Annual Report – 2017

Welfare Reform (Further Provision) (Scotland) Act 2012

Laid before the Scottish Parliament by the Scottish Ministers under section 4(2) of the Welfare Reform (Further Provision) (Scotland) Act 2012

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Background

- The Welfare Reform (Further Provision) (Scotland) Act 2012 tasks the Scottish Government with producing an Annual Report on the impacts of the UK Welfare Reform Act 2012 (the Act) on the people of Scotland. This is the fourth, and final, annual statutory report (an initial report was also published in 2013), and the second to be published since the passing of the Scotland Act 2016.

- **As this is the final report, the content will go beyond the statutory duty and will place the impact of provisions in the Act in the wider context of all welfare measures passed by UK governments since 2010.** This includes drawing on analysis published by the independent Office for Budget Responsibility on the financial impact of all welfare reform measures across the 2010-15 and 2015-17 parliaments. Local Authority level analysis of the financial impact of welfare measures passed in the 2015-17 parliament are also presented, along with estimates of the number of households affected by these policies.

- The report also brings together evidence of the impact of welfare reform on income inequality, poverty and child poverty in the UK and the impact on equality groups, including the impacts on women and people with disabilities. A detailed summary of each measure brought in by the Act (and other significant changes) is also provided, along with evidence of the impact of each of these measures on households and other actors such as landlords and local authorities where appropriate. This is divided into three sections: low income benefits, disability and incapacity benefits and housing related benefits.

UK government Welfare Reforms

- The Office of Budget Responsibility (OBR) identify 150 separate welfare measures that were passed by both Coalition and Conservative UK governments in the period 2010 – 16 (see section 2.1)[1]. The OBR analysis shows that, compared to a counterfactual scenario where the pre-2010 welfare system remained unchanged, **welfare measures passed by both UK governments should have reduced spending by £19.6 billion in 2015/16. Their analysis also suggests that all post 2010 measures are estimated to reduce spending by £47.5 billion by 2020/21[2] (see figure 1e) .** Within this £47.5 billion figure, £13.9 billion of savings are a result of measures introduced in the 2015-17 parliament.

- A significant proportion of these savings result from measures which changed the annual uprating of benefits in line with increases in inflation (cost of living), either by freezing rates or changing the inflation index used to uprate these

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[1] Office for Budget Responsibility (2016) ‘Welfare Trends Report’
[2] Note: adjusted to take into account measures announced since the OBR analysis was conducted.

benefits. **Around £21.8 billion (45%) of the expected savings in 2020/21 are from uprating policies passed by the Coalition government** and a further £4.5 billion (9%) come from the 4 year benefit freeze which was introduced in 2015/16.

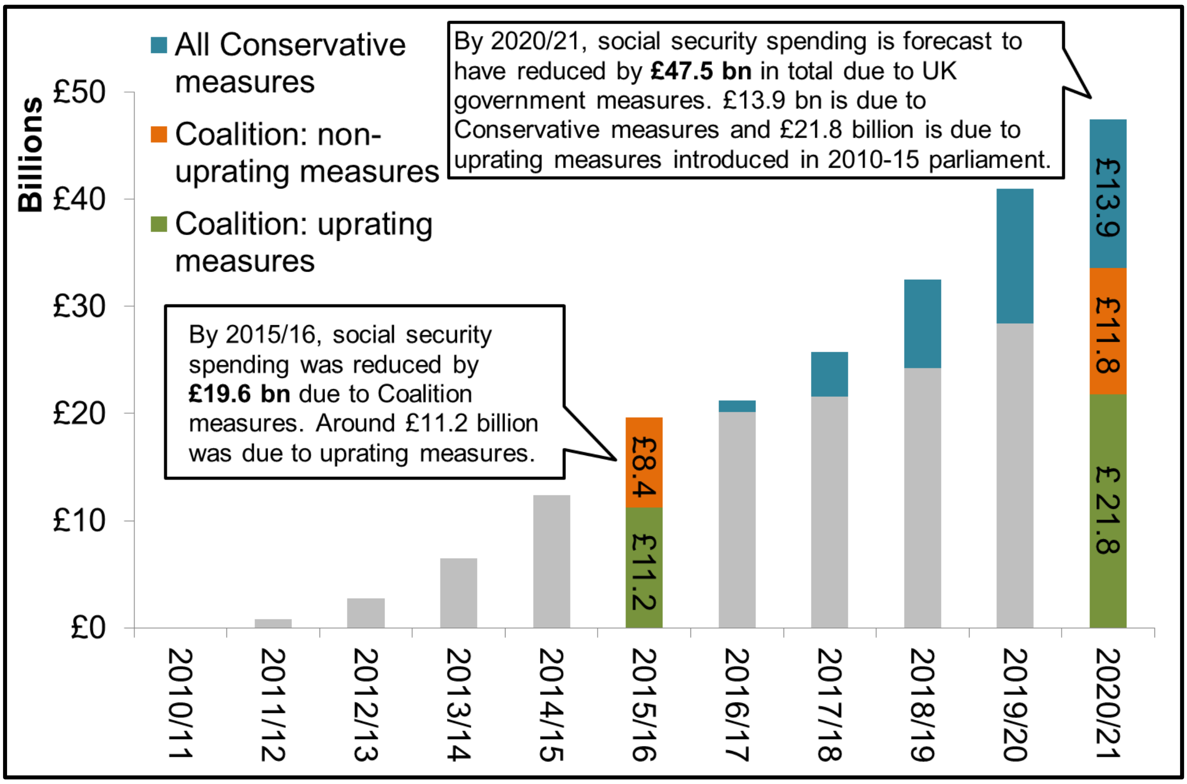
- Non-uprating policies passed in 2010-15, which include most measures introduced by the Act, saved around £8.4 billion by 2015/16 and are estimated to save £11.8 billion by 2020/21.

- A number of key policies introduced by the Act have not delivered the expected saving in welfare spending. These include:

  - The introduction of Personal Independence Payment which was expected to save £1.4 billion by 2015/16, but have only saved around £0.1 billion according to the OBR (rising to £0.6 billion by 2020/21).

  - The limit of contribution based ESA (WRAG) to 1 year was expected to yield a significant saving (£2 billion by 2015/16), but is now only thought to have saved around £0.2 billion by 2015/16 (see section 2.3).

Figure 1e: Reductions in Social Security spending (GB-level) from Coalition and Conservative government policy

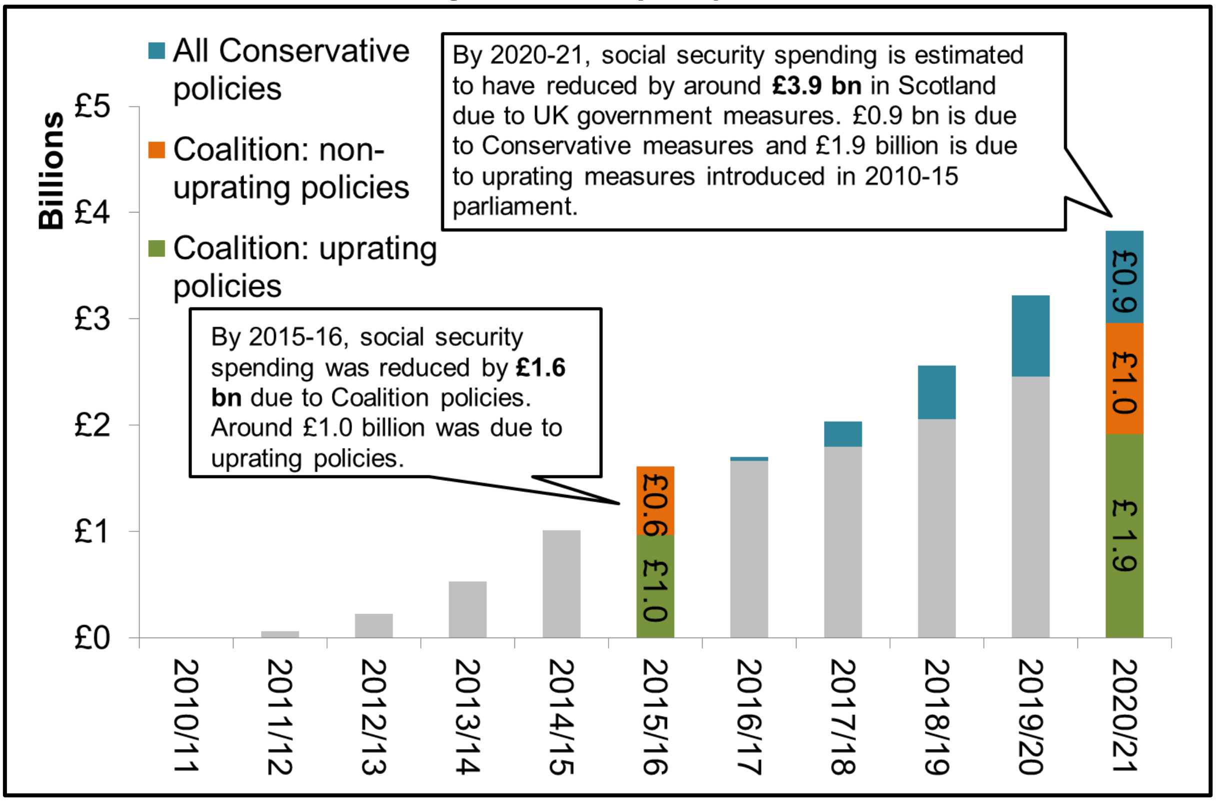


Source: OBR 'Welfare Trends' (2016), HMT Policy Costings since 2015.

Financial Impact of Welfare Reforms in Scotland

- The financial impact of these welfare measures in Scotland has been estimated by deriving appropriate Scottish shares of savings, which are based on available published data from DWP and other sources (see annex A).
- Welfare measures introduced by the Coalition government (including those in the Act) is expected to have reduced annual spending by £1.6 billion by 2015/16, with £1.0 billion of this reduction attributable to uprating measures. **In total, welfare measures passed by both UK governments (Coalition and Conservative) is expected to reduce annual spending in Scotland by £3.9 billion by 2020/21.**
- Around £0.9 billion of this reduction is from measures announced by the Conservative government in the 2015 – 17 parliament. The benefit freeze is expected to reduce spending in Scotland by £370 million and the reduction in the work allowance of Universal Credit by £250 million by 2020/21. Measures such as the lower Benefit Cap and the removal of housing benefit to 18-21 year olds should have a relatively small impact on spending. The Benefit Cap will reduce spending by an estimated £6 million by 2020/21 and the removal of housing benefit by around £3 million by 2020/21.

Figure 2e: Reductions in Social Security spending (Scotland-level) from Coalition and Conservative government policy



Source: OBR 'Welfare Trends' (2016), HMT Policy Costings since 2015.

Financial Impact of Welfare Reforms at a Local Authority Level

- The analysis in this section estimates the likely financial impacts of welfare reforms across local authority areas in Scotland. The impact of the reforms varies significantly from area to area, largely because benefit claimants are unevenly spread across Scotland. The analysis is similar in its overall approach to that in a report by Sheffield Hallam University for the Scottish Parliament's Welfare Reform Committee in 2016[3].

- The analysis shows that whilst Glasgow is estimated to experience the largest fall in total welfare spending (£120 million by 2020/21), other local authority areas could experience more significant falls in spending taking into account their smaller size. **West Dunbartonshire, North Ayrshire, Dundee, Inverclyde and North Lanarkshire in particular are likely to experience the biggest falls in welfare spending by 2020/21 relative to their working-population size.**

- Local Authority areas which are estimated to be less affected by welfare reforms, when adjusted for working-age population size, include East Dunbartonshire, Shetland Islands, Edinburgh, Aberdeenshire and Aberdeen. However, some policies will still impact these areas disproportionately. For example, the impact of the Benefit Cap in 2020/21 will reduce spending in Edinburgh by £1.2 million[4], around 20% of the total financial impact (£6 million) of Benefit Cap in Scotland.

Impacts of Welfare Reforms on Equality Groups

- There have been a range of impacts on equality groups as a result of the Act and subsequent welfare reforms. Many have left these groups worse off and/or have negatively impacted on their wellbeing.

- There is some evidence to suggest that women are disproportionately impacted by the UK Government welfare reforms. The fact that lone parents – who are mostly women – are more reliant on many low income benefits is a big factor in this. However, the extent of impact on women is difficult to assess because most benefits are paid for the household as a whole. It should also be noted that men are marginally more likely to be sanctioned.

- There have been large-scale reforms to disability and incapacity benefits which have affected disabled people. The ESA assessment process has received criticism from claimants and advocacy organisations, whilst further changes to

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[3] Beatty, C. & Fothergill, S. (2016) 'The Impact on Scotland of the new Welfare Reforms', Sheffield Hallam.

[4] Note: This figure represents the impact of the new benefit cap by 2020/21. The impact of the previous cap will be in addition to this figure. The impact of the new benefit cap is expected to be greater in the first years of rollout, reducing by 2020/21 due to other changes in the welfare system.

entitlement have reduced incomes for disabled people in the Work-Related Activity Group.

- Reassessments from DLA to PIP have resulted in a number of people receiving no award or a reduced award, whilst the introduction of a stricter test has meant that some claimants have lost their Motability entitlement. It should be noted, however, that 57% of those reassessed from DLA saw no change to their award, or had their award increased.

- Other equalities groups have also been affected by reforms. Young people, for example, are marginally more likely to be sanctioned, and have been affected by some policies directly, e.g. a removal of default entitlement to housing element of Universal Credit.

Impact of Welfare Reform on Income Inequality and Poverty

- In March 2017, The Institute of Fiscal Studies (IFS) published the results of an analysis[5] which quantified the expected impact of UK welfare changes (and personal tax changes) on income inequality in the UK and poverty rates in the UK. Scotland level analysis is not available at this time.

- Those on lower incomes are more likely to receive at least some of their income from benefits, whilst for higher income households, earnings make up the larger share of their income.

- IFS predicted change in real household income between 2016-17 and 2020/21 show that the highest income households are expected to benefit the most over this time period, in contrast to projected falls for the lowest income households, especially when measured after housing costs have been deducted.

- As a result of the focus of cuts on households with children the IFS expects the number of children in absolute poverty to increase**.** In their May 2017 briefing note, the IFS have updated their projections to show that **absolute child poverty AHC will increase from 27.1% in 2015/16 to 31.6% in 2020/21, which is a return to levels not seen since the early 2000s.**

- It is important to note that poverty rates can be influenced by a number of factors, and IFS projections factor in both changes in income and changes in composition of households, which in itself can be a driver of poverty.

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[5] Hood & Waters (2017) 'Living standards, poverty and inequality in the UK: 2016–17 to 2021–22', Institute of Fiscal Studies.

Scottish Government Mitigation

- **In 2017/18, the Scottish Government will spend around £454 million on measures that either directly mitigate the changes introduced by the Act or are part of wider measures tackling poverty in Scotland.**

- Mitigation spending includes spending on currently devolved benefits – Discretionary Housing Payments and Scottish Welfare Fund. Through Discretionary Housing Payments, the Scottish Government have fully mitigated the bedroom tax[6]. In addition to these benefits, The Scottish Government and Scottish local authorities continued the Council Tax Reduction scheme in 2016-17. **The child allowance in the Council Tax Reduction Scheme was increased by 25% from 1 April 2017, benefitting up to 77,000 households by an average of £173 per year and helping nearly 140,000 children.**

- The UK government laid regulations on 3rd March to change entitlement for housing costs within Universal Credit (UC) for people aged 18-21 years which come into effect on 1 April 2017. In the meantime **the Scottish Government has agreed with CoSLA that the Scottish Welfare Fund (SWF) will be extended, on an interim basis, to help 18-21 year olds** adversely affected by the UK government's changes.

Impact of Specific Welfare Policies

Sections 8 -10 of this report provide a detailed summary of the background, latest developments and impacts of each welfare measure related to the Act and other significant welfare measures. Key points to note are:

- **Universal Credit (section 8.1)**: The gradual rollout of UC continues, with less than 8% of the expected future caseload in Scotland currently claiming UC. Feedback so far from areas where UC Full Service has rolled out indicates a significant rise in rent arrears. There is also evidence at a GB level that referrals to foodbanks are rising in areas where UC full-service is being rolled out, linked in part to the 6 week wait for the first UC payment.

- **Changes to Tax Credits – 2 child limit and removal of the family element (section 8.2):** These changes were announced in 2015 and are separate from the Act. IFS analysis suggests that, due to the 2 child limit, households with 3 children will be £2,500 worse off per year and families with 4 children of more will be £7,000 per year worse off.

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[6] Note - measures to introduce size criteria in social sector Housing Benefit eligibility, and make deductions against under-occupancy are most commonly called the 'bedroom tax'. DWP prefers the term 'Removal of the Spare Room Subsidy', and other terms are used elsewhere. For clarity this paper uses the more familiar and popular term.

- **Conditionality and Sanctions (Section 8.3):** The Act introduced a new sanctions regime for a number of benefits. The number of referrals to sanctions under Jobseeker's Allowance has fallen since the introduction of Universal Credit. However, new data shows that over 10,000 people on UC in Scotland were sanctioned in 2016, with younger people being particularly vulnerable to sanctions.

- **Benefit Cap (section 8.4):** The Benefit Cap was originally introduced by the Act, with a lower cap introduced in November 2016. To date over 7,300 households in Scotland have been affected by the Benefit Cap at some point since its introduction in April 2015. In February 2017 (latest data) 3,640 households were affected by the new cap. Before the new lower cap was introduced, there were around 800 households being capped per month in Scotland.

- **Personal Independence Payment (section 9.1):** introduced by the Act, the process of replacing Disability Living Allowance (DLA) for people of working age and replacing it with PIP started in April 2013. The change in criteria used to assess people's needs under PIP and emphasis on the most severely disabled has meant people losing out in some areas and gaining in others. The latest costings from the OBR suggest that the introduction of PIP saved £0.1 billion by 2015/16, although it was initially expected to reduce spending by almost £1.4 billion by 2015/16.

- **Bedroom Tax (section 10.1):** The Act introduced a percentage reduction in Housing Benefit for working-age households judged to be under-occupying their property in the social rented sector. The bedroom tax affected around 71,000 households in Scotland, although Discretionary Housing Payments are available to fully mitigate those affected. DWP's own review of the bedroom tax suggested that no more than 8% of those affected had downsized.

- **Local Housing Allowance (section 10.2 and 10.5):** The Local Housing Allowance (LHA) sets the maximum Housing Benefit that can be paid in each 'Broad Rental Market Area' for five property types. The Act introduced CPI uprating to LHA rates, but this was later superseded by a 1% uprating policy introduced at the Autumn Statement 2012. Survey evidence from DWP on the impact of LHA changes showed that 46% of respondents had spent less on household essentials, 38% had spent less on non-essentials and 31% said they had borrowed money from family or friends.

- **The LHA cap for social sector tenants (section 10.3 and 10.5):** LHA rates **are** only applied to setting maximum housing benefit in the private rented sector. Post 2015, the UK government announced that it would extend this to the social rented sector. There are two groups which will be particularly negatively impacted by this policy. Firstly, vulnerable tenants living in supported accommodation where, as a consequence of the higher level of services required, have rents that currently exceed the LHA rate. And, secondly, single adults under the age of 35 with no dependents, who under the rules will only be entitled to a Shared Accommodation Rate (SAR), a potentially significant reduction in entitlement for some people.

1. Introduction

1.1 Purpose of the report

The Welfare Reform Act 2012[7] (the Act), which received Royal Assent on 8 March 2012, introduced some of the biggest reforms to the UK welfare system in the last 60 years[8]. According to the Department for Work and Pensions (DWP), the Act aims to "make the benefit system fairer and more affordable [,…to help] reduce poverty, worklessness and welfare dependency [and to] reduce levels of fraud and error"[9].

Scottish Ministers were required to introduce regulations to enable devolved legislation to take account of these changes. Amongst other provisions, the Welfare Reform (Further Provision) (Scotland) Act 2012 placed a requirement on Scottish Ministers to report annually until 2017 to the Scottish Parliament on the impact of the Act on the people of Scotland. This is the final such statutory report to be published.

The following requirements were set out in the Act:

3. *The Scottish Ministers must prepare an annual report giving such information as they consider appropriate about the impact that the UK Act is having on people in Scotland.*

4. *An annual report is -*

    a) starting with 2014, required each year until 2017[10]*.*

    b) to be laid before the Scottish Parliament on or before 30 June in the year concerned.[…]

6. The references in subsections (1) and (3) to the impact of the UK Act include that arising directly or indirectly from the effect of—

(a) a relevant portion of that Act, or

(b) a relevant instrument made under that Act. [11]

[7] 'Welfare Reform Act 2012' can be found at: http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted
[8] Audit Scotland (2013), 'Welfare Reform Update', Accounts Commission.
[9] DWP (May 2015) '2010 to 2015 Government Policy: Welfare Reform'.
[10] An initial report was produced in 2013, and can be found at: http://www.gov.scot/Resource/0042/00426405.pdf
[11] 'Welfare Reform (Further Provision) (Scotland) Act 2012' (section 4: Impact of reform: annual reporting), can be found at: http://www.legislation.gov.uk/asp/2012/10/enacted .

As the final report, the content will go beyond the statutory duty and will place the impact of provisions in the Act in the wider context of all welfare reforms passed by UK governments since 2010.

1.2 Key features of the report

This report brings together a range of evidence of the impact of UK government welfare reforms in Scotland. This includes:

- A comprehensive overview of the impact of all welfare measures contained within the Welfare Reform Act and measures introduced by the Conservative government in the 2015-17 parliament.

- An analysis of the reduction in welfare spending in Scotland resulting from policies announced by both Coalition and Conservative UK governments in the 2010-15 parliament and the 2015-17 parliament based on OBR ‘Welfare Trends’ (2016) and HMT Policy Costings since 2015.

- An analysis of the financial impact of reductions in welfare spending at a local authority level in Scotland and the estimated number of households which will be impacted by welfare measures at a Scotland level.

- A summary of the combined impact of welfare reforms on equality groups, in particular women and people with disabilities.

- The impact of welfare reform on income inequality, the number of households in poverty and children in poverty.

- The details of the Scottish Government’s policies to mitigate the worse effects of Welfare Reform and mitigation activities..

1.3 Key provisions in the Welfare Reform Act 2012

The Welfare Reform Act includes the following key provisions:

- The phased introduction of Universal Credit.

- The abolition of Council Tax Benefit at UK level.

- The abolition of certain discretionary elements of the Social Fund at UK level.

- The phased replacement of Disability Living Allowance (DLA) with the Personal Independence Payment (PIP) for working-age adults.

- Changes to Housing Benefit in relation to under-occupancy in the social housing sector (the bedroom tax).

- The introduction of a cap on the total amount of benefit that working-age people can receive (the Benefit Cap).

- Changes to entitlement for the contributory element of Employment and Support Allowance.

- Changes to Local Housing Allowance.

- A new requirement on lone parents whose youngest child has reached the age of five to look for work meaning they must instead claim Jobseeker's Allowance instead of Income Support.

- The introduction of a new Claimant Commitment that sets out the particular job-seeker activities that any claimant must undertake in order to receive benefits.

1.4 Limitations of the report

This report seeks to present a comprehensive summary of the impacts of the Act, but a number of issues limit what is able to be presented.

Delays to roll-out continue. The provisions of the Act began to be introduced from March 2012. However, key provisions - including Universal Credit (UC) and Personal Independence Payment (PIP) - have not been rolled out to their original timetables. Only limited numbers are in receipt of UC in Scotland to date, representing less than 8% of the final UC caseload at full rollout.

Uncertainty in forecasting welfare spending: The analysis of the financial impact of UK welfare reforms on spending in Scotland to 2020/21 shows what would happen to welfare spending based on forecasts and costings produced by the Office for Budget Responsibility (OBR) assuming no change in policy.

The available data only cover short periods of time. Many reform impacts will not yet be detectable, because of time lags in the collection, analysis and publication of large-scale survey data. This is particularly the case for policies that have been introduced in the 2015-17 parliament. It should also be noted that all data in the report is only up to date to end of May 2017.

Welfare reform pre-dates and post-dates the Act. Although many of the provisions of the Act are significant in terms of impacts, other changes to welfare, introduced before and after the Act also have significant impacts, and these are included in this report's assessment.

1.5 Key changes in UK government policy since June 2016

As in previous versions of the annual report, this section highlights key changes to the welfare system since the last report was published in June 2016.

The most significant change was the reduction of the taper rate within Universal Credit (the rate at which benefit is withdrawn for every additional £1 of earned income). It was announced in the Autumn Statement that the taper rate will be reduced from 65% to 63% from April 2017. The change will benefit in-work families and will increase welfare spending by around £0.6 billion by 2020/21.

A number of previously announced measures have come into force since the publication of the last report, most taking effect in April 2017[12]. Combined, the following measures are expected to reduce spending £2.9 billion (at a GB level) by 2021-22:

- Reduction of £29 a week for people making a new claim to ESA who are placed in the Work Related Activity Group (WRAG). This is expected to reduce welfare spend by £230 million by 2021/22.
- Removal of the family element in child tax credits for new births and the equivalent first child premium in UC for new claims after April 2017. This is expected to reduce welfare spend £650 million by 2020/21.
- An abolition of child element for third and subsequent children, applying to new births in tax credits and new claims in universal credit. This is expected to reduce welfare spend by £1.9bn by 2021/22.
- End of entitlement to Housing Benefit for 18-21 year olds. This is expected to reduce welfare spend by £40 million by 2021/22.
- Tightening of UC conditionality with parents expected to prepare for work from when their youngest child turns 2 and to look for work when they turn 3. This is expected to reduce welfare spend by £35 million by 2021/22.
- Reduction of up to £137 per month and a reduction of up to 18 and a half years for new claims of Bereavement Support Payment (replacing Widowed Parents Allowance). The maximum potential loss to a family is up to £112,000 as a child could remain eligible for child benefit until age 20.

[12] The lower benefit cap was introduced from November 2016.

2. UK government welfare reforms

2.1 Overview of welfare policy since 2010

The purpose of sections 2, 3 and 4 is to add up the reductions in expenditure on social security, as a result of policy changes over the last two UK Parliaments and to give an indication of how much lower benefit spend is compared to what it would have been had those changes not been made. In section 2, a list of all of the significant welfare measures counted for in the analysis is provided and in section 3 the results of this analysis is presented.

It should be noted that only some of the policies included were part of the Welfare Reform Act 2012. In addition, it should be noted that this type of analysis is subject to a great level of uncertainty because the counterfactual spending had the 2010 system not been implemented, cannot be observed and therefore is difficult to establish.

Therefore, most of the analysis in this section utilises the data included in the most recent Welfare Trends report by the independent Office for Budget Responsibility laid before the UK parliament in October 2016[13].Since October 2016 there have been two fiscal events (Autumn Statement 2016 and Budget 2017) which have included revised costings for some of the policies. We have attempted to take account of these where possible. The analysis in sections 3 and 4 are also based on the figures from the OBR's report.

During the 2010-15 and 2015-17 parliaments, the UK Government (Coalition and Conservative) implemented a program of significant changes in the welfare system, which formed a central part of a wider policy objective of austerity and deficit reduction. During this period, according to the OBR, the UK Government announced around 150 separate measures affecting welfare spending.

In this section, 39 significant measures which reduced welfare spending are identified (see table 1). In line with the OBR's methodology, these measures are categorised as either 'uprating measures' or 'non-uprating measures'. Uprating measures include any policy which changed how benefits were increased each year to take into account increases in the cost of living, whilst non-uprating measures captures all other policies that affected welfare spending. As shown in section 3, over time, uprating measures have a much more significant effect on reducing welfare spending.

This list of policy measures outlined in table 1 excludes, for example, small welfare-related measures that saved negligible amounts and small administrative changes such as improvements in debt recovery, changes in waiting days for benefit payments and alterations to delivery schedules of new benefits (UC and PIP)[14].

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[13] Office for Budget Responsibility (2016) 'Welfare Trends Report'
[14] Note - these are not considered as separate policies, but are taken account of in the updated costings of relevant policy measures.

Finally, it should be noted that the Welfare Reform Act only introduced 8 significant welfare measures (see table 1) which reduced spending. The introduction of Universal Credit was expected to *increase* welfare spending by £0.1 billion when fully implemented and so is excluded from table 1[15]. The effect of changes to UC, such as the cut in the work allowances and the 2 child limit are captured separately in table 2 of measures introduced in the 2015-17 parliament.

2.2 Uprating measures announced in the 2010-15 parliament

Some of the most significant welfare spending cuts implemented by the Coalition government were the result of cutting awards across all recipients via uprating policies (1, 10, 22, 30, 38 and 39[16]). Most of these measures were not introduced by the Welfare Reform Act because they did not require primary legislation. However, they cannot be discounted in the context of estimating the reductions in welfare spending made by UK Governments since 2010 and are included in the OBR report.

Savings form uprating policies are linked to the true rises in the cost of living across 1 or more years as measured by an appropriate inflation index. The more the cost of living (inflation) rises over the period where uprating policy is changed, the more impact the policy will have had on spending. For example, Child Benefit rates were frozen for three years from 2010/11. The savings from this policy depended on how much Child Benefit would have been uprated each year had the freeze not been in place, and is therefore particularly dependent on the actual cumulative rate of inflation over the three year period.

Inflation is difficult to forecast. For example, higher oil prices contributed to inflation between 2011 and 2013 being significantly higher than forecasted in June 2010, while the opposite was true of more recent forecasts, with CPI inflation falling to around zero in 2015. All of this uncertainty means that an accurate assessment of how much uprating policy has saved can only really be made once the true path of inflation is known for a given measure[17]. Hence the impact of policies over the 2010-15 parliament are more reliable than those that are still to take place. The impact of uprating measures to 2020/21 are subject to more uncertainty that the impact of non-uprating polices to 2020/21.

[15] DWP (2012) 'Universal Credit Impact Assessment'
[16] Note - the numbers in brackets refer to the relevant measures in table 1.
[17] Note - the measure of inflation used in relation to uprating of most welfare benefits is the Consumer Price Index.

Table 1: Significant welfare measures that reduced welfare spending introduced in the 2010 – 2015 parliament (including those in the Act)

Fiscal Event	No.	Policy measures	Uprating
Budget 2010	1	Benefits, tax credits- switch to CPI indexation from 2011/12	Yes
	2	**Introduction of Personal Independence Payments**	**No**
	3	**Lone parent benefits: extension of conditionality**	**No**
	4	Health in Pregnancy Grant: abolish	No
	5	Sure Start Maternity Grant: apply to first child only	No
	6	Support for Mortgage Interest: set payments at the average mortgage rate	No
		Housing Benefit reforms	
	7	**LHA: set at the 30th percentile of local rents from 2011/12**	**No**
	8	Changes to deductions for non-dependents	No
	9	**Introduction of the bedroom tax**	**No**
	10	**Switch to CPI indexation for LHA from 2013/14**	**Yes**
	11	Reduce awards to 90% after 12 months for claimants of JSA	No
	12	LHA: caps on maximum rates for each property size	No
		Tax Credit reforms	
	13	Tax credits second income threshold: reduce to £40,000 from 2011/12	No
	14	First and second withdrawal rates: increase to 41% from 2011/12	No
	15	Child Tax Credit: taper the family element	No
	16	Child Tax Credit: remove the baby element from 2011/12	No
	17	Working Tax Credit: remove the 50 plus element from 2012/13	No
	18	Child Tax Credit: reverse the supplement for children aged one and two	No
	19	Reduce the income disregards	No
	20	Introduce an income disregard of £2,500 for falls in income from 2012/13	No
	21	Reduce backdating from 3 months to 1 month	No
	22	Child Benefit: freeze rates for three years from 2011/12	Yes
Spending Review 2010	**23**	**Contributory ESA: One year time limit for Work Related Activity Group**	**No**
	24	Housing Benefit: Increase age limit for shared room rate from 25 to 35	No
	25	**Introduction of the Benefit Cap**	**No**
	26	DLA: Remove mobility component for claimants in residential care	No
	27	Support for mortgage interest: extend changes to waiting period/capital limit	No
	28	**Council tax benefit: reduction in expenditure and localisation**	**No**
	29	Child Benefit: remove from families with a higher rate taxpayer	No
	30	Working Tax Credit: freeze in the basic and 30 hour elements for three years	Yes
	31	Working Tax Credit: reduce payable costs through childcare element	No
	32	Child Tax Credit: increase the child element by £30 in 2011 and £50 in 2012	No
	33	Tax credits: increase hours requirement for couples with children	No
Budget 2011	34	Support for Mortgage Interest: one-year extension from January 2012	No
	35	ESA Youth: abolish National Insurance concession	No
Autumn Statement 2011	36	Child Tax Credits: reverse the planned £110 increase in the child element	No
	37	Working Tax Credit: freeze the couple and lone parent elements	Yes
Autumn Statement 2012	38	Working age benefits: increase by 1% for three years	Yes
	39	Child Benefit: limit increase by 1% for two years from 2014/15	Yes

Note: Measures in bold were introduced by provisions in the Welfare Reform Act 2012.

In terms of uprating measures passed in the 2010-15 parliament, the Budget 2010 decision to switch uprating of most working-age benefits from RPI (Retail Price Inflation) or Rossi inflation to CPI inflation (Consumer Price Inflation)[18], is expected to have saved £5.2 billion by the end of the 2015 parliament or around 20% of the total reduction in welfare spending during this period. As mentioned, another significant uprating measure included the three year freeze to Child Benefit payments, which reduced spending by around £1.4 billion by 2015/16. Other changes in uprating included the three-year freeze in the basic and 30-hour elements of the working tax credit saved around £1 billion by 2015/16[19].

Another point to note when considering the savings associated with uprating policies is that for a number of benefits, there is no statutory requirement to uprate them by a specific measure of inflation.

2.3 Non-uprating measures announced in the 2010-15 parliament

Although non-uprating measures have not saved the Treasury as much as uprating measures, the impact of these welfare measures on particular households, such as lone parent households and particular equality groups such as people with disabilities and younger people has been significant (see section 5).

Introduced by the Welfare Reform Act, the UK government enacted two major reforms during the 2010-15 parliament: the replacement of disability living allowance (DLA) with the new personal independence payment (PIP) and the replacement of six working-age benefits with a new single universal credit (UC)[20]. The direct effect of UC on spending was expected to be minor, however the reform to disability benefits was intended to generate significant direct savings by reducing the number of people able to claim those benefits.

The original costing assumed that PIP would reduce disability benefit spending by 20% once the rollout was complete in 2015/16, thus returning working age DLA spending to 2009/10 levels in real terms[21]. However, by 2015/16, the rollout of PIP was not complete, with around two-thirds of the working-age disability caseload remaining on DLA[22]. In addition, compared to initial expectations, there was a higher success rate of DLA reassessments, higher average awards and a higher number of new PIP claims. As a result, the OBR has revised the estimate of savings by 2015/16 from £1.4 billion to just £0.1 billion[23]. Further details on the impact of PIP are included in sections 5.2 and 9.1.

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[18] Note - there are a number of technical differences between CPI and RPI measures of inflation. One of the key differences is that RPI accounts for changes in housing costs, whilst CPI does not. CPI has been historically lower than RPI.
[19] Note – source for financial impact of welfare measures is Office for Budget Responsibility (2016) 'Welfare Trends Report'
[20] For more details on PIP and UC see sections 8.1 and 9.1.
[21] DWP (2012) 'Disability Living Allowance Reform Impact Assessment'
[22] Note -based on caseload data for PIP and DLA as at February 2016 (Source: Stat-Xplore)
[23] Source: OBR (2016) 'Welfare Trends Report'

Also within the Act, the UK government announced a significant change to Employment and Support Allowance (ESA) *(policy 23 in table 1)*. The 2010 Spending Review introduced a limit to one year the period over which claimants of contributory ESA in the work-related activity group (WRAG) could receive the benefit (see section 9.2). This was originally estimated to save £2.0 billion in 2015/16. The OBR have reported that a higher-than-expected proportion of those affected by the 1 year curtailment moved onto the income-based benefit and that therefore, in the round, the policy reduced spending by only £0.2 billion in 2015/16 (see section 8.2).

Other policy changes include the introduction of the high income child benefit charge which removed child benefit from those families with a high earner[24], the removal of the second threshold for the family element in Tax Credits which affected higher earners, the bedroom tax (see section 10.1) and the Benefit Cap (see section 8.4).

2.4 Measures announced in the 2015-17 parliament

In the Summer Budget 2015 and Spending Review 2015, the then Chancellor of the Exchequer set out £12 billion of additional cuts to welfare spending over the course of the next parliament[25]. The measures highlighted in table 2 are policies that relate to the Act.

The only uprating measure - the 4 year working-age benefit freeze – was estimated to account for a substantial proportion (£4.0 billion by 2020/21[26]) of the planned reduction in welfare spending (see section 8.5). Reductions in income thresholds in tax credits and work allowances in Universal Credit were also estimated to account for a substantial £3.4 billion worth of savings by 2020/21. This saving was revised to £3.2 billion when the cut to Tax Credits was later reversed. The revision was small as the cut to Work Allowances in UC remained and will affect more households as the rollout of Universal Credit continues.

[24] Note - Child Benefit is removed gradually from families with one person earning over £50,000, with those earning over £60,000 losing all of their Child Benefit entitlement.
[25] Note - at the time the parliamentary term was expected to be between 2015/16 and 2020/21.
[26] Note - this was the estimate of savings at the time of the Summer Budget. Current estimates put the saving at £4.5 billion based on higher expected inflation in 2017-18 and 2018-19 (see section 3.2).

Table 2: Significant welfare measures that reduced welfare spending introduced in the 2015 – 2017 parliament

Fiscal Event	No.	Policy Measure
Summer Budget 2015	1	4 year uprating freeze of working-age benefits
	2	**Lowering of the Benefit Cap to £20,000 p.a. (outside of London)**
	3	**Removal of child element for 3rd and subsequent children (CTC and UC)**
	4	**Removal of the family element (CTC and UC)**
	5	**Reduction of UC work allowances**
	6	Tax credit income rise disregard
	7	Removal of housing benefit entitlement of 18 to 21 year olds
	8	Pay to stay
	9	Pension Credit savings freeze
	10	Reduce social sector rents by 1 per cent each year for 4 years from 2016/17 (England only)
	11	Support for Mortgage interest loan
	12	Removal of the £29 addition to Employment and Support Allowance (WRAG group)
	13	**UC conditionality**
	14	**1% reduction of social sector rents each year (England only)**
Autumn Statement 2015	**15**	**Cap social rents to Local Housing Allowance**
Autumn Statement 2016	**16**	**UC taper rate change from 65% to 63%**

Limiting Child Tax Credits and Universal Credit child element to the first two children (see section 8.2) and the removal of the family element for new births/claims was expected to save around a further £2.2 billion by 2020/21. The imposition of the LHA cap on social sector tenants (see section 10.3) is expected to also save around £0.7 billion by 2020/21, although the impact in Scotland will be offset by typically lower social rents in Scotland compared to the rest of the UK. In addition, the reduction of social sector rents by 1% for 4 years will only be applicable in England.

Other measures, announced during this parliament are expected to make relatively modest reductions in welfare spending compared to other measures. The Benefit Cap (see section 8.4) for example, was expected to save around £120 million by 2020/21 and the removal of housing benefit from 18-21 year olds (with exemptions) will only save around £35 million by 2020/21 across the UK.

The announcement of a reduction in the taper rate (the rate at which Universal Credit is withdrawn for households in work) under Universal Credit will increase spending by around £0.6 billion by 2020/21.

3. Financial impacts of welfare measures

3.1 Expected and actual savings from selected Welfare Reform Act measures

In April 2014 (following the UK Budget 2014), the Scottish Government published an analysis of UK Government cuts to welfare spending in Scotland[27]. This analysis was based on the most up-to-date HM Treasury policy costings at the time.

Table 3: Actual and forecast spending in 2015/16 (GB level) compared to the OBR baseline (£ millions)

	Policy measures (OBR categorisation)	Apr-2014 estimate	Oct-2016 estimate
Uprating measures	CPI indexation (replace RPI and Rossi) for most benefits and tax credits	10,600	5,200
	Child benefit frozen for three years from 2011/12	1,300	1,400
	Pensions triple-lock	-1,600	600
	Three-year freeze in the basic rate and 30-hour element of working tax credits	1,000	1,000
	1% cap on uprating of most working-age benefits from 2013/14	2,700	1,600
	1 year uprating freeze on Child Benefit and Local Housing Allowance rates	300	400
	All other smaller uprating measures	*1,100*	1,100
Non-uprating measures	Reforms to disability benefits - introduction of Personal Independence Payments	1,400	100
	Introduction of Universal Credit	100	-
	1 year limit to contribution based Employment and Support Allowance	1,500	200
	High income child benefit charge	1,800	1,400
	Tax Credit reforms (including removal of the family element)	1,800	1,600
	Further Tax Credit measures (childcare costs, hours threshold etc)	1,200	1,200
	Cut in Local Housing Allowance to the 30th percentile of local private sector rents	500	500
	Matching the basic state pension increase in 2011/12 in the PC min income guarantee	-700	-600
	Bedroom tax	500	500
	Tax Credit (admin and collection)	500	500
	All other smaller non-uprating measures	*2,800*	2,100
	Total reduction annual in spending	**26,900**[28]	**19,600***

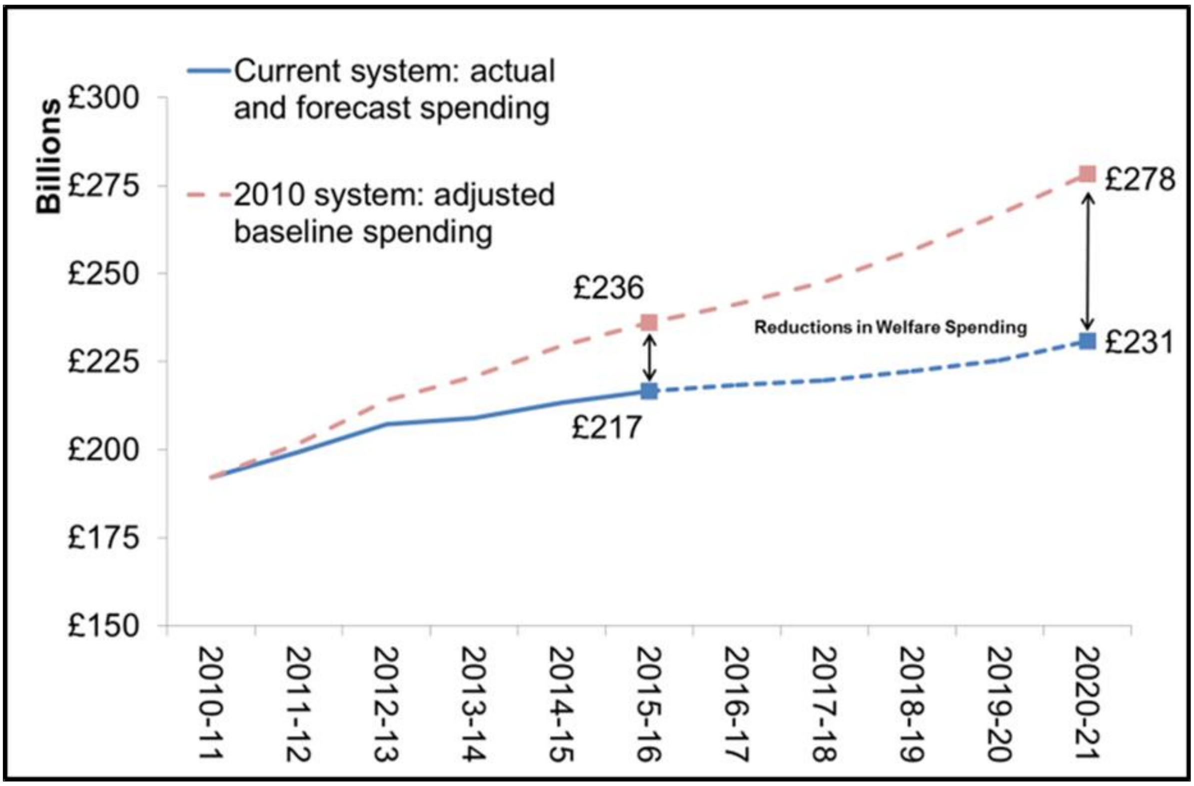
**Individual entries do not sum to total, likely due to rounding.*

[27] Scottish Government (2014) 'UK Government cuts to welfare expenditure in Scotland -Budget 2014'
[28] Note – the SG analysis above uses a figure of £26,860 (thousand), the difference is due to rounding.

This analysis indicated that the total reduction in spending, as a result of UK welfare measures, was around £26.9 billion in 2015/16 (see table 3). Scotland's share of this reduction was estimated at just under £2.5 billion in 2015/16 alone, with a cumulative impact of welfare reforms over a six year period (2010/11 to 2015/16) of around £6 billion.

Since this analysis was published, revised policy costings for all UK government welfare measures have become available. Taking these into account, in October 2016 the OBR concluded that UK government policy reduced social security spending by £19.6 billion in 2015/16. This figure is around £7 billion lower than the Scottish Government's 2014 estimate (£26.9 billion). Hence the Scottish estimates provided in this report (see section 3.3) are different to what was published previously.

Figure 1: Actual and Forecast UK welfare spending compared to a 2010/11 baseline

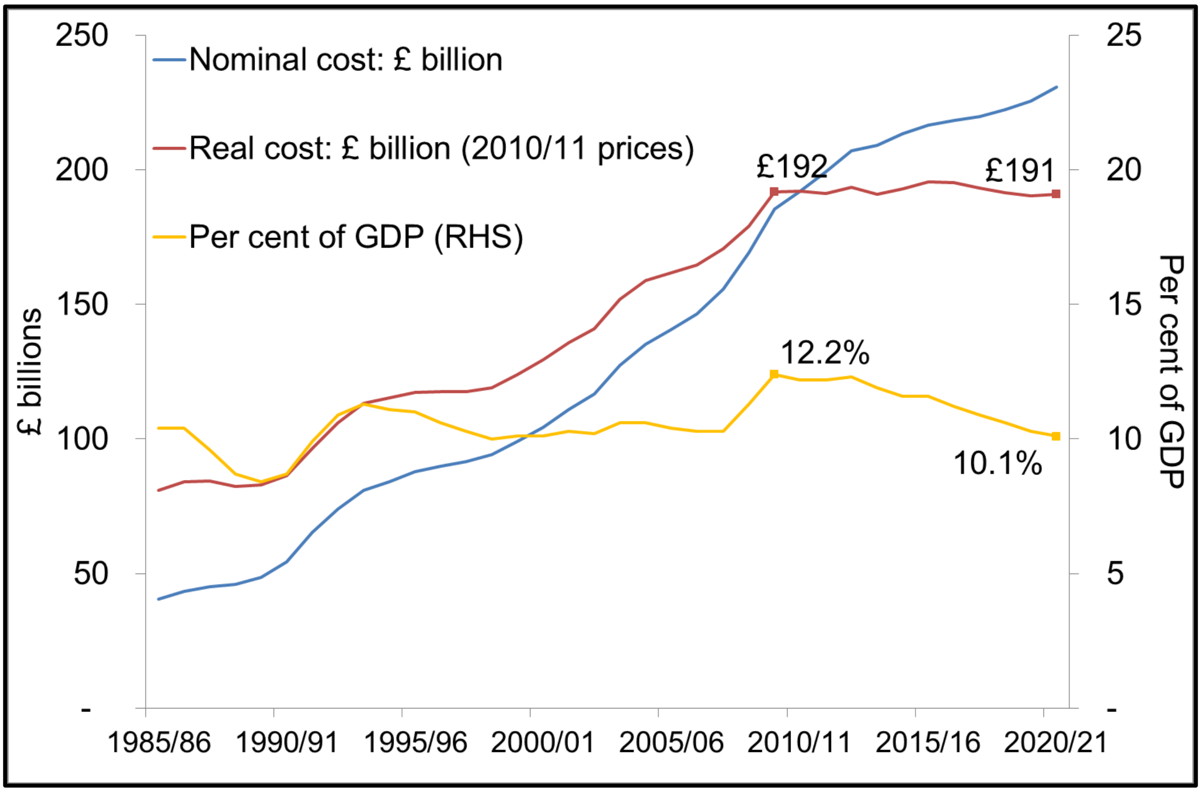


Source: OBR Welfare Trends (2016)

It should be noted that despite UK government policy, total welfare spending has been increasing (in nominal terms) over the last parliament and is expected to increase further to 2020/21. Figure 1 places reductions in spending due to UK government policy in the context of total welfare spending at a UK level. The OBR generate a simple projection of social security spending based on the parameters of the welfare system in 2010, adding in the effects of changes in the size and age-structure of the population[29].

Had the UK government not introduced any changes to welfare measures and default uprating had taken place, it is estimated that total welfare spending would have been £236 billion in 2015/16 and £278 billion in 2020/21[30]. However, actual spending in 2015/16 was £217 billion and is expected to reach £231 billion in 2020/21. The difference between the two sets of figures is the estimated direct impact of welfare reforms since 2010.

Figure 2: Welfare Spending Trends as Nominal cost, Real cost and as share of GDP



Source: OBR 'Welfare Trends' (2016)

In terms of welfare spending as a share of GDP, if welfare spending follows this projected path to 2020/21, the share will have fallen by from 12.1% of GDP in 2010/11 to 10.1% in 2020/21, a 2.1% fall over 10 years (see figure 2). This would take welfare spending back to roughly its pre-crisis share of GDP. However, as pointed out by the OBR, whilst welfare spending in support of pensioners would also have fallen to around its pre-crisis level, spending in support of children and working-age people would be at its lowest share of GDP since 1990-91. In real

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[29] Note - the baseline projection includes pre-coalition UK government policy whose implementation affected the welfare system after 2010-11 and other factors such as increases in disability benefits claim rates (see OBR report for full methodology). The projection in figure 1 shows the difference arising from UK government policy only.
[30] Note - this figure is derived from OBR analysis, the OBR report a figure which includes other factors that increased spending in the 2010 counterfactual scenario.

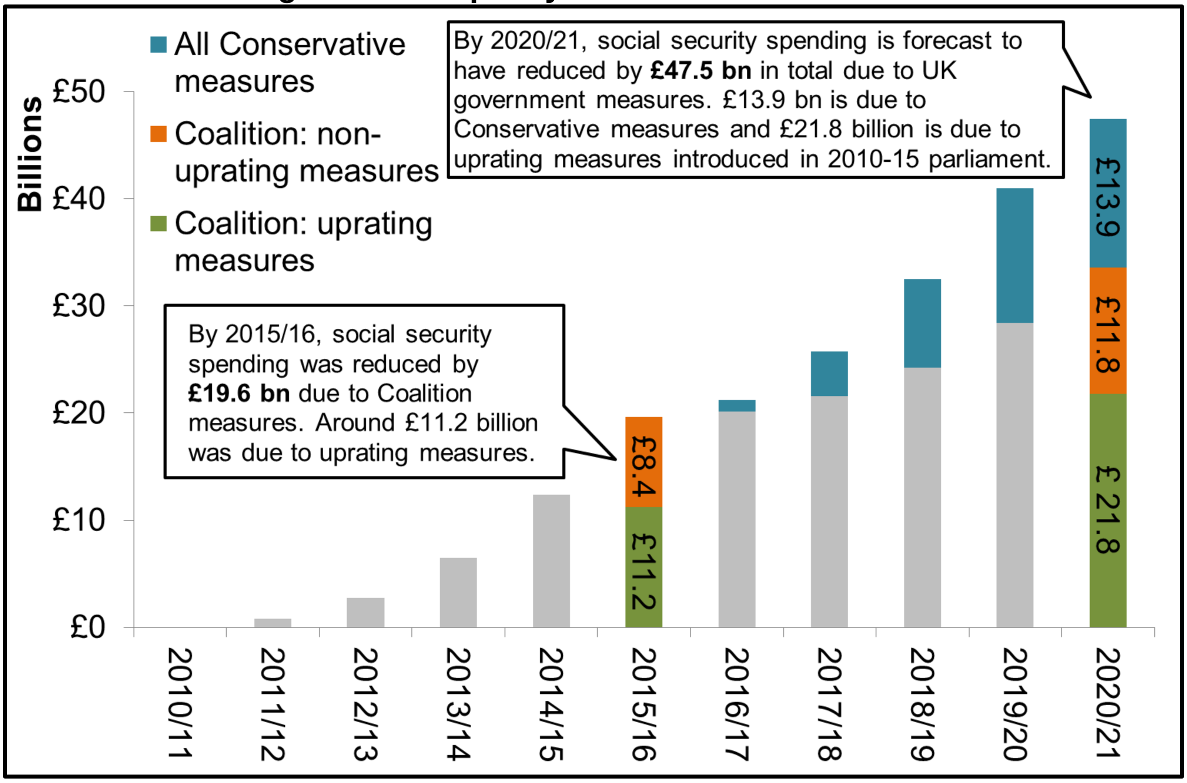
terms (2010-11 prices), welfare spending will have remained relatively flat, having fallen by around £1 billion between 2010/11 and 2020/21.

3.2 Financial impact of welfare policies at a GB level

The financial impact of all UK government welfare reforms since 2010 is set out in analysis by the Office for Budget Responsibility (OBR). This concludes that by 2015/16 total welfare spending was reduced by around £19.6 billion as a result of measures introduced by the Coalition government. Most of this reduction (£11.2 billion) is a result of changes to the uprating of benefits. Uprating covers a number of separate policy measures (see section 2.2), most of which were not set out in to the Act[31]. Around £8.4 billion of reductions came from non-uprating measures.

The impact of Coalition government measures will continue to have an effect on welfare spending beyond 2015/16 (see figure 3). By 2020/21, coalition measures will have reduced spending by £33.6 billion. Again, the majority of these reductions will be a result of changes to the uprating of benefits (£21.8 bn). The size of these reductions due to uprating should be understood within the context of the most appropriate measure of the cost of living for people receiving benefits[32].

Figure 3: Reductions in Social Security spending (GB-level) from Coalition and Conservative government policy



Source: OBR 'Welfare Trends' (2016), HMT Policy Costings since 2015.

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[31] Note - the uprating of Local Housing Allowance by CPI was the only uprating measure announced within the Act.

[32] Note - for more information on the difference between CPI and RPI indexes, see Browne & Levell (2010) available at: https://www.ifs.org.uk/bns/bn108.pdf

Measures introduced by the 2015-17 Conservative government (see table 4) add a further £13.9 billion reduction in welfare spending by 2020/21. The 4 year benefit freeze (an uprating measure) which came into place in 2016-17 is expected to reduce spending by £4.5 million by 2020/21[33], the reduction of the work allowance in Universal Credit will save around £3.2 billion and Tax Credit Changes (including the limit of Child Tax Credits to two children) will reduce spending by £1.6 billion.

One of the biggest savings is expected from a policy that does not apply in Scotland – a 1% reduction in rents for social housing in England each year, from 2016/17 to 2019/20. The reduction in the taper rate announced at the Autumn Statement 2016 will increase spending marginally by £0.6 billion by 2020/21.

Table 4: Conservative government welfare measures – impact at a UK level

All costings in £ billions	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Benefit freeze	0.00	0.81	2.36	4.37	4.48
UC WA reduction	0.12	1.23	2.23	2.85	3.19
Reduce SRS rents by 1% (England only)	0.59	1.18	2.14	3.19	3.17
TC and UC 2 child limit	0.00	0.31	0.75	1.17	1.56
Cap social rents to LHA	0.00	0.00	-0.01	0.23	0.78
TC and UC family element removal	0.11	0.23	0.41	0.54	0.65
Support for Mortgage interest loan	-0.03	-0.04	0.27	0.25	0.25
ESA WRAG reduction	0.00	0.03	0.11	0.17	0.21
Pension credit saving credit freeze	0.14	0.14	0.14	0.14	0.13
Benefit Cap	0.07	0.16	0.11	0.10	0.11
TC income rise disregard	0.09	0.15	0.16	0.10	0.06
HB 18-21 entitlement end	0.00	0.01	0.03	0.04	0.04
UC conditionality	0.00	-0.01	0.00	0.04	0.04
Pay to stay	0.00	0.02	-0.19	-0.17	-0.21
UC taper	0.00	-0.04	-0.18	-0.40	-0.57
Total	**1.09**	**4.18**	**8.33**	**12.62**	**13.89**

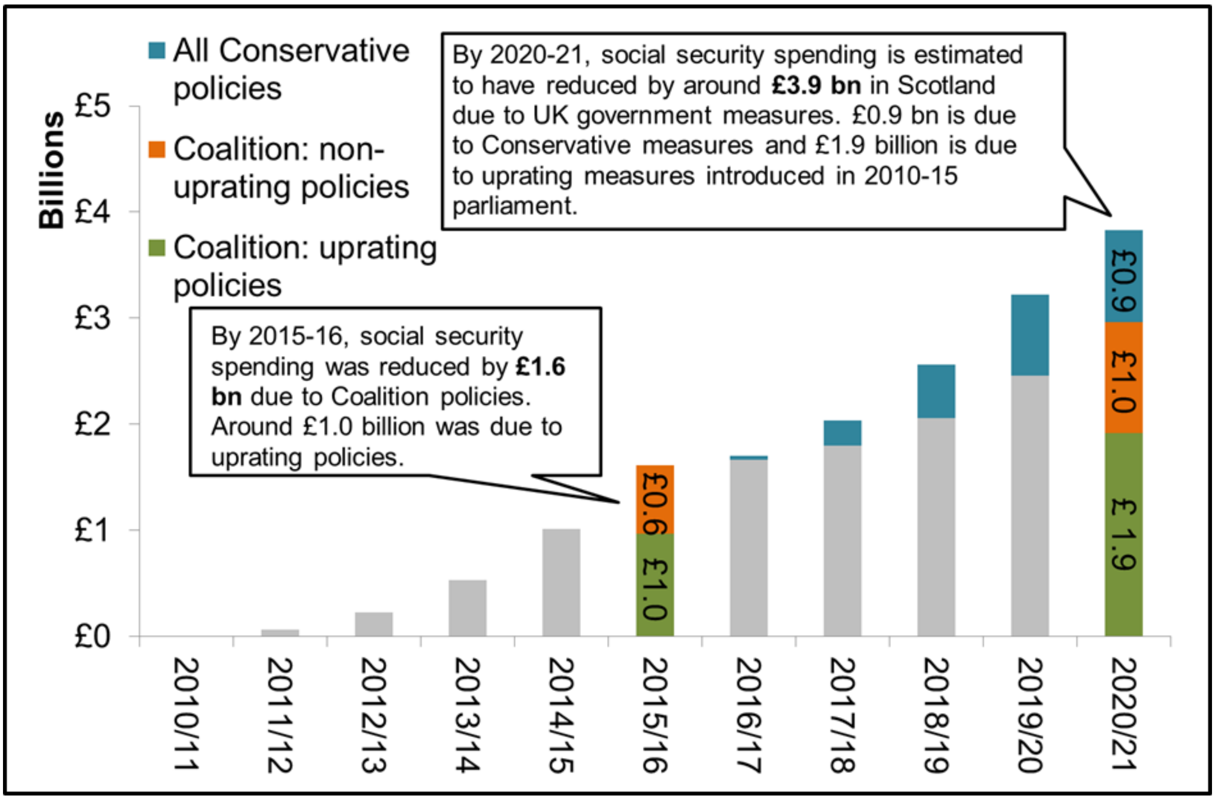
[33] Note - the estimated impact of this measure has increased since the OBR produced their estimate (October 2016) due to upward revisions to CPI inflation forecasts. Resolution Foundation estimates are used here instead (see section 8.5)

3.3 Financial impact of welfare measures at a Scotland level

The financial impact of welfare reform in Scotland has been calculated based on an estimated Scottish share of spending[34] on a benefit/tax credit associated with each welfare measure introduced at a GB level. Policies which do not apply to Scotland are excluded from the analysis. A summary of the methodology used in this analysis can be found in Annex A.

Figure 4 shows that Coalition government welfare measures reduced spending in Scotland by around £1.6 billion in 2015/16. As in the case with GB level figures, the majority of the cuts (£1 billion) are from uprating measures which are not directly related to the Act. By 2020/21 Coalition government welfare measures will have reduced spending in Scotland by £2.9 billion in total, again with the majority of reductions coming from changes to uprating policies (£1.9 billion).

Figure 4: Reductions in Social Security spending (Scotland-level) from Coalition and Conservative government policy



Source: OBR 'Welfare Trends' (2016), HMT Policy Costings since 2015.

The cuts introduced by the Conservative government will reduce welfare spending in Scotland by around £0.9 billion by 2020/21. The benefit freeze will reduce spending in Scotland by £368 million and the reduction in the work allowance of Universal Credit will reduce spending by £254 million. Measures such as the lower

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[34] Note - share of spending used where available, in other cases a share of caseload may have been used. For a full methodology see annex A.

Benefit Cap and the removal of housing benefit to 18-21 year olds will have a relatively small impact on spending. The Benefit Cap will reduce spending by an estimated £6 million by 2020/21[35] and the removal of housing benefit by around £3 million by 2020/21.

Table 5: Conservative government welfare measures – impact at a Scotland Level

All costings in £ millions	2016/17	2017/18	2018/19	2019/20	2020/21
Benefit freeze	0	66	194	359	368
UC Work Allowance reduction	10	98	177	227	254
TC and UC 2 child limit	0	19	47	73	98
Cap social rents to LHA	0	0	-1	19	68
TC and UC family element removal	8	18	31	42	50
Support for Mortgage interest loan	-2	-3	22	20	20
ESA WRAG reduction	0	4	14	21	26
Pension credit saving credit freeze	15	15	15	15	14
Benefit Cap	4	9	6	6	6
TC income rise disregard	8	13	14	8	5
HB 18-21 entitlement end	0	1	3	4	4
UC conditionality	0	0	0	3	3
2 child exemptions	0	0	-1	-2	-3
Pay to stay	0	0	0	0	0
UC (taper rate change)	0	-3	-14	-32	-45
Total	**42**	**234**	**507**	**763**	**868**

Some of the estimates in table 5 are subject to significantly more uncertainty than others. For example, the savings from changes to support for mortgage interest are based on a Scottish home-ownership rates compared to the UK. The 'pay to stay' policy and the 1% reduction to social sector rents do not apply in Scotland because of the devolution of responsibility for housing policy.

3.4 Number of households affected by welfare measures passed in the 2015-17 parliament

Table 6 shows the UK level estimates of the impact of each measure in terms of the number of households affected and the Scottish estimate based on an appropriate share. A note of the appropriate time period to which these figures relate to is also provided.

It is not possible to accurately assess how many households in total will be affected by all welfare measures introduced since 2015 because many households will be affected by more than one policy measure and there is not sufficient data to determine the extent of overlaps. Consideration of the timing of impacts of different measures also needs to be considered. For example, the benefit freeze will impact most working-age benefit claimants from 2016-17, whilst the full impact of UC will only be realised by 2022 at the earliest.

[35] Note - this is the impact of the lower benefit cap introduced in November 2016 by 2020/21 and excludes the impact of the previous cap introduced by the Act.

Table 6: Number of Households Affected by Post-2015 Policies

	UK/GB Estimate	Scotland Estimate	Assumed Share	Time period
Benefit freeze	5,700,000	750,000	13.2%	2019/20
UC Work Allowance reduction	3,000,000	220,000	7.3%	Full rollout of UC (2022)
TC and UC 2 child limit	640,000	50,000	7.8%	By 2020/21
Cap social rents to LHA	800,000	70,000	8.8%	Long-run*
TC and UC family element removal	1,180,000	90,000	7.6%	By 2020/21
Support for Mortgage interest loan	170,000	10,000 – 20,000	8%	2018/19
ESA WRAG reduction	500,000	60,000-70,000	13%	Long-run*
Pension credit saving credit freeze	1,000,000	110,000	11%	Long-run*
Benefit Cap	66,000	4,000	6.1%	2016/17
TC income rise disregard	unknown	-	-	-
HB 18-21 entitlement end	11,000	800	7.3%	Long-run*
UC conditionality	220,000	20,000	9.1%	Full rollout of UC (2022)
UC (taper rate change)	3,000,000	220,000	7.3%	Full rollout of UC (2022)

**These policies only affect new claims (or new households with new tenancies). The number of households affected are calculated on the basis that all households currently in receipt of relevant benefit are affected (i.e. the long-run steady-state impact when all claims have been made after the specified date). It could take a number of year to reach that steady-state for some benefits.*

A full methodological summary, including the sources for all UK level estimates is provided in annex C. The numbers associated with each policy are subject to varying degrees of uncertainty. For example, there is some confidence around the number of households affected by the Benefit Cap. This is based on outturn data which shows that 66,000 households across GB were capped in February 2017[36]. On the other hand statistics for Support for Mortgage interest are not published by DWP. Whilst the GB estimate is what was reported in the Impact Assessment accompanying the policy, the Scottish share is based on Scotland's home ownership rate compared to GB, not taking into account the rate of homeownership amongst benefit claimants specifically.

Figure 5 divides the welfare savings estimate in table 4 (see section 3.2) by the number of household estimates in table 6 to give an indication of the scale of the

[36] Note - it should be noted that because households continuously flow on and off of the benefit cap, the number of individual households affected in a year will be more than the number affected in a given month.

annual financial loss to households from each post 2015 welfare measure. GB level figures are used as it removes a degree of uncertainty around the Scottish level impacts. The figures are illustrative of the loss expected at a household level, this does not take into account on-flows and off-flows to benefits and the analysis also assumes full rollout of the policies listed. Therefore, it gives an indicative sense of the household impact of each measure passed in the 2015-17 parliament and note a point estimate of average household impacts.

Figure 5: Expected Savings divided by the number of households affected by Conservative welfare measures

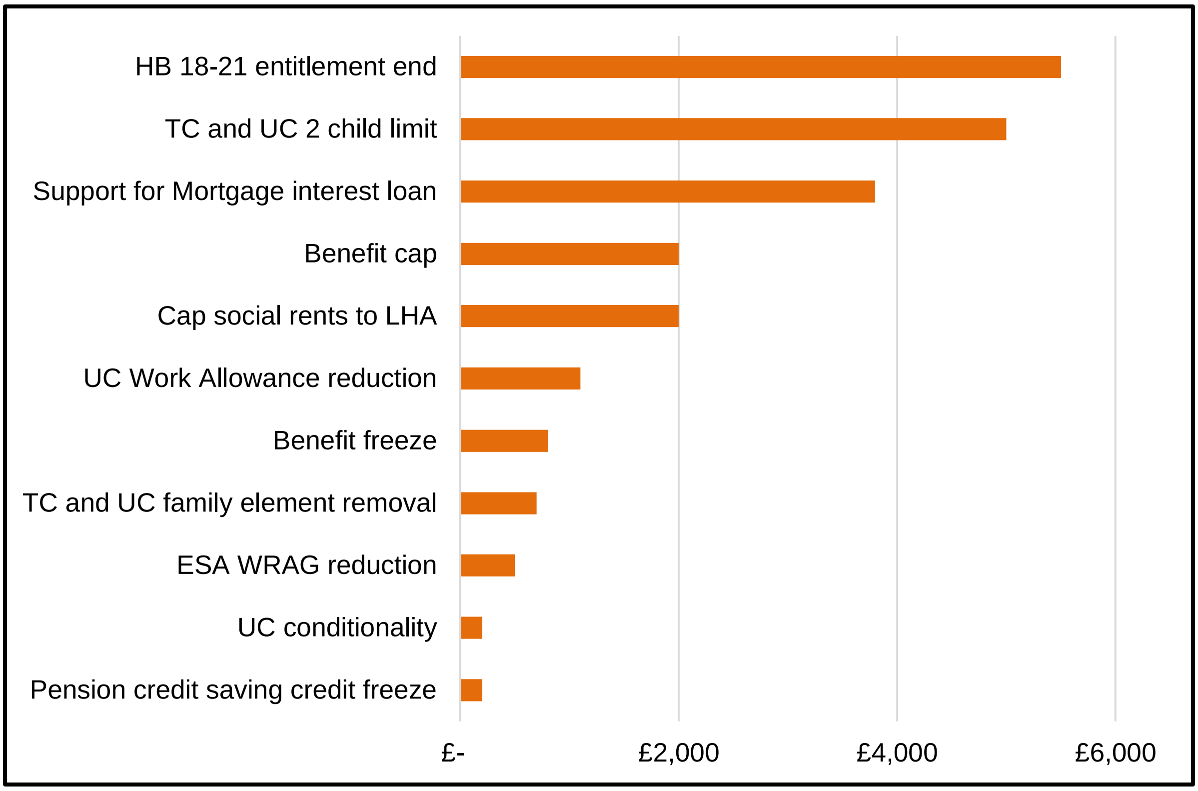

Figure 5 shows that, although the removal of housing benefit entitlement to 18-21 year olds will not save a lot in aggregate terms (around £40 million at a UK level), the scale of the cut is large for those households affected[37]. The 2 child limit to tax credits will see a similar scale of cuts for households affected, in line with IFS analysis that suggests that households with 3 children will be £2,500 worse off per year and families with 4 children of more will be £7,000 per year worse off. The Benefit Cap will also have a substantial effect on certain households.

Polices such as the Benefit Freeze, which is expected to reduce overall expenditure significantly, will reduce household income by around £800 per year or £16 per week (by 2020/21), which is much less significant compared to the impact of other policies. The actual reduction experienced by households will depend on household type, the number of different benefits claimed within the household and the future path of CPI inflation.

[37] Note - it should be noted that the household level impact in Scotland from this policy is likely to be lower due to the lower average housing benefit awards in Scotland compared to GB.

4. Local authority level impacts of latest welfare measures

4.1 Methodology

The analysis in this section estimates the likely financial impacts of welfare reforms across local authority areas in Scotland. The impact of the reforms varies significantly from area to area, largely because benefit claimants are unevenly spread across Scotland.

All the figures presented in this analysis are estimates based on figures from OBR's latest Welfare Trends report, the latest Treasury estimates of financial savings, UK government impact assessments and relevant benefit claimant data. A summary of the methodology used is presented in annex B.

The estimates presented in this section provide a local authority level breakdown of the financial impact of welfare measures (£870 million in total) introduced in the 2015-17 parliament. The analysis does not take into account measures passed during the 2010-15 parliament. This is because there is too much uncertainty around projections of the impact of most 2010-15 measures forward to 2020/21.

4.2 Financial impact of 2015-17 reforms at a local authority level

The estimated financial impact of reductions in welfare spending (by 2020/21) by each local authority is set out in Table 7. The table gives a central estimate for the financial impact of each welfare measure in each local authority and a total across all Conservative government welfare measures.

Table 7 is colour-shaded from red through to green, with red/orange colours denoting areas with particularly high impacts from each measure and yellow/green colours denoting areas with smaller impacts.

The table is ordered by the total impact divided by the number of working age adults in each local authority. This illustrates the scale of the reduction and is not an accurate reflection of the average loss per person from each of these measures. For example, claimants in a Local Authority area where benefit claimants make up a smaller proportion of population may experience similar average losses in income, however, the average loss per head in table 7 would show smaller impacts compared to areas where there are more claimants as a share of LA population.

Table 7: Reduction in welfare spending from Conservative government measures by 2020/21 by local authority
(£millions unless otherwise stated)

Financial loss (£ millions):	Benefit freeze	UC WA reduction	TC/UC 2 child limit	Cap SRS to LHA	TC/UC fam element	ESA WRAG reduction	Support for mortgage interest	PC freeze	Benefit Cap	HB removal (18-21)	TC income rise disregard	UC condition	UC taper	**Total by LA p.a.:**	**Loss per adult p.a.***
West Dunbartonshire	£7.3	£5.0	£2.0	£2.3	£1.1	£0.5	£0.5	£0.3	£0.2	£0.2	£0.1	£0.1	-£0.9	£19	£323
North Ayrshire	£10.5	£7.6	£3.1	£2.3	£1.6	£0.8	£0.7	£0.5	£0.2	£0.1	£0.1	£0.1	-£1.4	£26	£314
Dundee City	£11.1	£8.2	£3.1	£4.3	£1.6	£1.1	£0.7	£0.5	£0.2	£0.2	£0.2	£0.1	-£1.5	£30	£302
East Ayrshire	£9.3	£6.6	£2.6	£2.3	£1.3	£0.7	£0.6	£0.4	£0.1	£0.1	£0.1	£0.1	-£1.2	£23	£299
Inverclyde	£6.5	£4.3	£1.6	£1.2	£0.8	£0.5	£0.5	£0.3	£0.0	£0.0	£0.1	£0.1	-£0.8	£15	£298
North Lanarkshire	£27.4	£18.7	£7.2	£4.2	£3.8	£1.9	£1.6	£1.2	£0.3	£0.2	£0.4	£0.2	-£3.3	£64	£290
Clackmannanshire	£3.9	£2.3	£0.9	£1.2	£0.5	£0.3	£0.2	£0.1	£0.2	£0.1	£0.0	£0.0	-£0.4	£9	£289
Renfrewshire	£12.9	£9.7	£3.4	£3.5	£1.8	£0.8	£0.8	£0.5	£0.2	£0.2	£0.2	£0.1	-£1.7	£32	£287
Glasgow City	£46.1	£37.3	£14.7	£7.8	£7.7	£5.6	£2.8	£2.1	£1.2	£0.6	£0.7	£0.6	-£6.7	£120	£283
Dumfries & Galloway	£10.1	£8.3	£2.8	£2.3	£1.5	£0.4	£0.5	£0.5	£0.1	£0.1	£0.2	£0.1	-£1.5	£25	£282
Fife	£25.5	£19.2	£7.3	£6.3	£3.8	£2.0	£1.5	£0.8	£0.4	£0.3	£0.4	£0.2	-£3.4	£64	£278
South Ayrshire	£7.3	£5.6	£1.9	£2.0	£1.0	£0.5	£0.5	£0.3	£0.1	£0.1	£0.1	£0.1	-£1.0	£19	£274
West Lothian	£13.7	£9.5	£3.7	£1.9	£1.9	£0.9	£0.7	£0.4	£0.1	£0.1	£0.2	£0.1	-£1.7	£32	£274
Midlothian	£6.7	£4.5	£1.7	£0.6	£0.9	£0.4	£0.3	£0.2	£0.2	£0.1	£0.1	£0.1	-£0.8	£15	£271
South Lanarkshire	£23.2	£15.3	£5.7	£4.1	£3.0	£1.5	£1.4	£1.0	£0.3	£0.2	£0.3	£0.2	-£2.7	£53	£264
Scottish Borders	£7.3	£5.4	£1.8	£1.7	£1.0	£0.4	£0.3	£0.3	£0.1	£0.1	£0.1	£0.0	-£1.0	£17	£256
Highland	£17.9	£10.0	£3.5	£2.5	£1.8	£0.9	£0.7	£0.6	£0.1	£0.1	£0.2	£0.1	-£1.8	£37	£252
Angus	£7.5	£4.9	£1.9	£2.0	£1.0	£0.4	£0.4	£0.3	£0.1	£0.1	£0.1	£0.0	-£0.9	£18	£252
Falkirk	£10.9	£7.3	£2.8	£1.9	£1.5	£0.7	£0.6	£0.4	£0.1	£0.1	£0.1	£0.1	-£1.3	£25	£247
Na h-Eileanan Siar	£1.9	£1.0	£0.4	£0.3	£0.2	£0.1	£0.1	£0.1	£0.0	£0.0	£0.0	£0.0	-£0.2	£4	£243
Argyll & Bute	£5.4	£3.7	£1.3	£1.1	£0.7	£0.3	£0.3	£0.2	£0.0	£0.1	£0.1	£0.0	-£0.7	£12	£238
Perth & Kinross	£9.1	£6.9	£2.2	£1.6	£1.2	£0.5	£0.4	£0.3	£0.1	£0.1	£0.1	£0.1	-£1.2	£21	£232
East Lothian	£6.9	£4.1	£1.4	£0.8	£0.7	£0.4	£0.3	£0.2	£0.1	£0.1	£0.1	£0.0	-£0.7	£14	£225
Orkney Islands	£1.3	£0.9	£0.3	£0.3	£0.1	£0.1	£0.1	£0.0	£0.0	£0.0	£0.0	£0.0	-£0.2	£3	£219
Moray	£5.9	£3.9	£1.3	£0.9	£0.7	£0.3	£0.3	£0.2	£0.0	£0.1	£0.1	£0.0	-£0.7	£13	£218
East Renfrewshire	£5.8	£3.3	£1.1	£0.5	£0.6	£0.2	£0.3	£0.2	£0.0	£0.0	£0.1	£0.0	-£0.6	£11	£202
Stirling	£5.5	£3.2	£1.2	£1.0	£0.7	£0.3	£0.3	£0.2	£0.0	£0.0	£0.1	£0.0	-£0.6	£12	£200
East Dunbartonshire	£6.3	£3.3	£1.3	£0.6	£0.7	£0.3	£0.3	£0.2	£0.1	£0.0	£0.1	£0.0	-£0.6	£12	£191
Shetland Islands	£1.4	£0.6	£0.2	£0.4	£0.1	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	-£0.1	£3	£187
Edinburgh, City of	£27.3	£19.0	£6.8	£4.8	£3.6	£2.1	£1.4	£0.8	£1.2	£0.2	£0.4	£0.2	-£3.4	£64	£185
Aberdeenshire	£14.5	£7.3	£2.6	£0.4	£1.4	£0.6	£0.6	£0.4	£0.2	£0.1	£0.1	£0.1	-£1.3	£27	£163
Aberdeen City	£11.7	£6.9	£2.9	£0.9	£1.5	£0.9	£0.7	£0.4	£0.3	£0.2	£0.1	£0.1	-£1.2	£25	£156
Total by measure:	**£368**	**£254**	**£95**	**£68**	**£50**	**£26**	**£20**	**£14**	**£6**	**£4**	**£5**	**£3**	**-£45**	**£868**	**£250**

**Proxy measure for loss per working age adult (per year) in £s (not £millions)*

4.2.1 Total financial loss

In terms of financial impacts of welfare reform measures, the total loss to benefit claimants in Glasgow amounts to around £120 million by 2020/21, representing around 13% of the total reduction in welfare spending in Scotland. For North Lanarkshire, Fife and Edinburgh the figure is around £65 million in each area by 2020/21, which in total represents around 22% of the total reduction in welfare spending in Scotland.

The Benefit Freeze is the most significant measure in each LA, followed by the work allowance reduction to Universal Credit, with little variation in the ranking of each measure in terms of financial loss across all areas[38].

However, because each local authority varies considerably in its population, it is more relevant to look at the scale of spending reductions relative to population size.

4.2.2 Financial Loss per Person

Each welfare reform measure affects either households or individuals in receipt of the benefits. As set out above, it illustrates the scale of the reduction in relation to the working-age population of each areas, and is not an accurate reflection of the average loss per person from each of these measures, as the number of claimants as proportion of population will vary from area to area.

The average reduction per head of working age population is around £250 per year across Scotland as a whole, with the range varying from as low as £160 per year (Aberdeen), to as high as around £330 per year (West Dunbartonshire).

It is clear that older industrial areas of Scotland are hardest hit by these reforms. These include West Dunbartonshire, Inverclyde, Dundee, North Lanarkshire, Clackmannanshire, Glasgow, and North and East Ayrshire. Similar findings were reported by Sheffield Hallam in their report to the Social Security Committee in their report in November 2016[39].

By contrast, the financial loss to Edinburgh – an estimated £78m a year, or £185 per adult of working age – is significantly smaller taking the relative size of Edinburgh's working-age population into account.

The parts of Scotland that are least affected by the reforms are in North East Scotland, Orkney, Shetland, Stirling, East Renfrewshire and East Dunbartonshire. However, it is worth noting that even in some of these local authorities the absolute losses remain large. Households in Aberdeen, for example, can still expect to

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[38] Note - exemptions to this rule include Dumfries and Galloway, where the impact of changes to support for mortgage interest has a bigger impact than the ESA WRAG reduction measure.
[39] Beatty, C. & Fothergill, S. (2016) 'The Impact on Scotland of the new Welfare Reforms', Sheffield Hallam.

receive around £26m a year less than they would have been had the welfare measures introduced in the 2015-17 UK Parliament not been implemented.

We have compared our analysis to that done by Sheffield Hallam as the main source of analysis done at this level[40]. Although the findings are broadly similar, there are some difference due to the methodology and use of more up to date data. Most notably, the Sheffield Hallam analysis estimated that Glasgow would be the biggest loser from the 2015-17 policies reforms. This is partly explained by the inclusion in the Sheffield Hallam report of the impact of PIP in these figures. We have analysed the impact of PIP separately (see section 4.3) because it was introduced in the 2010-2015 parliament and because the expected savings have not been realised. However, there are also other key differences in our approach to LA analysis. For example, whilst Glasgow has a working-age population seven times larger than West Dunbartonshire, the number of 25-35 year olds claiming housing benefit is only three times as large. This means that the impact of the LHA social sector cap will have a disproportionally greater impact in West Dunbartonshire. This analysis is additional to what was done by Sheffield Hallam.

[40] Ibid.

4.3 Impact of Personal Independence Payment by local authority

This section analyses the additional impact of the introduction of Personal Independence Payment, which was introduced in the Welfare Reform Act 2012.

The latest costings from the OBR suggest that the introduction of PIP (see section 9.1 for the background to PIP) saved £0.1 billion by 2015/16 and will have saved £0.6 billion by 2020/21 at a GB level. PIP was initially expected to reduce spending by almost £1.4 billion by 2015/16. The Scottish share of the £0.6 billion by 2020/21 is expected to be around £65 million[41].

In terms of the impact at a local authority level, Glasgow experiences the biggest impact, with households losing around £11 million by 2020/21 (see table 8). Households in Edinburgh, North Lanarkshire, South Lanarkshire and Fife are also set to lose over £4 million each due to the introduction of PIP.

Table 8: Financial impact of the introduction of PIP by local authority, 2020/21

	Financial loss (£m)	Proxy loss per adult		Financial loss (£m)	Proxy loss per adult
Aberdeen City	£2.0	£12	Inverclyde	£1.3	£26
Aberdeenshire	£1.9	£11	Midlothian	£1.0	£19
Angus	£1.2	£17	Moray	£0.8	£14
Argyll and Bute	£0.9	£17	Na h-Eileanan Siar	£0.3	£17
Clackmannanshire	£0.7	£21	North Ayrshire	£1.9	£22
Dumfries and Galloway	£1.9	£21	North Lanarkshire	£4.9	£22
Dundee City	£2.3	£23	Orkney Islands	£0.2	£13
East Ayrshire	£1.7	£22	Perth and Kinross	£1.4	£15
East Dunbartonshire	£0.9	£14	Renfrewshire	£2.4	£22
East Lothian	£1.0	£15	Scottish Borders	£1.1	£16
East Renfrewshire	£0.7	£13	Shetland Islands	£0.2	£13
Edinburgh, City of	£4.6	£13	South Ayrshire	£1.4	£21
Falkirk	£1.9	£19	South Lanarkshire	£4.2	£21
Fife	£4.1	£18	Stirling	£0.9	£15
Glasgow City	£11.1	£26	West Dunbartonshire	£1.6	£28
Highland	£2.4	£16	West Lothian	£2.3	£20

On a per capita basis (adjusting for the size of the working-age population in each area), West Dunbartonshire (£28), Inverclyde (£26), Glasgow (£26) and Dundee (£23) are losing the most from the introduction of PIP. This is similar to the pattern observed in section 4.1 for all 2015-17 measures. The North East, Orkney,

[41] Note - this is significantly less than the £190 million estimated by Sheffield Hallam - see Beatty, C. & Fothergill, S. (2016) - which was based on UK Government expectations of the savings from PIP.

Shetland, East Dunbartonshire, East Renfrewshire, Edinburgh and Stirling are all impacted to a lesser degree on a per head of population basis.

The findings above are based on expected expenditure savings figures. The number of people affected by PIP in Scotland is more difficult to estimate.

Based on reassessment outcome statistics[42], around 55% of people who are reassessed are initially successful in maintaining or increasing their award level in Scotland. This means the remaining 45% either receive a lower award, or go on to have a mandatory reconsideration or appeal against the initial decision[43]. If these proportions are maintained until all reassessments are competed, around 100,000 people in Scotland will lose some or all of their entitlement to disability benefits because of the introduction of PIP[44], whilst around 120,000 will have kept their award or had it increased because of PIP.

When accounting for mandatory reconsiderations and appeals, the OBR expect that 83% of DLA cases will be successfully reassessed to PIP (at any level of award)[45] which means that the total number of people who lost their disability benefit award entirely in Scotland would be around 37,000 whilst 183,000 would retain entitlement either at a lower, same or higher level.

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[42] Note - based on detailed reassessment outcome statistics published by DWP in October 2016, which covers all reassessment outcomes from April 2013 to October 2016. Available here: https://www.gov.uk/government/statistics/personal-independence-payment-april-2013-to-october-2016.

[43] Note - some people who have maintained the same level award may also decide to appeal the decision to seek a higher award.

[44] Note - this assumes that the Scottish working-age DLA caseload at the beginning of the reassessment process stood at around 220,000 based on caseload data for 2011 (Stat-Xplore).

[45] Office for Budget Responsibility (March 2016) 'Economic and Fiscal Outlook'

5. Impact of welfare reforms on equality groups

This section examines the evidence of the impact of welfare measures on equality groups with particular emphasis on the impacts on women and disabled people.

5.1 Gender

5.1.1 Women

Most working-age low income benefits are paid for the household as a whole and therefore the impact on gender can be challenging to distinguish. Certain benefits are, however, more likely to be paid directly to the woman in the household, even where the household is a couple. The most recent HMRC statistics, for December 2016, show that of all in-work families receiving Child Tax Credits, the vast majority (87%) of those receiving the payment were women, with the proportion even higher (94%) amongst in-work lone parents. Around 47% of families on tax credits are lone parent households.[46] However, it should be noted that the tax credit payments are for the household as a whole and in opposite-sex couples, also form part of men's income - even if the payment is not directly received by them.

As of April 2017 child tax credits (CTC) have been capped at two children for new births (see section 8.2). Families on tax credits who have a third or subsequent child after April 2017, and families with more than two children making a new claim to UC, will no longer receive the child element for the third and subsequent children. DWP's impact assessment[47] of these policy changes estimates that 640,000 families will be affected as a result.

Rates of most working-age benefits, elements of tax credits and Child Benefit have been frozen at their 2015/16 levels for four years from 2016/17 to 2019/20. DWP's impact assessment of the policy suggests that women are more likely to be affected than men, with 33% of women claimants affected compared to 29% of men. Given the latest inflation forecasts, according to the Resolution Foundation: "the real-terms squeeze is now expected to amount to a 5.9 per benefit cut cent in total, up from a forecast of 4.4 per cent in March 2016. This has increased the expected savings from the measure by £0.9 billion a year in 2020, or an extra £2.7 billion over the next four years."

As well as the benefit freeze, the lower Benefit Cap introduced in November 2016 could impact women disproportionately. The lower Benefit Cap limits the amount of benefit award a working-age household can receive to £385 per week (£20,000 p.a), including Child Tax Credits and Child Benefit. DWP modelling suggests that around 66% of those affected will be single women (of which most are lone parents), but only around 13% will be single men. 89% of households affected by the Benefit Cap contain children. Of this 89%, half are single parent households. The latest DWP figures, for February 2017, show that 3,640 households were

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[46] HMRC (December 2016) 'Child and Working Tax Credit Statistics, UK'.
[47] DWP (July 2015) 'Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element'.

affected by the new cap. Of these, 2,759 were single person households, of which 2,376 (86%) were women. 2,394 of single person households were lone parent households (with children).

The introduction of Universal Credit and policies associated with changing UC entitlement is expected to impact women disproportionately. Institute for Financial Studies (IFS) analysis suggests that the reductions in UC work allowances mean that working lone parents, most of whom are women, see a big reduction (of around £1,000 a year) in their benefit entitlements on average.

This is also picked up in a briefing paper by CPAG,[48] which highlights that "lone parents will be hit particularly hard, and stand to lose £46.15 per month or around £554 per year if renting, or over £2,600 if not" by the cuts to Universal Credit. CPAG points out that a single parent on the 'national living wage' "will have to work 46 extra days each year" to get the same income.

UC may also weaken the incentives for many second earners (mainly women) to enter or continue working in the labour market**,** because there is a lower 'earnings disregard' for second earners. At the same time, the rollout of UC represents a significant expansion of conditionality compared with the legacy system, affecting those working part-time and non-working partners of full-time workers. This means that many women and lone parents will be encouraged to take on extra hours or a second job, or find an alternative job that pays the 'earnings threshold'.

In addition, under UC, where there are two adults in a household, a single payment is made to one person in a couple. Before UC, payment of separate benefits could have been split between both people, i.e. one person could receive tax credits, and another income support. In opposite sex couple households, for example, where the man receives the single payment, this may represent a loss of independent income for the woman, potentially decreasing the woman's financial autonomy and independence.[49]

Policies introduced during the 2010-15 UK Parliament included the removal of the Baby Element of Child Tax Credit, increase in the taper rate for Tax Credits, limiting of Sure Start Maternity Grant to the first child, as well as the 2011 to 2014 freeze to Child Benefit and lowering of the qualifying age of the child from 7 to 5 for Income Support. Furthermore, since April 2013, Carer's Allowance (CA) has been uprated using the Consumer Price Index rather than the higher Retail Price Index, and over 70% of CA recipients are women. Again, whilst these benefits are more likely to be paid to women, and form a higher share of their income – largely because single parents are more reliant on them – they will also form part of men's incomes.

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[48] CPAG (May 2016) 'Universal credit: cuts to work allowances'.
[49] Women's Aid and TUC (March 2015) 'Unequal and trapped: Women's Experiences of Financial Abuse and the Potential Implications for Universal Credit'.

5.1.2 Men

Some welfare measures have affected men more than women. The most visible examples are changes in sanctions policies (see section 8.3). Since October 2013, Jobseeker Allowance claimants have had to sign a Claimant Commitment, personalised for each jobseeker, which sets out the particular job readiness and job searching activities that must be undertaken. If claimants do not fulfil the requirements, JSA payments are stopped for a certain period – this is known as a 'sanction'. According to DWP data, 67% of male claimants have faced at least one adverse JSA sanction since 2012, and 76% of all adverse sanctions have fallen on men.[50] Around two thirds of JSA claimants are men.

DWP Data on sanctions under Universal Credit indicate that in 2016, 10,333 people in Scotland were sanctioned. Men were sanctioned at a slightly higher rate compared to women. Men made up around 71% of the UC caseload[51] over 2016, whilst 8,071 (77%) of sanctions were applied against men.

ESA sanctions are also applied marginally more frequently to male claimants. Whilst only 51% of Scottish ESA claimants are male, men account for of all ESA sanctions under the new (post-2012) sanction regime, and 54% of male claimants have faced at least one adverse ESA sanction.

5.2 Disability

A number of welfare measures affected disabled people directly as both disability and incapacity benefits have been subject to significant reforms and policy changes over the last two UK Parliaments. The introduction of PIP to replace DLA, and cuts to ESA form a substantial part of the Welfare Reform Act 2012. There have also been several policies that have changed ESA since its introduction, making it less generous.

Disabled people are affected by changes to both disability-specific and non-disability-specific benefits. In Scotland, based on 3-year average data for 2013/14 to 2015/16, after housing costs, 23% of individuals living in families where someone was disabled had household incomes below the 60% median. This compares to 16% of individuals in families where no one was disabled. Households on lower incomes derive a higher share of their income from social security benefits and would therefore be expected to be affected more by changes to welfare measures.

5.2.1 Employment and Support Allowance

Employment and support allowance (ESA) is a benefit that provides support to people whose disability or health condition causes them to have limited capability for work. ESA was introduced in October 2008 to replace the existing incapacity benefit (IB) for new claimants (see section 9.2). The managed migration from IB to

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[50] Source: Stat-Xplore
[51] Based on the number of people on UC dataset, average gender split over each month of 2016 (Stat-Xplore)

ESA is now complete. One of the key differences between IB and ESA is the form of eligibility assessment, which has been perceived by disability groups as stricter.[52]

In order to qualify as eligible for ESA, applicants must attend a work capability assessment (WCA), and be scored 15 or more points according to performance in relation to a range of physical and mental impairments. Following assessment, claimants are assigned to one of two categories: the work-related activity group (WRAG) and the support group. Whilst the IB assessment – the Personal Capability Assessment (PCA) – included a group of assessment exemptions, including for people with a learning disability, no such group exists for the WCA. These assessments have come under sustained scrutiny, from disability rights groups, unions, and medical professionals, who have commented that they are “inhumane and ineffective”.[53]

Dr. Paul Litchfield, appointed by the Secretary of State for Work and Pensions to carry out the fifth and final independent review of WCA,[54] expressed concern about the assessment for those with mental health issues and learning disabilities. A key deficiency of the work capability assessments appears to the participants to be a lack of understanding of the assessors about fluctuating or ‘invisible’ health conditions. One respondent in a SG tracking study said: “obviously people have complicated medical conditions they don’t just conform to a tick box. People have good days and bad days. I do. Some days I’m able to do quite a lot and other days not very much at all.”

In the same way as JSA, ESA can be both income and contributions based. As part of the Welfare Reform Act, contributory ESA was time-limited to one year for claimants in the WRAG group. According to the DWP impact assessment of the policy[55], the change was expected to affect around 700,000 people in total by 2015/16, as they lose their entitlement to contributory ESA. This change particularly affects couples where one is working full-time, so the sick or disabled person loses this independent income which is based on contributions paid when in work, and is reliant on their partner. According to DWP’s impact assessment, the policy is expected to affect more men than women; this difference will start to erode as the female State Pension Age, and therefore the upper limit for claiming ESA, is increased.

Another key reform to ESA came into force in April 2017, when the work-related activity component (£29.05 p/w) was abolished for new claimants. The policy was motivated by the aim to align ESA WRAG with JSA, However, Disability Rights UK[56] have criticised this approach by arguing that: ‘disabled people being

[52] Sense (June 2011) ‘Moving from incapacity benefits to Employment and Support Allowance (ESA) via the Work Capability Assessment (WCA)’.
[53] E.g. Spartacus Network (April 2015) ‘Work Capability Assessments: Deaths and Suicides’, April 2015; and Unison (n.d.) ‘5 Welfare Reform Changes Affecting Disabled People’.
[54] Litchfield, P (November 2014) ‘An Independent Review of the Work Capability Assessment – year five’.
[55] DWP (October 2011) ‘Time limiting contributory Employment and Support Allowance to one year for those in the work-related activity group’.
[56] Disability Rights UK (November 2016) ‘ESA WRAG Cut Briefing’.

supported by ESA receive a higher rate than those on JSA because they face additional barriers as a result of their illness or disability, and typically take longer to move into work.' There is not yet sufficient data to assess the full impact of this policy.

5.2.2 Personal Independence Payment

The introduction of PIP is a substantial part of the Welfare Reform Act 2012 (see section 9.1). PIP replaces DLA for working-age claimants (those under 16 will continue to receive DLA), and as such, all DLA claimants between 16 and 64 are required to apply for PIP and attend reassessment. Claimants are assessed against a range of criteria, and, if successful, awarded a 'daily living' component and/or a 'mobility' component at standard or enhanced rates.

Initially, the shift to PIP was intended to reduce expenditure on disability benefits by 20%. However, spending forecasts have been continuously revised upwards and the latest OBR assessment puts savings at around 5%.[57] This has been driven by the higher success rate of DLA reassessments; higher average awards; and higher number of new PIP claims.

5.2.3 DLA to PIP reassessments

Scottish claimants currently make up around 10% of the total DWP PIP reassessment caseload (72,700 of 748,000).[58] Natural migration from DLA to PIP began in October 2013 and managed migration started two years later in October 2015. Of the 52,800 cases that were reassessed to October 2016 (latest available decision statistics), 22% of claimants saw their benefit reduced and 22% had their award disallowed. On the other hand, 45% had their award increased while 12% saw no change in their award (see Table 9).

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[57] Office for Budget Responsibility (March 2016) 'Economic and Fiscal Outlook'.
[58] Source - Stat-Xplore

Table 9: Outcome of DLA reassessments for PIP in Scotland (April 2013 to October 2016)

Reassessment outcome	Completed to October 2016	%
Award Increased	23,800	45%
Award Unchanged	6,300	12%
Award Decreased	11,600	22%
Disallowed post referral to the AP	9,500	18%
Disallowed pre referral to the AP	2,100	4%
Withdrawn	500	1%
Total*	52,800	

**Note: the breakdowns do not sum to the total due to the rounding in the published percentages of reassessment outcomes.*

Although, as the data above shows, a large number of people reassessed from DLA got the same or higher level of award, there has been controversy around the assessment process. For example, Citizens Advice Scotland (CAS) highlight the emotional and psychological burden placed on claimants who lose some or all of their award as a result of reassessment.[59] In order to assess the impact of welfare reform in Scotland, the Scottish Government carried out a study tracking the experience of forty three individuals, each with different reasons for claiming benefits.[60] The first report of this study shows that those claiming disability benefits experience high levels of anxiety in relation to the impending move to PIP and the required medical assessment related to that. The ongoing uncertainty and associated stress of being reassessed, including the length of time for decisions to be made, and of the process of future reassessments, was strongly expressed.

Similar findings are reported in the second independent review of PIP by Dr. Paul Gray[61], who states:

"The vast majority of responses from claimants who had gone through the claim process were negative. Common concerns were that the process from application through to the decision of entitlement was very stressful, too long and that the Health Professionals conducting the assessment were not adequately trained to understand their condition."

One respondent to Gray's review call for evidence had to wait 12 months for an appeal date, and said that, as a result, 'the affect the whole process had on [their] mental health was a dramatic worsening of it', adding that 'it is a horrible system to navigate when you are so weak mentally".

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[59] CAS (2013) 'A tidal wave of change: The impact of benefit reforms, changes, and cuts on people and families in Scotland'.
[60] Scottish Government (October 2014) 'The Impact of Welfare Reform in Scotland – Tracking Study'.
[61] Gray, P (March 2017) 'The Second Independent Review of the Personal Independence Payment'.

The Review suggests three key areas where PIP assessments are failing to deliver the desired outcomes: clarifying the role of further evidence; claimant trust and transparency; quality and consistency between cases.

The Review highlights the functional focus of the assessment and the disjuncture between this and the kinds of evidence provided by claimants alongside their PIP2 form – often medical in nature. Gray's review concludes that it should be the responsibility of the claimant to provide additional evidence, but that the DWP must clarify the guidelines for this. Indeed, an overarching theme of the report is the simplification of communications across the claimant journey, and a more joined up digital journey.

A frequent concern of claimant respondents to Gray's review call for evidence surrounded the ability of health professionals to accurately record what is said in face-to-face assessments. In order to allay some of these concerns, the Review recommends a more transparent process where claimants have routine access to their assessment report, and audio recording becomes the norm for face-to-face assessment. Gray's review notes that there has been positive developments here, with such recording currently being trialled by DWP and Atos.

The quality and consistency of PIP assessments is criticised in the report, with the robustness of the application of system-wide audit criteria highlighted in particular. To this end, the Review identifies four particularly significant sources of potential inconsistency:

a) The amount of support claimants have in making their application and at the assessment;

b) The amount of Further Evidence considered in any particular case;

c) Differences in process between the two Providers;

d) Differences in the approach of individual assessors.

The Review asserts that this lack of consistency reduces claimants' perception of the fairness of the system, and recommends a deepening and broadening of the audit process to take account of assessment as well as the resulting report.

5.2.4 Mandatory reconsiderations and appeals

Claimants who disagree with the outcome of their assessment may request a mandatory reconsideration (MR) from DWP. Should the MR result in no change in decision, claimants can appeal to a tribunal through HM Courts and Tribunals Service (HMCTS).

The number of mandatory reconsiderations has been gradually increasing over the past year, whilst the success rate has remained relatively stable at around 20% over the past year. Data on mandatory considerations are collected for each month at a GB-level.

Table 10: Number and proportion of successful mandatory reconsiderations (reassessments and new claims)

	Mandatory reconsiderations (excluding withdrawals)	Successful reconsiderations	Successful reconsiderations (as % of total)
Nov-15	14,300	2,400	17%
Dec-15	13,300	2,000	15%
Jan-16	14,000	2,300	16%
Feb-16	18,000	2,800	16%
Mar-16	16,800	2,800	17%
Apr-16	17,300	3,000	17%
May-16	18,100	3,200	18%
Jun-16	21,900	4,100	19%
Jul-16	20,700	3,700	18%
Aug-16	21,400	4,500	21%
Sep-16	20,000	3,800	19%
Oct-16	29,000	5,100	18%
Nov-16	33,300	6,100	18%
Dec-16	29,600	6,300	21%
Jan-17	31,800	6,400	20%

By the end of January 2017, at the GB level, 85% of new claims reconsiderations and 79% of reassessed DLA reconsiderations for normal rules resulted in no change to the award.[62]

The data on appeals does not show how they break down into appeals in relation to new claims and appeals in relation to reassessment. In total 55,500 appeals have been ruled in favour of the applicant at the GB level. From October to December 2016, there were 34,500 PIP related appeals within the HMCTS total Social Security and Child Support disposal caseload. Of these, 65% were found in favour of the claimant, and the original decision overturned.[63] The MR and appeal process can take a number of months, during which the claimant does not receive their award. This could be a source of considerable stress.[64] If successful, however, payments are backdated to the date of the original decision.

Following a 2015 consultation on further changes to PIP, the Government announced that they would halve the number of points awarded in the PIP assessment for reliance on aids an appliances in relation to the 'dressing and undressing' and 'managing toilet needs' activities from two to one.[65] This policy was reversed before it was implemented.

[62] DWP (March 2017) 'Personal Independence Payments: Official Statistics'.
[63] MOJ (March 2017) 'Tribunals and Gender Recognition Statistics Quarterly, October to December 2016 (provisional)'.
[64] Gray, P (March 2017) 'The Second Independent Review of the Personal Independence Payment'.
[65] 'PIP Written statement – HCWS611' (11 March 2016)

5.2.5 Motability

The Motability scheme allows those who are on the highest rate of PIP or DLA to lease a suitable car, scooter or powered wheelchair in return for their weekly award.

One key change in the Mobility component of PIP, compared with DLA, is the use of the distance benchmark for assessing claimants' ability to move around unaided. Under DLA, if a claimant is unable to move 50m or more unaided, they qualify for the highest rate under the benefit's mobility component and gain access to the Motability scheme. This benchmark is reduced to 20m for PIP. The DWP[66] projected in 2012 that 42% of claimants would lose their eligibility for Motability as a result of lower award at reassessment. Using the latest data on reassessment outcomes to better inform the estimate of the number of working-age people who could lose Motability, a comparable figure would be around 31%[67]. Analysis of written responses to the consultation on social security in Scotland shows that this loss of entitlement to Motability has a clear negative impact on affected claimants' independence, risking social isolation and worsening health.[68] In April 2017, the Government announced that those who lose their entitlement to Motability and, as a result of an unsuccessful reassessment from DLA to PIP, and appeal the decision, would be able to keep their Motability vehicle for eight weeks from the end of their DLA award.

5.2.6 Carers

Whilst some carers may gain entitlement due to reassessment, many unpaid carers of working-age disabled people who lose eligibility for disability benefits as a result of reassessment from DLA to PIP will no longer qualify for Carer's Allowance. Carer's Allowance is set at £62.70 per week in 2017/18 (£3,269 per year). This loss of income would be exacerbated if the disabled person who lost their entitlement and their carer live in the same household.

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[66] DWP (December 2012) 'Personal Independence Payments: Reassessments and Impacts'.
[67] Note – Scottish Government analysis, applies detailed reassessment outcomes as published in October 2016 and applies to 2012 DWP caseload projections.
[68] Scottish Government (February 2017) 'Analysis of written Responses to the Consultation on Social Security in Scotland'.

5.3 Other protected characteristics

5.3.1 Age

Some welfare policies have affected young people (16-24 year olds) disproportionately. The abolition of the ESA 'youth' provision, which allowed those aged 16 to 19 (or 25 if in education) to qualify for contributory ESA without meeting the normal National Insurance conditions, is one example. Ahead of introducing the policy, the DWP[69] estimated that 15,000 young people would lose their entitlement in the first three years of the policy.[70]

Furthermore, changes to UC announced in the 2015 Summer budget remove default entitlement to the housing element of UC from young people aged 18-21, limiting it to those in specific circumstances, for example those with children. The DWP has assessed that around 10,000 people will be affected by these restrictions to UC.[71] The support available to young people (Extended to under 35s from 2012, formerly under 25s) without dependents in the private sector (and from 2019 the social sector) is also limited by the application of the Shared Accommodation Rate of UC, which is based on the market cost of renting single room in a larger property or sharing a property with other tenants, over 35 households of a similar composition would be entitled to a more generous one bedroom rate, based on the costs of single household occupancy of a one bedroom (2-apartment) property.

Young people are also more likely to be affected by adverse JSA sanctions than older claimants. Indeed, whilst nearly one third of JSA caseload are aged 18-24, 41% of all adverse JSA sanction decisions in Scotland since 2012 have been applied to that age group.[72]

Pensioners' incomes have been protected by the triple lock, with the Basic State Pension guaranteed to rise with either earnings, inflation or by 2.5%, whichever is higher. However, had the previous approach where the basic state pension was uprated with the RPI been maintained, the level of basic state pension would have been higher.

5.3.2 Ethnic minority groups

The DWP estimated that of the households likely to be affected by the Benefit Cap, approximately 40% would contain someone from an ethnic minority. They explain this by reference to the prevalence of larger families in certain ethnic minority groups. By contrast, ethnic minority groups tend to benefit from the move to UC, since they are more likely to be among the group of low earners who benefit from changes to entitlement. The DWP's UC impact assessment[73] estimated that, on

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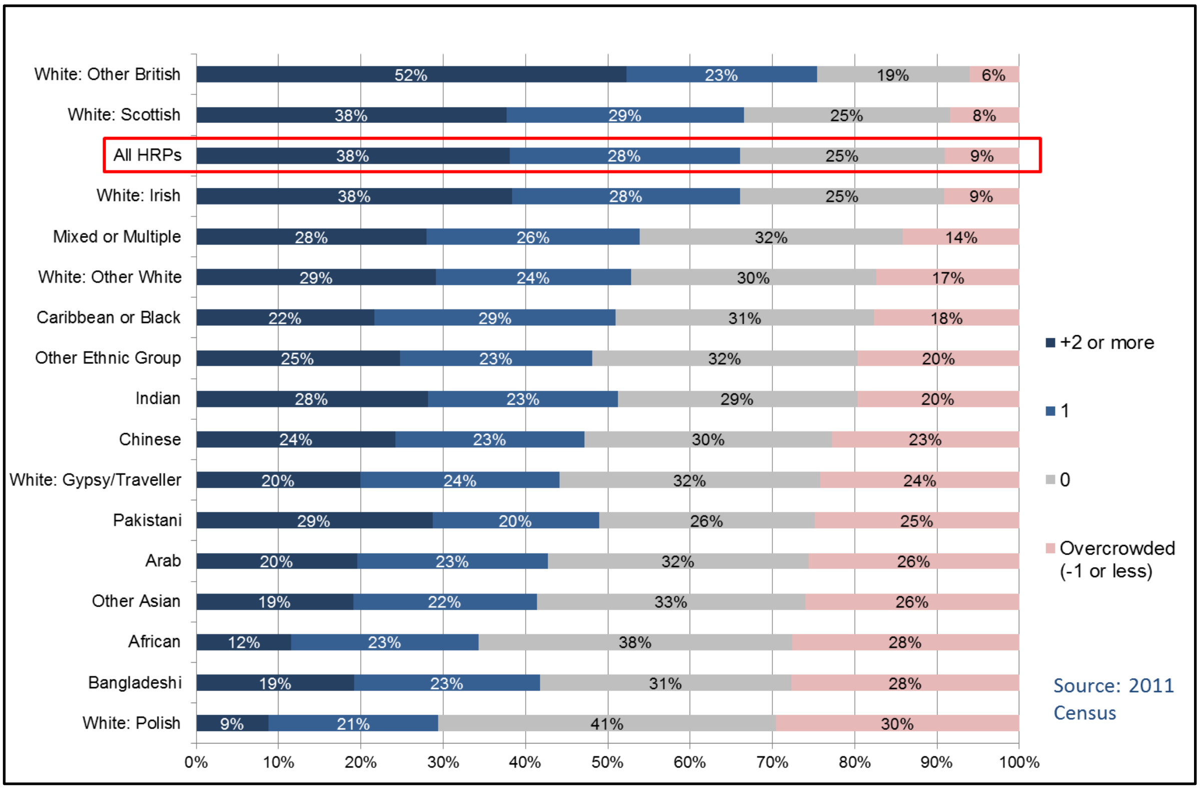
[69] DWP (October 2011) 'Abolition of concessionary Employment and Support Allowance (ESA) 'youth' National Insurance qualification conditions'.
[70] Note - the UK government does not hold data on ESA 'youth' cases.
[71] 'Written question – 60655' (24 January 2017)
[72] Source - Stat-Xplore (all JSA sanction decisions in Scotland - includes individuals subject to multiple sanctions)
[73] DWP (December 2012) 'Universal Credit Impact Assessment'.

average, houses with an ethnic minority would see an increase in their entitlement of £51 per month. However, this assessment was made before a number of changes to UC, for example cuts to Work Allowances and limit of entitlement to two children for new claims were introduced. Indeed, the DWP impact assessment of the two-child cap on UC Child Element[74] predicted that ethnic minority households may be more likely to be impacted by the reform because they are, on average, more likely to be in receipt of these benefits, and on average have larger families.

However, certain ethnic minority groups are may be likely to be affected by the bedroom tax, because of their tendency toward higher occupation of rooms in a household (see figure 6).

Figure 6. Occupancy Rating by Ethnic Group, Scotland



Source – 2011 Census

As of April 2016, tax credit rates have been frozen in cash terms for four years. According to Runnymede[75], tax credits account for 10% of Bangladeshi and Pakistani household income, 6% of Black household income, and 2% of White household income, implying that ethnic minority groups are disproportionately affected by this freeze.

[74] DWP (July 2015) 'Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element'.

[75] Runnymede Trust (July 2015) 'The 2015 Budget: Effects on Black and minority ethnic people'.

5.4 Summary

There have been a range of impacts on equality groups as a result of the Act and subsequent welfare reforms.

There is some evidence to suggest that women are disproportionately impacted by the UK government reforms to the social security system. The fact that lone parents are more reliant on many low income benefits is a big factor in this. However, the extent is difficult to assess because most benefits are paid for the household as a whole. It should also be noted that men are marginally more likely to be sanctioned for JSA and ESA.

There have been large-scale reforms to disability and incapacity benefits which have affected disabled people. The process of assessments for ESA have received criticism and further changes to entitlements reduced incomes for disabled people who were assessed as being in the Work-Related Activity Group.

The reassessments from DLA to PIP resulted in a number of people receiving no award or a reduced award, whilst the introduction of a stricter test meant that some lost their Motability entitlement. It should be noted, however, that 57% of those reassessed from DLA saw no change to their award, or had their award increased.

Other equalities groups have also been affected by reforms. Young people, for example, are marginally more likely to be sanctioned, and have been affected by some policies directly, e.g. a removal of default entitlement to housing element of Universal Credit. Ethnic minority groups are more likely to be affected by the Benefit Cap, due to the tendency toward larger families, whilst they may be less likely to be hit by the bedroom tax for the same reason.

6. Impact of welfare reform on income inequality and poverty

In March 2017, The Institute of Financial Studies (IFS) published the results of an analysis[76] which quantified the expected impact of UK welfare changes (and personal tax changes) on income inequality in the UK and poverty rates in the UK. Parts of this analysis have been subsequently updated to take account of new outturn figures on income and poverty for 2015/16[77]. The results of their analysis are available publically and are summarised in this section of the report. Separate Scotland level analysis is not available at this time.

Our summary focuses on the period 2016-17 to 2021-22, and takes into account reforms to social security that are being rolled out during this time. Official statistics on income and poverty are reported with a lag, so these projections give us the best indication of the full impact of recent welfare reforms.

6.1 Income Inequality

Over the period between now and 2020/21, the IFS are projecting an increase in income inequality. That is, the gap in income between the richest and poorest households is expected to increase.

Figure 7 shows IFS predicted change in real household income between 2016-17 and 2020/21, both on a before housing cost (BHC) and an after housing costs (AHC) basis for different parts of the income distribution. The highest income households are expected to benefit the most over this time period, and this stands in contrast to projected falls for the lowest income households, especially when measured after housing costs have been deducted.

The key determinants of household income that inform this IFS analysis are income from employment and income from benefits. In general, lower income households are more likely to receive at least some of their income from benefits, whilst for higher income households, earnings make up the larger share of their income.

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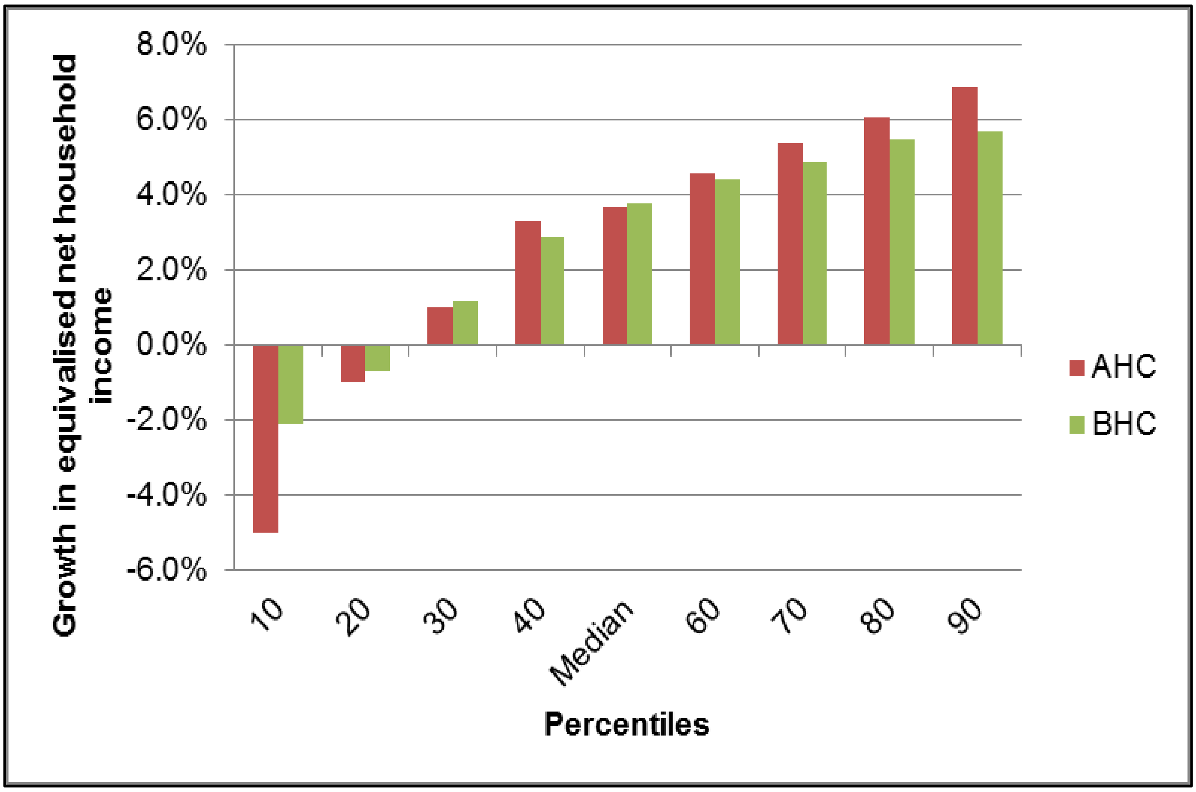
[76] Hood, A & Water, T. (March 2017) 'Living standards, poverty and inequality in the UK: 2016–17 to 2021–22', Institute of Fiscal Studies

[77] Hood, A & Waters, T (May 2017) 'Incomes and inequality: the last decade and the next parliament' and Hood, A and Waters, T (April 2017) 'The impact of tax and benefit reforms on household incomes'.

Figure 7: Change in real household BHC and AHC income between 2016–17 and 2021–22 by percentile point (Source: IFS)



Benefit cuts therefore have the greatest impact on those on the lowest incomes and this is responsible for the falls in income predicted for the bottom 20% of the income distribution. The IFS highlight three reforms of particular importance:

- The continued freeze in most working-age benefits which are expected to reduce the real value of these benefits by 5% between now and 2020, based on current inflation forecasts.
- Cuts to the generosity of tax credits for families with children
- The roll out of universal credit, which is expected to reduce government spending by around £5 billion a year in the long run

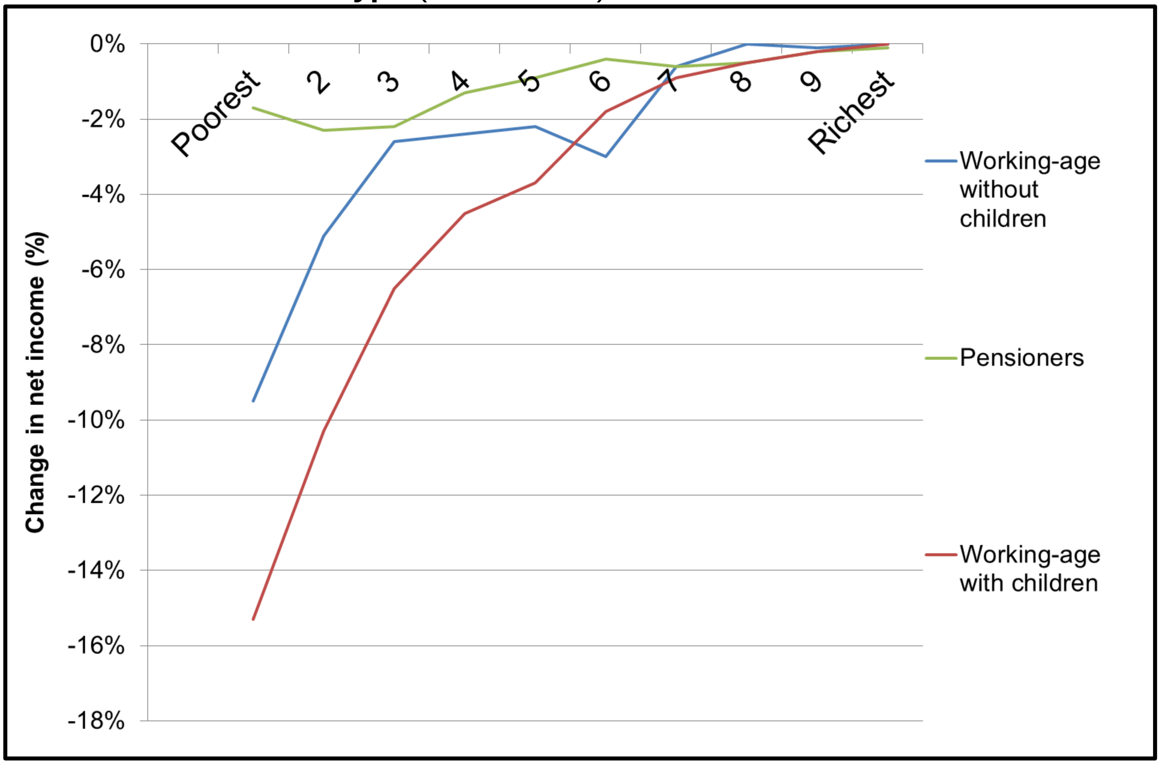
At the other end of the income distribution, the main reason why incomes are set to increase is due to forecasted increases in real earnings. Although this will also benefit those in paid employment on lower incomes, because earnings make up a lower proportion of their income, they will not benefit to the same extent.

Once housing costs are deducted, the outlook for income inequality looks even worse. The key reason for this is that changes brought in by the Coalition and Conservative UK governments (such as changes to LHA rates) mean that housing benefit will not rise to offset increasing housing costs for many low income households.

6.2 Poverty and Child Poverty

As a result of these rising levels of income inequality, levels of relative poverty are expected to rise. Child poverty is expected to increase more than overall poverty because of the focus of the benefit cuts on households with children, as shown in Figure 8.

Figure 8: Long-run impact of planned[78] tax and benefit reforms by income decile and household type (Source: IFS)



In a recent paper, the IFS model expected changes to absolute poverty. Absolute poverty measures whether living standards are improving for the lowest income households by comparing real incomes to a fixed point in time.

As a result of the focus of cuts on households with children the IFS expects the number of children in absolute poverty to increase. In their May 2017 briefing note, the IFS have updated their projections to show that absolute child poverty AHC will increase from 27.1% in 2015/16 to 31.6% in 2020/21, which is a return to levels not seen since the early 2000s.

It is important to note that poverty rates can be influenced by a number of factors, and IFS projections factor in both changes in income and changes in composition of households, which in itself can be a driver of poverty. For example, the IFS note in their March 2017 paper that at the UK level, lone parent families are twice as likely to be in absolute poverty than two parent families and as the proportion of lone

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[78] Note - those being rolled out or planned by the 2015-2017 UK Conservative government. The analysis shows the impact on household income once all these policies have been fully implemented.

parent families is expected to increase over the period to 2020/21, this in itself will increase poverty. However, over the time period in question, income effects rather than compositional effects are expected to be the dominant factor in increasing levels of poverty.

7. Scottish Government mitigation

7.1 Total mitigation funding 2017/18

In 2017/18, the Scottish Government will spend around £454 million on measures that either directly mitigate the changes introduced by the Act or are part of wider measures tackling poverty in Scotland.

Table 11: Scottish Government Funding: Mitigation and Tacking Poverty Measures

	2015/16	2016/17	2017/18
Council Tax Reduction	343	343	351
Discretionary Housing Payment[79]	35	35	57.9*
Scottish Welfare Fund	38	38	38
Fairer Scotland	8	8	6.9
Total	**424**	**424**	**453.8**

Table 11 shows how these costs are broken down by each measure[80] - Council Tax Reduction scheme (CTR), Discretionary Housing Payments (DHP), Scottish Welfare Fund and Fairer Scotland[81].

The Scottish Government has invested over £1 billion in the Council Tax Reduction scheme since the abolition of Council Tax Benefit in 2013, with funding increasing in 2017/18 as a result of a 25% increase in the child allowance in from 1 April 2017. Between 2013/14 and 2016/17 over £125m of Discretionary Housing Payment (DHP) to fully mitigate the Bedroom Tax (see section 7.3) has been provided by the Scottish Government. In 2017/18 DHPs became a fully devolved benefit, with no additional funding paid to local authorities by DWP and therefore the total amount spend on DHPs by the Scottish Government increased from £35 to £57.9 million, with £47 million allocated to mitigate the impacts of the bedroom tax.

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[79] Note - in 2017/18 DHPs became a fully devolved benefit and DWP funding was not provided directly to local authorities to fund DHPs.
[80] Scottish Government (December 2016) 'Scotland's Spending Plans and Draft Budget 2017-18'.
[81] Note - this funding includes SG funding for Advice Services, the Fair Food Transformations Fund and Fareshare program.

7.2 Council Tax Reduction

Before the passage of the Act, Council Tax Benefit (CTB) was a DWP administered form of social security which provided claimants with help to meet liability for Council Tax up to 100%. The Act abolished CTB from April 2013. Non-ring-fenced funding was made available to local authorities and devolved administrations.

Responsibility for assisting those who would otherwise struggle to meet Council Tax liabilities in Scotland now sits with the Scottish Government and Scottish local authorities via the Council Tax Reduction scheme. The UK government transferred funding equivalent to forecasted CTB expenditure in Scotland, less 10%, to the Scottish budget. The Scottish scheme protects vulnerable groups by reducing their Council Tax liabilities, rather than providing benefit payments to meet them as existed under CTB.

The Scottish Government and Scottish local authorities continued the Council Tax Reduction scheme in 2016-17. The child allowance in the Council Tax Reduction Scheme was increased by 25% from 1 April 2017, benefitting up to 77,000 households by an average of £173 per year and helping nearly 140,000 children. The two-child cap will not be applied to the Council Tax Reduction Scheme.

There were 490,410 CTR recipients in Scotland in December 2016. A total of 81,910 (16.2%) of recipients were lone parents and 189,860 (37.6%) were aged 65 or over in March 2016.

7.3 Discretionary Housing Payments

Discretionary Housing Payments (DHPs) provide help with housing costs for those on Housing Benefit or the housing element of Universal Credit. From 1 April 2017 these have been devolved to the Scottish Government, and continue to be administered by local authorities.

In the period 2013/14-2016/17, the Scottish Government provided £125m of additional funding for DHPs to mitigate the bedroom tax. From 2017 in addition to funding the full mitigation of the bedroom tax the Scottish Government also provides funding for other DHPs, which are frequently made in mitigation of the impact of other aspects of welfare reform including changes to Local Housing Allowance and the Benefit Cap. In the 2017/18 budget £47m was estimated for the cost of bedroom tax mitigation, a further £10.9m was allocated to LAs for all other DHPs.

Table 12: DHP Funding in Scotland (2013-2017)

	2013/14	2014/15	2015/16	2016/17	2017/18
SG	£20m spent	£35.1m spent	£35.8m spent	£35m spent	£57.8m estimated
DWP	£18m	£15.2m	£13.3m	£15.2m	NA
Total	**£38m**	**£50.3m**	**£49.2m**	**£50.2m**	**£57.8m**

7.4 Scottish Welfare Fund

The Scottish Welfare Fund (SWF) is a national grant scheme delivered on behalf of the Scottish Government by all 32 local authorities. The scheme replaced elements of the Discretionary Social Fund, abolished by the Department for Work and Pensions (see section 8.6).

Delivered on a voluntary basis since April 2013, the scheme was made permanent in April 2016 by the Welfare Funds (Scotland) Act 2015 and subsequent legislation. The Scottish Government provides an annual grant of £38 million to local authorities to deliver the scheme, made up of a £33 million programme budget and a £5 million administration budget.

There are two types of grant available:

- Crisis grants for those experiencing disaster or emergency, and who have no other financial support available.

- Community care grants for vulnerable people seeking to establish or maintain a home, including families facing exceptional pressure.

Between April 2013 and December 2016, local authorities awarded £124 million of grants. These grants were made to more than 241,000 vulnerable households across Scotland (80,550 of which were households with children).

7.5 Mitigation of the removal of Housing Benefit from 18-21 year olds

The UK Government laid regulations on 3 March to change entitlement for housing costs within Universal Credit (UC) for new claimants aged 18-21 years which come into effect on 1 April 2017 The Scottish Government is committed to restoring housing benefit for 18-21 years old and fundamentally disagree with the removal of the housing costs for young people which may result in putting them into a crisis and homeless ness situation.

In the meantime the Scottish Government has agreed with CoSLA that the Scottish Welfare Fund (SWF) will be extended, on an interim basis, to help 18-21 year olds adversely affected by the UK Government's changes. The intention is to use the provisions for Community Care Grant (CCGs) which enable the Scottish Government to assist people in establishing or maintaining a settled home where, without a grant, there is a risk that they would be unable to do so.

Scottish Government in consultation with CoSLA, Local Authorities and the Third Sector has produced standalone guidance on assistance with housing costs for 18-21 years old[82].

[82] Scottish Government (April 2017) 'Scottish Welfare Fund Guidance'.

8. Assessment of low income benefit measures

Sections 8 – 10 summarise each provision introduced by the Act, including the latest developments relating to these provisions and evidence of the impact of these provisions where available. In contrast to previous reports, these sections also include significant measures passed since the Act which will have a significant impact of UK government welfare spending in Scotland.

8.1 Universal Credit

8.1.1 Background

Universal Credit (UC) is a new, integrated, working-age benefit which will, when fully implemented, replace six existing means-tested benefits[83].

UC is being gradually introduced across the whole of the UK, and is now available in all jobcentres for single jobseekers without children. In April 2017, around 51,200 people in Scotland claimed UC[84] – an increase of over 24,000 since April 2015. Between 650,000 and 700,000 households are expected to be receiving UC payments at full rollout in 2022. There is significant uncertainty around this date due to ongoing implementation issues.

There are now 7 Full Service sites in Scotland[85] with two more (Alloa and Stirling) due to launch in June 2017. The roll out for new claims is due to be completed in September 2018. Once this is complete, migration of existing benefit and tax credit claimants to Universal Credit will take place from 2019 to 2022.

8.1.2 Latest policy changes

At the Autumn Statement 2016, the Chancellor announced that the taper rate (the rate at which the UC award is reduced as claimants' earnings rise) would be reduced from 65% to 63% from April 2017. The policy is expected to increase spending by around £0.6 billion (GB level) by 2020/21 and will have a positive impact on work incentives, as UC claimants can keep more of their additional earnings as they work more hours.

However, the Chancellor did not reverse the cuts to the 'Work Allowance' (announced at the Summer Budget 2015), which will save around £3.2 billion by 2020/21. The 'Work Allowance' is the amount of money a household can earn every month before their UC award begins to be gradually withdrawn.

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[83] Note – six benefits include: Income-based Jobseeker's Allowance (JSA), Income-related Employment and Support Allowance (ESA), Income Support (IS), Working Tax Credit (WTC), Child Tax Credit (CTC) and Housing Benefit (HB).

[84] Note - Household level statistics are also available up to December 2015. They show that 41,300 households claimed UC and 26,900 were receiving a UC payment. UC households which move into work stay on the UC system for a period of 6 months.

[85] Note - The following job centre office areas have UC full service as of May 2017: Inverness, Musselburgh, Kirkintilloch, Port Glasgow, Greenock, Dalkeith and Penicuik.

In addition, the restriction of the child element in Universal Credit to the first 2 children for new claims also came into force in April 2017[86] (see section 8.2). These two measures will reduce benefit income for in-work families and will only be partially mitigated by the change in the taper rate announced in the Autumn Statement.

8.1.3 Impact

The impacts of Universal Credit remain unclear, with less than 8% of the expected future caseload in Scotland currently claiming UC. Initial evaluations by DWP suggest a number of positive effects of UC, with UC claimants being 8 percentage points more likely to have been employed at some point in the first nine months of their claim compared with similar JSA claimants (although this could partly be due to more people accepting short-term temporary work when on UC).[87] However, once fully rolled out UC is expected to have mixed financial impacts with 'winners' and 'losers' in terms of benefit entitlements.

Before the change in the taper rate was introduced, the Institute of Fiscal Studies estimated that, across the UK, 2.1 million *in-work* households will get less in benefits due to the introduction of UC (£1,600 average annual loss) and 1.8 million households will get more (£1,500 average annual loss)[88]. These impacts are based on the UC post-Summer Budget 2015 policy changes.

Feedback so far from areas where Full Service has rolled out indicates a significant rise in rent arrears (see section 10.5) There is also evidence of people struggling during the 6 week wait for first payments of UC, which is having a knock on effect on other services such as the Scottish Welfare Fund and on the use of food banks. The Trussell Trust has reported that full service UC areas have seen a 16.85% average increase in referrals for emergency food, more than double the national (GB figure) average of 6.64%. The UK government Work and Pensions Committee have noted that 'some claimants have waited 12 weeks or more for their first payment due to administrative delay, doubling the expected waiting time for a claimants first payment, resulting in hardship and distress for people on UC.

[86] Similar restrictions for Child Tax Credits were also introduced. These changes are not strictly related to the Welfare Reform Act provisions.
[87] DWP (December 2015) 'Universal Credit: Estimating the Early Labour Market Impacts'.
[88] Browne, J., Hood, A. & Joyce, R. (February 2016) 'The (changing) Effects of Universal Credit', Institute of Fiscal Studies.

8.2 Tax Credits/UC – limit to 2 children and removal of the Family Element

8.2.1 Background

From April 2017, child tax credit will be restricted to two children for new births after 6 April 2017. Also from April 2017, new child tax credits claims will also not receive the 'family element'. These changes will also apply to Universal Credit.

A household's child tax credit (CTC) award depends on the number of children. The Child Element determines the maximum amount that a family can receive per each child and is currently set at £2,780 per year. Some families will receive less than this if their income is sufficiently high. The child element will not be awarded for third and subsequent new births after 6 April 2017 if the family is in receipt of tax credits. Families on tax credits will continue to receive a child element for more than 2 children if the children were born before 6 April 2017.

The UK government have also announced a number of exemptions to this policy:

- a second or subsequent child born in a multiple birth, but not the first child in a multiple birth
- children living long term with family or friends including informal caring arrangements where the child would otherwise likely be looked after by the local authority
- children adopted from local authority care
- children likely to have been conceived as a result of rape or coercion

The 'family element' is a standard CTC element which is paid to all households with children, worth a maximum amount of £545 per year (some families will receive less if their income is sufficiently high). New families who make a CTC claim from April 2017 will not be entitled to the family element.

Whilst these reforms were not introduced by the Act, both reforms will apply to Universal Credit. Under UC, the child element for the first child is higher than the element for second and subsequent children. From April 2017, new UC claims will receive the lower child element for all children, which is equivalent to the removal of the family element in CTCs. The restriction of child element to the first 2 children (with exemptions) will also apply. However, later in 2017, families with 3 or more children who make a new claim to Universal Credit (UC) will also not receive the child element, *regardless of the date of birth of the child*.

8.2.2 Latest Development

The Scottish Government have not introduced a two child cap in assessments for the Council Tax Reduction Scheme. Rape Crisis Scotland and Scottish Women's Aid (along with many of their local organisations) have confirmed that they will not support implementation of the policy as third party assessors. In April 2017, The Equality and Human Rights Commission wrote to Damian Hinds, Minister of State for Employment, to express its concerns about the policy and the quality of equality impact assessment. The letter notes:

"The impact assessment published by the Department for Work and Pension for these changes was not sufficiently detailed to support proper scrutiny of the legislation. […] There was no evidence provided to support DWP's assumption that the measures will incentivize families to only have two children if they cannot afford to have more."[89]

8.2.3 Impact

By 2020/21 around 50,000 households in Scotland will be affected by the two child cap, reducing spending in Scotland by around £120m. Similarly, by 2020/21 the removal of the family element from new claims will reduce social security spending in Scotland by around £50 million affecting around 90,000 households. The Institute of Financial Studies estimate that a 3 child family will lose on average £2,500 per year while families with 4 children or more will lose £7,000 per year and 4 million families across the UK will see entitlements fall.

At this stage, it is not possible to say how many households will be affected by both reforms. For example, a household in receipt of CTCs that has a third child after April 2016 will be affected by the two child cap but not the removal of the family element. However, a household with three children making a new claim to UC from later this year will be affected by both policies.

8.3 Conditionality and sanctions

8.3.1 Background

Claimants must meet certain conditions in order to remain entitled to Jobseeker's Allowance (JSA) and some other means tested benefits such as Employment and Support Allowance, Income Support and Universal Credit[90].

As introduced by the Act, since October 2013, JSA, IS, ESA and UC claimants are required to sign a personalised 'Claimant Commitment', which sets out the particular job readiness and job searching activities that must be undertaken in order to receive payments[91]. If claimants do not meet the requirements, payments are stopped for a certain period. This is known as a 'sanction'.

As part of the Act a new model of sanction regime was introduced, with three levels of sanction (high, medium and low). As part of the Act, JSA claimants subject to higher, medium or lower level sanctions will lose 100% of their JSA entitlement for the duration of the sanction. ESA WRAG claimants subject to a lower level

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[89] Equality and Human Rights Commission (April 2017) 'Letter to Minister of State for Employment – Damian Hinds MP'.
[90] Note - only ESA claimants who are in the 'work-related activity group' are affected. Only UC claimants with work requirements can be subject to a sanction.
[91] Note - not all claimants are required to search for work.

sanctions will lose an amount equivalent to their personal allowance for the duration of the sanction, currently around £67.50 per week. Lone parents with a child under 5 on Income Support will lose either 20% or 40% of their entitlement depending on the severity of sanction applied. The Act also introduced the sanctions regime for Universal Credit.

Claimants who face sanctions are often unable to comply with the conditions for a range of complex reasons, including: lack of awareness, knowledge and understanding of the process, practical and personal barriers.

8.3.2 Latest Developments

A new 'Early Warning' system, which will work alongside the JSA sanctions regime, was trialled in Scotland[92] from March 2016 to September 2016. The Early Warning system involved issuing a warning to a claimant before a sanction was applied. This differs from the current regime, where a sanction is applied immediately after notification from DWP. During the trial a sanctioned claimant will be given a 14 day period after the 'warning' to provide evidence of a good reason before the decision to sanction is made. The 'Early Warning' system was used in 6,500 potential sanctions and a preliminary analysis was published by DWP in December 2016.

Following the Smith Agreement to devolve further powers to Scotland in 2014, the UK government has devolved some contracted employment provision. This has been in place since April 2017. The Scottish Government has introduced a change in policy that all devolved employment support will be voluntary. In the first transitional year, Work First Scotland and Work Able Scotland will provide up to 4,800 individuals with a disability or health condition with employment support. A new programme, Fair Start Scotland, will operate from April 2018 and aims to support at least 38,000 people over the three years of referrals.

8.3.3 Impact

Sanctions are now applied under four UK benefits – Employment and Support Allowance, Jobseeker's Allowance, Income Support and Universal Credit. The number of adverse JSA sanctions has declined over the past 3 years. For example, in February 2014 there were 5,369 individuals sanctioned under JSA in Scotland, compared to just 612 in December 2016 (latest data). This is partly due to the rollout of Universal Credit which has reduced the number of people claiming JSA, particularly younger people who are more likely to be sanctioned.

In Scotland, over the whole of 2016, around 7,150 people were sanctioned under JSA, 10,430 people were sanctioned under Universal Credit, 560 people were sanctioned under ESA and 310 people were sanctioned under IS. At most, this means that 18,500 people were sanctioned in Scotland in 2016[93]. Table 13 shows

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[92] Note - the trial covered 3 districts in Scotland: East and South-East Scotland; Glasgow, Lanarkshire and East Dunbartonshire; West of Scotland

[93] Note - there may be some overlap between individuals being sanctioned under different benefit regimes. For example, a person moving from JSA to UC in 2016 may have been sanctioned twice under both benefits.

the number of sanctions applied each month to individuals across each benefit as a proportion of the relevant benefit caseload[94].

Table 13: Sanctions on individuals in each month as a proportion of caseload (%) for JSA, ESA, IS and UC

	Aug-15	Nov-15	Feb-16	May-16	Aug-16	Nov-16
JSA	2.3%	1.9%	1.7%	1.3%	1.3%	1.4%
ESA	-	-	0.1%	0.1%	0.1%	0.1%
IS	-	-	-	-	-	0.2%*
UC	7.0%	6.4%	4.8%	3.0%	3.0%	6.2%

The proportion of individuals subject to a sanction under JSA has been steadily falling from 2.3% of the caseload in August 2015 to 1.4% in November 2016. The proportion of individuals sanctioned under ESA has been relatively flat, with approximately 1 in 1,000 people on the benefit subject to a sanction each month. DWP data for IS sanctions only go back as far as October 2016, so there is only one data point available, the proportion for Nov-16 was 0.2%. The proportion of the UC caseload subject to a sanction is more erratic, with the rate varying from 7% of the caseload in August 2015 to 3% of the caseload in May and August 2016. The latest data shows that 6.2% of people on UC are sanctioned[95].

Scottish Government analysis published in 2014 highlighted that sanctions tend to affect the most vulnerable in society, including lone parents, young people and disabled people[96]. Since this analysis has been published, data on UC sanctions has been published which shows that young people are continuing to be disproportionally affected by sanctions. As of December 2016, people under the age of 25 made up 39% of the UC 'sanctionable' caseload, however 53% of all sanctions in the same month were imposed on people under the age of 25.

Some sanctions are applied and later reversed by an appeal. There is concern that claimants who are sanctioned but subsequently successfully appeal this sanction, will still experience an interruption in payment whilst the appeal is pending an outcome.

The initial findings from the 'Early Warning' system trial in Scotland showed that 13% of those that received an early warning of a sanction responded with additional evidence to support the reversal of a sanction decision, with around half of those being successful in overturning the sanction decision (7% of all those that received an early warning notification)[97]. DWP concluded that, given that the vast majority of claimants in the trial did not provide evidence within the extra 14 days, *"there is clearly further work to do beyond this interim finding to inform any potential change*

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[94] Note - caseload data is only released every quarter, which is why months are missing from table 13.

[95] Note- the UC caseload for this calculation is the number of people on UC, excluding those in the 'working – no requirements' and 'no work requirements' conditionality groups.

[96] Scottish Government (November 2014) 'JSA Sanctions in Scotland: An analysis of the sanctions applied to claimants of Jobseeker's Allowance in Scotland'.

[97] For more detail, see DWP, (December 2016) 'JSA Sanctions Early Warning Trial Evaluation – Interim report'.

to the current system". A final report is expected to be published in 2017 and was not available at the time of writing.

8.4 The Benefit Cap

8.4.1 Background

As part of the October 2010 Spending Review, the UK government announced an intention to cap total household benefits at £500 per week for a family and £350 per week for a single person from 2013. It was expected that the cap would apply nationally from April 2013, but it was later announced a phased roll-out would be applied. National implementation was managed over a 10 week period split into two tranches. By September 2013 the DWP reported that the cap had been successfully rolled-out across the UK[98].

In the Summer Budget 2015 the UK government's announced its intention to reduce the Benefit Cap.

8.4.2 Latest Developments

From 7 November 2016 the lowered Benefit Cap was introduced. The lower cap (outside London) is set at £20,000 per year for couples and single parent households and to £13,400 for single adult households. DWP estimated this would affect 5,000 households in Scotland. Those in receipt of Working Tax Credit, Disability Living Allowance, Personal Independence Payment, Carers Allowance and Guardians Allowance are exempt from the cap.

8.4.3 Impact

The most recent statistics (February 2017) show that a total of 7,323 Scottish households have been affected by the old and new Benefit Cap at some point since its introduction on 15 April 2013[99]. Before the new lower cap was introduced, there were around 800 households being capped per month in Scotland. As a result of the new cap this number rose to around 3,640 households in February 2017. Around two-thirds of these were lone parent households and around a quarter were couples with children. Overall, over 11,000 children were in households affected by the new cap.

The number of households affected by the new cap (3,640) represents around a fourfold increase on the number of households affected by the old cap (around 800 cases per month). The average reduction in housing benefit under the new cap is around £59 per week. Most households (52%) lose less than £50 per week, but some households lose considerably more, with 90 households losing over £200 per

[98] Kennedy, S et al. (November 2016) 'The Benefit Cap', House of Commons Library.
[99] Note - Scottish Government analysis based on figures from DWP's Stat-Xplore (18 May 2016). This includes households affected by the old and new cap.

week. Those households with the biggest weekly loses are likely to be households who were affected by the previous cap[100].

In terms of impact at a local authority level, the number of cases in Glasgow (682) and Edinburgh (517) represent over 37% of all households affected in Scotland. A full breakdown of the number of households affected by the Benefit Cap can be seen in table 14.

Table 14: Number of Households capped under the new cap by Local Authority

Local Authority	Number of capped households	Local Authority	Number of capped households
Aberdeen City	132	Highland	79
Aberdeenshire	93	Inverclyde	33
Angus	55	Midlothian	108
Argyll & Bute	31	Moray	26
Clackmannanshire	67	North Ayrshire	166
Dumfries & Galloway	65	North Lanarkshire	203
Dundee City	119	Orkney Islands	7
East Ayrshire	100	Perth & Kinross	41
East Dunbartonshire	49	Renfrewshire	93
East Lothian	44	Scottish Borders	48
East Renfrewshire	30	Shetland Islands	6
Edinburgh, City of	517	South Ayrshire	67
Na h-Eileanan Siar	<5	South Lanarkshire	185
Falkirk	84	Stirling	36
Fife	293	West Dunbartonshire	115
Glasgow City	682	West Lothian	90

Note: Based on latest Stat-Xplore data (February 2017)

8.5 Benefit freezes and changes to uprating

8.5.1 Background

With the exception of a change to uprating of the Local Housing Allowance (see section 10.2, most uprating changes and benefit freezes were not introduced through provisions in the Act. However, some of the most significant welfare spending cuts implemented by UK governments since 2010 were the result of cutting awards across all recipients via uprating policies and benefit freezes.

8.5.2 Latest Developments

The latest change to uprating policy was the introduction of the 4 year freeze to most working-age benefits. The main working-age rates of Income Support, Jobseeker's Allowance, Employment and Support Allowance (excluding the support

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[100] Note - it is not possible to identify households affected by the old cap in DWP data for period were the new cap was in place.

component) and Housing Benefit will be frozen as well as most elements of working tax credit and child tax credit (and the corresponding element of UC) and Child Benefit.

8.5.3 Impact

The impact of uprating policies in the 2010-15 are outlined in section 2.2. The benefit freeze passed in the 2015-17 parliament was estimated to have reduced spending by £3.5 billion by 2020/21. However, based on the latest CPI inflation forecasts, the Resolution Foundation have estimated that this could increase to around £4.5 billion by 2020/21[101]. The benefit freeze is expected to affect 30% of all households in the UK (around 5.5 million), which would mean around 750,000 households in Scotland could be affected.

8.6 Social Fund

8.6.1 Background

The 'Social Fund' provided assistance for people with exceptional or intermittent needs and consisted of two components: a 'Discretionary Fund' - which provided Community Care Grants and Crisis and Budgeting Loans – and a 'Regulated Social Fund' – which met intermittent costs such as maternity, funeral, winter fuel and cold weather expenses.

The Act abolished the Discretionary Fund from April 2013 (apart from Budgeting Loans which will continue to be paid by DWP until Universal Credit is rolled out). Non-ring-fenced funding was made available to local authorities and devolved administrations.

The Scottish Government has replaced Community Care Grants and Crisis Loans with the 'Scottish Welfare Fund' (see section 7.4), which is a national scheme administered by local authorities.

8.6.2 Latest Developments

Separate from the Act, following the passage of the Scotland Act 2016, all elements of the Regulated Social Fund will now be devolved to Scotland. The elements are:

- Sure Start Maternity Grant (now Best Start Grant)
- Funeral Payments (now Funeral Expense Assistance)
- Winter Fuel Payments
- Cold Weather Payments

In May 2017 the Scottish Government outlined that the next milestone in building Scotland's new social security system will be the delivery of the first benefits. These

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[101] Resolution Foundation (March 2017) 'Are we nearly there yet? Spring budget 2017 and the 15 year squeeze on family and public finances'.

new benefits include Best Start Grant (BSG) and Funeral Expense Assistance (FEA), as well as increased Carer's Allowance.

The aim of the BSG is to provide support to families on low incomes at key transitions throughout a child's early years to help tackle material deprivation. The BSG will see the birth payment to the first child increase from £500 to £600, recognising that the SSMG has remained unchanged for a number of years. The BSG will provide support to families, not just for the birth of a first child, but for every child, by re-introducing a payment of £300 for second and subsequent children. The BSG will also provide two additional payments of £250 at key transitions during a child's early years, at around the time that they start nursery and before starting school.

The intention of the FEA is to provide critical support to bereaved people at a difficult time by improving the predictability, process, and awareness of the benefit. We recognise the stress caused by the complexity of the current benefit and the time taken to process it. As a result our aim for the FEA is to create a benefit that is easier for people to understand if they are eligible for assistance and process applications within 10 working days of receipt of a completed application. The increased awareness of the FEA is also expected to increase the take up of the benefit to reach more of those in need with this support.

9. Assessment of disability and incapacity benefit measures

9.1 Personal Independence Payments

9.1.1 Background

Personal Independence Payment (PIP) is replacing Disability Living Allowance (DLA) – the benefit for disabled people and people with a long-term health condition – for working-age adults. Central to the PIP system is a change to eligibility for the benefit with tighter criteria backed by "descriptors" and a points-based approach to entitlement. PIP is one of the benefits being devolved to Scotland.

At January 2017, there were an estimated 131,737[102] PIP claims in payment to Scottish residents, this figure has been rising rapidly with the transition from DLA to PIP.

9.1.2 Latest Developments

The process of replacing DLA for people of working-age and replacing it with PIP started in April 2013. At present all new applications in Scotland are made for PIP, and the process of migrating existing working-age DLA recipients to PIP should be completed by 2019.

On 3 April 2017 The Personal Independence Payment (Amendment) Regulations 2017[103] came into force. The regulations amended Schedule 1 to the Social Security (Personal Independence Payment) Regulations 2013 in order to clarify the drafting and reverse the effect of two recent judgments of the Upper Tribunal. In both cases the UK government considered that the Upper Tribunal judgment departed from the intended meaning of the PIP Regulations, and that the amendments were necessary to restore the original policy intention, provide clarity for all users of the legislation and avoid increases in public expenditure.

It is not clear how many people will be impacted by these regulation changes. On 1 March 2017 Minister for Social Security, Jeane Freeman, wrote to Minister for Department for Work and Pensions, Penny Mordaunt MP asking for further clarification on how many people in Scotland will either be excluded from financial help or potentially see a reduction in the level of financial help through PIP as a result of these changes.

On 6 July 2016 the Secretary of State for Work and Pensions appointed Paul Gray, chair of the Social Security Advisory Committee, to lead the second independent review of PIP. The report[104], which was published on 30 March 2017, focussed on

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102 Source - Stat-Xplore

103 DWP (February 2017) 'The Social Security (Personal Independence Payment) (Amendment) Regulations 2017'.

104 Gray, P. (March 2017) 'The Second Independent Review of the Personal Independence Payment'.

how effectively further evidence is being used to assist decision-making, the speed and effectiveness of information-gathering, and progress on recommendations from the first review. The second review made a further fourteen recommendations.

The recommendations focussed mainly on:

- Clarifying the evidence provided as part of the assessment process and the weight given to evidence by assessors;
- Clarifying the responsibilities on the claimant to provide further evidence;
- The responsibilities on DWP to provide better transparency regarding their decision making;
- Auditing of the assessment and awarding process with a focus on quality improvement and consistency checks; and
- Potential improvements regarding data sharing to allow claimants and health care professionals to share documents online securely and confidentially.

9.1.3 Impact

As of November 2016, around 122,000 people received PIP in Scotland compared to around 128,600 working-age people who remain on DLA. However, the majority of PIP cases (61%) were for new claims, not reassessments. This means that in Scotland around 48,000 people have been reassessed and were successful in retaining (at least partially) their entitlement to disability benefit. However at least 128,000 remain to be to be reassessed[105].

DWP released data in October 2016 which revealed for the first time the initial outcome of reassessments for individuals moving from DLA to PIP, however detailed data on the outcomes post mandatory re-considerations and appeals is not available. Between April 2013 and October 2016, 526,500 working-age DLA claims (52,800 in Scotland) have been reassessed to PIP. In Scotland, 45% of reassessed claimants received a higher PIP award than their DLA entitlement, 12% of claimants in Scotland and GB retained the same level of award, 22% received a decreased award and 22% lost their entitlement to disability benefit[106]. Around two-thirds of people who appeal there PIP award are successful[107]. The OBR have said that, taking account of MRs and appeals, around 17% of people who are reassessed will lose entitlement all together.

Reassessment outcomes for different age-groups are very different. The trend is that older cohorts of DLA claimants are more likely to keep their entitlement than younger cohorts. However, of those that do maintain entitlement, younger cohorts are less likely to see their award decrease. For example, of those aged between 16 and 19, 12% saw a decrease in their award compared to 28% of those aged between 60 and 64. These figures are only available for GB as a whole.

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[105] Source - Stat-Xplore
[106] Note – Figures to not add to 100% due to rounding error.
[107] Source – MoJ 'Tribunal Statistics'.

DWP figures give information on reassessment outcomes by disease type. Those most likely to retain entitlement include deaf/blind people and those with neurological diseases such as Motor Neurone Disease or Parkinson's disease. Those most likely to lose entitlement include those with epilepsy, haemophilia and psychiatric disorders.
The change in criteria used to assess people's needs under PIP and emphasis on the most severely disabled has meant people losing out in some areas and gaining in others. Where people have lost access to their Motability vehicle this has caused particularly negative impacts on independent living.

For more detailed analysis of the specific impact of PIP on disabled people see section 5.2.

9.2 Employment and Support Allowance

9.2.1 Background

Employment and Support Allowance (ESA) was introduced in 2008 and aims at providing financial support and personalised assistance to help claimants who are ill or disabled back into work. The Work Capability Assessment allocates claimants into one of two groups:

- Support group – the claimant is assessed as having limited capability for work-related activity.

- Work-related activity group (WRAG) – the claimant is assessed as being able to participate in work-related activity.

Only individuals in the WRAG are required to take part in interviews or training and thus only they can be sanctioned (similar to JSA[108]) as a result of not fulfilling particular job searching activities. As of November 2015, 64,110 individuals in Scotland belonged to the ESA WRAG, accounting for 25% of all ESA claimants.

From April 2012, contributory based ESA[109] for WRAG claimants was limited to one year (a policy introduced by the Act). Provisions allowing young people to qualify for contributory ESA without meeting the normal National Insurance conditions were also abolished by the Coalition government and the removal of the work-related activity component from new claims to ESA (WRAG) was a policy introduced by the Conservative government. Sanctions for ESA were also introduced by the Act (see section 7.7)

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[108] Scottish Government (July 2015) 'ESA Sanctions in Scotland – July 2015'.
[109] Note – entitlement to contribution based ESA is based on the number of years of National Insurance (NI) contributions made by a claimant. Eligible claimants with insufficient NI contributions will claim Income-based ESA.

9.2.2 Latest Developments

Income based ESA is one of the benefits that will be replaced by Universal Credit. Contribution based ESA will remain separate from Universal Credit. According to the current timetable for UC roll-out, there should be no more new claims for income based ESA from June/July 2018 and the current caseload should be migrated over to UC by 2021.

The rate for new claimants in the WRAG was reduced from £103 to £73 per week from 6 April 2017 to bring the rate into line with Jobseekers Allowance. The UK government believe too few people are moving from the WRAG ESA into work and that although £30 million is expected to be saved (total savings across the UK)[110] in the first year of the lower rate, £60 million would be spent to support people to get back to work.

9.2.3 Impact

As set out by the OBR, the limit of contribution based ESA (WRAG) to 1 year was expected to be a significant saving (£2 billion by 2015/16), but is now only thought to have saved around £0.2 billion (see section 2.3). The original saving estimate was based on assumptions about the behavioural response of those affected by the change, for example, whether people would move onto the income-based version of the benefit once their contribution-based entitlement expired. The assumption at Budget 2012 was that 36% of the WRAG caseload would be made up of those entitled to the contributory-based benefit. In practice, the percentage is much lower (less than 5% in Scotland), which implies that far more people moved from contribution-based to income-based ESA after 1 year than originally expected.

The impact of the removal of the national insurance conditions for young people is set out in section 5.3.1. The removal of the work-related activity component from new claims came into force in April 2017, data covering this period is not available and data on the number of people starting an ESA (WRAG) claim is also not made available by DWP. At full rollout around 70,000 people in Scotland may be affected by this change.

[110] HM Treasury (March 2017) 'Spring Budget 2017'.

10. Assessment of housing related measures

10.1 Bedroom Tax

10.1.1 Background

From April 2013, DWP introduced a percentage reduction in Housing Benefit for working-age households judged to be under-occupying their property in the social rented sector (a similar reduction was introduced to the housing element of Universal Credit). The UK government refers to this change as the 'removal of the spare room subsidy', but it is more commonly known as the bedroom tax.

The Scottish Government has been mitigating the bedroom tax since 2013 through funding Discretionary Housing Payments for those affected and has announced it intends to use its powers under the Scotland Act 2016 to abolish the bedroom tax for those on Universal Credit.

10.1.2 Latest Developments

Discussions are ongoing with the DWP on the use of Scotland Act 2016 powers to abolish the bedroom tax for those on Universal Credit, ministers are committed to continuing the mitigation of the bedroom tax until this has been achieved for all affected claimants. On 22 February Jeane Freeman MSP informed parliament in a statement that the abolition of the bedroom tax was proving more complicated than at first hoped due to the complexity of the powers involved and the relationship between the housing element of Universal Credit and other reserved policy areas, but reaffirming the commitment to abolish.

10.1.3 Impact

The introduction of the bedroom tax in Scotland raised widespread concerns about the impact on both households and social landlords, the impact has in fact been mitigated at a cost to the Scottish Government, so the negative financial impacts on households and landlords should not have transpired in the majority of cases.

Around 71,000 households are affected by the bedroom tax in Scotland. Housing benefit recipients have an average weekly reduction of £12.35 (February 2017). Around 20,000 (85%) have one spare bedroom and around 11,000 (15%) have two or more bedrooms[111].

Of those affected, around 53,000 are single person households, 11,000 are households with children and around 8,000 are couples without children[112]. Analysis using the Family Resources Survey suggests that around 80% of

[111] Source – Stat-Xplore
[112] Note - All figures given to the nearest 1000.

households affected in Scotland contain an adult with a 'Disability Discrimination Act' recognised disability[113].

Additional information on the impact of the bedroom tax on tenants and landlords can be found in section 10.5.

10.2 Changes to Local Housing Allowance

10.2.1 Background

Private rented sector (PRS) Housing Benefit has been a source of increased costs for DWP. LHA sets the maximum Housing Benefit that can be paid in each 'Broad Rental Market Area' for five property types. The local authority uses the appropriate rate, based on the area where the person lives and the size of their household, to work out the maximum rent to be included in the Housing Benefit calculation.

Prior to April 2011, LHA was set at the 50th percentile of rents in each Broad Rental Market Area (BRMA). As part of the Act, this was reduced to the 30th percentile of rents. The Act also introduced CPI uprating of LHA rates, but this was later changed to 1% uprating cap introduced in the Autumn Statement 2012.

In addition to the 1% cap, the 2012 Autumn Statement introduced a Targeted Affordability Fund (TAF) which was used to uprate LHA by up to 4% for specific rates in areas of unusually high rent inflation.

10.2.2 Latest Developments

In the 2015 Autumn Budget it was announced that the 2016 rates would be either frozen or reduce to the 30th percentile if lower than the 2015 rates for the next 4 years. The TAF was withdrawn. In 2017 a 3% TAF was reintroduced and the Lothian 1 bedroom property rate received a 3% increase.

Additional changes to LHA rate were introduced by the Conservative government, including plans to apply the LHA rate to the social rented sector (see section 10.3) from April 2019.

10.2.3 Impact

Research commissioned by the DWP highlighted that, as of May 2013, the impacts of the changes to LHA had been concentrated in the South East of England, with the expected displacement of existing claimants due to the reduction in LHA not occurring[114]. Analysis also concluded that the gap in rent payments left by the

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[113] Scottish Government (June 2013) 'Updated Evidence on the Number of Households Affected by the Housing Benefit Under Occupation Penalty'.

[114] C. Beatty, et al. (May 2013) 'Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit'.

reduction in LHA rates was mostly being met by tenants (94% of incidences) with only 6% of incidences being met by landlords[115].

The most recent DWP data show that in November 2016 just over 73,000 PRS households in Scotland (around 3% of all households in Scotland[116], or around 20% of the households in the PRS[117]) were in receipt of LHA.

Recent research by the Chartered Institute of Housing[118] shows people have faced a growing gap between the LHA they receive and the rent they pay since April 2012. In a number of parts of the UK, the rate of LHA paid means that people can only afford to rent in the bottom 10% of the PRS market - this is before the effect of the LHA freeze from April 2016.

In addition, the 2012 reforms mean that single people under 35 without dependants, with some exceptions, are only eligible for Housing Benefit in the private rented sector based on the cost of living in shared accommodation, rather than in a self-contained property. This 'Shared Accommodation Rate' (SAR) is set in relation to the market cost of renting a single room as a lodger in a larger property or sharing a property with other tenants. Previously this was known as the Single Room Rate, and was the support available to people under 25 without dependents..

A DWP report[119] into the impact of LHA changes found that, across GB, the Housing Benefit caseload for 25-34 year olds fell by 13% between the end of 2011 and July/August 2013. However, it is not possible to attribute this change to the SAR measure without further investigation of the interaction between changes in caseload and other factors, such as wider changes to the benefits system (introduction of Universal Credit).The introduction of UC is particularly relevant to this group as young people without dependent children are 'simple cases' that meet the gateway criteria for UC live service.

10.3 The LHA cap for social sector tenants

10.3.1 Background

The introduction of the Local Housing Allowance cap in the social rented sector represents a policy aim of the UK government to reduce the level of financial support available to social sector tenants and bring support in line with that available to private sector tenants. Although not a provision of the Act, the policy is expected to have a significant impact on the housing sector.

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[115] Ibid.

[116] Note - based on the latest estimate of 2.34 million households in Scotland which can be found at: National Records of Scotland (June 2016) 'Estimates of Households and Dwellings in Scotland, 2015'.

[117] Scottish Government (September 2016) 'Housing Statistics for Scotland - Key Information and Summary Tables'.

[118] Chartered Institute of Housing (May 2016) 'Mind the Gap'.

[119] DWP (July 2014) 'The impact of recent reforms to Local Housing Allowances: Summary of key findings'.

The proposal to cap Housing Benefit (or the Housing element of UC), for all social housing tenants at Local Housing Allowance (LHA) rates was announced in the UK government's Autumn Statement and Spending Review. It will now apply to social housing tenants from the 1st April 2019 who have signed a tenancy agreement on or after April 1st 2016, and for all tenants in the Universal Credit system[120]. The policy will also mean that single adults under the age of 35 with no dependents, will only be entitled to the LHA 'Shared Accommodation Rate' in both the social rented and private rented sector[121], subject to exemptions, although details of this have not been announced.

The effect of the policy is to reduce the amount of money social rented sector tenants can claim in housing benefit to pay their rent. In many cases this will mean a reduction to below the level of that rent, leaving them to find the money from other sources, face eviction for non-payment of rent or be forced to seek cheaper accommodation. This will also have a knock-on effect on the revenue streams of social landlords, impacting on long-term finances and future investments in new housing stock.

Analysis by the Institute of Financial Studies concluded that the savings arising from this measure would be small in the short-run, but that the longer-term impacts are expected to be more significant[122]. For example, if the policy was applied to all social tenants in the UK, housing benefit would be reduced by £1.1 billion and 800,000 households would lose an average of £1,300 per year[123].

The impact of the policy will fall on groups who already have high social sector rents relative to the LHA rates. There are therefore two groups who are set to lose out in particular from the policy:

- vulnerable tenants living in supported accommodation where, as a consequence of the higher level of services required, have rents that exceed the LHA rate

- single adults under the age of 35 with no dependents, who under the rules will only be entitled to a Shared Accommodation Rate (SAR).

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[120] Note - In September 2016, DWP postponed introduction of the policy, originally set for April 2018. In November 2016 it was announced that the policy would now apply to all cases on the UC full service from April 2019, with savings provisions for households later migrated from housing benefit, the extent of the savings provisions is not currently clear.
[121] Note - This has been applicable in the private rented sector pre-2015.
[122] House of Commons Library (December 2016) 'Local Housing Allowance and the social rented sector'
[123] Note - The regional variation of the impact of the LHA cap across the UK will be considerable. More households will be affected in areas where the gap between rents in the social sector and the LHA rate is currently small.

10.3.2 Latest Developments (Supported Accommodation)

Reflecting the concerns of the housing sector about the initial proposal, the UK government announced in Septembers 2016 that the LHA cap would not be introduced until 1st April 2019

The UK government also announced that, although Housing Benefit/UC would continue to only cover the core rent and services charges, costs above that for supported accommodation will be met by additional funds distributed to local authorities in England and the devolved administrations in Scotland and Wales. The additional funding will be calculated on the basis of ‘current projections of future need’ which implies that the additional funding might be more or less than the difference between existing benefit levels and the capped levels[124].

The Scottish Government has welcomed the change in policy from the UK government and continues to work with the sector to ensure the devolved funding is used wisely and supports those who need it most, although concerns have also been raised about the lack of detail of the policy and the short timescales in which to introduce a new funding model.

DWP have not published any information on the number of claimants affected, with the impact difficult to estimate as it is linked with the pace of UC rollout.

10.3.3 Impact - Supported Accommodation

Supported housing is a term which has been used to describe a range of accommodation based support services including hostels for homeless people, group homes, sheltered housing for older people, women’s refuges and long term supported housing for people with learning disabilities or physical disabilities.

As a general rule, the rents charged in supported accommodation are higher than the rents charged on other social housing units (commonly referred to as ‘general needs housing’). Reasons for this include: higher maintenance, repairs and renewal costs, the provision of communal facilities, security, health and safety measures, higher housing management costs, and the nature of capital funding arrangements for some schemes[125]. Thus the impact of the LHA cap has been of particular concern amongst social landlords specialising in providing this type of accommodation.

Although carried out before the announcement of the delay to rollout to April 2019, analysis by The Scottish Federation of Housing Associations (SFHA) estimated that the financial impact for tenants in supported accommodation of the policy ranged from between £4.3 million to £5.6 million per year[126]. The SFHA highlighted that the

[124] Coalition of Care and Support Providers Scotland (September 2016) ‘Supported Housing exemption from the LHA cap up to 2019/20’

[125] Homes and Communities Agency (June 2016) ‘Delivering Better Value for Money: Understanding Differences in Unit Costs’

[126] Scottish Federation of Housing Associations (September 2016) ‘Second SFHA report on the capping of social rents to the rate of the local housing allowance’.

policy itself would contribute to a rise in rent arrears failed tenancies, evictions and homelessness, as well as a reduction in provision and investment of certain types of social rented housing and increased pressure of other public services

10.3.4 Impact – Tenants under the age of 35

Young single tenants affected by the change include new tenants claiming UC who have signed a tenancy after April 2019 and existing tenants claiming HB or UC who have signed a tenancy agreement after April 2016[127]. However, there are a significant number of exemptions to the LHA cap, with the rules reflecting those applied in the private rented sector which include those in receipt of DWP disability benefits[128].

According to the National Housing Federation (NHF) analysis[129], around 88% of all affected claimants from the LHA cap policy will be single people aged under 35[130]. Separately, SFHA analysis has suggested that the financial impact of the change for the under 25s will reduce housing benefit available by between £0.8 and £1.3 million in the first year of implementation. The impact of housing policies as a whole are included in section 10.5.

A survey of 180 of the largest housing associations conducted by Inside Housing found that, based on 47 responses, 13% had already made changes to their allocation policies while 60% said they planned to make changes to limit access for under-35s. The sort of policy changes[131] implemented included:

- Younger tenants to be given assured shorthold tenancies, or two-year tenancies, rather than more secure tenancy agreements.
- Blocking under-35s from renting in certain blocks of flats or certain buildings.
- Blocking under-35s from renting new build homes, as these will be rented under affordable rents set at up to 80% of market level, leaving an even larger gap between housing benefit entitlement and rent.
- Only accepting the youngest tenants, under the age of 21, if the council agrees it will pay their full rent.
- Additional affordability assessments[132].

CIH Scotland, in partnership with the Scottish Government, has commissioned Indigo House Group to carry out a research project to assess the likely extent of the

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[127] Note - there is uncertainty over whether existing pre 2016 tenants moving from HB to UC before April 2019 will receive transitional protection from potential reductions in entitlement.
[128] Note - other exemptions are set out here: http://housingrights.org.uk/news/exemptions-shared-accommodation-rate-lha
[129] National Housing Federation (October 2016) 'Impact of applying Local Housing Allowance rates to general needs social tenants'
[130] Note - some people will be exempt, but the researchers were unable to isolate these categories from the figures.
[131] Note – not all of these policies would not be possible in Scotland
[132] Inside Housing (June 2016) 'Under 35, on housing benefit and impossible to house?' quoted in House of Commons Library (December 2016) Local Housing Allowance and the social rented sector'

impact, estimating how many young people in Scotland will be affected and what the financial implications will be, with the final report expected to be published in the summer[133]. This found that around 14,000 households might be affected in Scotland, or around 65% of young mainstream social tenants, it presented possible estimates for the total cost of the policy ranging from £8.6-£22.6m, depending on the data used and whether it includes households in supported or temporary accommodation, which may be subject to exemptions or separate arrangements.

10.4 Removal of housing benefit for 18-21 year olds (Universal Credit)

10.4.1 Background

The UK Government laid regulations on 3 March to change entitlement for housing costs within Universal Credit (UC) for new claimants aged 18-21 years which come into effect on 1 April 2017. The removal of housing benefit will not apply to certain groups: those who may not be able to return home to live with their parents; certain claimants who have been in work for 6 months prior to making a claim; and young people who are parents.

10.4.2 Latest Developments

The Scottish Government has committed to restoring housing benefit for 18-21 year olds, details of which are outlined in section 7.6.

10.4.3 Impact

Scottish Government analysis indicates that there are currently fewer than 1000 people on housing benefit who would be ineligible for the housing element of UC if the UK Government's policy was in place in their area at the time of their first application. This is based on DWP data on single 18-21 year olds in the Social or Private Rented Sector with no child dependents and not known to be exempt from the under 35 Shared accommodation Rate, in August 2016.

The final figure, taking into account all exemptions is likely to be substantially lower. The policy only applies to new claimants of full service UC, so the current recipients of support through housing benefit (or the live service of UC) will not be affected. Any numbers based on current caseload are indicative of the maximum likely scale of impact, once the policy is fully rolled out, and once all live cases are those which have commenced on the full service.

[133] Chartered Institute of Housing (March 2017) 'Blog: assessing the impact of LHA caps for young people living in Scotland'

10.5 The impact of welfare reform on tenants, housing associations and local authorities

Policies such as the freeze in LHA rates, the bedroom tax the LHA cap for social sector tenancies, and the rollout of Universal Credit[134] all have the effect of reducing the ability of tenants to pay their rent in full and on time. In this section a summary of available evidence on the impact of welfare reforms on these groups specifically is presented, with the focus being evidence of reforms introduced by the Act.

10.5.1 The impact on tenants

The response of tenants who may struggle to pay their rent in full can be thought of as falling into three categories:

- Housing response: Tenants may seek to move to cheaper accommodation with either lower monthly payments or to accommodation not subject to the bedroom tax.
- Financial and Budgeting response: Tenants may prioritise paying their rent and reduce expenditure elsewhere to make ends meet.
- Employment response: Tenants may seek to make up any shortfall in benefits by moving into work, or seeking to increase hours or better paid employment.

Housing response

The research shows that tenants have not generally responded to welfare reforms by seeking to move to cheaper accommodation. There are often significant barriers to people moving accommodation including a lack of available property, attachment to their current home and local area, a wish to avoid disruption to family, and anxiety and financial costs associated with moving. There may also be a lack of cheaper accommodation available, this is particularly likely to be the case in the future for households affected by the introduction of LHA rates to the social rented sector, as mainstream social rented accommodation is already likely to be the most affordable accommodation available to a household or individual.

A DWP study which tracked the response of LHA claimants to changes to the LHA freeze found that only 15% of respondents to the first wave had moved by the second wave and only a minority of tenants (around 40%) had moved to cheaper accommodation[135]. The most common reasons for moving were: poor property condition (22%); personal or family reasons (21%); wanting a larger house or flat

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[134] Note - specifically the aspect of UC as a single-payment to the households, rather than a split payment to a landlord and the 6 week waiting time for the first UC payment.
[135] Cole, I. et al (July 2014) 'The Impact of Recent Reforms to Local Housing Allowances, Summary of Key Findings', DWP.

(20%); and wanting to pay a lower rent (15%). Only 3% of those that had moved had done so because thir HB payment was reduced. However, those under 35 affected by the introduction of the shared room rate were more likely to have moved[136].

DWP's own review of the bedroom tax suggested that no more than 8% of those affected had downsized[137].The proportion is likely to be lower in Scotland due to successful mitigation of the bedroom tax through Discretionary Housing Payments (see section 7.2).

Downsizing to smaller properties in response to the bedroom tax is difficult in some areas where there is a particular shortage of smaller properties. At the time the bedroom tax was introduced, the Scottish Government estimated that nationally around 60,000 households would need to move to a one bedroom property to avoid a reduction in benefit, but in contrast it estimated that only around 20,000 one bedroom properties become available for letting each year[138].

There is some evidence that landlords have been assisting tenants who want to move. Some landlords have:

- Revised their allocation policies to give greater priority to those who want to downsize.
- Allowed tenants who have arrears to transfer (where this would not normally be allowed).
- Promoted mutual exchanges as a potential option for tenants to move

In some areas, there was anecdotal evidence that homeless people were staying longer in temporary accommodation as a result of the bedroom tax. As North Lanarkshire Council's (2014) evidence to the Welfare Reform Committee stated[139]:

"Additionally, the small number of one bedroom properties that become available for let each year in the social rented sector is insufficient to meet demand; and single people are now more likely to refuse larger accommodation, partly due to the introduction of the bedroom tax. This has resulted in longer stays in temporary accommodation and subsequent additional and competing pressure on waiting lists for one bed properties."

This is unlikely to be the case now full mitigation of the bedroom tax is in place. This evidence was gathered at an early stage of SG mitigation though DHPs.

[136] Note - this change has already been introduced in the Private Rented Sector.
[137] DWP (December 2015) 'Evaluation of Removal of the Spare Room Subsidy, Final Report'.
[138] Scottish Government. (June 2013) 'Updated Evidence on the Number of Households Affected by the Housing Benefit Under Occupation Penalty'.
[139] North Lanarkshire Council. (September 2014) 'Written Submission to the Scottish Parliament Infrastructure and Capital Investment Committee's Homelessness in Scotland Inquiry'.

Financial/Budget Responses

Tenants who cannot, or who do not want to move, still need to pay any shortfall in their rent caused by welfare reforms, otherwise they will start to build up rent arrears. There is evidence that tenants have reduced spending in other areas in order to pay their rent, have gone into debt or restored to foodbanks.

Survey evidence from DWP on the impact of LHA changes showed that 46% of respondents had spent less on household essentials, 38% had spent less on non-essentials and 31% said they had borrowed money from family or friends. In relation to the impact of the bedroom tax, another DWP survey showed that 57% of claimants had reduced spending on household essentials, 35% on non-essentials and 25% has borrowed money[140]. Separate surveys by the National Housing Federation (NHF)[141] reported that nearly a third of those affected by the bedroom tax were cutting back on food and over a quarter on energy consumption.

The Scottish Government's Discretionary Housing Payments are expected to mitigate the financial impact of the bedroom tax (see section 8.6)

Employment Response

Only a small proportion of tenants affected by the LHA reductions appeared to have responded to the potential work incentive created by the change by seeking to access employment, or seeking an increase in hours, additional or better paid employment. According to the DWP research, around a quarter of those affected by the LHA change had sought to make up a shortfall in their income by getting a job and only small numbers had sought to increase hours, get a better-paid job, or a second job[142].

10.5.2 Impact on Landlords and Local Authorities

Changes to the rates of payment for LHA in the private rented sector have increased the pressure on landlords' rent management. Almost half (47%) of private landlords surveyed for the DWP's own 'two wave' research into the impact of the LHA changes reported that they had seen their level of rent arrears increase[143].

Landlords' behavioural responses reported from the same survey might be seen as indicative of the extent of the pressure they experienced as a result of the changes. The survey noted that:

- The proportion of those reluctant to let to LHA claimants rose from 73% to 79%.

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[140] Beatty, C. et al (July 2014) 'The Impact of Recent Reforms to Local Housing Allowances, Summary of Key Findings', DWP.
[141] National Housing Federation (January 2015) 'Welfare Reform Impact Assessment'
[142] Beatty, C. et al (July 2014) 'The Impact of Recent Reforms to Local Housing Allowances, Summary of Key Findings', DWP.
[143] Ibid.

- 30% reported that they had changed their letting strategy specifically because of the LHA changes.
- 37% had made moves to evict, rent or end tenancies of LHA claimants (compared to 27% non-LHA).
- 17% no longer let to under 35s.
- 13% planned to expand shared accommodation (up from 5% in wave 1)[144].

In terms of future imposition of LHA caps on the social sector, these responses are an indication of the potential for increased conflict and delay between social landlords and local authorities trying to discharge their homelessness duties[145].

The Scottish Housing Best Value Network carried out a study of the impact of the bedroom tax on social landlords' stock management[146]. Out of the 16 local authorities and 39 housing associations questioned, the findings were:

- 45% had seen an increase in unlet properties, with specific problems relating to larger, flatted properties that were unpopular with families.
- 40% reported an increase in refusal of offers, with homeless families unwilling to accept offers because of the financial implications, or holding out for a one bed property.
- 37% reported that their relet times had increased wholly (10%) or partially as a consequence of the bedroom tax.
- 52% of respondents with development programme were already providing/ planning to increase provision of one bedroomed housing, with a further 39% saying they might do so in the future.
- Landlords also reported feeling that they had less flexibility over allocations, and that they were less able to future proof allocations against potential changes in family circumstances.

Rent arrears relating to the impact of welfare reform are of considerable concern to landlords and local authorities. When the bedroom tax was introduced, a Scottish Housing Regulator Survey of landlords found that around 44% of respondents estimated that around 5% of current arrears were a direct result of the bedroom tax and a further 24% estimates that 10% of arrears were attributable to the bedroom tax[147]. More recent data from the SHR shows that total arrears have been falling slightly between 2014 and 2016[148]. However, the SHR notes that the fall is due to both the considerable effort of landlords to minimise the impact of welfare reform, the uptake of discretionary housing payments and the relatively low numbers of claimants being migrated to Universal Credit.

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[144] Ibid.
[145] Note - it should be noted that not all of these avenues are legally open to Social Sector landlords.
[146] Scottish Housing Best Value Network (March 2014) 'The Impact of the Bedroom Tax on Stock Management by Social Landlords'
[147] Scottish Housing Regulator (April 2014) Impact of Welfare Reform on Rent Arrears: Research Report
[148] Scottish Housing Regulator (March 2017) 'Analysis of the Finances of the Registered Social Landlords'.

There is some evidence from areas where Universal Credit has been fully rolled out (full-service) that rent arrears have increased. For example, Highland Council reported that around 700 households (82% of all households in in receipt of Universal Credit in the area) are in arrears with their rent and since September 2016 the overall rent arrears for UC case has increased from £387,040 to £704,347[149]. The report also found that rent arrears were higher amongst full-service UC households, as compared with live service households. Similar figures were found in East Lothian (where Musselburgh is a full-service UC area) which reported that 82% of their known UC cases were in rent arrears with an average rent arrear of £898.

Due to issues around timing of data collection, geographic data limitations and the small numbers associated with UC currently, national rent arrears data[150] has not captured the effect of rising rent arrears in UC areas. There is competing evidence that the link between Universal Credit and rent arrears is more complex. Many people are already in arrears when they start a claim to UC. For example, a recent report by the NFA[151] found that 50% of UC claimants were already in arrears before going in onto UC and UC tenants were more likely to be in arrears that other tenants[152]. The steep rise in arrears may also be due to the temporary effects of the 6 week wait time for UC payments and initial problems in implementation of new claims such as mistakes in housing element calculations.

[149] Highland council (February 2017) 'Community Services Performance Report - 1 April 2016 to 31 December 2016'.
[150] Note - sources include the Scottish Government Housing Revenue Account (HRA) Statistics, the Scottish Housing Regulator (SHR) Social Housing Charter Data and the Scottish Government Homelessness Data (HLN1).
[151] Inside Housing (January 2017) 'Universal Credit tenants in arrears increase to 86%'.
[152] Note - survey was conducted in UC areas in England only

Annex A – Methodology Summary – Scottish and GB level impacts

GB level impacts of post 2015 Conservative government policies is derived from the latest Treasury costings in most cases. The methodology employed to derive Scotland level impacts financial impact relies on published data of relevant benefit/tax credit caseloads. These are sourced primarily from DWP's Stat-Xplore tool[153], the Office of National Statistics' NOMIS tool[154] and Personalised Tax Credit statistics[155]. The approach taken is to derive an appropriate Scottish share which is then applied to each policy measure. The following provides a an overview of the data used to derive these shares for each policy measure in table 5 (see page 32)

Universal Credit and Tax Credit Changes

Costings for the reduction in the Universal Credit work allowances were updated at the Budget 2016. The Scottish share used (7.96%) to determine the Scottish level by 2020/21 impact is therefore the share of in-work tax credit cases in Scotland, derived from personalised tax credit statistics. It should be noted that this share will be sensitive to DWP plans for managed migration of legacy benefits onto Universal Credit. This share is also used for the UC taper change policy.

Costings for the 2 child limit and removal of the family element were updated at the Budget 2017. The share used for the 2 child limit (6.08%) is the share of families with more than 2 children in receipt of tax credits. The share used for the removal of the family cap (7.72%) is the share of families with children in receipt of tax credits.

Changes to the tax credit income disregard and UC conditionality extension are small measures in terms of financial impact and therefore the share used (8.8%) to calculate the impact of these policies is the Scottish share of total DWP spending on benefits in 2015/16.

Benefit Freeze

The Benefit freeze will affect all working-age recipients of Tax Credits (including Child Tax Credits), Child Benefit, Housing Benefit, Income Support, Employment and Support Allowance, Jobseeker's Allowance and Universal Credit. The approach used is to calculate the total spend in Scotland on these benefits to calculate the overall Scottish share. Table A1 shows the share of GB spend apportioned to Scotland for each benefit/tax credit and in total.

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153 Source - Stat-Xplore is available at: https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml
154 Note - NOMIS is available at: https://www.nomisweb.co.uk/
155 Note - Personalised Tax Credit Statistics are available at:
https://www.gov.uk/government/collections/personal-tax-credits-statistics

Table A1: Scottish share of spending on frozen benefits

Benefit	GB spending 15/16 (millions)	Scottish share of GB spend	Scot spending 15/16 (millions)	Explanatory note
Tax Credits	11,194	7.94%	890	Caseload share based on HMRC statistics (Dec-16)
Child Benefit	27,523	7.93%	2,180	Caseload share based on HMRC statistics (Aug-16)
Housing Benefit	24,244	7.1%	1,710	Spending share based on caseload and average award DWP data (Nov-16)
ESA	14,272	12.12%	240	Caseload share based on DWP statistics (Aug-16)
IS	2,539	9.27%	1,730	Caseload share based on DWP statistics (Aug-16)
UC and JSA	2,314	8.55%	240	Caseload share based on DWP statistics (Aug-16)[156]
Total	**85,000**	**8.22%**	**7,000**	

The 8.2% share is then applied to the Resolution Foundation estimate of the increased impact of the benefit freeze. The Resolution Foundation produced an initial estimate before Budget 2017[157], which was subsequently revised in there analysis of the Budget 2017 when CPI inflation forecasts were revised downward compared to their expectations[158].

Cap social rents to LHA

The savings from this policy are split across a number of separate policy announcements (see table A2). This includes the initial policy announcement in 2015 (latest update at Budget 2017), the impact of savings form the gradual introduction of the policy for new tenancies announced in Budget 2016, the negative impact of additional exemptions to the policy and the adjusted roll-out and supported housing fund announced at the Autumn Statement 2016.

The Scottish share used (8.7%) housing benefit expenditure on social housing tenants, calculated using average social renting and caseload data from DWP's Stat-Xplore tool.

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[156] Note - used for JSA only. Average UC awards in Scotland were lower than in GB, driven by lower housing costs.
[157] Bell, T (2016) 'The Budget will be a walk in the park for the Chancellor, but tere are still mountains to climb'
[158] Resolution Foundation (March 2017) 'Are we nearly there yet? Spring budget 2017 and the 15 year squeeze on family and public finances'

Table A2: Cap social rents to LHA – Treasury Costings

	2017/18	2018/19	2019/20	2020/21
Housing Benefit: limit social sector rates to the equivalent private sector rate	0	440	570	660
Local Housing Allowance: implement for new tenancies from April 2017	0	-130	-75	-35
Social Sector Rent downrating: exemptions	0	-5	-10	-15
Local Housing Allowance: adjusted roll-out and supported housing fund	0	-310	-260	165
Cap social rents to LHA	**0**	**-5**	**225**	**775**

ESA WRAG Reduction

The latest GB costing for the removal of the work related component of ESA was produced alongside the Budget 2017. The Scottish share used (12.9%) is the Scottish share of ESA WRAG caseload with a duration of less than 3 months (Source: DWP's Stat-Xplore).

Support for Mortgage Interest

Costings for the change of support for mortgage interest from a payment to a loan were last updated at the Budget 2017. The Scottish share used (8.3%) was Scotland's share of GB homeownership as determined by the Labour Force Survey[159]

Pension Credit Freeze

This policy sets the level of the Savings Credit maximum in Pension Credit so that Pension Credit awards for those receiving Savings Credit are frozen where income is unchanged. The latest costing was provided alongside the Budget 2016. The share used (10.8%) is the Scottish caseload share of Pension Credit (savings credit) available from NOMIS.

Benefit Cap

Benefit Cap statistics for February 2017 (available from DWP Stat-Xplore) show the impact of the lower Benefit Cap at a Scotland level and that around 5.5% of all cases were in Scotland. This share is used and is applied to the latest GB costing which was produced alongside an Impact Assessment[160].

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[159] Page,R (2016) 'Home Ownership Statistics', House of Commons Library Briefing.
[160] DWP (August 2016) 'Welfare Reform and Work Act: Impact Assessment for the benefit cap', Impact Assessment

Coalition Measures

Table A3: Coalition government measures identified by OBR and Scottish share used

Measure Identified in OBR report for 2015/16 costings	Share used	Description
CPI indexation (replace RPI and Rossi) for most benefits and tax credits	8.81%	Scottish share of total DWP benefit expenditure (2015/16)
Child benefit frozen for three years from 2011-12	7.86%	Scottish share of HMRC spending on child benefit (2012/13)
Pensions triple-lock	8.46%	Scottish share of DWP expenditure on State Pension (2015/16)
Three-year freeze in WTC basic rate and 30-hour element	7.72%	Scottish share of HMRC spending on Tax Credits (2012/13)
1 % cap on uprating of most working-age benefits from 2013-14	8.81%	Scottish share of total DWP benefit expenditure (2015/16)
1 year uprating freeze on child benefit payments, LHA rates	7.58%	Average of shares used for Child Benefit freeze and cut to LHA rates
Smaller uprating measures	8.81%	Scottish share of total DWP benefit expenditure (2015/16)
Reforms to disability benefits (PIP)	10.90%	Scottish share of working-age DLA and PIP expenditure (2015/16)
ESA - contribution based limited to 1 year	11.09%	Scottish share of ESA expenditure (2015/16)
High income child benefit charge	7.86%	Scottish share of HMRC spending on child benefit (2012/13)
Tax credit reforms (family element)	7.72%	Scottish share of HMRC spending on Tax Credits (2012/13)
Further tax credit measures (childcare costs, hours threshold etc)	7.72%	Scottish share of HMRC spending on Tax Credits (2012/13)
Cut in LHA to 30th of local private sector rents	7.31%	Scottish share of housing benefit expenditure (2015/16)
Matching the basic state pension increase in 11-12 in the PC min income	8.46%	Scottish share of DWP expenditure on State Pension (2015/16)
Tax Credit (admin and collection)	7.72%	Scottish share of total DWP benefit expenditure (2015/16)
Smaller measures	8.81%	Scottish share of total DWP benefit expenditure (2015/16)

The OBR's Welfare Trends report provide estimates of the impact of coalition measures (uprating and non-uprating) by 2015/16 and 2020/21. The impact of measures up to 2015/16 are broken down into broad measures (see table A3) as outlined in table 3, however no breakdown was available for the impact in 2020/21. For the impact to 2020/21, where a breakdown is not given by the OBR, then the Scottish share of total DWP benefit expenditure (2015/16) is used for both uprating an non-uprating policy to give an overall total.

Annex B – Methodology Summary – Local Authority Impacts

The methodology employed to derive local authority level impacts financial impact relies on published data of relevant benefit/tax credit caseloads at local authority level. These are sourced primarily from DWP's Stat-Xplore tool[161], the Office of National Statistics' NOMIS tool[162] and Personalised Tax Credit statistics[163]. Once an appropriate local authority share (%) is derived for each policy measure this is multiplied through by the Scottish level financial impact derived in Annex A to get a central estimate of the likely impact. The following provides a an overview of the data used to derive these shares for each policy measure in table 7 (see page 37)

Universal Credit and Tax Credit Changes

Provisional personal tax credit statistics[164] to December 2016 have breakdowns of the number of families claiming tax credits at a local authority level, as well as an in-work/out-of-work split. For the removal of the family element and the 2 child limit in tax credits and UC, the proportion of households claiming child tax credits in a local authority is used as a proxy for the financial impact of the change at a LA level. It is implicitly assumed that the distribution of families claiming CTCs with more/less than 2 children is similar across local authorities.

The change to Universal Credit work allowances, the taper rate change and the change to income disregards (tax credits) will only affect households in work. Therefore, the distribution of the number of in-work families receiving tax credits (with or without children) is used to derive appropriate shares to calculate the impact of these measures.

Benefit Freeze

The benefit freeze affects a large number of households claiming various in-work benefits and tax credits. To calculate the local authority impact of the freeze, the sum of the claimant count (Source: NOMIS), families claiming child benefit (Source: gov.uk), ESA caseload (Source: Stat-Xplore) and working tax credit caseload with no children (Source: gov.uk) is taken to determine the impact of the freeze in a given area. This method does not take into account overlapping benefits, so is not appropriate for determining the number of households affected, but it does give an indication of the relative impact of the freeze across different local authorities.

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[161] Stat-Xplore is available at: https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml
[162] NOMIS is available at: https://www.nomisweb.co.uk/
[163] Personalised Tax Credit Statistics are available at: https://www.gov.uk/government/collections/personal-tax-credits-statistics
[164] Source – Personalised Tax Credits Provisional Statistics

Cap social rents to LHA

The cap to social rents will affect single people aged under 35 who are renting in the social rented sector. National Housing Federation (NHF) analysis[165] suggested around 88% of all affected claimants will be from this group. Therefore, financial impact is calculated by using DWP housing benefit data on the number of households in this group by local authority, adjusted for the 'rent gap', defined as the difference between average SRS rents and the relevant LHA shared accommodation rate. A further adjustment is made to reflect the impact on other tenant groups using a similar methodology which is weighted by 12% in the final calculation of shares.

ESA WRAG Reduction

The local authority impact of this policy is based on the share of ESA WRAG caseload in each local authority using DWP data. The removal of ESA WRAG component will affect new claimants only, therefore it is assumed that the distribution of WRAG caseload and new claims to ESA will be approximate.

Support for Mortgage Interest

The financial loss from changes to support to mortgage interest is allocated to local authorities in proportion to working-age benefit claimant numbers in each authority adjusted for the share of people over 16 in a home ownership household (Source: National Records of Scotland).

Pension Credit Freeze

This policy sets the level of the Savings Credit maximum in Pension Credit so that Pension Credit awards for those receiving Savings Credit are frozen where income is unchanged. The financial loss from this policy is allocated to local authorities in proportion to Pension Credit (savings credit) caseload in each local authority.

Benefit Cap

Benefit Cap statistics for February 2017 (available from DWP Stat-Xplore) show the impact of the lower Benefit Cap at a local authority level (see table 14 on page 69).

UC conditionality

The measure extends full conditionality in Universal Credit to lone parents and responsible carers with a youngest child aged 3 or 4 years. The local authority impacts are based on the number of lone parent households claiming Income Support, the main legacy benefit for this claimant group.

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[165] National Housing Federation (2016) 'Impact of applying Local Housing Allowance Rates to general needs social tenants'.

Annex C – Methodology Summary - Number of Households Affected

This annex outlines the data sources and methodology behind estimates of the number of households affected by welfare reform as outlined in section 3.4.

Benefit Freeze

DWP's impact assessment assumes that 30% of all households in GB will be affected by the benefit freeze[166]. Using the NRS 2014-based household projection estimate for 2019[167], there will be around 2.5 million households in Scotland, which means approximately 750,000 will be affected by the benefit freeze.

UC Work Allowance and UC taper change

The UC work allowance change and the reduction in the taper rate will impact on all in-work households claiming UC. There are around 223,000 in-work households in Scotland claiming Tax Credits[168], therefore once UC has fully rolled out, and assuming no change in the number of households claiming in-work benefits, approximately this number of households would be affected.

The type of household, the number of children, how many hours were worked and the wage of the household would determine whether the household was better off as a result of both of these changes.

Universal Credit and Tax Credit changes – 2 child limit and removal of the family element

DWP estimate that around 640,000 families will be affected by the 2 child limit by 2020/21 and 1.2 million families will be affected by the removal of the family cap by 2020/21[169]. Taking a Scottish share of these figures[170], around 50,000 families in Scotland will lose entitlement to a child element for a third or subsequent child by 2020/21 and 90,000 families in Scotland will lose entitlement to the family element. At this stage, it is not possible to say how many households in total will be affected by both changes. For example, a household in receipt of CTCs that has a third child after April 2016 will be affected by the two child cap but not the removal of the

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[166] DWP (2015) 'Benefit Freeze: Impact Assessment'
[167] Household Projections for Scotland, 2014-based, available at: https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/households/household-projections/2014-based-household-projections
[168] Provisional Personal Tax Credit Statistics (December 2016) available at: https://www.gov.uk/government/collections/personal-tax-credits-statistics.
[169] DWP (2015) 'Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element'
[170] Note - the share used for both estimates is families in receipt of child tax credits with children. This may overestimate the number of households affected by the 2 child limit by 2020/21, however in the long-run around this number of households may be affected, subject to the number of exemptions.

family element. However, a household with three children making a new claim to UC from later this year will be affected by both policies.

Cap to social rents to LHA rate

IFS analysis of the impact of this policy in steady-state suggested that 800,000 households in GB would be affected[171]. Using Scotland's share of housing benefit expenditure in the social sector reveals around 70,000 households may be affected in Scotland.

Reduction of payment to ESA WRAG recipients (new claims)

This policy will only affect new claims to Employment Support Allowance in the work related activity group. The number of people affected by 2020/21 depends on on-flows to ESA (data not published). In the long-run, based on the current WRAG caseload, DWP estimate that 500,000 households with be affected at the GB level[172] which implies that around 70,000 households could be affected in Scotland (based on current ESA WRAG caseload share).

Support for Mortgage Interest Change

No statistics on SfMI are publically available. A DWP impact assessment stated that across the GB there were around 170,000 households claiming SfMI. Based on Scottish share of home ownership, between 10,000 and 20,000 households may be affected in Scotland. A range is given as there is uncertainty over the share of benefit recipients in Scotland that are home-owners. The change from SfMI from a benefit to a loan will happen in 2018/19 and will apply to both new and existing claims.

Benefit Cap

The lower Benefit Cap was introduced in November 2016. Benefit Cap statistics show that 66,000 households in GB were affected by the cap as of February 2016 and 3,600 were affected in Scotland. There is some uncertainty around the statistics at this early stage in Benefit Cap implementation, so the Scotland figure has been rounded up to 4,000 households.

Removal of Housing Benefit from 18-21 year olds

An explanatory memorandum accompanying the regulations[173] for the removal of housing benefit to 18 -21 year olds states that the provision is expected to affect 1,000 young people in the first year rising to 11,000 in steady state (GB level).

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[171] Institute of Fiscal Studies (2015) 'The Budget and Spending Review – what do they mean for social housing?'
[172] DWP (2015) 'Impact Assessment to remove the ESA Work-Related Activity Component and the UC Limited Capability for Work Element for new claims'.
[173]Available at: http://www.legislation.gov.uk/uksi/2017/252/pdfs/uksiem_20170252_en.pdf

Analysis of DWP housing benefit figures (Source: Stat-Xplore) for Scotland suggests that no more than 800 young people could be affected at steady-state when the policy is fully rolled out.

Pension Credit freeze

The savings credit part of Pension Credit closed for people reaching State Pension age on or after 6 April 2016. Currently around 1 million people in GB claim savings credit and 110,000 people claim savings credit in Scotland. If the policy affected all claimants, then around 110,000 people would be affected in Scotland.

UC conditionality

A DWP impact assessment of the policy estimated[174] that, in steady state, the policy will affect around 220,000 responsible carers claiming Universal Credit with a youngest child aged 3 or 4. Taking an appropriate Scottish share (DWP benefit expenditure share 2015/16), around 20,000 households may be affected by this policy.

Tax Credit Income Disregard

The income rise disregard is the amount up to which any increase in a claimant's income within a year is not taken into account in calculating their tax credits entitlement for that year. This measure reduces this limit from £5,000 to £2,500. It is effective from April 2016. There is no publically available estimate of the number of people or households affected by this measure at a GB level.

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[174] DWP (2015) 'Welfare Reform and Work Bill: Impact Assessment of the change in conditionality for responsible carers on Universal Credit'

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