



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 9 November 2011

Session 4

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE
10th Meeting 2011, Session 4

CONVENER

*Joe FitzPatrick (Dundee City West) (SNP)

DEPUTY CONVENER

*Kevin Stewart (Aberdeen Central) (SNP)

COMMITTEE MEMBERS

Ruth Davidson (Glasgow) (Con)

*Kezia Dugdale (Lothian) (Lab)

*Mark Griffin (Central Scotland) (Lab)

*David Torrance (Kirkcaldy) (SNP)

*Bill Walker (Dunfermline) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

David Coyne (Glasgow City Council)

Dawson Lamont (Highland Council)

Michael McClements (Convention of Scottish Local Authorities)

Councillor Harry McGuigan (Convention of Scottish Local Authorities)

Michael Thain (City of Edinburgh Council)

CLERK TO THE COMMITTEE

Eugene Windsor

LOCATION

Committee Room 4

Scottish Parliament

Local Government and Regeneration Committee

Wednesday 9 November 2011

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

Decision on Taking Business in Private

The Convener (Joe FitzPatrick): Welcome to the 10th meeting of the Local Government and Regeneration Committee. As usual, I ask everyone to ensure that they have switched off their mobile phones and electronic devices. We have received apologies from Ruth Davidson, who is unable to attend today.

Under agenda item 1, I ask the committee to agree to take item 4 in private.

Members indicated agreement.

Subordinate Legislation

Town and Country Planning (General Permitted Development) (Scotland) Amendment Order 2011 (SSI 2011/357)

10:00

The Convener: Members have a note from the clerks setting out the purpose of the instrument. No comments have been made on the instrument by the Subordinate Legislation Committee. As there has been no motion to annul the instrument, does the committee agree that it has no recommendations to make on the Town and Country Planning (General Permitted Development) (Scotland) Amendment Order 2011 (SSI 2011/357)?

Members indicated agreement.

Welfare Reform Bill

10:01

The Convener: Agenda item 3 concerns the Welfare Reform Bill, which is United Kingdom Parliament legislation. Members will recall that the Parliamentary Bureau has designated the Health and Sport Committee as the lead committee on the legislative consent motion. This committee will report to the Health and Sport Committee. Members will also recall that the committee agreed to consider the Welfare Reform Bill in terms of its impact on local government.

We have one panel of witnesses today. I welcome David Coyne, the head of business and economy at Glasgow City Council; Michael McClements, the policy manager at the Convention of Scottish Local Authorities; Councillor Harry McGuigan, the spokesperson for community wellbeing and safety at COSLA; Dawson Lamont, the head of exchequer and revenues at Highland Council; and Michael Thain, the strategy and investment manager at the City of Edinburgh Council.

I invite Councillor McGuigan to make an opening statement.

Councillor Harry McGuigan (Convention of Scottish Local Authorities): Thank you for inviting me along to comment on the Welfare Reform Bill.

Local authorities recognise that the welfare system has been complicated, difficult, frustrating and confusing, but it has also been a lifeline to many people. It is crucial that we get things right in relation to welfare reform and its associated benefits. We are anxious to improve the efficiency of the system and ensure the sensibleness of welfare reform, but we are also anxious to ensure that it does not cause damage to the most vulnerable in our communities. We want to ensure that the welfare system is still able to support the people who need it most.

Some of the intended consequences need to be mitigated, and COSLA has been involved in making representations in connection with some of those factors. However, there are also indirect consequences, and it seems that they are not fully understood by those behind the bill. We have tried to influence the process in the House of Commons and the House of Lords.

We are anxious to assist you in a way that ensures that you have the best opportunity to fully scrutinise the bill. We want to ensure that, because of the different arrangements that exist here, Scotland does not suffer knock-on effects

that cause serious and difficult indirect consequences.

We are here to help and be constructive. We also hope to learn from some of the questions that are put to us.

The Convener: Thank you. I will kick off the questions by asking about the level of consultation. We are concerned not only with the intended consequences of the legislation but with some of the unintended consequences. If proper consultation has not taken place, that would give us concern. What consultation and discussion have there been, either with the Department for Work and Pensions or with the Scottish Government?

Councillor McGuigan: At political level, the consultation has been very disappointing. Questions have not been answered, perhaps because Westminster politicians do not—or, let us say, because the Westminster Government does not—fully understand the complexities of the territory that has been moved into. We ask questions that seem to us to be absolutely central to improving the welfare system. The questions are the first questions that you would put to yourself. However, we do not get answers. There is certainly no detail. What we keep hearing is uncertainty.

Two weeks ago, I gave evidence to the Infrastructure and Capital Investment Committee. Sometimes, there almost seems to be a determination to avoid going into detail. Politically, the consultation has not been as it should have been. However, it is different at Scottish Government level. COSLA has tried to engage fully with the Scottish Government, and there has been a willingness to ensure that we work in a constructive and co-ordinated way. That has not been the case with the UK Government. I do not know whether that has happened because of the difficulties that it is facing. It keeps referring to secondary legislation, or to the regulations that will accompany the bill. A lot of work has to be done in anticipation of those things, but it is not being done.

David Coyne (Glasgow City Council): As well as with political engagement, issues arise with technical engagement. In planning services locally, a key dynamic of the welfare reform process is the outcome ratios from the work-capability assessment for people moving from the old incapacity benefit regime to the new welfare regimes. The only information that we have on the outcomes of that process are from the two pilots in Aberdeen and Burnley. We have asked about the actual outcomes in Glasgow, so that we can do some estimating and forecasting on the make-up of the claimant population. The DWP locally is

unable—and, I think, nationally is unwilling—to give us that information.

Michael McClements (Convention of Scottish Local Authorities): There has been some engagement with the universal credit planning programme. However, most of it is about how the DWP plans to implement the new universal credit system. Not much of that work is at policy level; a lot of it is about the department trying to understand what is involved in developing the programme.

Consultation with the Scottish Government has been good. With the Government, we jointly chair the welfare reform scrutiny group, which also involves a lot of the voluntary organisations. There has been a lot of engagement with the Scottish Government.

Dawson Lamont (Highland Council): As we all know, the timetable is extremely challenging. The uncertainty and the reliance on subsidiary legislation are bound to affect the morale of staff working in this area. As universal credit comes in, there will be a reliance on those very staff, because there will be legacy systems to maintain over a number of years. There will be considerable pressures. The main purpose of the system is to deliver an adequate service to our customers, and dangers will arise, both because of the speed with which the system is being introduced and because of the lack of detail that we have.

Michael Thain (City of Edinburgh Council): My experience of consulting has been with officials from the DWP, through groups such as the local authority chief housing officers group.

The consultations in which I have been involved have largely been about unintended consequences and aspects of housing and homelessness strategy policy. There has been a reluctance to acknowledge some of the impacts, particularly on investment in new housing and on landlords but also on other areas of housing policy, which are not regarded as concerns in relation to welfare reform, although, as Councillor McGuigan said, there is the risk of impacts on a wide range of policy areas.

Kevin Stewart (Aberdeen Central) (SNP): I declare an interest as a member of Aberdeen City Council. That is bound to come up during the discussion.

I am concerned to hear that the witnesses do not think that there has been enough consultation with the Westminster Government. It seems like its approach is to suck it and see and beggar the consequences.

What work has gone on in individual councils on the potential consequences not just for the local authority but for the local economy? Where are

your councils at? A lot of analysis has been done in some areas, but other areas are a little behind. The bits and pieces of work that have been done are throwing up anomalies across the board.

Councillor McGuigan: You raise a good and important issue, which must be considered. It is difficult for local authorities to give you accurate figures. There have been attempts to put costings on the issue, but our not knowing what the arrangements will be creates a problem for us.

In the current economic circumstances, local authorities face a huge funding gap, as you perhaps know. We estimate that by 2017 the accumulative funding gap for local authorities in Scotland will be about £3.7 billion. That will have an impact on every service that we provide and on the communities for which we provide services.

The most important thing that local authorities have been trying to do has been to ensure that the consequences—unintended and intended—are articulated as fully as possible. You asked about the effect on the local economy. It is estimated that the effect could be about £600 million throughout Scotland—that is the total loss to the local economy because people would not be in receipt of benefit and able to use it for their lives and general needs and for the services that they require.

In my local authority, we have done some mathematics and we think that the loss will be about £48 million and rising. The other witnesses might be able to give details from their local authorities. You have asked a key question. It is not simply about benefits being cut; it is about the repercussions of such a cut throughout the economy.

David Coyne: In Glasgow we have formed a major issues group to try to track the impacts as they roll out. We have done some forecasting. Among the red-light items that we are aware of are an estimated loss in spending power of £42 million a year to citizens in the city who receive disability living allowance, which we estimate will result in a weekly loss of £10,000 in home care charge income to social work. There are real operational planning issues about how services can continue to be delivered.

A member of the corporate management team leads the group and senior officers from across the organisation continue to update the estimates and forecasts, so that we can best work round the issue.

10:15

Dawson Lamont: From a Highland Council perspective, we reckon that the percentile change in local housing allowance will amount to about

£687,000 in a year. The removal of the £15 top-up will take away another £554,000, the change in the sharing of accommodation rate for under-35s will come to another £223,000 and the uprating, which is to do with the difference between the consumer prices index and the retail prices index, will account for another £650,000. Those are significant sums, so there will be a direct impact on the individuals concerned.

In addition, we are concerned about the direct payment proposals, whereby universal credit will be paid monthly and, in general, will be paid to the claimant, whereas at the moment the money for council houses comes directly to the local authority. All authorities are extremely concerned that there will be a lot of leakage unless safeguarding mechanisms are put in place to ensure that that money is used for the purpose for which it is intended.

Kevin Stewart: I would like to get a rural view, so this question is for Highland Council. What effect will the demise of the transport element of DLA have in rural areas? I imagine that the impact will be much greater in such areas. Will Highland Council and other rural authorities have to pick up the pieces on that, too?

Dawson Lamont: I am afraid that I do not have specific detail on that, but we are concerned about the issue. The rurality factor is extremely important when it comes to universal credit. It is important from the point of view of conditionality—universal credit is dependent on a number of conditions that are put to the claimant.

Kevin Stewart: Do you think that Westminster has taken rurality into account in any of its proposals?

Dawson Lamont: I have no evidence that rurality has been a specific factor in considerations, but we do not have the regulations or other detail, so it might be unfair to make that criticism at this point.

Michael McClements: On the mobility element of DLA, our understanding is that the UK Government has deferred implementation of that change for another year, but there is no guarantee that the mobility element will not be removed. If it is removed, that will impact on people in care homes in particular, because although the rate that care homes are paid will still cover transport for getting to appointments with the doctor and so on, it will not enable care home residents to have the same lifestyle. The removal of the mobility element of DLA will have an impact not just on the funding of care homes, but on the quality of life of some of the residents.

Kezia Dugdale (Lothian) (Lab): I want to return to the point that David Coyne made about the loss of £10,000 a week in the income that health and

social care budgets in Glasgow get from helping people to stay in their own homes. Surely that loss contrasts starkly with the Scottish Government's intention of moving to a preventative agenda by supporting people in their own homes so that, in the future, councils pay less to care homes. Do you see that as a black-and-white issue? Will that change make it even harder to deliver on prevention?

David Coyne: The change will make it much more difficult to deliver on prevention. The loss of that £10,000 a week to the council will make the task of providing support to people in their own homes significantly more difficult.

Michael Thain: I will draw out the point that Dawson Lamont made about the impact of the proposed change to the payment of housing benefit, whereby it will be paid directly to tenants of councils and housing associations. I think that the committee made a visit to some of the regeneration sites in Edinburgh and had a discussion with some of my colleagues in the regeneration team, part of which was about the importance of housing investment as a driver for regeneration.

Councils and housing associations are responsible for levering in a lot of that investment. One result of the changes to the payment of housing benefit will be that between 70 and 80 per cent of tenants will be paying rent directly for the first time rather than having it paid through revenues and benefits. That creates significant risks to the income that supports the borrowing that is levered into regeneration areas. It means, for example, that the investment that housing associations—which are important partners in delivering such regeneration investment in all our areas—generate from banks and building societies for building new homes and investing in regeneration areas becomes more risky for those lenders. It also means that local authorities, including mine, that are significantly increasing their investment in new housing through their housing revenue account and through on-lending to housing associations have to go through a similar assessment of the risk to the income that comes in to support that borrowing.

One concern that I and other local authority chief housing officers, and housing association chief executives and directors have is that if those risks increase, access to investment finance will decrease substantially. There is a significant risk that, if the move to direct payments is not managed or phased properly, it will pull the rug from under a lot of investment. To some extent, the leverage that we get through private investment or prudential borrowing is as significant as, if not more significant than, direct capital investment in regeneration projects.

Kevin Stewart: That change will place huge additional cost burdens on councils in chasing up rent payments and, quite possibly, evictions. Has a guesstimate been made of how much it will take to chase up rent payments?

Dawson Lamont: I have done a calculation for Highland Council and we reckon that there is a danger of not receiving something like £1.1 million in a typical year. That is money that would normally go towards council house rents and towards supporting the building programme and continuing maintenance.

We anticipate quite an increase on the administrative side—we are probably talking about between 10 and 20 per cent—for just chasing up money and trying to get it in. There is no doubt that there will be considerable leakage.

Councillor McGuigan: The idea of giving people responsibility for managing their own funds is well intentioned, but there is a failure to understand that many of the people in the relevant category do not have the capacity, understanding, skills or experience to do that. Kevin Stewart is absolutely right that there is a huge danger that it will result in evictions. We do not like using that term because we all work extremely hard to try to avoid evictions in our local authority areas. However, eviction or the threat of eviction will grow increasingly real for many people on housing benefit.

Wishful thinking is not good enough. We must put in place the necessary support arrangements to ensure early intervention. If rent arrears begin to build up over four weeks when there is no longer a direct payment, there needs to be early intervention.

The question about the impact of the loss of the transport element of DLA is a good one. However, it applies not only to transport but right across the passported benefits that local authorities provide. Some examples from my area are free school meals, clothing grants, blue badges, transport cars, road-tax exemptions, leisure service concessions and the independent living fund for carers. They are all passported based on whether a person qualifies for a particular benefit. That involves a cost issue as well. Will we have to start reassessing those passported benefits against whatever new criteria we are going to use?

The change will involve considerable work and cost. Direct payments are a big worry to local authorities because if our income stream is incompatible with our housing strategy, that will affect the homelessness targets. There is no point in wishful thinking about homelessness, either, because local authorities face budget cuts to housing resources this year and next and without the resources and the homes to put people into we

cannot meet the targets. We must ensure that we do everything in our power to ensure that that income stream is not interfered with so that it enables us to continue to provide and improve homes in our local authority areas. It is a highly complex area, but we need to get in amongst it: we need to understand the complexities and how we can alleviate them.

Michael Thain: I want to make just two points. My first is specifically about the impact on services and about time, resources and the risk of evictions. If we do not take steps now to change our services, how we collect rent and how we support tenants, there is a significant risk of increased evictions or abandonments of tenancies and increased homelessness. As part of what they are doing, housing organisations, including my own, are considering ways of developing more secure payment methods through direct debits in order to try to anticipate some of the problems while integrating income maximisation and money advice services into our rent services as part of our early intervention work. It can be argued that housing organisations should be doing that anyway, and to some extent they have been, but it ramps up the level of service change we need to consider in a very dynamic and pressured environment. We have already talked about the other pressures on local authorities and local authority budgets.

My second point goes back to the investment consequences and the delivery not just of new housing but of jobs. This year, in Edinburgh, we and our partners will have secured in the region of £300 million of direct and indirect investment as a result of the new housing supply and regeneration. That sustains well over 2,000 jobs in the city. To follow that down through the chain of unintended consequences, if welfare reforms impact on our ability to invest, they will impact on jobs, too.

Dawson Lamont: I am concerned, too, about the support that must be provided locally, particularly in the Highlands. At the moment, we provide people with money advice and income maximisation services and the graph for that demand is already going up considerably. We are concerned about the main method of accessing the new universal credit system, which will be online. That is in accordance with the digital revolution and we can understand the need for it, but there are individuals who are not computer literate. In the Highland context, the broadband rate might not be fast enough to support connections. I believe that the best connection in the Inverness area is 2.5 megabits per second—the average in Glasgow and Edinburgh is about 5 or 6Mbps. In addition, there will be pockets where there is no coverage. The fallback situation, according to the DWP and the Westminster Government, is telephone access to the service.

For some of the vulnerable people we know in remote locations, that is simply not appropriate so we will fall back on people who are based locally who would have to provide the support.

In our rural area, we have offices, 35 service points throughout the area, and people who are skilled in revenues and benefits. If those people could be deployed to provide that support service and, more appropriately, could continue to be funded to provide that service, that might be an answer, but at the moment we do not have the details. I understand that south of the border there have been moves to get local authorities more involved, but the key point is how we support the people who are vulnerable.

10:30

Councillor McGuigan: The DWP has attempted to identify what it calls vulnerable categories of people, but it has not given much detail on how that can be done. We are extremely anxious to ensure that any definition of vulnerability is flexible; it must accommodate a wider range than some would choose.

David Torrance (Kirkcaldy) (SNP): I declare an interest as a member of Fife Council.

On direct payments, there has been talk of the loss of revenue to councils and the additional man hours that will be needed. What will be the effect if the private sector starts to pull out of housing provision for councils? We will not have sufficient housing stock to guarantee people places if the private sector pulls out because it is not getting direct payments.

Councillor McGuigan: I am certainly no expert in that area. However, it is questionable whether the private sector has the resources and confidence at present to play a significant part. I will leave it to the officials to provide further insight, but there is serious uncertainty in my mind about the role that the private sector can play. Of course, we should encourage it because we want to maximise the availability of homes for the people who need them in our communities. However, there are complications for the private sector. If payments are not made directly to that sector, I suppose that it will have the same reservations, worries and concerns as local authorities.

Michael Thain: Again, this is an area in which there is a disconnect between United Kingdom welfare reform and housing policy in Scotland. One of the drivers for the homelessness strategy nationally and in local authorities is the need to widen the choice of housing for people who are homeless or have some form of housing need, because the social rented supply cannot meet the range of needs out there. The private rented

sector is an adequate solution for many people's housing needs when it is well managed and well regulated, which in many cases it is.

The key issue in welfare reform is perhaps not direct payments—in most cases direct payments are not widely available for private landlords; that is certainly the case in my local authority area—but the move from the 50th percentile of the average rent down to the 30th percentile. That means that the local housing allowance that is available for someone to pay rent in the private rented sector reduces and the choice narrows. The other factor is that although there is a lot of good-quality well-managed stock in the private rented sector, the less good-quality and less well-managed stock will be at that lower percentile. Supply will probably shrink to the latter kind of stock. That narrows the options for the people with whom we work.

Kezia Dugdale: I would like Michael Thain's Edinburgh perspective on a couple of points. Paragraph 15 of the City of Edinburgh Council's written evidence to the committee states:

"In order to mitigate the effects of the removal of direct payments the council may have to review rent charges."

Paragraph 11 states that in Edinburgh

"75% of all council tenants are in receipt of"

housing benefit. Paragraph 23 states that just over a third of all one-bedroom properties and just under a third of all two-bedroom properties

"are below the new LHA rate".

I am struggling to see how an increase in rent will help, given people's lack of capacity to pay increased rent. I would like Michael Thain to respond to that point before I go on to my second.

Michael Thain: In the evidence that was submitted through COSLA to the House of Commons we flagged up not only the risks that I set out previously but the risk that if rent arrears increase, the level of income reduces. As an authority, we have no plans to increase rents to deal with that. My authority, most other authorities that I work with and housing associations are looking at how, with welfare reform, we can support tenants to pay their rent. This goes back to the earlier point about evictions: the strategy is not to increase evictions for rent arrears but to keep people in their homes and to keep rent as affordable as possible.

However, there is a risk that the response of any landlord to reduced income would be to increase rent. That is not a policy in Edinburgh at the moment, but there is that risk, overall. The choice is whether to go for investment or to increase rents.

On the point about underoccupation, part of the issue with which there is no resonance with the DWP is the proposal to reduce housing benefit for people who are underoccupying property in the social housing sector. A single-person household or a couple in a two-bedroom house will lose part of their housing benefit. The proposal is designed to encourage people to downsize.

However, housing policy in Scotland and, to be fair, in England for 30 or 40 years has been to build houses with at least two bedrooms because it makes sense to build in capacity for people because they might have children and so on. One-bedroom accommodation that would give people the choice to downsize is simply not available. The Government presents the situation as if people have the choice either to pay extra or to downsize, but the housing stock that would allow them to downsize does not exist.

Councillor McGuigan: I am glad that Michael Thain raised the issue of the local housing allowance in relation to the private sector and the 30th percentile. It is important that that is understood. The consequences of that development could be serious for many people and could result in an increase in homelessness. The Government attempted to allay our concerns by pointing out that a discretionary fund would be set aside for that. However, the size of the fund was soon discovered. In its entirety, it could be consumed by—I think—two thirds of London boroughs. It is a trivial amount.

The proposal on underoccupancy that was mentioned by Michael Thain fails to take into account the reality of some people's situations: for example, some people who live in two-bedroom homes on their own are entitled to access to their children and would suffer as a consequence of the proposal.

Kezia Dugdale: I have a second point on Edinburgh. In paragraph 24 of your written evidence you talk about the impact of the changes on the funding of temporary accommodation. You say:

"It is estimated that the proposed caps will result in the loss of approx £1.2m. The loss of this income will impact on other services."

Do you mean other services within homelessness provision or other services beyond that? If it is within homelessness services, where do you see that loss being borne? There are already significant pressures on crisis homelessness services in Edinburgh.

Michael Thain talked about having a good and effective revenue and benefits division service that supports tenants and helps them to maintain their tenancies and deal with the economic challenges. How does that fit with the council's current

proposal to privatise some of its revenue and benefits division functions and move them to the alternative business model?

Michael Thain: The councils have different structures for managing services. I was talking about that with the other witnesses before we came into the meeting. In Edinburgh, the service for collecting rents and providing money and income maximisation advice to tenants is within the housing service and is not part of the proposals to use alternative business models for some workstreams. I am not directly involved in the proposals, because none of my services is directly involved. Services in other workstreams are involved, so I cannot answer that question.

The issue of subsidy levels for supported and temporary accommodation is complex. As far as I understand it, the DWP does not see that as being part of welfare reform. However, the DWP certainly has a strategy to align the various subsidy mechanisms for supported and temporary accommodation to a clear tenure-blind model. There is a consultation out on subsidies for supported accommodation. The point that we were making in the submission is that there is a risk of declining income to support projects. Until we see the outcome of the consultation on supported accommodation, it will be difficult to judge the exact impacts.

Kezia Dugdale: In the submission, you put a figure of £1.2 million on that.

Michael Thain: That relates to earlier changes that were brought in for leased accommodation that is used as temporary accommodation. By working with the providers of that leased accommodation, we have been able to mitigate or absorb most of that cost. I do not think that the figure ended up as £1.2 million. The impacts on Glasgow were more significant—I think that it was £8 million or £9 million. When we submitted the evidence, £1.2 million was the level of risk, although the impact was mitigated. If it would help, I can get back to you on the detail once I have had a chance to examine the actual costs.

Kezia Dugdale: Thank you.

Kevin Stewart: I want to clarify one point that Mr Thain made. Obviously, there are huge impacts and it does not really matter which budgets are impacted on. However, although there are impacts on the housing revenue account, am I right in thinking that the impacts in relation to homelessness would be on your general revenue account?

Michael Thain: As I said, the local authorities have different ways of managing funding for services. In some local authorities, aspects of temporary accommodation are managed in the HRA, whereas other aspects of temporary

accommodation, including bed-and-breakfast accommodation, are managed in the general fund. In the past 20 or 30 years, the funding arrangements for temporary accommodation have developed in a piecemeal fashion and different ways of accounting have developed in local authorities in Scotland and England. Authorities have managed temporary accommodation through different funds.

As we touched on at the outset of the evidence session, part of the potential opportunity of welfare reform and changes to benefits is about simplifying a complex and messy system. It is complex and messy because it has developed incrementally over the years. However, there are risks in that, and we are simply flagging up the risks in the changes to temporary accommodation and the moves to align the subsidy system for temporary accommodation.

10:45

Councillor McGuigan: Many of us think that an integrated approach to housing benefits and council tax is an effective and good way of working, rather than having separate departments deal with the work. Many councils integrate the work of those services in a way that improves their ability to deal with the problems and issues that arise. For example, on Thursday I was dealing with a constituent who was in considerable difficulty because of the death of a family member, which had caused upheaval in the benefits that the person was entitled to. I took her into the local housing office, which was able to deal with her council tax and rent and consider income maximisation for her. Our ability to do that will be threatened. Integration increases the efficient use of resources, but if some of the resources are removed from local authority control, it will be more difficult to maintain an integrated approach.

Dawson Lamont: Councillor McGuigan made the point well. In Highland, we deliver generically. We deliver council tax administration, council tax benefit and housing benefit as one service. Staff are trained in the legislation and the systems and in customer care, so that they can deal with those areas as one. We have been able to make significant savings and, through the use of technology, we are providing an improved service to the people who matter, for less cost. The new system will drive a coach and horses through such efficiency regimes.

Mark Griffin (Central Scotland) (Lab): I draw members' attention to my membership of North Lanarkshire Council.

On the devolution of the council tax benefit system to local authorities, can the 10 per cent reduction in the budget be achieved through

efficiencies and by reducing the number of people who falsely claim the benefit, or will it result in reduced entitlement for people who receive council tax benefit? Will there be a postcode lottery in relation to council tax benefit entitlement in Scotland?

Michael McClements: Work on that is going on between the Scottish Government and COSLA, which involves representatives from local authorities. The 10 per cent cut is challenging. However fair we attempt to make an alternative scheme, the taking away of 10 per cent of the funding means that it will be difficult not to look at some of the categories in the existing scheme. Modelling work on that is going on.

We cannot say that efficiencies will enable us to maintain the existing entitlements; at this point, that is not known. The issue is certainly challenging, as is the timeframe. Council tax benefit will be abolished in April 2013 and a considerable amount of work is involved in putting alternative schemes in place, particularly in the context of the information technology systems that will have to be in place.

As part of that work, there is an effort to come up with national eligibility criteria. Most councils want to avoid a postcode lottery and want a consistent approach to eligibility throughout the country.

The Convener: Could David Coyne tell us whether the major issues group in Glasgow has been looking at the issue?

David Coyne: Yes, we have done some provisional estimates. The 101,000 households in Glasgow that receive council tax benefit are awarded £74 million, so a 10 per cent cut would be £7.4 million. It is difficult to see how being more efficient in how we operate could get us back £7.4 million. The figures that we are working on indicate that the extra work to collect unpaid council tax costs around £22 per household on top of what is owed, so it is difficult to see how it could be a zero-sum game.

Councillor McGuigan: We sometimes assume that efficiencies can always be gained. As elected members—I include MSPs in this—we should always strive to ensure the maximum efficiency that we can secure, not just when cuts are imposed. We should always try to be more efficient. However, there are particular fields of activity in local government that are extremely efficient at the moment; if there are further cuts, we will be cutting through to the bone in delivering those services.

Michael McClements makes the important point that we are still in discussion with the Scottish Government about how we can best overcome the difficulties that will arise because of the 10 per

cent cut. We will engage with that fully while making the point that it should be understood where the cut has come from. It has not come from local government or the Scottish Government. The slice has already been taken out. We have to ensure that we get that right.

We have not looked at the consequential that will come to Scotland as a result of the recent council tax freeze in England. That might give a wee bit of respite, but only in the short term.

We will work very hard and as constructively as possible with the Scottish Government to find ways of mitigating the effect of the cuts on the recipients of council tax benefit.

Bill Walker (Dunfermline) (SNP): I should declare that I am a member of Fife Council.

I have three—short, I hope—points. Incapacity benefit is a terrible system to operate. It has been around for years and I am familiar with households in my ward and constituency that have had no work for two and sometimes three generations. It is reasonable to ask people what work they can do, but the economy has to be such that the appropriate work is available. I would like some comments on that, if you do not mind.

Michael Thain mentioned income maximisation, which I think is good and should be done for all our constituents. How do we get around the issue that I have come across several times of the relatively young officer going along to visit an older person, who regards it as an invasion of their privacy to be asked to go through a complete audit of this, that and the next thing? Realistically, how much money is spent on that? It might be expensive to operate a system of visits.

My fundamental, and broader, point goes right back to the beginning. I sense that the problem is that Westminster has decided, for whatever reason, to cut the UK deficit by a very large amount—far larger than I would agree to. From the lack of consultation and discussion that Westminster has conducted, it seems to me that Westminster has said that it is going to make the cuts and it is up to you guys to make the most of the situation. Is that a reasonable judgment for me to make?

The Convener: There were a few points in there. Michael, do you want to start? Some of that was directed at you.

Michael Thain: There are two aspects to the point about income maximisation and the way forward. Part of it is about how services are managed. A housing service involves rent collection, tenancy management, allocations and so on. Part of the role of the housing management service and the staff in that service will increasingly be about helping people with money

advice, income maximisation to a degree, and better integration with specialist services. In the past couple of years, we have piloted neighbourhood delivery of specialist income maximisation services with some of our partners, as part of homelessness prevention, for example. That needs to be integrated further.

As for responding to different customers' needs—Bill Walker highlighted the different assumptions or reactions of older people—we need to change how we deliver services to cope with some of that. To mitigate risks and to support tenants and other customers, we will integrate support on income maximisation and money advice into the housing service. As I have said to a few of my managers, a big part of the housing service will be an increasing emphasis on delivering the outcome of getting people into jobs, supporting them in that and having better integration with employability services.

David Coyne: I will make a couple of observations about incapacity benefit and the changes to it. We have quite a lot of experience of working with people who are on incapacity benefit to try to get them back to work. In many cases, that process proves to be long and complicated. We must deal with multiple issues such as self-confidence, health, debt and family circumstances, which is difficult enough in a labour market in which there is demand for labour.

The DWP's policy position seems to be that we need to address definitional issues—it sees these people as unemployed and not sick, so it wants to create a benefit regime that treats them as unemployed and not sick. Separately, the merits of doing that could be argued. However, the DWP is creating that system without regard to the state of the labour market.

That position results partly from when much of the policy design was done—the early work that Lord Freud did in 2006 and 2007 was about reactivating the inactive latent part of the workforce, which the demand in the economy would absorb. That policy is now to be implemented when the number of notified vacancies in the economy is less than half what it was three years ago. That is a mismatch. Local authorities and others are being left to get on with it, as Bill Walker said.

Councillor McGuigan: A question was asked about the significance of cuts that have been made. Sometimes, cuts sound innocuous. However, we calculate that the change from the retail prices index to the consumer prices index for uprating benefits will hit us for about £11 billion, which is a huge amount of money. Moving from disability living allowance to the personal independence payment will involve a 20 per cent

cut. Those acts will take a huge amount of money out of the system.

When we ask how the personal independence payment will compare with disability living allowance, we are told that the detail is not available yet. Our worry is that people who are at the low disability level will be disqualified from receiving the personal independence payment. That has an impact on what Kezia Dugdale talked about. The impact on prevention, early intervention and support is crucial. If those people are taken out and told, "Sorry, you no longer qualify," they will queue up for support services from local authorities and voluntary organisations, which will hit us hard.

11:00

Dawson Lamont: I will return to the point about money advice. I am looking at some figures. Our small in-house money advice team had a 12 per cent increase in customer contacts in 2010-11 and a 42 per cent increase in the level of debt that was handled in relation to customers. That is even before we embark down the path of the cumulative cuts and of narrowing entitlements to benefits. The situation is of quite a bit of concern.

For certain people on incapacity benefit, problems arise if a job is not in their locality. I think that, under DWP rules, there is a 90-minute travel-time window for purposes of conditionality. If it takes someone an hour to travel from Durness to Thurso, it means that they lose an hour of their working day in each direction. Is it reasonable to expect someone who is not fully fit to do that? The DWP might well put in place safeguards to help those people, but I have not yet seen any detail and just want to be sure that such issues will be covered.

Bill Walker: This comment might be deemed too sensitive but my belief—which I hope is not prejudiced—is that the Westminster Government is saying, "We're going to do this, guys, and you just need to get on with it and do your best." I hope that that is not true and that, perhaps as a result of this meeting, you get more co-operation and can have some input into these plans.

Councillor McGuigan: Mr Walker raised an important point about young people providing income advice. When I was a teacher, I knew some excellent and not-so-excellent young teachers as well as some excellent and not-so-excellent older teachers. The same applies here; the point is that such support should be provided in a respectful and understanding manner, and I am sure that most of those involved are able to do that. Indeed, last week, I watched a young man in my local office handling this kind of situation and he did it very well.

Bill Walker: Very good.

Kevin Stewart: Given that Westminster's co-operation with this Parliament and local government has been a little bit lacking, I was glad to hear Councillor McGuigan and others say that the Scottish Government has consulted very well on this matter. In the course of the evidence session, more and more anomalies in the local government situation have come to light and I wonder whether we need to scrutinise these matters a lot more so that we can go back to Westminster and say, "We're not happy with this, that or the other."

The Convener: Most of the questions so far have centred on the impact of the Welfare Reform Bill, but do the witnesses wish to comment on the five items in the legislative consent memorandum that is about to come before Parliament?

Councillor McGuigan: I will try to be very brief, convener.

The term "legislative consent memorandum" was new to me when I heard it last week, but I think that it is essential for the Parliament to be diligent in its consideration of it. After all, it will affect areas of devolved responsibility and we must work to ensure that our understanding of the UK legislation is consistent.

Of course, the legislation's impact on devolved policies must also be considered. I have already mentioned certain passported benefits such as free transport and free school meals. In ensuring that we get the LCM right, parliamentarians will have to scrutinise it very carefully and local authorities will have to work closely with and support you in that scrutiny.

Michael McClements: Certain areas that are specific to Scotland such as kinship care have not been particularly well understood by the UK Government, although I believe that the Scottish Government is trying to ensure that there is some understanding of Scotland's treatment of kinship carers. Welfare reform might provide an opportunity to resolve some of the difficulties in that respect.

As for passported benefits, because we do not know what the architecture of universal credit or personal independence payments will look like, there is a real issue to do with people's future entitlement to the many benefits that they currently passport, using the current benefits system as a sort of shorthand. I know that the issue has been passed to the social security advisory committee, but it would certainly help to have more detail on how entitlement will be affected. After all, such benefits are important to many people, particularly those with disabilities and older people.

The Convener: What would happen if we decided not to pass the legislative consent motion? Obviously, most of the bill's provisions are not covered by the legislative consent memorandum and would come into effect in any case.

Councillor McGuigan: I have no informed comment to make on that question but, after reading through some of the paperwork in the past couple of days, I think that we should be careful about showing any unwillingness to go along with the LCM. Nevertheless, if we feel that something in it will damage our good business in Scotland and if the issue in question has no political message associated with it, we should act accordingly. We need to look at the LCM objectively with regard to matters that are devolved to Scotland and on which the UK legislation will have an impact. We just need to keep politics out of it.

The Convener: As members have no further questions—and if our witnesses feel that we have covered the most important areas and have no further comments—I thank the panel for their extremely helpful evidence, which we will consider in the near future.

11:07

Meeting continued in private until 12:17.

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