



REPORT TO: CORPORATE COMMITTEE ON 30 JANUARY 2024

SUBJECT: SCOTTISH WELFARE FUND BUDGET PRESSURES

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1. REASON FOR REPORT

- 1.1 To update the Committee on the current budget situation in respect of the Scottish Welfare Fund scheme.
- 1.2 This report is submitted to Committee in terms of Section III (B) (7) of the Council's Scheme of Administration relating to the regulation and management of finances of the Council in accordance with the policies determined by the Council and to prepare and review from time to time such rules as may be necessary for the proper administration of the Council's financial affairs.

2. RECOMMENDATION

2.1 It is recommended that the committee:

- i) Note the pressures on the Scottish Welfare Fund and the ongoing demand on this service as outlined in this report;**
- ii) Note the duties placed on local authorities when managing the funds, as outlined within section 5 of this report;**
- iii) consider and agree to restrict the priority rating to a "high most compelling" (as described in section 5 of this report) when individual applications for Scottish Welfare Fund are being assessed during quarter 4 of 2023/24, and notify the Scottish Government Social Security Directorate and the Scottish Public Services Ombudsman of this action; and**
- iv) Consider the ongoing implications on vulnerable applicants and socio-economic disadvantages; the impact on staff having to make more difficult decisions; the increased demands and continued risk to the budget should it not be augmented in the financial year 2024/25.**

3. **BACKGROUND**

- 3.1 The Scottish Welfare Fund (SWF) was established in 2013 after responsibility for the Department for Work and Pensions administered Discretionary Social Fund was transferred to the devolved governments. The SWF is funded by the Scottish Government but administered by local authorities. While there are national regulations and statutory guidance, local authorities are given significant discretion over how they administer the fund so it can be tailored to local needs. SWF provides two kinds of non-repayable grants, crisis grants and community care grants, which act as a safety net to people on low incomes.
- **Crisis Grants** provide short-term support in order to avoid serious risk to the health or safety of the applicant or their family. Although the nature of the crisis is often defined as an emergency or a disaster, it is more often the case that it is an individual or family that is experiencing hardship while they await the outcome of welfare benefit claims or following a sanction of benefits, or have no money left for living expenses. Crisis Grants tend to be paid by voucher providing cash for food, living essentials or fuel credit.
 - **Community Care Grants** provide help to establish or maintain a settled home. The risk in this scenario is that the applicant's tenancy cannot be sustained without this support. In addition Community Care Grants support vulnerable individuals to get established in a new tenancy. The majority of Community Care Grants are "paid" by the provision of white goods and household items such as beds.
- 3.2 Eligibility for SWF crisis grant is met when claimants can demonstrate that they have exhausted their existing source of income and have no other means from which to pay for their living expenses. The scheme requires proof of hardship and, when appropriate, the circumstances that lead to that hardship (e.g. when a theft or loss of money is reported to police). It is also necessary to identify when the next regular payment of income is due, as the amount of crisis grant awarded will be calculated over the number of days starting from the date of claim up to that date.
- 3.3 The Scottish Government designed a holistic approach to delivering the service. Not only do SWF staff have to consider applications and make awards but they also provide wider support; aiming to identify the root cause of an applicant's difficulties and provide guidance to them and make referrals to other support services as appropriate, such as money advice, social work, housing options.
- 3.4 The Scottish Government initially intended the SWF scheme to be a fund of last resort, where all other statutory means of financial support is exhausted prior to SWF being considered. However it has now become a major source of cash available to people in Scotland who find themselves without enough food or money for essentials.

- 3.5 From June 2020 to October 2023 SWF was administered alongside the council's in-house hardship payment scheme known as the Flexible Food Fund which was funded by the Scottish Government's Covid Relief Funding and Winter Support Funding. The Flexible Food Fund provided a preventative and more flexible safety net for household experiencing hardship struggles throughout the covid pandemic and the cost of living crisis. [Report to the Corporate Committee on 30 November 21](#) provides additional information on the Flexible Food Fund scheme. However this scheme closed in October 2023 due to funding coming to an end.
- 3.6 On 29 June 2023, the Scottish Government's Tackling Child Poverty and Social Justice Directorate wrote to all LA Chief Executives about their new "Cash First" approach to financial hardship and their ambition to end the need for food banks in Scotland. This set out the Scottish Government's human rights approach to food insecurity and outlines nine collaborative actions over the next three years to improve the response to financial crisis and start to reduce the need for emergency food parcels. This included provision of a two-year Cash-First Fund which would support eight local partnerships across Scotland to collaborate and deliver activities that improve urgent access to cash in a crisis. Applications were invited from partnerships for funding (a maximum of £200,000) to support local activities linked to improving urgent access to cash in a crisis. As a partnership approach the Fairer Moray Forum Action Group, with the Council as lead partner, applied for funding in September 2023 but was unfortunately unsuccessful.

4. DEMANDS ON GRANT BUDGET

- 4.1 Application demand and grant spending is monitored weekly in order to determine the ongoing level of provision and to keep spending within budget. Historically, we have managed the budget prudently, accumulating underspend to cope with pressures from demand.
- 4.2 The following table provides the annual spending over recent years in comparison with the Scottish Government's allocated annual budget and the under-spend accumulated carried over from previous years. In 2020/21 the annual budget was higher than normal due to the onset the covid pandemic, however spending was less than anticipated due to the existence of the council's in-house hardship support scheme, the Flexible Food Fund, as previously mentioned in paragraphs 3.5 and 3.6 of this report. Winter Support Funding provided by the Scottish Government supplemented the budget in 2022/23.

	2019/20	2020/21	2021/22	2022/23	2023/24
Scottish Gov's Annual Allocation	391,741	682,185	440,290	471,146	440,224
Total SWF spent	394,700	480,000	596,920	618,176	443,579 (at 31.12.23)
% of annual allocation	100.76%	70.36%	135.57%	136.71%	100.76%
Under + / Over –	-2,959	202,185	-156,630	-147,030	-3,355

spend in year					
Additional Winter Support Funding	n/a	n/a	n/a	93,450	n/a
Cumulative under-spend carry forward	65,059	267,243	110,613	57,032	53,677 remaining budget

4.3 Analysis of previous years' trends demonstrates that demand for financial support following the festive period remains high in quarter 4 of a financial year. The table below compares this financial year's monthly spending with 2022/23.

	2022/2023	2023/2024
April	65,958.67	44,488.20
May	70,125.87	68,032.49
June	54,589.20	51,123.86
July	36,035.92	58,038.87
August	41,050.08	63,219.20
September	58,154.60	54,029.98
October	61,196.41	34,123.52
November	40,865.31	39,065.61
December	35,805.51	31,457.12
Sub Total	£463,781.57	£443,578.85
January	73,343.79	
February	55,887.96	
March	51,108.16	
TOTAL	£644,121.48	

4.4 Moray is not unique in experiencing pressurised demand on the SWF budget. Scottish Government figures as at 31 October 2023 at 50% of the budget year, show that 23 councils out of 32 had reached a spending level in excess of 70%; with 6 councils in excess of 90% and a further 4 councils in excess of 100%. At that time Moray's spending level was at 85% of the annual budget (75% of the overall budget including the previous year's under-spend).

4.5 It should also be noted that local factors and pressures such as use of temporary housing and new builds also affect demand on SWF, particularly in respect of community care grants. For example, new builds for rental purposes mainly in the Forres area have increased spending to over £17K since April 2023. Items purchased for these tenants have included white goods, beds and flooring.

5. FINANCIAL MANAGEMENT OF WELFARE FUNDS

5.1 At any time throughout the financial year local authorities have the discretion to consider whether items requested by applicants are low, medium or high priority in terms of the level of need and risk. There is more scope with Community Care Grants when awarding household items to limit spending to high priority items; goods that are essential, which will have a significant

impact and an everyday need, such as white goods and beds. To preserve the budget at this time, items that would have a moderate adverse impact and less noticeable effect are no longer being awarded, for example, sofas and flooring for all rooms. However there is very limited opportunity to adjust spending or priority on Crisis Grant applications which are for essential daily living costs such as food, gas and electricity.

5.2 The following table provides a general indication of the type of decision making levels for Community Care Grants at low, medium and high priority levels. However each case is assessed on its own merits taking into account the applicant's and their dependent's vulnerabilities. It should be noted that Moray has been operating at high priority continuously since the start of the 2023/24 financial year.

Priority Level	Items considered
High	White goods, flooring for living areas, sofa and beds
Medium	White Goods, flooring all rooms, sofa, beds, vacuum cleaner, curtains for children's bedrooms, chest of drawers, table and chairs.
Low	White goods, flooring all rooms, sofa, beds and bedding, vacuum cleaner, curtains all rooms, chest of drawers, table and chairs, pots and pans, cutlery.

5.3 The Scottish Government has provided the following guidance to support local authorities manage acute budget pressures towards the end of the financial year.

“If a local authority was to encounter very high levels of demand, such that there is a real risk that the Funds will be exhausted before the end of the financial year, it may make use of a “high most compelling” priority rating. Under this rating, in order to be successful:

- the applicant's need would be judged to be immediate and extremely severe;
- the applicant is judged to be highly vulnerable and at immediate risk;
- an award for the item or money requested would have a substantial, immediate and sustained effect in resolving or improving the health and wellbeing of the applicant or their family;
- there will be significant and immediate adverse consequences if the item or money is not provided.

5.4 Local authorities are expected to manage their budget through-out the year in line with the principles outlined in this guidance. They should avoid being in a situation where they enter into the 'high most compelling' priority rating mid – year. It should only be adopted late in the financial year, or potentially after an event which has increased demand on local authority budgets, for example, flood causing demand to rise significantly in a particular area, in order to be able to maintain payments until the end of the period.

- 5.5 Local authorities who adopt the high most compelling rating should notify the Scottish Government Social Security Directorate and the Scottish Public Services Ombudsman (SPSO). Where a local authority decides it is necessary to adopt this rating prior to Quarter 4, they should set out the reason why it is necessary to do so and the evidence that they have used to reach that conclusion. Regardless of the timing, they should make stakeholders in the local area aware of the adoption of the high most compelling priority level, and how long this is likely to be in place, to ensure customers are adequately supported.
- 5.6 The Act provides for local authorities to augment their Welfare Fund budget should they choose to do so. In so doing, local authorities would require to establish a further budget heading(s) as there will be a need to monitor and report on the monies provided by the Scottish Government separately.”
- 5.7 Due to the budget pressures reported within this document, particularly the trends predicted in this report, it is recommended that consideration be given to restrict awards to the “high most compelling” priority rating as described in the guidance and that the Scottish Government and SPSO are notified accordingly.

6 SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Poverty and social inclusion is the overarching priorities of the corporate plan and LOIP.

(b) Policy and Legal

The Welfare Funds (Scotland) Act 2015 places statutory responsibility on each local authority to maintain a Welfare Fund.

(c) Financial implications

No further financial implications other than those outlined in this report and paragraph (d) below.

(d) Risk Implications

There is a high risk of the remaining budget being used prior to the end of the financial year without immediate intervention to restrict further spending. As a comparison spending in quarter 4 of 2022/23 was £180,340 however there is just £53,677 of the budget remaining for 2023/24.

(e) Staffing Implications

There are no staffing implications as a result of this report.

(f) Property

There are no property implications as a result of this report.

(g) Equalities/Socio Economic Impact

The Fairer Scotland Duty places a legal responsibility on public bodies to pay due regard to how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. As the Scottish Welfare Fund is intended to provide a safety net to people on low incomes, there is risk that future applicants to the fund will be disadvantaged by any restrictions put on the budget, causing poverty and social exclusion. Should a priority rating of “highest most compelling” be applied, particular regard to the Equalities Act 2010 “protected characteristics” will be made when assessing the needs of individual SWF applications.

(h) Climate Change and Biodiversity Impacts

Although there are no risks identified by this report, there are a number of publications that link poverty and inequality to climate change. <https://www.povertyalliance.org/wp-content/uploads/2021/11/SAPR-36.pdf>

(i) Consultations

The Depute Chief Executive (Education, Communities & Organisational Development), Head of Governance, Strategy and Performance, Democratic Services Manager and the Equal Opportunities Officer have been consulted on this report and their comments incorporated within.

7. CONCLUSION

7.1 Across Scotland, overspending of the budget is increasing with those local authorities annually topping up their funding allocation; however for many the capacity to continue to do this is diminishing given local resourcing constraints.

7.2 The Scottish Government’s guidance on managing end of year SWF budget pressures recommends that local authorities consider restricting individual application award levels to “high most compelling” within quarter 4 in order to keep SWF spending within the limit of the overall budget.

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Background Papers:
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