, as part of our broader commitment to reducing ring-fencing."

A further report identifying Crisis Support position and forward plan for 2015/16 will be circulated once details have been clarified.

5. Universal Credit (New claims from October 2013)

Where previously Government has seen little or no role for councils that view now seems to be changing with piloting the face to face delivery of universal credit in a number of local authorities. However, the original idea of Universal Credit being “digital by default” may be over ambitious without the customer receiving support. Help with budgeting a monthly income will also be required.

Roll out of Universal Credit (UC)

"The four year process to stop claims to the benefits replaced by UC and to migrate existing claimants from the old system should

Impact: 1=Negligible (Little effect to organisational objectives) 2=Marginal (Affects some of the organisational objectives)
3=Critical (Affects most of the organisational objectives) 4=Catastrophic (Affects all of the organisational objectives)

Likelihood: 1=Almost Impossible; 2=Very Low; 3=Low; 4=Significant; 5=High; 6=Very High.

be completed by the end of 2017”.

The exact timing and sequence of the migration process will be adjusted in the light of experience, not least from operating the pathfinder service in the Greater Manchester area from April 2013.

The roll-out of UC is now “careful and controlled” • *new claims to Universal Credit in place of Job Seekers Allowance start from October 2013; what this will actually mean will be shaped by the findings of the pathfinders. Full transition is still being planned for 2017.*

This means that local authorities will need to plan for receiving new passported Income Support claims for much longer. It also means that the managed transition of existing Housing Benefit claims to Universal Credit will not now start as planned in September 2014.

Although Universal Credit will reduce the cost of administering the benefits system, councils are still dealing with really complex changes in the meantime with reduced administrative funding.

- Staffing Risks – councils are still not clear about the long term implications for local authority staff. They are not in a position to cope with workloads if staff start to leave and go elsewhere due to the uncertainty of the future. There is no clarity on whether TUPE will apply or who will meet redundancy costs.
- The restructure within the Money Home Job (MHJ) environment which may have an impact on the ability to deliver the complex reforms to the residents of Walsall.
- It makes sense that local authorities play an on-going role in the delivery of Universal Credit. Information about Universal Credit is useful for other areas of welfare support that the local authority will continue to administer – fairer charging, Walsall Crisis Support scheme, Council Tax Reduction Scheme and residual Housing Benefit. However it is unclear if local authorities will be funded to deliver this service. A consultation paper was circulated in March 2013 but decisions are still awaited from Central Government on what is seen as a local delivery partnership. A response, the LA Framework, was received in December 2013 but it did not give sufficient details understand the impact on the local authority.
- A more detailed paper is scheduled to be produced during 2014/15
- 13 local authority led pilots have been extended for a further 3 months to enable findings to be aligned with the local support service framework.

Benefit Up-rating rates 2013/14

The Chancellor announced that most working age benefits are to be up-rated by 1 per cent for each of the next three years. This includes the main elements of jobseeker's allowance, employment and support allowance and income support, applicable amounts for

Impact: 1=Negligible (Little effect to organisational objectives) 2=Marginal (Affects some of the organisational objectives)
 3=Critical (Affects most of the organisational objectives) 4=Catastrophic (Affects all of the organisational objectives)
Likelihood: 1=Almost Impossible; 2=Very Low; 3=Low; 4=Significant; 5=High; 6=Very High.

housing benefit, maternity allowance, statutory sick pay, statutory maternity pay, statutory paternity pay and statutory adoption pay.

Benefits for pensioners and certain disabled claimants will be exempted from this cut however. The state pension will be increased by 2.5 per cent, resulting in an increase of £2.70 per week, and other benefits, including the additional state pension and disability and carers benefits, will continue to be up-rated in line with prices.

The 1 per cent up-rating include child tax credit and working tax credit (excluding disability elements). The couple, lone parent and child elements have been up-rated by 1 per cent for three years from April 2013; the basic and 30 hour elements will not be up-rated in 2013-2014 but will be up-rated by 1 per cent in 2014-2015 and 2015-2016; and all disability elements will continue to be up-rated by prices each year.

Child benefit, which is currently frozen, will be up-rated by 1 per cent in 2014-2015 and 2015-2016. Universal credit earnings disregards will be increased by 1 per cent for two years from April 2014.

Up-rating of Local Housing Allowance (LHA) rates

The arrangements already announced for the annual up-rating of local housing allowance rates by the September 2012 CPI rate will still apply for 2013/14 cap but in the following two years, 2014-2015 and 2015-2016, the up-rating of LHA rates will be restricted to 1 per cent in most areas.

6. Increased Discretionary Housing Payments (DHP)

The DWP has increased the amount of grant for Walsall significantly, however, the total spends allowed for this scheme under regulation is 2.5 times the value of the grant and this could place pressure on budgets. The value of the reductions in housing benefit as a result of the Welfare Reform Act effective from April 2013 far outstrip the total allowable spend of Discretionary Housing Payments. The DHP grant for 2014/15 has increased further to £737,214, which allows the authority to spend up to £1,843,034 – the pressure on budgets may be up to £1,105,821.

Key mitigation activities

<ul style="list-style-type: none"> Working groups have established to deal with the respective changes. A briefing note for the portfolio holder outlining the key changes, impact upon customers and actions required by the council is produced monthly. 	} Head of } Benefits } (LH) }
--	--

- Officers have designed a local service provision for Walsall (Walsall Crisis Support Scheme) against customer demand but are gathering data against demand during 2013/14 to design a scheme going forward.

<ul style="list-style-type: none"> • A team has been established to deal with the design of the Walsall Crisis Support Scheme (WCSS), procurement of goods and services with the following having been undertaken: • Identification of root cause of applicants' problem. • Review the options available to support the applicant and resolve their problems from the catalogue of services and goods available other than WCSS. • Knowledge of who to go to provide core goods and services. • Core office hours. • Dedicated team of assessors. • Contact is either via the phone, reference from supporting officers within the council or a requested staff presence within the First Stop Shop. • Third parties – referrals to WCSS staff with basic customer details. • Purchase cards to buy goods where no arrangement in place • Basic Money Management Training for WCSS Staff. • Basic catalogue of current options available. • Two or three suppliers initially. • Provision of goods fit for purpose / in-scope. • Potential to utilise order and collect / delivery. • Ability to defer delivery (e.g. cannot deliver immediately) and have process checkpoints to manage deferred fulfilment. 	} } } } } } } } } } } }
--	--

<p>Further Actions/Controls required:</p> <ul style="list-style-type: none"> Walsall Crisis Support Scheme report to scrutiny/cabinet for 2015/16 on scheme review and funding options. Carry forwards any under spend on WCSS budget in 2013/14 and 2014/15 to support 2015/16 when the grant from government will be subsumed into the RSG. Ensure procurement process is completed. Increased DHP budget will be a further pressure on staff to support customers. 	<p>By Who: MHJ leads</p>	<p>When: Linked to budget time lines. March 2014 + 2015</p>
	<p>MHJ leads</p>	
	<p>MHJ leads</p>	<p>As required.</p>
	<p>MHJ leads.</p>	<p>As</p>

Impact: 1=Negligible (Little effect to organisational objectives) 2=Marginal (Affects some of the organisational objectives)
3=Critical (Affects most of the organisational objectives) 4=Catastrophic (Affects all of the organisational objectives)
Likelihood: 1=Almost Impossible; 2=Very Low; 3=Low; 4=Significant; 5=High; 6=Very High.

<ul style="list-style-type: none"> Regular update reports to corporate scrutiny panel. Regular meetings with Job Centre regional officers and DWP on the status of the future changes. Review the Local services support framework when detail available - discuss with partners + agree a way forward. Review the mitigating activities. Consider the impact of any changes that are announced from 2014 – housing benefit for supported housing is scheduled for 2014/15 Consider the impact of welfare reform to inform future service design. 	MHJ leads	<p>required.</p> <p>As required.</p>
---	-----------	--------------------------------------

Progress to Date

<ul style="list-style-type: none"> Report to cabinet 11 September 2013 review of Council Tax Reduction Scheme– 4 options out to public consultation. Consultation closed 29 November 2013. Option 4 (fully fund the reduction) adopted by Council 13 January 2014. Household Benefit cap implemented by end of September 2013 – 216 customers have had the “cap” applied --- this has resulted in their housing benefit being reduced. All affected customers have been contacted to help them through these changes. Continue to review the customer demand for the crisis support scheme. Procurement exercise to continue for the provision of white goods to fit the typical demand requirements of our customers. Report and revised scheme was approved by Cabinet February 2014. Scrutiny has set up a Welfare Reform Working Group to understand what the impact of the welfare reforms, including unintended consequences, will be on local residents, the council and its partners. Report to be presented corporate scrutiny on 25 March 2014. At the 18 March 2013, 1469 customers had been awarded a discretionary housing payment (522 for whole of 2012/13).
--

Impact: 1=Negligible (Little effect to organisational objectives) 2=Marginal (Affects some of the organisational objectives)
3=Critical (Affects most of the organisational objectives) 4=Catastrophic (Affects all of the organisational objectives)
Likelihood: 1=Almost Impossible; 2=Very Low; 3=Low; 4=Significant; 5=High; 6=Very High.