Welfare Funds (Scotland) Bill

The Welfare Funds (Scotland) Bill (“the Bill”) was introduced in the Scottish Parliament by the Cabinet Secretary for Infrastructure, Investment and Cities on behalf of the Scottish Government (“the Government”) on 10 June 2014.

The estimated financial implications of the Bill’s provisions are set out in the Financial Memorandum (FM) accompanying the Bill. A copy of the FM is attached (page 9 of the Explanatory Notes).

The Financial Memorandum

The purpose of the Bill is to create on a statutory basis the Scottish Welfare Fund (SWF) that has been in operation on an interim basis since April 2013. The interim SWF was established following the changes to the discretionary elements of the Social Fund under the Welfare Reform Act 2012 and the extension of the Parliament’s legislative competence “so that it can legislate in relation to the provision of welfare assistance in case of a crisis or to help maintain and establish a settled home”. The FM states that the “intention is that the package of the Bill, associated regulations and guidance…will set out in legislation arrangements that have been in place since April 2013”.

The objective of the SWF is set out in paragraph 7 of the Financial Memorandum (FM) as being to—

- “provide a safety net in an emergency when there is an immediate threat to health and safety, through the provision of a non-repayable grant which is known as a Crisis Grant (CG); and

- enable people to live independently, or to continue to live independently, preventing the need for institutional care, through the provision of a non-repayable grant which is known as a Community Care Grant (CCG). This includes providing assistance to families facing exceptional pressures. For example where there has been a breakdown in family relationships, perhaps involving domestic violence, which is resulting in a move.”

The Bill confers duties on local authorities to maintain and administer welfare funds in particular fashions, confers powers on the Scottish Ministers to make regulations and publish guidance which will set out how welfare funds should be administered and requires the Scottish Public Services Ombudsman to carry out reviews in relation to local authority decisions on provision of assistance under welfare funds.

Interim Scottish Welfare Fund

The FM states that the “interim SWF was designed to take advantage of local delivery while maintaining a national character”. In the establishment of the interim
SWF, the FM explains that the “Scottish Government has sought to standardise the
decision making and notification process...by providing comprehensive guidance, a
standard application for, a guide for decision makers and model documentation” but
that “local authorities have full discretion over local arrangements for delivery”. The
FM states that this “allows local authorities to align the SWF with other relevant
services, make effective links with local organisations and to ensure that their
delivery meets local needs”.

**Costs on the Scottish Government**

The table at paragraph 19 of the FM (reproduced below) sets outs the costs to have
been identified as falling on the Scottish Government from the start of the interim
SWF until the end of the current sending review period in 2015/16.

<table>
<thead>
<tr>
<th>Organisation funding allocation</th>
<th>Year</th>
<th>Programme Funding (£)</th>
<th>Administration Funding (£)</th>
<th>Second Tier Review Funding (£)</th>
<th>Implementation and LA support (£)</th>
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<td></td>
<td>2013/14</td>
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<tr>
<td>SG</td>
<td>340,000</td>
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<tr>
<td>LA</td>
<td>33,000,000</td>
<td>5,000,000</td>
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<td>SPCB/SPSO</td>
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<td>2014/15</td>
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<tr>
<td>SG</td>
<td>340,000</td>
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<td>LA</td>
<td>33,000,000</td>
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<tr>
<td>SPCB/SPSO</td>
<td>60,000-100,000</td>
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<td></td>
<td>2015/16</td>
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<tr>
<td>SG</td>
<td>340,000</td>
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<td>33,000,000</td>
<td>TBC</td>
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<tr>
<td>SPCB/SPSO</td>
<td>250,000-400,000</td>
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</tbody>
</table>

The funding that will be allocated for programme and administration funding and
second tier reviews are discussed in the sections below.

In relation to the £340,000 cost to the Scottish Government, the FM states that this is
an “associated staffing costs for implementation of the Bill and ongoing support to
local authorities” and is “based on average staff costs for the grades of staff that are
currently engaged in work related to the SWF and the implementation of the Bill”.
The FM estimates that approximately £75,000 of the £340,000 is directly related to
implementation of the Bill. The FM states that these costs “are anticipated to start to
reduce in 2015/16, with further significant reductions in the following years, with
estimated steady state costs being £65,000 per year”.

**Costs on local authorities**

Should the Bill be passed, paragraph 34 of the FM states that the Government “does
not anticipate that local authorities will incur any net costs to adapt to the statutory
nature of the funds” as the Bill does not make any “significant alterations to the administrative requirements for local authorities” under the interim SWF.

Programme funding is provided to local authorities by the Government which has committed “to maintaining the programme funding for welfare funds at £33 million for the current spending review period”. In both 2013/14 and 2014/15 this funding comprised £23.795 million transferred to the Government from DWP supplemented by £9.2 million provided by the Government. From 2015/16 on all funding will be part of the Scottish Government block grant. The Bill allows funding for welfare funds to be ring-fenced.

The FM highlights that Budget 2014/15 included £4.6 million for administration funding but that this was increased to £5 million following representations from local authorities to make this up to £6.8 million. In respect of 2015/16, the table indicates that administration funding is to be confirmed. However, the SWF budget line in Draft Budget 2014/15 gave indicative total spending plans of £37.6 million which would indicate that the plan at that time was to provide £4.6 million in administration funding in 2015/16.

The FM suggests that there may be savings to local authorities following a change in arrangements that will see second tier reviews being undertaken by the Scottish Public Services Ombudsman (SPSO) rather than by local authority panels. No estimate of the level of the saving that might be realised is included in the FM.

Costs on other bodies, businesses and individuals

The Bill proposes that the SPSO takes on new powers in reviewing local authority decisions relating to assistance under welfare funds. The FM notes that the “new powers diverge from SPSO’s traditional role in dealing with maladministration and require a different approach”.

The FM estimates costs to set up and run a separate unit within SPSO to carry out this function. The FM indicates that these costs will be £60,000-£100,000 for set up costs in 2014/15 and an estimated annual running cost of £400,000. The estimated running costs have been based on the costs of delivery of a similar function by the Office of the Social Fund Commissioner for Northern Ireland and will be subject to review as the new process is established.

The FM states that the Government will transfer the funding to the Scottish Parliamentary Corporate Body for set up costs in 2014/15 and running costs in 2015/16. The FM notes that beyond 2015/16 “permanent arrangements will be put in place for funding”.

These costs are based on a planning assumption of the SPSO undertaking around 2000 reviews a year. However, the FM notes that experience of the interim SWF has seen a lower number of reviews (estimated at fewer than 500) than were carried out by the DWP in Scotland under the discretionary Social Fund (6258 reviews in 2011/12). Paragraph 46 of the FM set out possible reasons for the lower than expected number of reviews.
As a result of uncertainty about the number of reviews, the FM states that there are “significant uncertainties” relating to the estimated costs. The FM states that there may be a reduction in costs if the number of reviews does not rise as expected but that “the reduction in costs would not be in direct proportion to the reduction of cases”. This is explained as being because “fixed costs would remain” and “to ensure quick turnaround of cases a minimum staffing level would be required”. The FM estimates that running costs could be reduced to £250,000 if the number of reviews was 400 rather than 2000.

Another issue in relation to the uncertainties that is identified in the FM as being “the possibility that the SPSO may have to physically expand their estate to accommodate the expected number of staff required to undertake reviews”. The FM states that expansion of the SPSO estate “would be subject to interactions with its current functions and staffing levels and the costs relating to second tier review functions would be subject to negotiation”.

**How to submit evidence**

For information, the Welfare Reform Committee is the lead committee. It issued a separate call for evidence on the 25 June and it is understood that the Committee intends to hold its oral evidence session in the autumn.

To facilitate the parliamentary timetabling of the Bill, the Finance Committee invites you to respond to the attached questions by **Friday 29 August 2014**. All responses should be sent electronically (in MS Word - no confirmatory hard copy required) to finance.committee@scottish.parliament.uk. Written responses will be handled in accordance with the Parliament’s policy for handling written evidence received in response to calls for evidence.

Should you have any queries in relation to this, please do not hesitate to contact the Committee clerking team on Tel: 0131 348 5451
Finance committee questionnaire

This questionnaire is being sent to those organisations that have an interest in, or which may be affected by, the Welfare Funds (Scotland) Bill (FM) (page 9 of the Explanatory Notes).

In addition to the questions below, please add any other comments you may have which would assist the Finance Committee’s scrutiny of the FM.

Consultation

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

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

3. Did you have sufficient time to contribute to the consultation exercise?

Costs

4. 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.

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

6. 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?

7. 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?

Wider Issues

8. 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?

9. 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?