Introduction
COSLA welcomes the opportunity to provide written evidence to the Finance Committee on the Financial Memorandum of the Welfare Funds (Scotland) Bill. This written evidence complements the submissions of member Councils, and reflects Scottish Local Government Leaders’ views. COSLA will also be sending comments on the policy aspect of the Bill to the Welfare Reform Committee.

Background
COSLA is the representative body for all 32 Councils in Scotland. Councils are already administering Crisis and Community Care Grants on an interim basis, as agreed by COSLA Leaders and the Scottish Government, using jointly developed guidance.

COSLA has worked closely with the Scottish Government Bill Team and councils around the content of the Bill and the accompanying Welfare Funds (Scotland) Regulations.

COSLA welcomes the undertaking to place the Scottish Welfare Fund (SWF) on a statutory footing and is satisfied the contents of the Bill provide the suitable framework to deliver the policy intention whilst retaining enough flexibility to allow local authorities to meet local needs.

Consultation
Did you take part in any consultation exercise preceding the Bill and, if so, did you comment of the financial assumptions made?
1. COSLA submitted a response to the Consultation on the draft Welfare Funds (Scotland) Bill and options for challenging decisions made by councils on applications to the SWF in February 2014.

Limited comments around the financial assumptions were made and these related to the SWF review process, the costs of which councils are absorbing internally during the first two years of the interim scheme.

COSLA’s response highlighted that, regardless of the final option chosen for 2nd tier review of the SWF, councils would still have a role to play and need to be adequately resourced to carry-out that role.

If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?
2. COSLA is concerned that the comments made on the financial assumptions around the area of SWF review are not accurately reflected in the FM.

The FM recognises the fact that local authorities have absorbed the costs of providing the SWF review process, however suggests that following the set-up of independent review by the Scottish Public Services Ombudsman (SPSO), local authorities will no longer have to meet any costs associated with these reviews. It is true that councils may no longer have the costs associated with actually hearing the second tier review, they will however,
as indicated in the original response, still be required to perform the first stage review and to prepare and respond to those cases which progress to 2\textsuperscript{nd} stage via the SPSO.

The SPSO prepared a briefing note which provided a high level overview of how they intend to administer the SWF review process however this did not provide details of how this will be delivered on a day to day basis, nor include what will be required of councils. COSLA is committed to working with the Scottish Government (SG) and the SPSO to ensure any process established is fit for purpose; whether this will achieve the savings suggested in the FM remains to be seen.

\textit{Did you have sufficient time to contribute to the consultation exercise?}

3. Yes, COSLA’s response to both this and the original consultation were both approved by COSLA Leaders.

COSLA thanks the Finance Committee for the short extension agreed to allow this latest response to be approved by COSLA Leaders on 29\textsuperscript{th} August 2014.

\textbf{Costs}

\textit{If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.}

4. The Bill advises local authorities have a duty to maintain and administer the fund and that local authorities can, but are not obligated to, top up the fund locally. This replicates the agreement already in place between COSLA Leaders and the Scottish Government for the interim scheme.

The FM does not reflect the intention for SPSO decisions on 2\textsuperscript{nd} Tier review to be binding on local authorities. The interim SWF operates on a discretionary, budget-limited basis with applications being prioritised according to need. COSLA has concerns that if number of reviews rise, and the number of cases being overturned by SPSO increases, local authorities may encounter potential difficulties managing their SWF budget in year. How this works in practice needs careful consideration, to ensure budget management is not compromised by the amended 2\textsuperscript{nd} tier review process.

The Bill also allows Scottish Ministers to make further provisions about the procedure local authorities should follow by way of Regulations. The accompanying draft Welfare Funds (Scotland) Regulations include details of decisions on fund applications, specifically, what a decision in writing should include. Local authorities have advised COSLA that they will in all likelihood incur costs to ensure decision notices comply with this requirement through changes to the IT systems.

COSLA Leaders would like the Scottish Parliament to note their concern that the current level of funding needed in future years may not be enough to sustain the demand as the welfare reform changes continue to take effect.

\textit{Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?}

5. The administrative funding provided to councils falls someway short of the actual costs associated with the service being delivered. This inadequate funding is causing significant concern within local authorities.

COSLA accepts the Scottish Government topped up the administrative funding transferred from Department for Works and Pensions (DWP) for 2014/15 to 5 million, following
discussions with COSLA, and that provision has been made for this within budget plans for this to be maintained for 2015/16. Even with this top up, the funding still falls some way short of the 6.8 million originally requested, following work completed with COSLA members.

The level of funding provided to local authorities to administer the scheme is the level of administrative funding DWP allocated to achieve the previous transactional discretionary elements of the Social Fund scheme. The DWP provided a ‘typical’ loan system under the Social Fund, the amount of administrative funding allocated was around 20% of the total fund available for distribution.

The Scottish Government is of the belief that 15% of the programme budget is adequate to administer SWF in the context of typical administration grants procured being in the region of around 10%. However the Welfare Funds (Scotland) Bill, the accompanying Welfare Funds (Scotland) Regulations and the jointly agreed interim guidance all make it clear that councils should provide additional support and assistance over and above the administration of any award.

The FM highlights discussions on administrative funding will continue to take place to establish the costs and benefits associated with administering the funds under the permanent scheme. COSLA continues to actively engage with local authorities around the costs of administration to provide evidence to form the basis of these continued discussions.

With regard to savings set out in the FM this response has already highlighted the concerns around the costs for local authorities associated with the 2nd tier review process moving to the SPSO. The 2nd tier review function has to date been a small part of the workload of the SWF teams, the suggestion that savings can be released from the transfer of this limited function seems unlikely.

The FM also suggests the that councils will experience downward pressure on other local authority budgets such as section 12 emergency social work payments and homelessness in the longer term. COSLA does not dispute the benefits of local delivery or the ability of local authorities to offer holistic support to applicants, but would suggest the impact on the pressure of these already oversubscribed budgets has been minimal to date. Savings in the area of emergency social work payments and homelessness are difficult to achieve in a steady state even more so alongside the current programme of welfare reform.

If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

6. Local authorities are experiencing significant pressure over the inadequacy of the administration costs for the interim scheme.

The lack of adequate funding exacerbates the funding issues local authorities are already facing due to reductions in the funding for Housing Benefit, establishment of the Single Fraud Investigation Service and the financial implications of welfare reform in general.

COSLA is working with all local authorities to accurately identify the actual costs associated with dealing with SWF applications. COSLA is of the view that the Scottish Government should consider these findings carefully and provide adequate resourcing as appropriate. Failure to address the concerns highlighted around administrative funding
could potentially jeopardise the wider outcomes the Welfare Funds (Scotland) Bill is trying to achieve.

**Does the FM accurately reflect the margins of uncertainty associated with the Bill’s estimated costs and with the timescales over which they would be expected to arise?**

7. COSLA worked closely with the SPSO and Scottish Government around the subject of reviews. COSLA supports the Scottish Government view that the review numbers will rise as the process becomes more widely known but that numbers will not rise to those seen by the Independent Review Service when they were responsible for reviewing Social Fund decisions, not least because local authorities provide a holistic service with other outcomes where a payment from SWF is not available.

With regard to the timescales for reviews actually transferring to the SPSO, the FM does not provide any indicative timescales and further work is required on the end to end process to determine how accurate the suggested funding transfer is.

COSLA agrees with the costing of SPSO model and the estimated costs, based on the upper and lower number of reviews, and welcomes the fact there is provision in the Welfare Reform Mitigation Budget to meet the initial set-up costs for the SPSO review function and the running costs in years 2014/15 and 2015/16

**Wider Issues**

*Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?*

8. Notwithstanding the points made earlier in this response, COSLA does not anticipate any additional costs being incurred in relation to the Bill.

*Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?*

9. COSLA does not anticipate significant future costs associated with this Bill. The Bill provides the framework, which along with the regulations and statutory guidance will put the scheme on a statutory footing.

The objectives of the fund are clear and the package of regulations and statutory guidance will provide national consistency.

The statutory guidance provides guidance on the day to day running of the fund and COSLA would anticipate any futures changes could be achieved by amending the statutory guidance, not the Bill or Regulations.