

AUDIT COMMITTEE
19th December, 2012

Present:- Councillor Sangster (in the Chair); Councillors Gilding, Kaye and Sims.

An apology for absence was received from Councillor License.

P31. MINUTES OF THE PREVIOUS MEETING HELD ON 21ST NOVEMBER, 2012

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 21st November, 2012.

Resolved:- That the minutes of the previous meeting be agreed as a correct record for signature by the Chairman.

P32. WELFARE REFORM - IMPACT ON ROTHERHAM

Karl Battersby, Strategic Director of Environment and Development Services, gave the following powerpoint presentation on the key changes and impact on Rotherham of the Welfare Reform:-

National Context

- Welfare Reform Act 2012
- Savings of £18 billion by 2015
- Improve work incentives by 'making work pay'
- Reduce welfare dependency
- Universal Credit aims to reduce the complexity of the benefits system and move to an online system
- Further savings of £3.7 billion announced in Autumn statement (by reducing rate at which benefits increase)

Benefit Changes

- January 2012: Local Housing Allowance – sharing assumed up to age 35, Housing Benefit cuts for 25-34 year olds
- April 2012 – Couples need to work 24 hours per week to receive Working Tax Credit (up from 16 hours)
- May 2012 – Lone parents with child 5+ to seek work/ESA
- May 2012 – Contributory ESA limited to 1 year, tougher tests expected to reduce long term sick claimants
- January 2013 – Localised Council Tax Benefit – 10% cut but pensioners protected = 17% cut for working age
- April 2013 – Weekly benefit cap of £500 per family
- April, 2013 – Housing Benefit size criteria applied to social housing – “bedroom tax”
- April 2013 – Crisis Loans and Community Care Grant replaced by local authority support schemes
- June 2013 – Disability Living Allowance (DLA) to transfer to Personal Independence Payment (PIP) by 2016
- October 2013 – Universal Credit to phase in by 2017

Financial Impact

- Calculable (estimated) direct loss to Rotherham economy in low DWP benefit income of approximately £27.5m by 2015 (£13.5M in 2014/15)
- Move from DLA to PIP could cost around £15M
- Incapacity Benefit and SDA claimants transferring to ESA and means tests could see a loss of approximately £10.5M
- Headline figure does not include cuts to Housing Benefit or the Council Tax Benefit reduction of £2M+

Social Challenges

- Struggling economy - not enough jobs for all workless to be "incentivised" back to work
- 643 children affected by benefits cap
- Disproportionate impact in most deprived areas - widening inequalities
- Vulnerable people likely to be hardest hit
- Community and social cohesion: potential increase in crime, domestic violence, relationship breakdown, ethnic tensions etc.
- Health - more people with stress/anxiety/depression

Economic and Housing Impacts

- Reduced spending power
- Increases in:-
 - Personal debt
 - Use of high cost credit - doorstep lending
 - Rent arrears and evictions
 - Multi-occupied accommodation
 - Cost of rent and Council Tax collection
 - Potential for migration from higher rent areas

Key Risks

- Need to implement local support schemes quickly, but with reduced funding available
- Benefit cap and other reductions - will hit struggling families and vulnerable people; possible rise in homelessness, child poverty
- Indirect budget pressures from reduced collection rates (Council Tax and rents) and increased demand for services
- Public perceptions and awareness - unprepared for changes; Council to blame!
- Wider social impact - need a co-ordinated, partnership approach, aligned to other initiative

Current Activity

- Consultation completed on Local Council Tax Support Scheme and outline Model agreed for local Welfare provision
- Extensive awareness raising campaign including leaflet distribution and staff roadshows
- Support routes identified for families likely to be affected by the benefit cap
- Housing Income Team working with tenants to help them avoid rent difficulties

The Council had established a multi-agency task group in 2012 to help devise and implement the local partnership response to Welfare Reform with the initial focus on awareness raising amongst local people and front line workers. In September, a strategic steering group was formed, chaired by the Leader, to develop an action plan identifying the main issues and set out mitigating action.

The risks and related mitigating actions were summarised in the report submitted. A task and finish approach, with clear lead officer responsibility, was being taken to deliver the actions identified. An overarching action plan would be overseen by the strategic steering group with further reporting to Cabinet on a periodic basis.

Discussion ensued on the presentation and report with the following issues raised/highlighted:-

- It was estimated 8,000 Rotherham residents had received Crisis Loans (£80-90 each application) and Community Care Grant (£500)
- Universal Credit would be paid monthly in arrears which would be an issue for some recipients to manage
- There would be a big impact on Housing Benefit and Council Tax collection rates
- Extensive awareness raising had taken place but the general feeling was that members of the public did not really know about the forthcoming changes
- The perception was that it would only affect those who did not work and in receipt of benefits when in fact it would affect some who did work
- Research had shown that a substantial proportion of income would be lost to the local economy due to the benefit changes
- The benefit gap had to be applied through Housing Benefit so it would be perceived as the work of the Council

Resolved:- (1) That the report be noted.

(2) That the approach taken so far be supported.

(3) That a further report be submitted in March, 2013, on the work of the Welfare Reform Working Group and the take up of the Festive Food Scheme.

P33. AUDIT COMMISSION - NATIONAL FRAUD INITIATIVE REVIEW AND DEVELOPMENTS

The Director of Audit and Asset Management submitted an update on the Audit Commission's National Fraud Initiative (NFI) following the publication of a briefing note by the Commission.

The briefing note for Elected Members outlined the benefits from participating in the NFI and the Audit Commission's data matching exercise. It explained how the Initiative helped councils fight fraud and set out how the Commission planned to improve the NFI.

The briefing showed some of the outcomes and benefits of the NFI but that its full potential was only realised if the bodies that took part supplied all the required data on time and undertook appropriate follow-up investigations of the matches promptly and thoroughly.

The Audit Commission had found that councils with the most successful counter-fraud strategies were generally those where there was strong support at a senior level, led by Elected Members, Chief Executives and Directors of Finance. Rotherham had strong arrangements for managing the risk of fraud with a robust Anti-Fraud and Corruption Policy and Strategy that was kept up-to-date to reflect current developments and best practice.

The Council had also participated in every NFI exercise and investigated matches provided by the service dependent upon the risk assessment for each match.

Resolved:- (1) That the Audit Commission briefing paper be noted.

(2) That the actions taken by the Council to support the National Fraud Initiative be endorsed.

P34. ANNUAL REVIEW - INSURANCE AND RISK MANAGEMENT PERFORMANCE

The Insurance and Risk Manager submitted a report on the performance of the Council in managing its insurance risks and cost of insurance claims made against the Council.

The Council continued to have a very good and improving record in most areas. Proactive risk management measures were helping to reduce the number of claims made against the Council and effective monitoring/inspection systems were enabling the Council to successfully defend many claims that were received.

On average, the Council had paid £1.48M per year on insurance claims over the last 10 years. The need to continue to invest in reducing the costs of accidents via improved management systems, work environment and training could not be understated.

The following areas were highlighted:-

- School Fires - Risk surveys had been carried out at all schools in 2001 and 2007 which highlighted the needs of each school and subsequent risk management work; Rotherham now substantially outperformed other authorities and spent £97,328 less per year than the average figure on school fires
- Highways Trips and Sips - Rotherham continued to manage highways risk very successfully - current repudiation rate 89% - best performing Council
- Recovery of Uninsured Motor Vehicle Accident Losses - Since 2005 when MAPS Legal Assistance had been appointed, over £148,000 had been recouped in lieu of repair costs
- Employer's Liability Claims - the Health and Safety Team had carried out a wide range of risk management activities to minimise the risk of injuries. The number of claims was reducing year on year with an increase in the

proportion of claims successfully repudiated and a significant reduction in the overall estimated total of claims (£327.5k 2009/10 compared to £639.8k 2007/08)

- Motor Vehicle Claims - Reduction year on year - 455 in 2007/08 and 208 in 2011/12
- Trips and Slips on Housing-owned Footpaths and Walkways - Remained an area for possible improvement. Since the termination of 2010 Rotherham Ltd., a further 28 claims had been received relating to incidents occurring on Housing-owned footpaths. 24 remained outstanding with claim reserves totalling £160,000, 3 settled without payment and 1 settled at a cost of £6,900
- Level of Insurance Fund - Provision required to meet outstanding claims had reduced from £7.5M in 2004 to £4.6M

Resolved:- (1) That the high performing areas of school fires, highways trips and slips and the recovery of uninsured motor vehicle accident losses be noted.

(2) That better performance in employer's liability claims and motor vehicle claims, which were areas previously with below average performance, be noted.

(3) That consideration be given where opportunities may exist for further improvement in trips and slips on Housing-owned footpaths and walkways.

P35. BUDGET SETTLEMENT

The Chairman recorded his concern with regard to the savings that Internal Audit needed to make as a result of the budget settlement and the potential risks that the Authority would be exposed to in the future as a result of the savings.

P36. DATE AND TIME OF THE NEXT MEETING

Resolved:- That the next meeting of the Audit Committee be held on Wednesday, 23rd January, 2013 at 4.00 p.m. in the Rotherham Town Hall.