

Citizens Advice Scotland

Scottish Association of Citizens Advice Bureaux
www.cas.org.uk



Submission from Citizens Advice Scotland to the Finance Committee Scrutiny of the Scottish Government's Spending Review 2011 and Draft Budget 2012-13

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- Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.
- Citizens advice bureaux in Scotland helped clients with almost 550,000 new issues in 2009/10 – almost 1,500 new issues for every day of the year. Over 270,000 clients brought new issues to a bureau over the year.
- In 2009/10, Scottish bureaux achieved a financial gain of almost £116million for clients based on funding of £14.8million (including £6.8million in core funding). This means that CAB clients were better off by £17 for each £1 of core funding given to bureaux.

Summary

- UK welfare reform changes will take £2 billion out of the economy of Scotland by 2014-15 impacting on local economies and jeopardising jobs. CAS is concerned that the impact of welfare reform changes has not been considered within the Spending Review.
- Local government in Scotland faces a reduction in income which will have a significant impact on public service provision and lead to tough choices for local authorities over where spending should be prioritised. In addition, the third sector is likely to experience a significant reduction in the funding that it receives from local government. This may lead to third sector organisations offering reduced services or ceasing to provide services altogether.
- As incomes drop and benefit support is reduced or removed, it is public services and advice providers that people will turn to. Local authorities face a double whammy of decreased income alongside increased demand for their services.
- Early advice is a good example of preventative spending: investing money in advice increases the number of issues that are resolved without resorting to more costly solutions.
- CAS is concerned that cuts in funding for advice provision will lead to delays in accessing advice or to people not receiving the advice that they desperately require. CAS estimates that total funding – including core and project funding - for citizens advice bureaux in Scotland will reduce by 9% in the financial year 2011/12.

The impact of UK welfare reform changes on the Scottish economy have not been considered by the Spending Review

1. UK welfare reform changes will have a huge impact on the people, communities, services and economy of Scotland. For many people, particularly families, those with disabilities, and jobseekers, the impact will be very damaging. CAS believes these fundamental changes will have a major impact on the budgets of those services most needed; on the overall budgets of local authorities, and on the Scottish Government's budget. Local government and voluntary services may have to pick up the pieces for those affected by welfare reform – all on a shrinking budget. [For further information on the impact on people of these proposed cuts, CAS would refer you to our briefing [The Impact of the Welfare Reform bill on Scotland's people and services](#)].
2. The Fraser of Allander Institute has stated that that benefit cuts will result in £2 billion being taken out of the Scottish economy by 2014-15 and they expect this to “contribute to the weak growth of household spending” and that “our fear is that the greater welfare spending cuts may dampen growth in 2012”¹. An estimated £1 billion of this £2 billion will be from disabled people and their families². Examples of some of the welfare reform changes include:

- A cut in disability benefits by 20%. Inclusion Scotland estimate 75,000 DLA claimants in Scotland face losing their entitlement to disability benefits due to the proposals to replace the Disability Living Allowance with the new Personal Independence Payment³.
 - Abolition of Council Tax Benefit with responsibility for replacement council tax rebate schemes devolved in April 2013 alongside a 10% cut in expenditure.
 - Changes in Housing Benefit will reduce payments by around £38 million annually in Scotland. The changes are likely to lead to housing arrears, increased levels of homelessness, and increased demand for welfare and debt advice services.
 - 110,000 households will receive an average cut of £13 a week in payments to tenants considered to be under-occupying homes.
 - 55,000 households claiming Local Housing Allowance will lose around £10 a week as payments are now restricted to the 30th percentile of local rents rather than the midpoint.
3. These changes and the loss in personal income will have a direct impact on local economies and communities. **As welfare payments, and therefore spending power, is reduced, the money being spent within local economies across Scotland will decrease also; with what could be very damaging consequences for some local communities.**
 4. Using the much lower estimate of £514-614 million being lost from the Scottish economy from initial figures on the loss of welfare payments, the Local Government Forum Against Poverty and Rights Advice Scotland estimated that between 11,900-14,200 jobs would be directly jeopardised⁴.
 5. Another report produced by the Fraser of Allander Institute (FAI) in 2001⁵ estimated that the Glasgow City Council Welfare Rights Services (GCCWRS), which aims to increase the benefits paid to low income households in the city by advising individuals on the level of benefit to which they are entitled, generated additional benefit payments of £11.032 million in financial year 2000/01. The FAI estimated that this £11million created a total of 264 jobs across Scotland. The FAI concluded that when compared against cost per job estimates for a range of other government assistance programmes, GCCWRS's activities were a cost-effective way of creating jobs. This report clearly shows the impact that benefit payments make to a local economy. By generating £11 million, the FAI estimate 264 jobs were created. **By removing around £2 billion, we can extrapolate that there will be a major impact on job creation across Scotland.**
 6. The Spending Review states that 'In order to accommodate the reduction in real terms of the overall funding package and the increased inflation and demand pressures, local government will be faced with a number of very difficult decisions'. However there is no mention in the Spending Review of the additional pressures or costs that local authorities [or for that matter voluntary and advice services] will be under due to welfare reform changes.

7. A series of Parliamentary Questions asked the Scottish Government what estimates it had made of the financial impact of the proposed UK Government welfare reforms on the Scottish Government budget and on local government expenditure on (a) housing, (b) social care and (c) other areas. The answer was that “The UK Government has not provided sufficient detail on the implementation of its proposed welfare reforms for the financial impact on future Scottish local government expenditure to be known. The Scottish Government has made repeated requests to the UK Government for further detail and will continue to press for this to be made available”. A similar answer was given in relation to the Scottish Budget⁶. There is therefore a lack of clarity and detail about the impact of the current welfare reforms on public services and budgets in Scotland – however, it is clear that the impact will be significant and will be felt in the near future.

8. CAS further believes that the Scottish Government’s ‘Solidarity’ National Indicator ‘To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017’ is being threatened by the changes the UK Welfare Reform bill will usher in. This indicator is already on a ‘maintaining’ status rather than being achieved as the proportion of income received by those at the bottom of the income distribution has consistently been decreasing between 2004-05 and 2009-10. The reduction in benefits coupled with cuts in services will serve to at best maintain or at worst reduce the income of people within the lowest income deciles.

Local authorities face a reduction in income which will have a significant impact on public service provision

9. The SPICe Financial Scrutiny Unit estimate that the Local Government portfolio will decrease by 1.8% in cash terms next year (4.2% in real terms) and by 4.1% by 2014/15 (11.3% in real terms)⁷. Local authorities have also had a freeze in council tax imposed and have a number of additional expenditure commitments which will be placed on them. Alongside an expected increase in demand for public services, local authorities face tough decisions on where spending should be concentrated and where it should be reduced.

10. CAS is concerned that local authorities will concentrate their reduced resources on statutory services at the expense of non-statutory services. **Many non-statutory services, including advice, are relied upon by service users.** The reduction in local government income is already having an impact on the third sector which derives a significant part of its income from local authority funding, with the likely impact being that many third sector organisations will reduce their services, provide a service with cuts in resources, or cease providing services altogether.

11. The Scottish Government should be stating how the increasing number of people living in Scotland facing economic difficulties will access legal, benefit and debt advice services. However, this is not considered in the Scottish Draft Budget or Spending Review, as responsibility for funding advice is devolved to local authorities without ring fencing of funds.

Many people will face a double whammy of reductions in benefit levels and cuts in public services

12. There are a number of ways in which local authorities can achieve the savings that they are required to make, but many will have a significant impact on service users. We are concerned that many people could be hit by a double whammy of decreasing welfare support alongside cuts in public services. The UK welfare reform changes that are being introduced over the period of the Spending Review will have a significant impact on the income and support that many public service users receive from the welfare system. Local authorities will need to balance the need to make reductions in spending alongside the impact that such reductions will have on service users who are likely to be affected by cuts in benefits.
13. It is clear that public and voluntary services in Scotland will experience greater demand for their services as a result of the changes in UK welfare reform. However, due to wider spending cuts to the public sector, these services will be required to cope with this extra demand alongside diminishing budget and resources. As a result, many people in Scotland will experience cuts in benefit payments as public and voluntary services struggle to maintain services to them.
14. Local authorities will face increases in demand for their services, particularly in the areas of social work, housing and advice. Efforts to meet this demand will in turn have a detrimental impact on other services such as education, leisure and cleansing. The reduction in income of benefit recipients will also have an impact on local authority income and their ability to provide services. This will particularly be the case in charging for personal care, council tax payments, and rent payments. It is likely that local authority income from charges will reduce as benefit recipients struggle to pay council tax and rent.
15. Further information on the impact to local authorities can be found in the CAS submission to the Local Authority and Regeneration Committee [[Scottish Government Spending Review & Draft Budget: Local Government & Regeneration Committee \(135kb\)](#)] and on other services, in particular, housing in the CAS submission to the Infrastructure and Capital Investment Committee [[Scottish Government Spending Review & Draft Budget: Infrastructure & Capital Investment Committee \(190kb\)](#)].

Cuts in funding for voluntary services and advice provision will lead to delays in advice or to people not receiving the advice that they desperately require

16. We are particularly concerned about local authority funding to citizens advice bureaux as cuts in funding will inevitably lead to delays in advice or to people not receiving the advice that they desperately require. Citizens advice bureaux in England received average cuts in funding of 10% from local authorities, which has led to a drop of 7% in the number of people they have been able to advise this year⁸.

17. **CAS estimates that total funding – including core and project funding - for citizens advice bureaux in Scotland will reduce by 9% (or £1,436,761) in the financial year 2011/12**, which may affect the number of clients that bureaux are able to advise.
18. Advice plays a key role in helping people to avoid serious problems and to diminish the impact of such problems when people reach a crisis point. Bureaux are funded to provide this role for hundreds of thousands of clients every year.

Advice is a key component of any strategy for preventative spending

19. Research by the New Economics Foundation shows that for every £1 gained through welfare rights advice, an additional £1.70 is gained for the local economy.⁹ Advice works and pays for itself in better outcomes and public money saved.
20. Advice is a key component of any strategy for preventative spending. Good advice ultimately saves money and can prevent outcomes that are expensive for the public purse and are disastrous for the person and families experiencing them, such as homelessness, poor mental health, bankruptcy, and unemployment. Investment in advice saves public money and leads to positive outcomes for clients. For example, debt and welfare advice is significantly cheaper than homelessness and bankruptcy and the social outcomes for clients are far better.
21. In 2010/11, citizens advice bureaux in Scotland achieved a financial gain of more than £128 million for clients based on total funding of £16.3 million. **This means that clients were better off by £16.50 for each £1 of core funding given to bureaux.** As well as achieving better social outcomes, advice leads to better financial outcomes for clients. A focus on prevention should include the work that advice agencies undertake each and every day to help thousands of clients.
22. Citizens advice bureaux are experts in dealing with the client's situation as a whole, rather than one problem in isolation. Advisers will ensure that clients are claiming all the benefits that they are entitled to; will help clients to make benefit claims or manage problems in payments; and they can represent clients at employment tribunals or eviction hearings; as well as negotiate with creditors and help clients access debt remedies.

Conclusion

23. The UK welfare reform changes will have a significant impact on Scotland's people, services and economy. Reductions in benefit levels and eligibility will inevitably drive demand for public services and advice provision at the same time as cuts are being felt across the public and voluntary sectors. However, this impact is not considered in the Draft Scottish Budget or Spending Review. This

seems shortsighted as many of the changes will be introduced over the three years of the Spending Review. **Future budgets must consider the pressure that welfare reform and economic pressures will place on public services and advice services, employment and the overall economy of Scotland.**

24. Public funding is facing an almost unprecedented situation of falling budgets and rising demand. The decisions taken by local authorities on spending priorities will have a considerable impact on many service users who will concurrently be affected by changes in welfare benefits as well as cuts in services.
25. It is imperative that potentially vulnerable service users are not left to cope without public service or welfare support. Local authorities and voluntary organisations have a shared agenda in helping local people avoid crisis point and working together to achieve the best outcome. Cuts in funding to voluntary organisations would work against this shared agenda.
26. Advice is a key component of any strategy for preventative spending. Good advice can prevent outcomes that are expensive for the public purse and are disastrous for the person and families experiencing them. Investment in advice saves public money and leads to positive outcomes for clients.

References

¹ The Fraser of Allander Institute *Economic commentary Vol 34 No 2 November 2010*. Available online: <http://tinyurl.com/6htwtmg> [Accessed 7 October 2011].

² Inclusion Scotland. *Welfare Reform Briefing September 2011*

³ Ibid

⁴ Scottish Local Government Forum Against Poverty, Rights Advice Scotland. People, Councils, the Economy. September 2010

⁵ Fraser of Allander Institute. *The Impact of Welfare Spending on the Glasgow Economy: A report by The Fraser of Allander Institute for Glasgow City Council Welfare Rights Services*. August 2001

⁶ Scottish Parliament. *Written Answers S4W-02672 and S4W-02673*. 23 September 2011. Available online: <http://www.scottish.parliament.uk/s4/bills/documents/WA20110923.pdf> [Accessed 7 October 2011].

⁷ SPICe. Financial Scrutiny Unit Briefing: Scottish Spending Review 2011 and Draft Budget 2012-13. 23 September 2011. Available online: www.scottish.parliament.uk/business/research/briefings-11/SB11-72.pdf [Accessed 7 October]

⁸ Citizens Advice News Release. *Cuts in CAB funding leaving thousands with nowhere to turn for help*. 6 September 2011. Available online: <http://tinyurl.com/3o2wko>. [Accessed 7 October]

⁹ Wiggan, J. and Talbot, C., *The benefits of welfare rights advice: a review of the literature*. National Association of Welfare Rights Advisors April 2006. Available online: www.nawra.org.uk/Documents/Benefitsofwelrarightsadviceelitreview.pdf [Accessed 7 October 2011].