FINANCE COMMITTEE CALL FOR EVIDENCE

WELFARE FUNDS (SCOTLAND) BILL: FINANCIAL MEMORANDUM

SUBMISSION FROM NORTH LANARKSHIRE COUNCIL

*Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?*

1. Yes, the Council submitted a response to *Consultation on draft Welfare Funds (Scotland) Bill and options for challenging decisions made by local authorities on applications to the Scottish Welfare Fund* in February 2014 with comments of an operational nature.

*If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?*

2. No, North Lanarkshire Council is concerned that the assumptions around the costs of the review process are not accurately reflected in the Financial Memorandum. The cost of reviews for councils begins at the 1\(^{st}\) tier stage and continue throughout the 2\(^{nd}\) tier stage whether the review is ‘heard’ by the SPSO or any other independent body. The costs of administering the 1\(^{st}\) stage and supporting the 2\(^{nd}\) stage do not vanish with the transfer of the 2\(^{nd}\) tier review hearing, rather they continue to be incurred by councils and could possibly increase if numbers of reviews were to grow under a single review body. See also response to Question 6.

*Did you have sufficient time to contribute to the consultation exercise?*

3. Yes.

**Costs**

*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. No. North Lanarkshire Council is of the view that there are significant financial implications to the organisation as a result of the Bill. The costs of administering the fund are considerable. North Lanarkshire Council is not adequately funded to provide the additional aspects of service delivery which are part of the Scottish Welfare Fund but did not feature as part of the previous DWP (Discretionary) Social Fund.

SWF delivers a holistic/preventative approach to making grant awards which seek to reduce harm by dealing as far as possible with the underlying and ongoing causes of crisis situations faced by customers. This involves making appointments and referrals to partner organisations that can assist customers with any causal links to their current predicament. This takes time and resource, whilst providing higher quality and more sustainable outcomes for customers over the longer term.

With regard to Community Care Grants, local authorities are engaged in the procurement of furniture items for families looking to remain in the community. This involves not only the procurement of items but also all of the financial reconciliation...
work required, such as receipting, invoicing, recording and administering all items for all claims. This particular aspect of the service is administratively burdensome and while current administration allocations to councils have largely paid for decision making staff, ICT systems and assets, there is no specific additional funding for this extra element of service delivery, these costs have been absorbed by councils.

Budget allocation for Crisis, Community Care and administration of the fund was based on previous DWP usage of Social Fund for each council area, however North Lanarkshire has seen 9.73% of the national share of applications in the first 4 months of 2014 and received only 8.96% of the budget allocation. Glasgow City saw 15.57% of all applications across Scotland in the first 4 months of 2014 yet receive 23.40% of the national budget. Similarly South Lanarkshire Council saw 5.13% of all applications during the same period but received 6.5% of the national budget. If the current demand and usage remain the same throughout the course of 2014, North Lanarkshire Council will not be adequately funded to meet this level of demand.

The DWP previously received 20% of their total budget for administration costs associated with delivering the Social Fund which was a wholly transactional service. The current funding allocation model for SWF has provided local authorities with only 15% (14.32% actual in North Lanarkshire’s case) of their total budgets for the administration of a service which goes beyond the transaction to a holistic/preventative model of delivery. This difference represents a clear disparity between the previous DWP funding, the expectations of the Scottish Government and what is achievable with the currently available administration funding.

**Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?**

5. No. For the reasons stated above, the estimated costs have fallen short of actual experience for local authorities. The under-spend in year 1 should not be confused as an indication that funding is adequate for the provision of SWF. The limitations of systems, communications about the fund and the wholly different approach to service delivery from the DWP have challenged all councils during year 1. Demand for the first 4 months of year 2 has risen dramatically in North Lanarkshire and budgets are now under some pressure. We are expecting to receive in excess of 20,000 applications in year 2 compared with 13,000 in year 1.

The cost savings outlined in the FM are minimal and mostly relate to the transfer of 2nd Tier Reviews to the SPSO. In truth, numbers of these reviews have been so low that local authorities will struggle to see any real savings here. North Lanarkshire Council had to find additional resources to those allocated for SWF to cover the costs of 2nd Tier Reviews and will experience no savings as a result of this change. As indicated in our response to Question 2, The costs of administering the 1st stage and supporting the 2nd stage do not vanish with the transfer of the 2nd tier review hearing, rather they continue to be incurred by councils. The cost of the entire review process was absorbed by councils since the beginning of the service.

**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. No. North Lanarkshire Council is not appropriately funded. Administration costs of the service are a concern. Additional administration costs will have to be met by the Scottish Government on the basis that the scheme as it currently stands is a Scottish Government Scheme administered on their behalf by local authorities.

**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. No. The FM takes little account of external pressures on SWF and its resulting costs such as the impacts of continuing welfare reforms, changing local economies or the holistic/preventative approach of the service provided by local authorities as opposed to the transactional service provided previously by the DWP.

**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. No. No measure has been applied to the cost of providing the holistic/preventative agenda as part of SWF. This is a real cost to both staff time and resources and there has been no measure of it since the beginning of the interim scheme.

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. Yes. There are already additional costs associated with providing administrative support to the 1st and 2nd tier review process, the procurement process and financial aspects of providing furniture items. There are also costs associated with providing the additional holistic approach which was absent previously from the DWP’s Social Fund, however it is too early to say what further costs may arise from any future changes to subordinate legislation.