



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

### WELFARE REFORM COMMITTEE

Tuesday 18 November 2014

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**Tuesday 18 November 2014**

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**WELFARE REFORM COMMITTEE**

**18<sup>th</sup> Meeting 2014, Session 4**

**CONVENER**

\*Michael McMahon (Uddingston and Bellshill) (Lab)

**DEPUTY CONVENER**

\*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

**COMMITTEE MEMBERS**

\*Annabelle Ewing (Mid Scotland and Fife) (SNP)

Linda Fabiani (East Kilbride) (SNP)

\*Alex Johnstone (North East Scotland) (Con)

\*Ken Macintosh (Eastwood) (Lab)

\*Kevin Stewart (Aberdeen Central) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Jenny Brough (Scottish Government)

Margaret Burgess (Minister for Housing and Welfare)

Brian Cook (North Lanarkshire Council)

Cliff Dryburgh (City of Edinburgh Council)

Keith Dryburgh (Citizens Advice Scotland)

Kenneth Gibson (Cunninghame North) (SNP) (Committee Substitute)

Jeremy Hewer (Scottish Federation of Housing Associations)

Morag Johnston (Glasgow City Council)

Carla McCormack (Poverty Alliance)

Marianne McManus (Association of Local Authority Chief Housing Officers)

Jonathan Sharma (Convention of Scottish Local Authorities)

**CLERK TO THE COMMITTEE**

Simon Watkins

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



## Scottish Parliament

### Welfare Reform Committee

*Tuesday 18 November 2014*

*[The Convener opened the meeting in private at 09:30]*

10:36

*Meeting continued in public.*

### Decision on Taking Business in Private

**The Convener (Michael McMahon):** Good morning and welcome to the 18th meeting in 2014 of the Welfare Reform Committee. I ask everyone to ensure that their mobile phones and other electronic devices are switched to silent or to airplane mode.

Linda Fabiani has sent her apologies, as she is busy with work related to the Smith commission. Again, we welcome Kenneth Gibson in her place.

Agenda item 2 is a decision on whether to take item 4 in private. Item 4 is consideration of the evidence that we have received on the draft budget. Do members agree?

**Members** *indicated agreement.*

## Draft Budget Scrutiny 2015-16

10:37

**The Convener:** Agenda item 3 is an evidence session on the draft budget for 2015-16. I welcome to the committee Carla McCormack, policy and parliamentary officer at Poverty Alliance; Morag Johnston, assistant director of financial services at Glasgow City Council; Cliff Dryburgh, benefits manager at the City of Edinburgh Council; Brian Cook, head of revenue services at North Lanarkshire Council; Jeremy Hower, policy adviser at the Scottish Federation of Housing Associations; Keith Dryburgh, policy manager at Citizens Advice Scotland; Marianne McManus, divisional housing manager at North Ayrshire Council and also representing the Association of Local Authority Chief Housing Officers; and Jonathan Sharma, policy manager at the Convention of Scottish Local Authorities.

This morning's meeting has a round-table format. Rather than a formal question-and-answer session, people can pick up points and run with them; they can also challenge information that is presented. Committee members will get a chance to make observations or ask questions. We should try to keep the discussion as fluid as possible and to examine as many areas as possible.

I will start the ball rolling by just throwing something out there. ALACHO's submission to the committee says:

"For several councils the issue of 'bedroom tax legacy arrears' remains a problem."

I will ask the association to expand on that, but first I ask Keith Dryburgh whether he concurs. To what extent is that legacy a problem?

**Keith Dryburgh (Citizens Advice Scotland):** From our perspective, the discretionary housing payments funding that has been given by the Scottish Government has been successful, and local authorities have done very well in mitigating the impact of the bedroom tax on the basis of that funding.

According to our statistics, there was a 25 per cent increase in the number of housing benefit cases last year, with knock-on impacts on social rent arrears, which went up by 33 per cent. Rent arrears are at their highest level since the recession. That information comes from citizens advice bureaux. Homelessness and eviction rates are broadly stable.

On the whole, local authorities and registered social landlords have done well in mitigating the impact of the bedroom tax, although an issue remains about whether clients who have DHPs but

still have rent arrears behind them are able to repay and what the next steps will be.

**The Convener:** Marianne McManus's submission instigated my first question. We have heard from someone who gave us an overview of the situation and described those who are coming to his organisation. Will you comment from your perspective?

**Marianne McManus (Association of Local Authority Chief Housing Officers):** The funding that we received from the Scottish Government to mitigate fully in 2014-15 was obviously welcome, and we welcome the position for 2015-16. However, the funding that was available to local authorities in 2013-14 did not fully mitigate the charges on tenants at that time, which is why a number of people have not received discretionary housing payments to cover that period. That has resulted in legacy arrears for that period.

**The Convener:** Is there something peculiar to your situation? What are the individual circumstances of other local authorities?

**Brian Cook (North Lanarkshire Council):** We have just over 1,100 cases of legacy arrears arising from 2013-14, and £470,000 to £475,000 is due to us. We are finding even this year that a number of those cases are due to non-engagement. We have made offers of help with DHPs but last year, even when we could help, we could not obviate all the losses that were experienced. We were making partial contributions of DHP for the amounts that people were losing, but we have been unable to make that money back up.

**Cliff Dryburgh (City of Edinburgh Council):** Edinburgh's experience is similar to that of North Lanarkshire for 2013-14. For 2014-15, we have very few claimants left who have not engaged. It has been a bit laborious with letters, door knocking and so on, but we are pretty much there for 2014-15. However, there are legacy arrears for 2013-14. We were not able to fully fund that year.

**Morag Johnston (Glasgow City Council):** Glasgow City Council has to engage with more than 60 registered social landlords. We do not have our own housing stock. We have processed almost all the applications relating to the bedroom tax in 2014-15. We have had a lot of inquiries and engagement from RSLs about the previous years, but we are in a similar situation to others, as the DHP fund cannot go back.

**The Convener:** Jeremy, is there a particular issue from your perspective or is your experience similar to what we are hearing from the local authorities?

**Jeremy Hewer (Scottish Federation of Housing Associations):** There is certainly an

issue with 2013-14. The situation changed during the financial year, as additional funding was made available in September or October, which enabled local authorities to perhaps be more liberal in their interpretation of who needed discretionary housing payments. That made a big difference.

Towards the end of the financial year, some authorities had not spent their full allocation, and our hope was that those that still had some money in the pot might be able to look at back cases. However, the support that we got from local authorities was, by and large, positive. As more funding became available during the financial year, in cases where people had not been successful in getting DHPs, local authorities proactively got in contact and said, "We can now support these people."

**The Convener:** I offer Carla McCormack an opportunity to comment from the Poverty Alliance's point of view on those who are affected by arrears that are still outstanding. How big an issue is that?

**Carla McCormack (Poverty Alliance):** To be honest, it is not something that we have heard a great deal about. It would generally be CAS and housing associations that hear directly about that, so I am afraid that I do not have much to add.

**The Convener:** Okay. That is fine.

**Alex Johnstone (North East Scotland) (Con):** When we spoke to the cabinet secretary, I asked about arrears from 2013-14, and she made it clear that the funding that was made available for DHPs was in excess of what was required to deal with issues of the underoccupancy charge in the current year and that it was within local authorities' discretion to use any surplus to look at arrears from previous years.

Is anyone aware of a local authority that is currently using that surplus in the discretionary housing fund to look at arrears from previous years? Perhaps more important, is there evidence of local authorities possibly wishing to do that, but simply not having the flexibility in resources to achieve that?

10:45

**Marianne McManus:** At North Ayrshire Council, the allotted money that we received will fund only the cases that we have for 2014-15. We do not have any surplus that we can use to backdate for 2013-14. Obviously, if funding was available for that, we could look to do that.

**Brian Cook:** I agree with Marianne McManus. The funding that we have been notified that we will receive through the year from the DWP and the Scottish Government was predicated on the 2014-

15 case and values. Unfortunately, I do not expect to have anything surplus to go back the way.

**Cliff Dryburgh:** Exactly the same applies to the City of Edinburgh Council. If anything, we will be slightly overspent in 2014-15, because the estimates of the underoccupancy levels were difficult to determine accurately. Therefore, a slight overspend is projected in 2014-15.

**The Convener:** So you have looked backwards and there are still issues. However, Jonathan Sharma from COSLA has indicated that there might be a potential problem looking forward. You think that, if the United Kingdom Government does not commit to the moneys going forward for DHP, there is an issue pending. Is that a fear with some substance?

**Jonathan Sharma (Convention of Scottish Local Authorities):** We have £35 million confirmed from the Scottish Government as far as the Scottish draft budget is concerned—that is in place—but we need to see what will happen with the DWP. Our feeling is that nothing has come forward to suggest that there would be anything different from the assumptions that the Scottish Government has made on what the DWP will provide, so we need to see what it will come out with.

The more general point is that we have an agreement with the Scottish Government to look at the experience of each of the local authorities in mitigating the bedroom tax. We will do that come May next year, when official statistics are available on the amount of bedroom tax liability in each authority and the extent to which the councils have mitigated that. Whether that gives us an opportunity to talk about things such as the 2013-14 arrears is still a little bit open. We are guided by our members on exactly how much of an issue that is. We can certainly take such arguments back to the Scottish Government nearer the time in finalising the 2014-15 position.

**Morag Johnston:** Glasgow City Council has some concern about the 2015-16 allocation, not necessarily with regard to the Scottish Government, but with regard to the DWP. Glasgow has a history of awarding DHPs prior to all the welfare reform changes. The amount was regularly perhaps over £1 million a year. Our understanding of the allocation last year was that there was a risk that that could have been significantly reduced. Fortunately, it was not, but we are concerned that that might be the case in 2015-16. The implications are that the other tenancies will be affected and the private landlord households will be impacted as a result of that. That is a risk.

**Carla McCormack:** Quite a few people have raised with us concerns that DHPs are being used

almost solely to mitigate the bedroom tax. Other exception circumstances are increasing, such as sanctions and the benefit cap. People who are affected by those things will also find themselves relying on DHPs. If all that money is used to mitigate the bedroom tax, we will have to think about how we fund the other uses.

**The Convener:** CAS has raised that issue before.

**Keith Dryburgh:** I was about to say pretty much the same thing. DHP was never set up just for the bedroom tax, but it has become a funding route just for the bedroom tax. It is important that those who lost out as a result of previous reforms do not lose out as a result of that. There might be reform to housing benefit in future—say to housing benefit for the under-25s—and DHP might be the funding route to help those clients. It is important to recognise that there are pressures on DHP funding other than the bedroom tax.

**The Convener:** I ask whoever it is in the public gallery whose electronic device is operating to please put it on silent or airplane mode, because we can hear it and it will affect the recording of the meeting.

**Jamie Hepburn (Cumbernauld and Kilsyth) (SNP):** I will refer to a number of the written submissions that we received in advance of today's session, starting with the submission from the Scottish Federation of Housing Associations. In your conclusion, you say:

"Given the resources at its disposal and the limits to intervention imposed upon it under the current devolution settlement, the Scottish Government has managed to mitigate many of the negative aspects of welfare reform."

North Lanarkshire Council said that the Government's intention to use DHPs to negate the impact of the bedroom tax had been "successfully achieved".

The City of Edinburgh Council said that the level of funding it receives through the Scottish welfare fund currently meets local need.

Do you think that the Government is doing a pretty good job on mitigating the effects of welfare reform with its limited resources and competencies in this area? Anyone can comment, but I would like to hear specifically from the organisations that I mentioned.

**Jeremy Hewer:** Our members are very appreciative of the intervention that the Scottish Government has made with the resources that have been allocated. When I speak to colleagues south of the border they cast envious glances at things such as the full mitigation of the bedroom tax with DHPs and the council tax reduction scheme in particular. People south of the border

have great worries about the local welfare arrangements that will replace the social fund.

**Brian Cook:** The Government's intention has been met in relation to the DHP. In the current year, 2014-15, we have made DHP awards of about £2.6 million against bedroom tax; in the previous year, the figure was only about £1.3 million. With a £2.6 million-plus spend to the end of the year, we will exhaust the deductions we have had for the spare room subsidy.

From that perspective, the resources that the Scottish Government has made available to us have had an effect in 2014-15. As Cliff Dryburgh has done, we have just about got everybody. We are down to the last 100 or 200 people who have not engaged. We are telephoning, letter writing and door knocking in trying to get the final applications from those people.

**Carla McCormack:** We are not one of the organisations that Jamie Hepburn mentioned, but we have said that the measures taken so far to mitigate welfare reform are very welcome. Our submission highlights the importance of looking beyond mitigation. We need to think how we can prevent people from finding themselves in those situations. The Scottish Government has had many successes—the Scottish welfare fund has worked very well overall—but last year was the first year in more than a decade in which child poverty figures in Scotland rose. Although there have been successes, we need to tackle that problem before we completely reverse the trend of falling child poverty.

**Jamie Hepburn:** I had highlighted that as well, but what does that mean in practice? It is all well and good to say that we should look beyond mitigation but, bearing in mind that we are the Welfare Reform Committee, what does that mean at a practical level?

**Carla McCormack:** I appreciate that you are the Welfare Reform Committee. In terms of the budget, at the practical level early intervention means helping children, while they are still in school, to break the intergenerational poverty cycle; it also means getting to people before they are unable to feed themselves and are going to food banks and other such services. I am not sure what that means exactly at a practical level for the Scottish Government.

**Jamie Hepburn:** Mr Cook has just spoken about North Lanarkshire Council's efforts to reach out to people—I should say that I do not always praise that council; I am sure that Mr Cook is aware of that—so there is evidence of that happening.

**Carla McCormack:** There is definitely evidence of that. With discretionary housing payments, we have heard—others in the room will know this

much better than me—that there were problems at the start with people who thought that the bedroom tax had been abolished, for example. They had read that in the papers and thought that they did not have to do anything. However, the local authorities and housing associations were very good at targeting the people who needed to apply for DHPs, to make sure that they did not miss out. That was an example of being proactive and early engagement that worked well in helping people at an early stage.

**Keith Dryburgh:** The Scottish Government has done absolutely the right thing in mitigating the impact and local authorities have done very well in ensuring that that happens on the ground. However, in moving on, we need to look at empowering the individuals who are affected and not just protecting them. That includes making individuals and communities more resilient to the impact of changes. The Scottish Government cannot mitigate everything that happens, so we have to ensure that the people affected are able to help themselves.

On that point, universal credit is probably the biggest change in all the welfare reform. People will very much need to be financially and digitally literate. Therefore, there is a case for saying that mitigating welfare reform will involve empowering people by ensuring that they have access to and are able to use the internet, and that they are able to budget well and cope with monthly payments. There are practical ways in which the Scottish Government could be looking to mitigate future reforms.

**Jeremy Hewer:** As welcome as the mitigation measures are, as the Sheffield Hallam University report for the committee pointed out, £1.6 billion is being taken from the Scottish economy. Some people have been hurt really hard. The report estimated that the discretionary housing payment knocked £35 off the effect on every working-age adult, so the figure for their loss came down from £495 to £460 per working-age adult. That is a huge amount to compensate for, particularly for very vulnerable people. Indeed, incapacity benefits were hardest hit and I think that the average loss was about £3,500 for those affected.

**Jonathan Sharma:** The discussion that we are seeking with the Scottish Government is to talk much more strategically and holistically about the welfare reform impacts. Many of the impacts are potentially still to come and that raises real fear among our members.

As Carla McCormack and Jeremy Hewer said, the issue is about how we help people to cope and support them differently. We need to have that discussion. It is not necessarily about throwing money at something. A key issue is that we do not just keep looking at effects in isolation, but start to



understand that the impacts are cross cutting and individuals are experiencing a range of challenges as a result of the reforms. Dealing with that is about how we get those people to be able to cope a lot better with that.

11:00

**Annabelle Ewing (Mid Scotland and Fife) (SNP):** Good morning. I have a couple of points to continue the discussion on issues beyond mitigation. The Smith commission is running in parallel with the committee's consideration. ALACHO's submission states that the organisation

"would agree with what appears to be an emerging consensus, namely that as an optimum, welfare functions should be wholly devolved to Scotland under the post referendum settlement currently being considered by the Smith Commission"

and adds, with a caveat, that

"Subject to a reasonable financial settlement, this would appear to present the best means of ensuring that Scottish citizens retain a humane and acceptable standard of living in difficult times."

I am looking at Marianne McManus because she is here representing ALACHO, but it would be interesting to hear from the other witnesses, too. We are discussing issues beyond mitigation, so the point that ALACHO makes is very pertinent. Perhaps Marianne would like to comment on that.

**Marianne McManus:** At present, the issues are linked to the Smith commission and its outcome in terms of the recommendations that may follow. It has just been announced that the process for the first tranche of people moving to universal credit will be rolled out in Scotland, including in North Ayrshire and North Lanarkshire. It involves a small case load, but the roll-out will impact on councils' and landlords' rental income in particular, and on individuals. There is also an issue with local authorities undertaking work to implement the roll-out in the short-term, if there is to be some other proposal with regard to welfare in Scotland.

**Annabelle Ewing:** The SFHA commented on the Smith commission process in its written submission.

**Jeremy Hewer:** Yes. The SFHA does not believe that housing benefit, which has been thrown up as the most likely candidate for devolution, should stand in isolation because of the complexity of people's lives and the interactions between various agencies. Wholesale devolution of social security benefits would make much more sense.

**Annabelle Ewing:** COSLA, along with the Scottish Government, has asked for a halt to be called to the roll-out of universal credit. Perhaps the COSLA representative here today can say

more about why the organisation has called for that.

**Jonathan Sharma:** We have not called for that. What we have posited—or will be positing—to our leaders is that Smith is doing his work and will produce a heads of agreement, so we would like to have a look at what comes out of that process and at what the document says about detail and proposals. It is only right that we should do so, given that universal credit is now set to be rolled out further in Scotland. We already have questions regarding the single fraud investigation service that is being rolled out in parallel. We can then consider, with the support of the Scottish Government, whether to ask the UK Government whether roll-out in Scotland should be put in abeyance until further developments in the form of the Smith recommendations are taken forward.

**Annabelle Ewing:** I am sorry. I did not mean to misquote your written submission. It states:

"COSLA have asked DWP to delay UC roll-out in Scotland until the Smith Commission has reported conclusions".

I want to raise another issue with regard to the council tax reduction scheme, which is relevant to universal credit. A concern has been raised about DWP data sharing and the likely costs if that does not happen. Where does that issue stand, as far as the witnesses are aware? Why would the optimum solution for the DWP not be for it to share the data?

**Marianne McManus:** The UK Government issued a consultation paper recently on data protection. A number of landlords have commented on that and said what they would like to see around data protection between local authorities and the DWP. We await the outcome of the consultation.

**Annabelle Ewing:** Do you feel that there is likely to be progress on the issue? There seems to be a concern that there will be significant cost implications if a sensible approach is not agreed by the DWP.

**Marianne McManus:** I would like to think that progress will be made on data sharing. If roll-out of universal credit is to work properly, data sharing between local authorities and the DWP will be needed. At the moment, there is data sharing between landlords and local authority housing services: we advocate similar levels of data sharing with the DWP.

**The Convener:** I am mindful that we are here to scrutinise the Scottish Government's budget for 2015-16. Although a lot of the issues that we have been discussing are relevant and interesting, the issues' implications for the 2015-16 budget are more important. Leaving aside the technicalities of roll-out of universal credit, do people have

concerns about its impact on local authority budgets or on the current Scottish Government budget? Kenneth Gibson wants to come in. Do you want to ask about that budget area?

**Kenneth Gibson (Cunninghame North) (SNP):** I want to stick specifically to the budget. COSLA's written submission states:

"For 2015/16 the Scottish Government is again providing funding at the same level as 2014/15 ... this is welcomed."

However, COSLA goes on to say that it

"would want assurance that any change to the level of DWP funding would be taken account of by the Scottish Government, once this is known, in order that the bedroom tax is fully mitigated."

Does COSLA therefore believe that the Scottish Government should meet the funding gap if the DWP does not provide the £15 million that it provided in 2014-15? If so, where should that money come from?

**Jonathan Sharma:** I thought that I had already provided the answer to that, which is that if there is some variation in the money that the DWP will make available, we would expect to have a discussion with the Scottish Government about how that would impact on the funding that it will provide. The policy is to mitigate fully the bedroom tax; we would expect that policy still to be in place regardless of the level of funding that the DWP provides.

As I said, we will see what the DWP comes out with. The Scottish Government appears to have assumptions around that and does not seem to be too discomfited, but we will need to see what the DWP announces in the next month or so.

**Kenneth Gibson:** You suggest, in effect, that the discussion will just involve the Scottish Government saying that it will come up with the £15 million if the DWP pulls the rug from under it.

**Jonathan Sharma:** I would not expect the DWP to pull the rug, because it will provide a level of funding. Clearly, the level was substantially higher for 2014-15 than it was for previous years. As I understand it, the Scottish Government's assumption is that a similar level is likely to be announced for 2015-16, and the Chancellor of the Exchequer's autumn statement will kick that information off. We just need to wait for that.

**Kenneth Gibson:** Okay.

In terms of the budget, your submission states:

"We need to ask what it is we can do collectively within our powers to address the pressures that welfare reform is bringing in Scotland."

What should that mean in budgetary terms?

**Jonathan Sharma:** That is the point: referring back to our earlier discussion, the issue is not

necessarily about picking out specific amounts of money and saying that we need to provide for things financially, but is about understanding more the scale of the problem that we think is coming and discussing how we can bring together forces to address it more effectively. Within that, there may need to be discussions about resource. At this stage, however, that is not the discussion that is on the table; the discussion that is on the table is about questions such as whether the Scottish Government should be working with us to do more research, and working with other agencies to get a feel for things.

Mention has been made of the Sheffield Hallam University report, but that was done a little while back. The question is really about what the lay of the land is now, and about all the different issues that individuals are experiencing, which can include anything from benefit sanctions, to roll-out of disability living allowance, to the personal independence payment. We need to consider the provisions in the round. That is what we are saying to the Scottish Government.

**Kenneth Gibson:** You spoke about a strategic approach and you mentioned the Sheffield Hallam University study—as did Jeremy Hewer. The Sheffield Hallam report cites a figure of

"£480 a year for every adult of working age"

and says that

"Glasgow might expect to lose £650".

Referring to my area, the report says that

"In North Ayrshire Council area the estimated cost equates to £560 per person."

Is COSLA suggesting that additional resources should be allocated specifically to the more deprived areas in order specifically to mitigate some of those losses?

**Jonathan Sharma:** It is now not really about mitigation per se: it is about something a bit beyond that. We clearly have areas of deprivation, and it is likely that the issues will manifest themselves across the piece. I appreciate that that is a bit of a vague answer, but we are trying to get over the point that the continuing mitigations are all welcome, and we think that they are appropriate and are meeting what we would have expected for the 2015-16 budget.

However, we need to start a discussion now in order to reach a better understanding of the impacts that individuals are experiencing, and we need to explore how we, as agencies, can come together in a different way in order to support people. There may have to be a discussion involving resources around that, but the issue is not about saying that so many pounds per head is coming out of individual communities. That is the impact, but the point is about what intervention we

can provide at least to support people who are experiencing the impact. We are not necessarily going to be able to mitigate that scale of impact.

**Ken Macintosh (Eastwood) (Lab):** On the same theme, participants including those from COSLA and North Lanarkshire Council mentioned the increasing demand on council services. COSLA has discussed the increasing demand on the Scottish welfare fund, and North Lanarkshire Council spoke about dependence on council assistance being generally likely to increase. Do the figures show a big demand in SWF applications across the board among local authorities?

**Jonathan Sharma:** The most recent figures that I have seen are not necessarily manifesting in that way. The Scottish Government had put additional funds into the Scottish welfare fund. At the moment, some of the issues are still to come about, and that is what we are most worried about. Broadly, the spend is not a million miles off. I am happy to consider the thoughts of individual councils, but that is our understanding regarding the information that the Scottish Government is gathering about the Scottish welfare fund, which it monitors quite closely.

11:15

**Morag Johnston:** Glasgow is seeing a large increase in demand for the Scottish welfare fund. I would say that it is hard to draw accurate comparisons, given that 2013-14 was the first year of the fund. However, our current experience is that we are able to award only to high-priority cases. Our acceptance rate is at 60 per cent, which means that we are having to turn away 40 per cent of cases. We do not anticipate that situation changing. We might be able to award to medium-priority cases for a couple of months, but we expect that we will have to stop doing that in order to come within budget by the end of the year.

**Brian Cook:** North Lanarkshire's position is similar to that of Glasgow. We are also able to award only to high-priority cases. There is even a category within that which is called something like high-plus. From now to the end of this financial year, we have to manage that budget with the expectation that, in order to keep money back for forthcoming crisis grants, community care grants are awarded to the highest priority cases. There is an awful lot of unmet demand.

As Morag Johnston said, last year was the first year of the fund. It took a bit of time for awareness of the fund to bed in across our council area. The statistics for April to June and for June to September last year showed a relatively low uptake. However, in the first quarter of this

financial year, North Lanarkshire Council's area accounts for 15 per cent to 20 per cent of the applications across Scotland.

On the distribution of the money from the Scottish welfare fund, we need to consider where the demand is and whether funds can be targeted there, and whether there is any scope to expand the budget for 2015-16.

On the point that was raised earlier about the resources in the authority, my council, like others, is having to put money towards the council tax reduction scheme that we agreed to fund jointly with the Scottish Government. As ALACHO has said, there has been an increase in inquiries to local authorities because of welfare changes, and there has been a great increase in the amount of advice and financial support that are being sought from us across a range of areas. That will simply continue apace, especially when the first tranche of universal credit rolls out in February to April next year. We expect an increase—not dramatic but incremental because, as Marianne McManus has indicated, there will probably be a small case load at the inception—in cases presenting at our door for advice, support and assistance.

**Ken Macintosh:** How much evidence is there of that happening at this point? The council tax scheme and the bedroom tax scheme are discrete and fully funded mitigation schemes for which North Lanarkshire Council has clearly had a lot of applications. Have you already noticed increasing demand for advice or assistance? As welfare is cut back the likelihood, or the expectation, is that people will look to local authorities first and foremost. Is there evidence that that is happening right now, or is there just apprehension that it will happen, as we move to universal credit and so on?

**Brian Cook:** I do not have the statistics with me, but I know that our first stop shops have experienced increased footfall. I can get those figures and give them to you. I cannot say authoritatively, but I think that our advice services will have experienced an increased demand. Again, I can source the statistics and provide them to you.

**Keith Dryburgh:** The Scottish Government has funded the Scottish citizens advice bureaux service to provide mitigation advice. In the past 12 months, that funding has allowed 17,500 clients to be helped with nearly 55,000 new issues. We would not have had that capacity without that money from the Scottish Government, so it has helped us to mitigate the worst impacts for those clients.

Clients in that project had much more complex and time-consuming cases. They had an average of three issues, whereas the average bureau client

has two, so they had an additional complex issue. For every £1 that was given in grants through the project, £7 was gained for the clients—a client financial gain of £7 million.

The funding will run out in March 2015. We argue that mitigation funding for advice through bureaux is working and that some of the worst is still to come in terms of personal independence payments and universal credit. We have had additional footfall, but so far we have, because of the mitigation funding, been able to meet demand.

To go back to the question on crisis, we have definitely seen an increase in the number of clients in crisis or destitution—people who cannot afford to put food on the table—so we are broadly encouraged by how the Scottish welfare fund has operated over the past year.

However, there seems to be a gap. The Scottish welfare fund having an underspend at the same time as there being an increase in the number of people needing food parcels does not match up. We are trying to marry the two and to find out why people cannot access, or are not accessing, the Scottish welfare fund. Sometimes, it is because they have an immediate need—they need food right now—or they know that assistance from the Scottish welfare fund cannot come within two days and they cannot wait that long. There is probably work to be done to ensure that that gap is narrowed and that the Scottish welfare fund is able to deal with such crisis situations, rather than people having to go to food banks.

**Ken Macintosh:** One of the submissions that we received discussed gender inequality and child poverty. If we look at where the welfare reforms will have their biggest impact, we see that women are disproportionately affected, and the Scottish Government's analysis suggests that child poverty will rise markedly. However, the Scottish Government's welfare spending tends to be allocated to policy-specific issues or on departmental lines. We have council tax reduction, bedroom tax mitigation, advice and support, but the money is not being spent on gender equality. Should there be more funding to address those bigger themes?

**Keith Dryburgh:** That is an interesting question. There is a concern that universal credit will use single direct payments to households, whereas, under current provisions, child benefit or child tax credit can go to one account, which could be the mother's. Scottish Government analysis raises concerns about the effect of single direct payments on family spending on children. Women often act as a buffer and mitigate changes to families and households, so there is concern that the change will impact on gender equality.

You are also absolutely right to mention child poverty, which has increased in the past couple of years for the first time. There is a case for considering women and children in more detail.

**Ken Macintosh:** The submission from Engender, Scottish Women's Aid and the Scottish Refugee Council says:

"The Scottish Government's own analysis recognises the extent of women's disadvantage and its links with child poverty, but spending plans do not take either set of issues into account."

I ask Carla McCormack to comment on that.

**Carla McCormack:** The Poverty Alliance supports Engender's recommendations to the Welfare Reform Committee. Most of the money that has come out of people's pockets has come out of women's pockets and child poverty is generally a result of adult poverty, so if a single mother lives in poverty, her children will grow up in poverty. We need to think about how we tackle that issue.

In its submission to the Smith commission, the Poverty Alliance called for Scotland to have the ability to create its own benefits. We thought that we could use that power to bring back things such as lone-parent grants, which would enable us to help single parents—particularly single mothers. That would help women to avoid getting into the situation where they are directly affected by poverty and their children therefore grow up in poverty.

**Ken Macintosh:** I would like to bring in the SFHA as well. In addition to gender inequality and child poverty, fuel poverty and housing poverty seem to be huge emerging issues. I ask Jeremy Hower to comment on whether more should be done here in Scotland, given that a lot of housing powers are entirely devolved.

**Jeremy Hower:** One of the things that we pointed out is that the growing housing benefit bill means that there is an imbalance. The Scottish Government has less money for housing, as a proportion of the budget, because of the rising housing benefit bill and because the benefits from the investment that it may be making to provide more affordable and fuel-efficient housing are not being cascaded down to the right people.

We have a lot of concerns, particularly with regard to the roll-out of universal credit. As has been said, the single payment to households is of deep concern. Despite the representations that the SFHA and other organisations have made in the various liaison groups, the DWP seems to be comfortable with the single payment, even to the extent that in some of the universal credit roll-out schemes, the housing costs have been awarded to a household member who is not the tenant and may be a person who has moved in with the

tenant. That creates a lot of legal niceties when it comes to arrears recovery.

**Kevin Stewart (Aberdeen Central) (SNP):** We have heard that, according to Sheffield Hallam University, £1.6 billion will come out of the Scottish economy—the figure is £2 billion, according to other reports—and that we have a mitigation budget of £104.22 million in the next financial year. I think that everybody round the table recognises that, although that mitigation money is welcome, it will not stop the worst excesses of welfare reform.

Some folk have today discussed taking a strategic view of what we need to do to counter the worst excesses and to spend the mitigation moneys in the best way possible. However, I have not heard very much from COSLA about what such a strategic review would involve. Before I come to Mr Sharma, I ask the local authority representatives what their local councils have done to ensure that there is interlinkage between all the services that they provide to those who are most in need. We have heard about a lack of signposting and a lack of information sharing between social work departments and revenue and benefits folk in relation to the Scottish welfare fund. We have also heard of possible duplication involving social work emergency payments and the Scottish welfare fund.

Given that the amount of mitigation moneys that we have is small in comparison with the giant cut, are we working smart at the local authority level to ensure that we get the most bang for our buck? I start with Mr Cook.

**Brian Cook:** I think that we are endeavouring to do that within our local authority. Internally, the council has provided a fund of about £2 million to help with the welfare reform changes. That money has funded financial services advisers; it has also funded the contribution that we need to make to the council tax reduction scheme.

We and the housing service, which looks after the needs of council house tenants in relation to welfare reform, are endeavouring to try to prioritise the moneys that are allocated. Scottish welfare fund staff will look to see whether there has been a DHP application and will refer there. We will also refer to our advice services. In addition, within our housing revenue account we have created a separate fund to help tenants who are in arrears and have difficulties that arise from welfare reform.

We have done absolutely everything, but there will be people who continue to fall through the net. The situation is not dissimilar to the stats in the study that has been mentioned. When £2 billion is being taken out of the Scottish economy and we have funding of around £1 in £20, there will be

households that are clearly not being helped and circumstances that will not be met.

11:30

**Kevin Stewart:** I noticed that you did not really mention the discretionary payments that social work can make. Is there marrying up there?

**Brian Cook:** Our financial advisers on the income side work in our social work sector. When they assess the incomes of households that are endeavouring to source more money, claims for additional benefits will be made and the advisers will refer people on, but they also, as you suggest, make awards of those grants. We try to ensure that people who are unable to access the Scottish welfare fund know about DHP, the HRA sustainability fund and social work grants, where appropriate.

**Cliff Dryburgh:** In the City of Edinburgh Council, things start with member-officer working groups, with representatives from all the various areas that have been mentioned. That work leads to bi-monthly reports that go to the various council committees and which give updates and recommendations on what the council can try to do to mitigate the effects of welfare reform.

That flows down to individual areas—for example, to people such as me who look after benefit processing, the Scottish welfare fund and council tax reduction. There are linkages across the various areas. We have separate forums with our housing associations in which we specifically talk in detail about all the aspects that we are talking about today.

I echo Brian Cook's comments. The purpose of the funding that the local authority has put in is mainly to help administer the moneys that have been provided. In my submission, I mentioned that we do not have enough administration grant to better the 15 days for a community care grant or the two days for a crisis grant. Although the level of DHP funding is absolutely welcome, we have gone from having around 400 DHP applications in 2012-13 to around 5,500 applications in 2014-15.

**Kevin Stewart:** I would like to ask about social work. Is there an interlinkage with social work? I asked Mr Cook that question.

**The Convener:** Is there an interlinkage between that question and the Scottish Government's 2015-16 draft budget?

**Kevin Stewart:** Absolutely. It is about ensuring that the £104.22 million that is going to local authorities is used in the best way possible. If there was no duplication and council departments were interlinked, the money could go further.

I will finish with Mr Sharma and get to the point that I want to make about all this, but first I want to ask about social work.

**Cliff Dryburgh:** There are very close links between our welfare fund and social work, because it is clear that, within the scheme, people can and do come back time after time. Perhaps they do not always need to, as their needs could be met more directly, and that is when we communicate with social work. For instance, we arrange home visits and look at people's needs to try to ensure that the resources are used in the best way.

**Kevin Stewart:** Does Ms Johnston want to pick up on that, too?

**Morag Johnston:** At the end of 2012, Glasgow City Council set up a corporate welfare reform working group with representatives from across the council, including social work and education services, and representatives from registered social landlords with which it made links.

When we set up that group, we tried to look at what the welfare reform changes meant and identified a number of different workstreams. We ended up identifying about 20 different areas that we felt we needed to look at. Some of them were directly linked to the changes that were coming in—we had a workstream on the Scottish welfare fund, for example—but we also looked at the wider implications, so we have workstreams on digital inclusion and financial inclusion, and we involve representatives from our arm's-length organisation Jobs & Business Glasgow, which tries to help people back into the jobs market. Another workstream looks at economic growth and what we are doing in the city to improve labour demand, and we have a communication strategy that sits across all of that, as we recognise that communication and engagement with citizens and the advice sector are important in this area. That is the way in which Glasgow has tried to address the issue.

On the specific question, we have a social work member on the Scottish welfare fund steering group, which we manage. They link in around the section 12 and section 22 payments, and we have a process for that.

**Kevin Stewart:** Thank you. I do not know whether Ms McManus is able to answer the question, given her specialty.

**Marianne McManus:** North Ayrshire Council is similar to the other authorities, in that we have a cross-service working group that looks at different workstreams. In addition, the council is the biggest landlord in North Ayrshire and, given that tenants would be a high proportion of the people affected by welfare reform, a decision was taken early on to put in place, at a cost of more than £400,000, a

welfare reform advice team to provide advice and assistance for council tenants, and to work with other services, particularly social services, on providing that support. That has been successful, particularly around discretionary housing payments. I think that we are down to about 20 people who still have applications in for discretionary housing payments for the bedroom tax.

We work closely with our colleagues in social services on applications to the welfare fund; we also discuss with a number of our community planning partners and the third sector how we can work more closely with them to deliver better services.

**Kevin Stewart:** Thank you.

My next question is for Mr Sharma. COSLA's submission states that the Scottish Government should take a "strategic approach". I will come back to that in a moment, but what is COSLA doing to ensure that best practice—the "strategic approach", if you like—is being exported across our local authorities? What work have you been doing to ensure that best practice is being fed out everywhere?

**Jonathan Sharma:** Specifically with regard to the Scottish welfare fund, we are actively engaged in how we can share best practice and knowledge locally. My colleague Nicola Dickie goes out to all the local authorities and the various officers who are taking the Scottish welfare fund forward, and her work is about trying to make the linkages to make sure that there is that crossover.

Our impression of the Scottish welfare fund is that it is, in effect, a Whitehall, centrally delivered support that has not, at the end of the day, really hit the target audience. The feedback that we are getting from people in the councils is that a much more holistic service is now being provided that is quite different from the service that was there before. It follows quite a number of the key strands, but it is a different service.

We feel that that is what we need to capture. Councils have a huge amount of experience and knowledge in dealing with individuals who come to them, and that is something that—

**Kevin Stewart:** Can I stop you there, Mr Sharma? It was quite an easy question about exporting best practice, but you are going into some detail that I did not really ask for, and you are not really telling me very much. I am asking you what COSLA has done to help with exporting best practice. The committee heard from Ms Dickie previously. Will you give us some examples of where you have helped to share best practice across the country so that each council can get the biggest bang for its buck?

**Jonathan Sharma:** I think that I have given you the answer, in terms of the Scottish welfare fund. As I said, my colleague Nicola Dickie can provide much more detail on that if the committee would like to see it, although I understand that you have asked her to attend sessions.

**The Convener:** We are not actually here to question whether COSLA is delivering best practice; that might be for Kevin Stewart's other committee. We are trying to establish whether the Scottish Government's budget will meet demand and how best it can meet demand—you know where I am going with that, Kevin. If we can stick to the budget, we might have a more constructive dialogue between you and Mr Sharma.

**Kevin Stewart:** I am trying to stick to the budget and to ensure that the Scottish Government is getting as much as it possibly can for its money, as spent by COSLA. However, I will move on.

My final question is on the "strategic approach" that COSLA mentions in its paper. I would really like to know—Kenneth Gibson tried to find this out in his questioning—what COSLA means by a "strategic approach", in terms of the provision of the budget. Beyond that, will Mr Sharma tell us how COSLA has been dealing with the DWP to ensure that it gives more, which will add to the mitigation budget that the Scottish Government has put forward?

**Jonathan Sharma:** That is about working in partnership with the Scottish Government, and a key part of that is our joint lobbying of the UK Government. That has been a positive experience, due to the willingness of the Scottish Government to engage with us. We have put forward a number of lobbying strategies, particularly on things such as protecting the funding that comes from the UK Government for a number of strands, and a key strand is the housing benefit administration grant.

I would like to make a point—I thought that I had made it—that has been echoed by colleagues round the table: although mitigations are welcome and those in the 2015-16 budget are appropriate, there is an emerging issue of the impacts of welfare reform, many of which are still to happen. We need a dialogue that recognises the whole spectrum of changes that are having an impact.

I mentioned that we probably need to do more research work, and the joint lobbying needs to continue. Advice and support is another area that we have identified. As I tried to say in my previous answer, councils are doing a lot of work around that. It is important that we understand that work and bring it together.

Employability has also been mentioned. We want to take a more holistic approach to the employability agenda. My understanding is that our approach to that across the piece is a bit

disjointed, so we are calling for a dialogue to take another look at it. That is as specific as I can be.

11:45

**Kevin Stewart:** Okay. Thank you.

**The Convener:** Does anyone have any other specific comments on the budget and the pressures that they foresee or issues that they would like the committee to take up with the minister, to investigate whether additional funding or support is available?

**Ken Macintosh:** I have a question for the local government representatives in particular. Obviously, the committee is concentrating on welfare-specific budgets. However, there is increased demand on local authorities, the local authority budget has probably had the biggest squeeze in the budget decisions and local authorities are going through a series of difficult decisions in trying to meet rising demand for community care services for the elderly, for example, and in reconfiguring services and so on. Is there something more that can be done about the local authority budget generally, as opposed to welfare-specific budgets?

**Kevin Stewart:** Convener, if my questions were outwith the scope of our remit, surely that question is well outwith its scope, too.

**The Convener:** I think that asking about the local government budget within the Scottish Government budget is within the budget remit.

**Annabelle Ewing:** I agree, but it is not fair to suggest that Kevin Stewart's question was wide of the mark but not Ken Macintosh's. We must have a rule that applies to everybody.

**The Convener:** Yes, but I point out to members that we are here to scrutinise the Scottish Government's budget.

**Annabelle Ewing:** As far as welfare provisions are concerned.

**The Convener:** That is absolutely right. We are not here to scrutinise COSLA or local authorities. Does anyone want to comment on Ken Macintosh's question, or will we just leave it at that and call a halt to proceedings?

**Annabelle Ewing:** Can I ask a wee supplementary question on a technical point regarding an issue that was raised earlier?

**The Convener:** Yes.

**Annabelle Ewing:** It is about bedroom tax arrears in the previous financial year. Has there been an assessment of arrears across the 32 councils that attributes them to the bedroom tax as opposed to other issues? Has that work been carried out, or is it in the process of being done?

**Alex Johnstone:** Is it even possible?

**Annabelle Ewing:** Pardon?

**Alex Johnstone:** Is it even possible?

**Annabelle Ewing:** I am just asking whether such a piece of work has been embarked on.

**The Convener:** The question has been asked.

**Annabelle Ewing:** People refer to the arrears as a fact, but they have not quantified the figures. I thought that it would be helpful to know what work has been done to try to quantify them.

**The Convener:** Does anyone want to have a go at answering that question?

**Marianne McManus:** We are undertaking an exercise on that in North Ayrshire Council. West Lothian Council has done some work on the issue and has estimated an outstanding £365,000 related to 2013-14 bedroom tax arrears. Calculating the figures is a difficult manual exercise. People come on to and off the system during the year as they go into and come out of employment for different periods. It is a labour-intensive exercise for staff to arrive at an overall figure. However, we in North Ayrshire Council are trying to quantify that at the moment.

**Cliff Dryburgh:** Turning the matter on its head, we could look at our experience of how much DHP we spend on mitigation in 2014-15. As was said earlier, funding was not available to fully mitigate arrears in 2013-14, and we could certainly estimate the spend on DHP by mirroring the 2014-15 spend. Certainly, we estimate that, if we went back to 1 April 2013, the City of Edinburgh Council would have needed an extra £1.8 million.

**Brian Cook:** We did a lot of work between our housing systems and revenue systems with a software supplier. As I said, we have just over 1,100 cases and about £475,000 in 2013-14 legacy arrears. Before we used the software, we had to do a manual exercise, as Marianne McManus indicated. The costs would probably be prohibitive if the exercise was done for all 32 local authorities. We did work with the software guys so that we could get figures almost at the push of a button—although as any information technology guys will know, it was not done just at the push of a button and was slightly more complicated than that.

**Annabelle Ewing:** That is interesting—I guess that we will look for more information on that issue. If it is council policy to seek to recover arrears, you would need to know as a matter of law what you were seeking to recover as a debt. I do not quite understand that: you would need legal certainty, yet you do not seem to have the information, although Marianne McManus says that her council is working on that.

**Marianne McManus:** Individual officers who are dealing with accounts would know how much of the arrears were attributable to the bedroom tax in 2013-14. However, it will take some time to look at the information across the board.

**The Convener:** I think that we have exhausted the questioning. I thank everyone for their contributions; I appreciate you all taking the time to come in and inform us about the Scottish Government's budget and other issues.

I suspend the committee until 12 o'clock, when the minister will appear before us.

11:50

*Meeting suspended.*

12:02

*On resuming—*

**The Convener:** The committee will now take evidence from the Minister for Housing and Welfare, Margaret Burgess, who is joined by, from the Scottish Government, Jenny Brough, team leader, local government finance and local taxation unit, and Adam Reid, team leader, welfare division. Do you have an opening statement to make, minister?

**The Minister for Housing and Welfare (Margaret Burgess):** I will say a few words—thank you, convener.

I welcome the opportunity to address the committee on the draft budget for 2015-16, which sets out how we will focus our tax, spending and borrowing plans to achieve three primary objectives: to make Scotland a more prosperous country; to tackle inequality; and to protect and reform public services. It also sets out the commitments that are designed to tackle the poverty that continues to blight society.

The committee is well aware that the UK Government's welfare reforms continue to cause concern to a great many people and organisations across Scotland, and the Scottish Government's priority is to mitigate the most harmful effects of those reforms as part of our wider efforts to tackle inequality. In 2014-15, we allocated £81 million to that, and we have maintained that level of funding in the 2015-16 draft budget. That funding will maintain investment in the Scottish welfare fund and will assist councils in supporting everyone who is affected by the bedroom tax. It will also enable us to invest in a range of third sector initiatives for income maximisation and to tackle poverty, particularly in support of our new child poverty strategy, which was published earlier this year.



The 2015-16 draft budget includes a range of other measures that will support our welfare reform mitigation activity. We will provide additional investment of more than £200 million in housing, we will roll forward our contribution of £23 million to fill the cut in funding from the UK Government for council tax benefit successor arrangements and we will deliver the £9.4 million people and communities fund for 2015-16, which has a refreshed focus on the promotion of social inclusion and tackling poverty, including the mitigation of the impact of welfare reform.

To deliver those measures, we are working in partnership with a range of organisations, including the third sector and local authorities. That collaborative approach will go some way to meeting the challenges that have been imposed on us by the UK Government, but the continued investment that we are making—which, when the council tax reduction scheme is included, comes to more than £100 million—can go only so far in mitigating the worst impacts of the reforms. The scale of the cuts is immense, and we are constrained by the powers and resources that we have. If we had full powers over welfare, we could do much more to fully protect our people and tackle the inequalities that persist in Scotland. With full powers over welfare, we could bring greater coherence to our tackling poverty agenda through better alignment across childcare, child benefit and other measures to tackle child poverty.

I will be happy to take any questions that the committee has.

**The Convener:** Thanks very much, minister.

I will open the questioning. We received a written submission from Engender, Scottish Women's Aid, Close the Gap and the Scottish Refugee Council, in which they concur with you on the projected increase in child poverty that is expected because of the welfare reforms, which we know are being extremely damaging. They pay attention to the fact that that increase in child poverty will come about largely as a result of the reduced incomes of women in particular, but from their analysis of the Scottish Government's spending plans, they conclude that those plans do not take either set of issues into account. How do you respond to that criticism?

**Margaret Burgess:** When it comes to welfare reform mitigation, some of the Scottish Legal Aid Board funding and the funding for the making advice work project has been targeted specifically at women's groups, such as Women's Aid in Perth, and people in East Dunbartonshire who have suffered from domestic abuse, the majority of whom are women, have received support. In addition, we have sought to ensure that lone parents—the majority of whom are women—are a priority in the guidance for the Scottish welfare

fund, and we are monitoring closely the funding that is provided by the Scottish welfare fund to ensure that women are not left out.

We are monitoring the situation. All the money in the pot for welfare reform mitigation is benefiting women, even though it is not targeted at women. In addition, we fund organisations such as One Parent Families Scotland and the Child Poverty Action Group, many of which concentrate on women, and the wider agenda of increasing childcare and the living wage will help women and will help to reduce poverty among women and children.

**The Convener:** I open the questioning to members. We will start with the deputy convener.

**Jamie Hepburn:** Thank you, convener.

As we heard earlier, COSLA has expressed concern about the lack of clarity from the DWP on the element of DHP funding that it will provide for the coming year, which could have an impact on the Scottish Government's budget. Does the Scottish Government have any idea how much the DWP might allocate to that in the coming year? Do we know that yet?

**Margaret Burgess:** No, we do not have that information. We share COSLA's concerns about the DWP, which do not relate only to the roll-out of universal credit. Our discretionary housing payment budget is based on the amount of money that we get from the DWP. As far as the council tax reduction scheme is concerned, we have made it very clear that, when the DWP put a burden on Scotland's local authorities, it should have funded that. We have said that at every opportunity, and we will continue to do so. I think that COSLA and the Government have signed letters to that effect.

**Jamie Hepburn:** My follow-up question was going to be about that. You are actively pursuing the matter with the DWP.

**Margaret Burgess:** We are, and we will continue to do so.

**Jamie Hepburn:** Another issue that was raised with us in relation to DHPs was the fact that ALACHO said that, without the additional funding that the Scottish Government had put in place,

"council rent arrears could have been up to £49 million by end 2013/2014".

Does that match your assessment of the positive impact of the money that you have leveraged into DHPs?

**Margaret Burgess:** Absolutely—the purpose of that money is to ensure that nobody is in rent arrears solely because of the bedroom tax. We want to take that element out of the arrears story, which matches what you are saying.

We are getting feedback from local authorities and housing associations that the mitigation funding for discretionary housing payments has helped them to reduce rent arrears and has meant that rent arrears that were anticipated as a result of the bedroom tax have not materialised. That has been welcomed across the board.

**Kenneth Gibson:** In the previous evidence session, we discussed with COSLA the comments in its submission. COSLA noted the lack of a strategic approach, and suggested that

“a far greater strategic approach is needed with Scottish Government to look at welfare reform impacts in the round, regardless of what changes are forthcoming.”

What is being done to take that forward?

**Margaret Burgess:** We have been looking at that since the beginning of welfare reform. The UK Government made it clear that the bedroom tax was the start of the process and that there were many more reforms coming down the road.

As you will be aware, we have done work on disability benefits and the impact that reform will have on vulnerable groups in Scotland. We are looking at the approach across the board. We have asked the UK Government to halt the roll-out of universal credit and personal independence payments, but we have to wait and see what we get from the Smith commission to know how far ahead we can look.

We have worked with COSLA, the third sector and Scottish Government analysts to look at the full impact of the welfare reforms: not only the bedroom tax but everything else that the UK Government has introduced and the further austerity measures that are coming.

It is clear that the finance secretary's Scottish Government budget, even leaving aside the welfare reform mitigation funding, is very much about tackling inequalities and maintaining and reforming public services as well as making Scotland a more prosperous country. The approach across the budget is to reduce inequalities and poverty.

**Ken Macintosh:** Picking up on an issue that the convener raised, I think that it is clear that the Scottish Government has supplied the resources to meet specific needs with regard to council tax reduction and the bedroom tax mitigation scheme. However, does the minister recognise that poverty is increasing across the board, and that women and children in particular are experiencing increased levels of poverty? Does the minister think that the Government is doing enough across the board? Rather than funding specific initiatives to alleviate or mitigate Westminster changes, it might be better to do more in Scotland to alleviate poverty across the board.

**Margaret Burgess:** That is the point that I was trying to make to Kenneth Gibson. The budget across the board focuses on reducing inequalities and poverty, and on narrowing the gap between those that have and those that have not. Every portfolio is considering the question of how we can reduce those inequalities. That is the whole focus of the budget.

We have taken that approach to childcare and the living wage. The Scottish Government is promoting the living wage and funding organisations to encourage other businesses and companies to take it up, because it is crucial to improving people's life chances. Our child poverty strategy and our early years and early intervention work are also about reducing inequalities in Scotland.

**Ken Macintosh:** Turning to local authorities specifically, I note that several of the witnesses in the previous session commented in their written evidence that councils will be the first port of call for many people who are experiencing poverty. However, local authorities would suggest that their budget is being directed by the Scottish Government to specific areas such as the bedroom tax and council tax reduction; that budgets are squeezed overall; and that, particularly given that they are not able to raise council tax, they have no discretion to increase the amount by which they can mitigate. Has the Government got its approach to local government right?

12:15

**Margaret Burgess:** Last year, local government received £10.6 billion; this year, councils are receiving £10.8 billion. As the president of COSLA has said himself, given these difficult times and the financial constraints that the Scottish Government is under, local government has done well.

I think that we have been fair to local government. The Scottish Government's mitigation for the bedroom tax and for the cut in funding for the council tax reduction scheme was not imposed on local authorities; that was done working alongside local authorities and their partners. It involved listening to authorities, and we came together. The solution was to provide funding to mitigate the impact of the bedroom tax, as was the case for the council tax reduction scheme, to which local authorities contribute £17 million.

Local authorities are also using a preventive approach, as is the Scottish Government. In some instances, there will be shared expenditure: what one department spends on something, another department can save. Local authorities, as well as

the Scottish Government, have a part to play in that.

As I have said, I think that local government funding has been fair, which has been recognised by the president of COSLA.

**Ken Macintosh:** You think that local authorities have done well, so they should not be complaining that they do not have enough money to tackle poverty.

**Margaret Burgess:** I did not say that they should not be complaining. I said that, given the financial constraints that the Scottish Government is under, local authorities have done well, in that we have maintained their £10.6 billion, which we have increased to £10.8 billion for 2015-16. I am saying that they have done well, given the constraints that we are under.

**Ken Macintosh:** You are under financial constraints. Why are you putting the financial constraint of a council tax freeze on local authorities?

**Margaret Burgess:** That is something that all parties in the Parliament supported, and it is fully funded by the Scottish Government. We fund the council tax freeze, and councils have been given the money to make up for the anticipated increase. It helps families across Scotland to know that they are not going to get a hike in their council tax, at a time when they, too, are struggling.

**Ken Macintosh:** I want to ask about housing. The submission from the Poverty Alliance discussed the importance of housing in relation to poverty. Referring to the Scottish Government's budget, it suggested:

"it is doubtful that this level of budget will be sufficient to meet the statutory duty to end fuel poverty ... We therefore urge the Scottish Government to carry out a full review of how it can fulfil its commitment to eradicate fuel poverty in Scotland."

What would you say in response to that request?

**Margaret Burgess:** Given the increases in electricity and fuel prices, eradicating fuel poverty is a challenge. We have never said that it is not a challenge. However, we are putting £79 million into tackling fuel poverty and into energy efficiency measures, which is more than has been put in by any previous Administration, both in real terms and in cash terms. We have managed to bring in money from the energy company obligation—ECO—with more than £220 million being spent on fuel poverty measures.

We have asked the Smith commission to consider transferring powers over the regulation of energy efficiency and ECO measures, with the Office of the Gas and Electricity Markets being accountable to Scottish ministers as well as UK ministers. If that were done, we could target

resources more effectively to respond to some of the issues that are faced by rural communities affected by fuel poverty.

We are certainly putting in more than any other country in these islands to meet our commitment to tackle fuel poverty.

**Ken Macintosh:** Do I take it from that that you will meet your commitment to eradicate fuel poverty by the end of 2016?

**Margaret Burgess:** Our intention is to eradicate fuel poverty, as far as that is practicable, by 2016. That is what we are aiming towards.

**Ken Macintosh:** Do you think that you are on target to do so?

**Margaret Burgess:** As I said earlier, it is a challenge because of things that are outwith our powers and are to do with external sources, such as price hikes by the energy companies and the fact that, as a result of the UK Government's recent changes to the ECO conditions, the energy companies are not putting in as much money to match the money that we are putting in.

It is a challenge, but we are committed to it and to putting public money into it, which is what we are doing.

**Ken Macintosh:** Are you on target, though? Are the figures for the number of people in fuel poverty increasing or decreasing?

**Margaret Burgess:** The number of people in fuel poverty is decreasing. Some 600,000 households—one in four households in Scotland—have benefited from energy efficiency measures. I can write to the committee with the figures—I did not bring them as I did not realise that this issue would be part of the discussion today—but I believe that, had we not made the investment in the measures that we have put in place, 74,000 more households would be in fuel poverty.

**Ken Macintosh:** Indeed, but the Poverty Alliance points out that the Scottish house condition survey showed that

"in 2012 there were 647,000 Scottish fuel poor households (27.1%)"

and goes on to say that Energy Action Scotland estimates that figure today to be 900,000 households. How does that show that we are going in the right direction?

**Margaret Burgess:** We are working to the figures for the Scottish quality housing standards, which we believe are robust. We know that Energy Action Scotland has used other figures, but we do not have the background for those figures.

We absolutely accept that far too many households are in fuel poverty. That is why we are continuing to invest Scottish Government money.

We have also used financial transaction consequentials that have come from the UK, in relation to our green homes cashback. It is not just the £79 million that is being used to reduce fuel poverty; there are measures throughout the budget in general and the energy budget in particular to reduce fuel poverty and increase energy efficiency in homes across Scotland.

**Ken Macintosh:** Will that be sufficient to lift more than 500,000 homes out of fuel poverty by 2016, as the Government promised?

**Margaret Burgess:** What I can say is that we are absolutely committed to spending money on fuel poverty—more money than has been spent by any Administration in this Parliament, in real terms and in cash terms. We will continue to do that. We will consider every method possible to lever in more money from the energy companies. We have written to Ed Davey with our concerns about the way in which the UK Government has changed the rules around the ECO scheme, and have said that they should take into account the fact that the changes will not benefit Scotland.

We are doing everything that we can on the issue. We have told the Smith commission that we consider having power over regulation of energy efficiency to be a priority, along with ensuring that Ofgem is accountable to ministers in Scotland.

**Kevin Stewart:** In this year's budget scrutiny, the Finance Committee adopted four principles of scrutiny, one of which is

"Value for Money – the extent to which public bodies are spending their allocations well and achieving outcomes".

Obviously, there is good practice on the Scottish welfare fund in certain councils and not-so-good practice in others. How is the Government ensuring that best practice is exported throughout the country to ensure that the maximum possible amount of money goes to helping vulnerable people?

**Margaret Burgess:** As I think I mentioned the last time I came to the committee, the Scottish Government funds a Scottish welfare fund officer in COSLA. Their role is to go around the Scottish welfare fund teams in local authorities to consider best practice and hold practitioner meetings in order to share the best practice. That work is ongoing.

As I think I mentioned before, I have visited many Scottish welfare fund teams and have spoken to people on the front line in order to consider issues that they are finding difficult and spread good practice from other areas. I will continue to do that.

We are also considering the guidance to ensure that it is fit for purpose and that everyone understands it, and we have put the scheme on a

statutory footing to ensure that we get the level of consistency that we are looking for. However, there will always be a bit of flexibility for local authorities, because they know their area best.

**Kevin Stewart:** Is that officer also looking at the interlinking of budgets not necessarily with the Scottish welfare fund but within councils and with social work handing out payments and all the rest of it? Are they ensuring that there is that linkage, to ensure that the most vulnerable are getting what is required and that there is no duplication? Is it part of their remit to look at that, too?

**Margaret Burgess:** I do not know, off the top of my head, whether that is part of their remit, but we can certainly look into that. I expect that officer to seek to form relationships with other local authority departments such as housing and social work departments. I do not know the detail of that, but I will get back to you on it.

**Kevin Stewart:** Let us change tack. The committee has previously looked at passported benefits and the need to ensure both that folk do not lose out to a huge degree because of reforms to DLA, for example, and that the free school meal provision is as fair as it can be. Are you still looking at the impacts of the UK Government's welfare reform agenda on the issue of passported benefits?

**Margaret Burgess:** Yes, we are looking at the impacts of welfare reform across the board, and the issue of passported benefits has been looked at. Some of the reform has been slower because the roll-out of PIP has been slower than expected, and we have now asked the UK Government to halt it. We will follow the issue through, looking at it over the piece in the context of the total impact of the reforms on individuals and families.

**Kevin Stewart:** Thank you, minister.

**Annabelle Ewing:** Good afternoon, minister. The discussion that we have had in the previous evidence session and in this evidence session has shown that we get a bit blasé about what the Scottish Government is doing to mitigate the effects of welfare reform and what we are looking at in our budget scrutiny—the budget lines for the Scottish welfare fund, discretionary housing payments and council tax reduction.

That is put into focus by comments in the submission from the Scottish Federation of Housing Associations, which states in paragraph 6 that,

"within the scope of the powers currently devolved to it, the Scottish Government has managed to implement three mitigation initiatives that colleagues confronted by welfare reform in England and Wales would dearly love to have".

Can you explain why the Scottish Government has proceeded with those three mitigation

measures? It is important to return to first principles. What we are doing in Scotland is not being done across the UK, and it would be interesting to hear the fundamental motivation for proceeding with that approach at this time.

**Margaret Burgess:** I absolutely agree. We are doing something for people in Scotland that is not being done in other parts of the UK.

If the Scottish Parliament had had the powers, it would not have passed the welfare reform measures. It was clear that the people who would be impacted most by them would be the most vulnerable people in society. I recollect the Deputy First Minister saying that we—the Parliament as a whole, as well as the Government—could not stand by and see people being damaged in that way, given the harm that would be wreaked right across Scotland. It was about stepping in when we saw that the poorest in society were going to be even further disadvantaged by measures that we and the Parliament did not support.

That is the reason behind our approach. It could be said that we were only reacting, but we were reacting in a positive way to something that was out of our control. It was important—and right—that we did that. Across civic Scotland and in local authorities, as well as across the majority of the Parliament, we all accept that that was the right thing to do.

**Annabelle Ewing:** Thank you, minister. In the previous evidence session, I asked about the council tax reduction scheme. Some of the submissions refer to the potential extra cost that will be incurred if there is not adequate data sharing by the DWP. Exactly where are we with that? I am not entirely sure why the DWP feels that it can impose conditions or restrictions on local authorities' access to much-needed data that would help them to reduce costs.

12:30

**Margaret Burgess:** We well understand why local authorities want data sharing, which we very much support. We are discussing that with the UK Government, and Jenny Brough can say more about it.

**Jenny Brough (Scottish Government):** It might be helpful if I clarify the arrangements that are in place.

Concerns were expressed in the submissions about the roll-out of universal credit and what would happen to data sharing in that. Prior to the abolition last year of council tax benefit, the UK Government and the Scottish Government worked together to put in place regulations to maintain the sharing of data that existed under council tax benefit and which exists for housing benefit for

local authorities. That data can be used, with the UK Government's permission, to assess entitlement for council tax reduction. That is the arrangement for the legacy benefits that are in place at the moment.

When universal credit rolls out, local authorities will have a need—which the Scottish Government has represented to the UK Government on a number of occasions—to access universal credit data in order to determine entitlement to support for council tax reduction and a lot of other forms of support for those in receipt of universal credit. We continue to represent local authorities' very urgent need to have that data.

The DWP has established a programme of work to develop universal credit data sharing solutions, and we and COSLA participate in that.

**Annabelle Ewing:** That is very helpful technical information. Can the minister keep us updated on how those discussions progress?

**Margaret Burgess:** I will do.

**The Convener:** Annabelle Ewing asked about the use of existing powers and you said in your opening comments that you could do more with full powers.

I am reminded of evidence that the committee took from the Joseph Rowntree Foundation, which in a 2013 report called "A review of devolved approaches to child poverty" expressed concerns over the limited focus on reducing the attainment gap in schools and skills training opportunities for adults with few or no qualifications. Those are just two examples that the foundation says are among the long-term drivers of poverty reduction, and the powers are already devolved.

The report concluded that existing powers and budgets have not been maximised from an anti-poverty perspective. In what way does the 2015-16 budget address those concerns?

**Margaret Burgess:** Across the budget, one of the priorities is an absolute commitment to reduce inequalities. The Deputy First Minister announced that, and we will get the programme for government shortly. We are doing that work with the powers that we have.

We have committed £300 million over 2014-15 to 2015-16 to expand childcare provision; I spoke earlier about what we are doing on the living wage; and we have extended free school meals eligibility. We have the enterprise ready fund, the people in communities fund and the early years change fund, which are all about reducing inequalities. The money that we are spending on housing and affordable housing also works towards reducing inequalities. That is what we will continue to work towards.

I am not sure whether you are suggesting that we should be doing something specifically that we are not doing.

**The Convener:** I gave you two examples that the Joseph Rowntree Foundation flagged up. Can you give us examples of strategies in the areas of increasing employment and improving educational standards that actually help people out of poverty? Those are the two areas that the foundation identified.

**Margaret Burgess:** Educational attainment is improving in Scotland—that was announced fairly recently. We have the child poverty strategy, which focuses on family income, sustainable places for people in communities, prosperity and giving every child the best possible start in life. That is the start of our child poverty strategy. We are working towards that, and we will measure the outcomes against those criteria.

It can always be said that we could do more. As I said, we work with the ministerial advisory group on child poverty, which includes Business in the Community and the key players in child poverty. We will work together to arrive at that strategy, so it is not just a Government strategy—it is a strategy from across the sector.

We believe that we will be able to do more with more powers. We have already increased childcare provision, and we are looking at that and at how we can reduce inequalities across the board. Our work on the social wage is helping people who are in poverty as well as those who are on average or middle incomes.

**Alex Johnstone:** One of the key principles of the UK Government's approach to welfare is to use welfare reform combined with economic measures to manage demand downwards. The Scottish Government has of course devoted a substantial amount of money to mitigating many of the UK Government's measures, which is an additional cost. Is the Scottish Government taking any measures that the minister could describe as being designed to manage demand downwards?

**Margaret Burgess:** If you are asking whether we are taking measures to get people who are really struggling off benefits, we are absolutely doing a lot of things to encourage people into work. We have employability schemes, modern apprenticeships and youth training money, all of which are about getting people into work.

However, we are not prepared to sit back and allow people to suffer through no fault of their own and because they have a disability or are unable to get work and the UK schemes have not assisted them with that. We will not just let them wither on the vine. We are going to help those people at the same time as supporting them into work. The absolute priority is supporting people

and supporting them into work. We have limited powers on that at present but, if we get more powers, we will certainly support people into work.

The overall result might be fewer people claiming benefit, but the object is not to get people off benefit and save money. The object is to support people and allow them to fulfil their potential.

**Alex Johnstone:** I want to look specifically at the issues surrounding the underoccupancy charge.

The Scottish Government has devoted a significant amount of money to removing the economic pressures on those who are underoccupying homes in Scotland. It has always been assumed that the UK-wide policy, when it bites, will change the way in which houses are occupied and that it will have a cost to individuals for only a limited period. However, the Scottish Government's actions have in effect preserved that cost indefinitely. Therefore, as the cost of implementing the underoccupancy charge in the rest of the UK reduces, that cost will continue in Scotland.

Does the Scottish Government recognise it as a fair assumption that, as costs reduce south of the border, the UK Government might contribute less and the Scottish Government would have to contribute more to compensate for the fact that it has taken no equivalent measures to manage the way in which our housing stock is occupied?

**Margaret Burgess:** For a start, I do not think that the introduction of the bedroom tax should be about managing the housing stock, and I do not think that the UK Government should be managing the housing stock in Scotland. Housing is devolved in Scotland, and we manage our own housing stock.

The Parliament, the Scottish Government and almost all of Scotland absolutely found the bedroom tax to be unpalatable when they saw the impacts on families and others of asking them to leave their communities and move to houses that were too small, sometimes only to be moved to a house of a similar size at a later stage. That caused upheaval and distress.

This committee heard evidence from across Scotland on what was happening and the impact that the bedroom tax had on people. We have absolutely done the right thing to mitigate the bedroom tax. We want to abolish the bedroom tax, and I stick with that position. I am absolutely convinced that it is the right thing to do.

**Alex Johnstone:** You have used the devolved powers and used them well. You have accrued a cost. Surely the Scottish Government should accept the cost of its policy decisions.

**Margaret Burgess:** The Scottish Government is paying the £35 million for its policy decision, so I am not sure what you are getting at. We are protecting some of the poorest people in Scotland at the request of virtually every organisation in Scotland and the Parliament. The bedroom tax would never have been agreed to in the Scottish Parliament.

**Alex Johnstone:** Are you saying that you simply do not support the policy of bringing down demand? Do you accept that the Scottish Government has done the right thing across the board in ensuring that no demand reduction measures were implemented in Scotland?

**Margaret Burgess:** The Scottish Government has done absolutely the right thing on welfare mitigation, given the harm that welfare reform was having on our citizens. At the same time, we are using the resources that we have to encourage employment, get people into better-paid jobs, promote the living wage and introduce a training scheme that gets 30,000 people into training.

Employment is higher in Scotland than it has been in the past. We want to help people into work and have a route out of poverty and we want to reduce inequalities but, while we address that, we will certainly not allow people to remain in the desperate circumstances that they were in because of the bedroom tax and some of the other UK welfare reforms that are simply about cutting the budget and not about the individuals concerned.

**Alex Johnstone:** Are you confident that, in a time of economic growth when unemployment is falling and employment is rising, you are not doing the wrong thing by increasing the level of welfare dependence in Scotland rather than reducing it?

**Margaret Burgess:** No, I see absolutely nothing wrong with allowing people to remain in their homes. They have a better chance of getting a job when they have a home in which they are stable and secure.

We are doing the right thing. We are supporting people who can work to work, and we are making sure that those who cannot work or have care needs or disabilities have a quality of life and a good standard of living.

**Alex Johnstone:** I am sure that you would agree if I described what you have just set out as a significant divergence in policy in Scotland compared with the rest of the United Kingdom.

**Margaret Burgess:** Yes, we have a different policy in this part of the United Kingdom. We do not agree with what the United Kingdom Government is doing. The Scottish Parliament disagrees with it, so we have taken action to mitigate its worst impacts.

**Alex Johnstone:** As we agree that there has been a significant divergence in policy, how will you fund it this year, next year and into the future?

**Margaret Burgess:** As the Cabinet Secretary for Finance, Employment and Sustainable Growth has always said, we can fund policies up to the end of the spending review but we make clear what our commitments are. Our funding is clearly budgeted for in the budget. The policy will be paid for this year and next year. We have removed the cap on the bedroom tax, which shows our commitment and shows what we think about the bedroom tax and discretionary housing payments as a way out of it. We would rather abolish the bedroom tax altogether, but our policy is budgeted for.

**Alex Johnstone:** Given the changes that the Smith commission is discussing, do you foresee any point in the future at which your policy decisions will be limited by the amount of money that you can raise from the Scottish taxpayer?

**Margaret Burgess:** I will not speculate on what we can or cannot get from the Smith commission. I am here to say that we can afford what we have budgeted for. We can afford it this year, next year and into the foreseeable future.

We will not let the people of Scotland down by having the poorest and most vulnerable in society suffer because of policies that were introduced somewhere else. We must create our own direction in the way that people should be treated. That is not only supporting those who can work into work and ensuring that they get a wage that they can live off but supporting those who cannot work.

**Alex Johnstone:** Thank you.

**The Convener:** That has exhausted the questions from the committee. I thank you and your officials for attending, minister.

Before we go into private, I point out that, at our next meeting on 2 December, we expect to consider our draft report on the Scottish Government's draft budget 2015-16 and our draft stage 1 report for the Welfare Funds (Scotland) Bill. We also expect to consider our work programme and to return to our consideration of the Discretionary Housing Payments (Limit on Total Expenditure) Revocation (Scotland) Order 2014.

12:45

*Meeting continued in private until 12:50.*





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