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**REPORT TO: POLICY & RESOURCES COMMITTEE ON 14 JANUARY 2020**

**SUBJECT: SCOTTISH WELFARE FUND UPDATE**

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

**1. REASON FOR REPORT**

- 1.1 To inform the Committee of current pressures on the Scottish Welfare Fund service due to the impact of Universal Credit.
- 1.2 This report is submitted to Committee in terms of Section III (B) (2) 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 9 of this report.**
- (iii) give consideration to restrict the priority rating to a "high most compelling" (as described in section 9 of this report) when individual applications for Scottish Welfare Fund are being assessed during quarter 4 of 2019/20, and notify the Scottish Government Social Security Directorate and the Scottish Public Services Ombudsman of this action.**
- (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 due to Universal**

**Credit; and continued risk to the budget should it not be augmented in the financial year 2020/21.**

**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. 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 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.
- 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 also 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. In March 2019, COSLA'S Community Wellbeing and Executive Group reported that "*SWF is increasingly seen as a first port of call for those facing one form of crisis or another*" and "*prolonged welfare freezes, other welfare reforms and in particular full Universal Credit has put immense pressure on local operations*".

#### 4. **DEMAND ON APPLICATIONS & AWARDS**

4.1 The Scottish Government recently published statistics that demonstrate the demand on services.

<b>Crisis Grants</b>	<b>Scottish Average</b>	<b>Moray</b>
Increase in number of applications in Q1 2019 compared to Q1 2018	12%	7%
Increase in number of awards in Q1 2019 compared to Q1 2018	11% (acceptance rate 64%)	12% (acceptance rate 54%)
Increase in expenditure in Q1 2019 compared to Q1 2018	28% (average award £90)	49% (average award £100)
Increase in number of applications in Q1 to Q3 of 2019 compared to Q1 to Q3 of 2018	Not yet published	4%
Increase in number of awards in Q1 to Q3 of 2019 compared to Q1 to Q3 of 2018	Not yet published	12% (acceptance rate 55%)
Increase in expenditure in Q1 to Q3 of 2019 compared to Q1 to Q3 of 2018	Not yet published	41% (average award £104)

4.2 Traditionally we experience an increase in Crisis Grant applications during the final quarter of a financial year. Last years increase in quarter 4 was 32% higher than the average number of applications for quarters 1 to 3 of that year.

4.3 The number of Crisis Grant awards in quarter 4 last year increased by 40% in comparison to the average number of awards during quarters 1 to 3 of that year.

<b>Community Care Grants</b>	<b>Scottish Average</b>	<b>Moray</b>
Increase in number of applications in Q1 2019 compared to Q1 2018	8%	20%
Increase in number of awards in Q1 2019 compared to Q1 2018	13% (acceptance rate 57%)	13% (acceptance rate 51%)
Increase in expenditure in Q1 2019 compared to Q1 2018	9%	13%
Increase in number of applications in Q1 to Q3 of 2019 compared to Q1 to Q3 of 2018	Not yet published	3%
Increase in number of awards in Q1 to Q3 of 2019 compared to Q1 to Q3 of 2018	Not yet published	20% (acceptance rate 54%)
Increase in expenditure in Q1 to Q3 of 2019 compared to Q1 to Q3 of 2018	Not yet published	8%

- 4.4 For Community Care Grant applications, last years increase in quarter 4 was 16% higher than the average number of applications for quarters 1 to 3 of that year.
- 4.5 The number of Community Care Grant awards in quarter 4 last year increased by 20% in comparison to the average number of awards during quarters 1 to 3 of that year.
- 4.6 It should be noted that whilst Moray's acceptance rates for both Crisis Grant and Community Care Grants are below the reported Scottish averages, very few decisions are subject to review and there have been no appeals made to the Scottish Public Services Ombudsman. This is a strong indication of the quality of our decision making standards.

## **5 IMPACT FROM UNIVERSAL CREDIT**

- 5.1 The implementation of Universal Credit in Moray in June 2018 has had a significant impact on applications and consequently grant budget.

<b>Crisis Grant applications due to UC</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Community Care Grants applications due to UC</b>	<b>2018/19</b>	<b>2019/20</b>
QTR 1	57	297	QTR 1	13	85
QTR 2	138	303	QTR 2	24	85
QTR 3	244	Not yet published	QTR 3	60	Not yet published
QTR 4	330		QTR 4	73	

- 5.2 The above figures are based on claimants that naturally migrate on to Universal Credit, i.e. when then have had a relevant change in their circumstance that makes them eligible to apply and receive Universal Credit. The Department for Work and Pensions is currently piloting their managed migration programme (moving claimants on legacy benefits onto Universal Credit, without a relevant change in their circumstances) in Harrogate and it is expected that this will be widened throughout 2020.
- 5.3 The period awarded for Crisis Grants has also increased due to the number of days awards are now made for. Historically when most welfare benefits were paid fortnightly an award was for a maximum of 14 days. However, as Universal Credit is paid monthly, awards are now required to cover longer periods; anything up to 38 days.
- 5.4 The budget is likely to be further stretched as the roll out of Universal Credit increases pace and potentially as a result of Brexit, which Scottish Government consider may have a significant impact on the demand for SWF.

## 6. DEMANDS ON GRANT BUDGET

6.1 As it is a cash limited budget, grant spending is closely and regularly monitored to prevent running out of funds before the end of the financial year. Historically, we have managed the budget prudently, accumulating an underspend to cope with the predicted pressures from Universal Credit, which other local authorities were already experiencing. However, as it transpired, the start of Universal Credit was repeatedly imminent and subsequently delayed over a number of years; the main reason for our reoccurring underspends.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Annual Grant Budget	387,117	387,117	387,117	367,821	379,546	391,741	391,741
Grant Spend	378,501	334,750	388,158	385,482	368,684	376,867	309,172 at 31/12/19 (9/12 <sup>th</sup> )
% of annual budget	97.8	86.5	100.3	104.8	97.1	96.2	79% (67% including c/f)
Under-spend in year	8,616	52,367	-1,041	-17,661	10,862	14,874	
Cum under-Spend	8,616	60,983	59,942	42,281	53,143	68,017	

6.2 From the above table there currently appears to be a healthy underspend of £150,586 at 31<sup>st</sup> December, however it is important to take into consideration the “post-Christmas” quarter 4 increase which is a historical trend. In respect of last years Crisis Grants, quarter 4 spending increased by 55% in comparison with the average spend levels for quarters 1 to 3 of that year. For Community Care Grants this increase was 18% in comparison within quarters 1 to 3 of the same year. Using these percentages it is predicted that quarter 4 spending this year for both Crisis Grants and Community Care Grants would amount to £133,938.

6.3 This estimate would leave £16,648 to be carried forward to 2020/21 financial year, which is considerably lower, in terms of a “safety net”, than previous years. It is unlikely that this carry forward along with the Scottish Government’s grant funding for 2020/21 (should it remain static) would be enough to sustain continuing demand on the service, particularly as Universal Credit continues to roll out.

6.4 Going into quarter 4 there are currently around 30 Community Care Grant applications awaiting assessment and already applications for Crisis Grants

are steadily building. As outlined in section 7 of this report, due to the urgent nature of Crisis Grants, administration of these often have to take priority over Community Care Grants. Consequently it is difficult to predict how quarter 4 grant spending will be affected with any real accuracy.

## **7 IMPACT ON PROCESSING TIMESCALES**

7.1 The Regulations require local authorities to make decisions on applications within given timescales. There are:

- For Crisis Grants, immediately after receiving all information allowing a decision to be made, and in any event no later than the end of the next working day;
- For Community Care Grants, within 15 working days after the local authority has received all the information allowing a decision to be made.

	Moray 2018/19	Scottish Avg. 2018/19	Moray Q1 2019/20	Scottish Avg. Q1 2019/20
Crisis Grants – processed within timescales	93%	96%	90%	95%
Community Care Grants – processed within timescales	90%	92%	76%	78%

7.2 Increased application levels are shown to be impacting on performance. Complexities in factoring in Universal Credit into the assessment of SWF can also make the process more time consuming. Whilst there is less difference with regards to Crisis Grants, this is due to the nature of these applications as they have to be given priority. Unfortunately this can be at the expense of processing Community Care Grants on target. Delays can impact on the applicant’s ability to maintain their tenancy and can impact on availability of temporary accommodation which then affects other services within the council, such as housing and social work.

7.3 In an attempt to increase throughput, standards of evidence required to support applications has been somewhat relaxed but there is a difficult balance between this and safeguarding the budget available. In addition applicants have had to be “signposted” to other sources of assistance (e.g. Moray Food Plus) as this is less time consuming for the service than making a referral for each individual client, which is in contrast to the Scottish Governments policy intention of SWF being a more supportive and holistic service.

## **8 IMPACT ON RESOURCES**

8.1 Scottish Government provides local authorities with an administration grant for SWF but this does not meet the full cost of the service. In Moray this only covers 37% of the actual service budget. This issue is not unique to Moray

and the matter has regularly been raised by many local authorities to the Scottish Government. In addition, in a joint report - [\*A Menu for Change: Cash, Rights, Food\*](#) - by Oxfam Scotland, CPAG Scotland, Nourish Scotland and Poverty Alliance, it is recommended that the Scottish Government consult local authorities to determine the budget they need to administer SWF to a high standard. It is understood that COSLA is leading the discussion on this matter with the Scottish Government.

- 8.2 The team dealing with SWF also assess applications for Discretionary Housing Payments (DHP) as they are both of a discretionary nature with cash limited grant budgets. Scottish Government also provides an administration grant for the DHP service but it also does not cover the cost of providing the service.
- 8.3 It is a small team made up of 1 FTE Senior Discretionary Awards Officer and 3 FTE Discretionary Awards Officers. The Senior Discretionary Awards Officer reports to the Council's Benefits Manager. The Senior Discretionary Awards officer is responsible for managing the SWF and DHP grant budgets, responding to review requests and appeals of decisions and the daily line management of the officers.
- 8.4 Due to the increased levels of applications for both SWF and DHP, the team is operating at capacity and any staffing issues can impact on processing times and the prioritisation of cases. Capacity can often be limited to processing Crisis Grants, which delays processing Community Care Grants and DHP applications.
- 8.5 There is no indication of application demand decreasing; on the contrary it is forecasted to increase. This will impose further pressures on the team who are working in a relentless, challenging and often stressful role. The pressures on SWF staff are a concern that has been recognised and reported by COSLA to the Community Wellbeing Executive Group in March 2019.

## **9 FINANCIAL MANAGEMENT OF WELFARE FUNDS**

- 9.1 At anytime 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.
- 9.2 The Scottish Government has provided the following guidance to support local authorities manage acute budget pressures towards the end of the financial year.

9.3 The Scottish Welfare Fund Statutory Guidance states:

*“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.*

*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.*

*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.*

*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.”*

- 9.4 Due to the budget pressures reported within this document, particularly the predicted trends estimated in section 6 of 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.

## **10 SUMMARY OF IMPLICATIONS**

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



Poverty and social inclusion is the overarching priority of the 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**

As outlined in section 6 of this report, it is estimated that the budget for 2019/20, including the previous years underspend, will be greatly reduced in comparison with previous financial years. This estimation is based on the increases experienced in quarter 4 of 2018/19, applied against the demand and spending so far in 2019/20. There will be a knock-on effect in respect of pressure on the 2020/21 budget and demand will be difficult to manage going forward.

**(d) Risk Implications**

Due to the accumulated underspend over several years there has been a safety net from which to manage unanticipated pressure from higher demand and increased awards. However it is expected that it will be considerably reduced in this financial year. If there is no increase in the 2020/21 grant budget by the Scottish Government, managing the Scottish Welfare Fund and meeting the demands of those suffering hardship will be an enormous challenge and staff will be required to make some very challenging decisions.

**(e) Staffing Implications**

There are no staffing implications as a result of this report other than the pressures noted in section 8 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 indented 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.

**(h) Consultations**

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

## **11. CONCLUSION**

- 11.1 The grant funding has remained fairly static since 2013 despite rising demand from applicants who find themselves in need of short-term support. The ongoing roll out of Universal Credit has also put pressures on the funding. 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.**
- 11.2 COSLA is engaging with the Scottish Government on the various pressures on local authority budgets as outlined in this report.**
- 11.3 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.**

Author of Report: Norma Matheson, Benefits Manager  
Background Papers:  
Ref: