Welfare Reform (Further Provision) (Scotland) Act 2012

Annual Report – 2015
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Laid before the Scottish Parliament by the Scottish Ministers under section 4(2) of the Welfare Reform (Further Provision) (Scotland) Act 2012

26 June 2015

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Executive Summary

The Welfare Reform (Further Provisions) (Scotland) Act 2012 tasks the Scottish Government with producing an Annual Report on the impacts of the Welfare Reform Act 2012 (the Act) on the people of Scotland. This is the third such report, following previous publications in June 2013 and June 2014.

The Scottish Government has estimated that UK Government changes to welfare since 2010 will have reduced benefit expenditure in Scotland by around £2.5 billion in 2015-16. Over the six years from 2010-11 to 2015-16, the cumulative impact of all welfare reform changes will result in the Scottish welfare bill being reduced by around £6 billion\(^1\). These estimates are based on all changes to welfare expenditure that were announced by the Coalition Government, not simply those introduced by the Act. The current UK Government is continuing with reforms to welfare throughout this parliamentary term.

This Executive Summary provides key findings drawn from the main report on expected impacts, actual impacts, and Scottish Government mitigation activities.

Expected impacts

It is still too early to be clear about the full impacts of the Act on the people of Scotland. The majority of welfare expenditure reductions (approximately 70 per cent), and therefore the strongest impacts, are being felt in 2014-15 and 2015-16. However, data on these impacts are still limited. Further, key provisions of the Act (the introduction of Universal Credit and Personal Independence Payment) have not progressed to their original timescales and delays in roll-out continue.

In June 2015, Universal Credit (UC) is available in 49 jobcentres in Scotland mainly to single jobseekers only. The most recent data, as at May 2015, show that there are currently 2,420 individuals in receipt of UC in Scotland. When fully rolled out, UC is expected to have both ‘winners’ and ‘losers’, although many are expected to see no change in the amount of benefit received. Much of the concern about UC relates to other issues, including direct payment of Housing Benefit to tenants; monthly payments; payments to one member of the household; and the ‘digital as appropriate’ claimant process.

The Personal Independence Payment (PIP) caseload in Scotland is limited, with only around 47,600 people in April 2015, compared to around 200,130 working-age people claiming Disability Living Allowance (DLA) in November 2014.

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When PIP is fully rolled out in Scotland, it is estimated that:

- 105,000 reassessed working-age disabled people will lose some or all disability benefits by 2018, of those 49,000 will lose their entitlement entirely;
- 47,000 fewer disabled claimants will receive the enhanced rate mobility component by May 2018 because of the stricter mobility test; and,
- More than 88,600 disabled claimants who were claiming DLA lowest care component in November 2014 are at risk of losing £22 per week (£1,134 per year) when moved off DLA.

The limited data available to date show that 74 per cent of the 108,700 reassessed DLA claimants in Great Britain were awarded PIP.

**Actual impacts**

The main impacts of the Act to date come from those elements which have been introduced in full, as follows.

Just over 72,000 households had been affected by the ‘bedroom tax’ in Scotland by February 2015. Affected households were losing on average £11.75 per week and households with children making up about one-sixth of the total. It is estimated that around 80 per cent of households affected in Scotland contain an adult with a Disability Discrimination Act-recognised disability.

The **Benefit Cap** affected nearly 2,700 Scottish households between introduction in mid-April 2013 and February 2015. The total amount of deductions to benefits in 2014 is estimated to have been around £3 million in Scotland. Seventy-four per cent of households affected in Scotland contained children, with lone parents being the household group most likely to be affected. Over 7,800 children in Scotland are estimated to have been affected by the Benefit Cap to date.

The new **Jobseeker's Allowance (JSA) sanction regime** was introduced in October 2012. Under the regime, there are three fixed-term levels of sanctions with increasing penalties for repeat sanctions. In 2014, nearly 55,900 adverse JSA sanctions were applied in Scotland, affecting around 38,200 individuals. Young people in Scotland are disproportionately affected by JSA sanctions - they represent 40 per cent of all adverse JSA sanctions but only account for 23 per cent of JSA claimants.

The new **Employment and Support Allowance (ESA) sanction regime** was introduced in December 2012 and entails open-ended sanctions followed by fixed-period sanctions after re-compliance. A total of around 2,600 adverse sanctions were applied in 2014, affecting around 1,800 individuals in Scotland.

Evidence suggests that Welfare Reform is one of the factors driving the rise in the numbers accessing **emergency food aid** in Scotland. According to the Trussell Trust, almost 117,700 people used food banks in Scotland in 2014-15 (eight times the number two years ago), of whom more than 36,000 were children. The reasons...
given for being referred to a food bank included ‘benefits delays’ in 30 per cent of the cases, ‘low income’ (22 per cent) and ‘benefit changes’ (14 per cent).

**Scottish Government mitigation**

The Scottish Government is doing all it can, within its existing powers, to mitigate the worst impacts of Welfare Reform. **Funding of £296 million is being provided** over the period 2013-14 to 2015-16.

The Scottish Government is providing £90 million in the period 2013-16 to mitigate in full the effects of the ‘bedroom tax’. In the twelve month period from April 2014, Scottish local authorities made around 118,000 awards, from 132,000 applications, under the **Discretionary Housing Payments scheme**. During this time, the average payment was £429 amounting to a total value of over £50.5 million.

The Scottish Government has replaced Council Tax Benefit, which was abolished by the Act, with the **Council Tax Reduction scheme**. This protects the entitlement provided in previous years, with funding of £23 million per annum over the period 2013-14 to 2015-16.

Similarly, the Act abolished certain discretionary elements of the Social Fund, which the Scottish Government has replaced with the new **Scottish Welfare Fund**, providing annual funding of £33 million.

The Scottish Government has also launched a £1 million **Emergency Food Action Plan** over two years to support work to combat food poverty. Through this plan FareShare has been provided with £500,000 over two years to tackle food waste and food poverty across Scotland. An Emergency Food Fund has also been launched, with £500,000 available up to 31 March 2016, to support projects which respond to immediate demands for emergency food aid and to help address the underlying causes of food poverty.

In April 2014, the Scottish Government launched the **Welfare Reform Resilience Fund** to deliver a programme of projects across 11 local authorities in 2014-15. The projects contribute to learning about potentially innovative aspects of service design and delivery and provide support for mental health issues, fuel advocacy services, housing and money advice and increasing digital access.

Other mitigation work not included in the £296 million funding includes entitlement to **free school meals** in Scotland, which was further extended to children in primary 1 to 3 in January 2015. This action will help to improve the health and wellbeing of children, be worth around £330 per year per child to families across Scotland, and remove any possibility that free school meals will be a source of stigma during the first years of a child’s schooling.

From August 2014, **early learning and childcare** was introduced to around 15 per cent of two year olds in Scotland and will be widened to around 27 per cent of the same group from August 2015 according to the Scottish criteria for free school meals. This policy will improve the accessibility and affordability of high quality early
learning and childcare for all families and should, in turn, improve outcomes for children and remove barriers to parents seeking work or study.
List of Acronyms

<table>
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<th>Acronym</th>
<th>Definition</th>
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<tr>
<td>CAS</td>
<td>Citizens Advice Scotland</td>
</tr>
<tr>
<td>COSLA</td>
<td>Convention of Scottish Local Authorities</td>
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<tr>
<td>CPAG</td>
<td>Child Poverty Action Group</td>
</tr>
<tr>
<td>CTB</td>
<td>Council Tax Benefit</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>CTR</td>
<td>Council Tax Reduction</td>
</tr>
<tr>
<td>DHP</td>
<td>Discretionary Housing Payments</td>
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<tr>
<td>DLA</td>
<td>Disability Living Allowance</td>
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<td>DWP</td>
<td>Department for Work and Pensions</td>
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<tr>
<td>ESA</td>
<td>Employment and Support Allowance</td>
</tr>
<tr>
<td>GB</td>
<td>Great Britain</td>
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<tr>
<td>GP</td>
<td>General Practitioner</td>
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<tr>
<td>HMRC</td>
<td>Her Majesty’s Revenue and Customs</td>
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<tr>
<td>IS</td>
<td>Income Support</td>
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<td>JSA</td>
<td>Jobseeker’s Allowance</td>
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<tr>
<td>LAs</td>
<td>Local Authorities</td>
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<tr>
<td>LHA</td>
<td>Local Housing Allowance</td>
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<tr>
<td>NHS</td>
<td>National Health Service</td>
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<tr>
<td>NPI</td>
<td>New Policy Institute</td>
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<td>PIP</td>
<td>Personal Independence Payment</td>
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<tr>
<td>RSLs</td>
<td>Registered Social Landlords</td>
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<tr>
<td>ScotPHN</td>
<td>Scottish Public Health Observatory</td>
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<tr>
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<tr>
<td>UC</td>
<td>Universal Credit</td>
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<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>WRAG</td>
<td>Work-Related Activity Group</td>
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<tr>
<td>WRRFF</td>
<td>Welfare Reform Resilience Fund</td>
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Chapter 1. Introduction

1.1. Purpose of this report

The Welfare Reform Act 2012\(^2\) (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\(^3\). 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”\(^4\).

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. The following requirements were set out:

1. The Scottish Ministers must prepare an initial report giving such information as they consider appropriate about the impact that the UK Act is likely to have on people in Scotland.

2. The initial report is to be laid before the Scottish Parliament on or before 30 June 2013. […]

4. An annual report is —

a) starting with 2014, required each year until 2017.

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

5. The initial report or annual report may include such additional information as the Scottish Ministers consider appropriate.\(^5\)

The first report was laid before the Scottish Parliament in June 2013\(^6\) and the second report in June 2014\(^7\). This is the third annual report.


This brief introductory chapter sets out the key provisions of the Act and the dates at which its provisions have been implemented or phased in. It also provides, as background context, an overview of the cumulative financial impact of all welfare reform changes introduced by the Coalition Government between 2010 and 2015. The structure of the report is then set out, with points to note about the material presented.


The Act includes the following key provisions, discussed in detail in the next chapter:

- 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 with the Personal Independence Payment for working-age adults.
- Changes to entitlement for the contributory element of Employment and Support Allowance.
- Changes to Housing Benefit in relation to under-occupancy in the social housing sector (the 'bedroom tax'\(^8\)).
- Changes to Local Housing Allowance.
- The introduction of a cap on the total amount of benefit that working-age people can receive.
- The introduction of a new requirement on lone parents whose youngest child has reached the age of five to look for work in order to be eligible for benefits. This means they are no longer entitled to Income Support but must instead claim Jobseeker’s Allowance.
- 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.

1.3. Timetable of implementation for the Act’s provisions

The original timetable for the implementation of particular aspects of the Act has undergone several revisions. In particular, the projected timelines of both Universal Credit (UC) and Personal Independence Payment (PIP) roll-out have been subject to

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\(^8\) 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.
delay. However, DWP has implemented in full a number of the measures from the Act, and piloted a number of others in 2014-15, as outlined in Box 1.1.

**Box 1.1 Timeline of roll-out of Welfare Reform policies in Scotland since June 2014**

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 2014</strong></td>
<td>- Inverness takes new UC claims from couples as well as from single people.</td>
</tr>
<tr>
<td><strong>July 2014</strong></td>
<td>- Introduction of UC claims by couples in all areas where UC is running.</td>
</tr>
<tr>
<td><strong>October 2014</strong></td>
<td>- High-tech equipment, including signing pads and job search computers, installed at more than 700 sites across the UK to make it easier for people to find work.</td>
</tr>
</tbody>
</table>
| **January 2015** | - UC available to families (couples or lone parents with children) for the first time in Inverness.  
- Limited reassessment of existing claimants of Disability Living Allowance (DLA) for PIP in Glasgow and Inverness begins. |
| **February 2015** | - Limited reassessment of existing claimants of DLA for PIP in Aberdeen, Dundee, Kilmarnock, Kirkcaldy and Perth.  
- UC available for single newly unemployed people without children in all Highland jobcentres. |
| **March 2015** | - Limited reassessment of existing claimants of DLA for PIP begins in Falkirk.  
- UC available for single newly unemployed people without children in West Dunbartonshire, North Lanarkshire, Edinburgh City. |
| **April 2015** | - UC available for single newly unemployed people without children in Midlothian, North Ayrshire, East Lothian, Borders, Dumfries and Galloway. |
| **May 2015** | - UC available to new single claimants in Orkney, Shetland Isles, Western Isles, Aberdeenshire, Falkirk, Stirling.  
- Limited reassessment of existing claimants of DLA for PIP begins in Paisley. |
1.4. Cumulative financial impacts

The UK Coalition Government made its first announcements on Welfare Reform in the June 2010 Budget, with further changes set out in subsequent Budgets and Autumn Statements. These changes amount to a reduction in welfare expenditure of nearly £74 billion by 2015-16 for the UK; with the majority of these savings announced in the June 2010 Emergency Budget (£26.3 billion) and 2010 Spending review (£15.9 billion). The Scottish Government has estimated that these changes to welfare will reduce benefit expenditure in Scotland by around £2.5 billion in 2015-16. Over the six years from 2010-11 to 2015-16, the cumulative impact of all welfare reform changes will result in the Scottish welfare bill being reduced by around £6 billion. The cuts are spread across different areas of the benefit system, with only those over state pension age being largely exempt from the changes. The largest reduction in expenditure (around 40 per cent) is from the change to how benefits are uprated. This will reduce incomes for those in receipt of non-pensioner benefits.

These estimates are based on all changes to welfare expenditure that have been announced by the then Coalition Government, not simply those in the Act. Note that the majority of welfare expenditure reductions (approximately 70 per cent), and therefore the strongest impacts, are being felt in 2014-15 and 2015-16, see Figure 1.1.

While outwith the scope of the Act, and consequently this report, it should be noted that the new UK Conservative Government which came into power in May 2015 announced a number of further reforms to welfare in the Queen’s Speech on 27 May 2015. These reforms cover a freeze in working-age benefits, Tax Credits and Child Benefit for two years from 2016-17; lowering the households’ Benefit Cap; and removing automatic entitlement to housing support for 18 to 21 year olds. Further details of these changes are expected in the UK Summer Budget on 8 July 2015.

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10 Ibid.
11 Cabinet Office and Prime Minister’s Office, 10 Downing Street, Queen’s Speech 2015: What It Means for You, 27 May 2015.
1.5. Structure of this report

The remainder of this report is divided into three main sections:

- Chapter 2 provides a summary of the key provisions of the Act and outlines the impacts of individual changes, as well as impacts on equality groups and health.
- Chapter 3 covers the Scottish Government’s responses to mitigate the impacts of the Act. This includes updates on the Scottish Welfare Fund, Council Tax Reduction Scheme, and Discretionary Housing Payments.
- Chapter 4 provides a closing summary of key themes from the report, as well as an indication of ongoing and future work to explore impacts further.

A full set of references and weblinks is provided at the end of the report.

1.6. Points to note about this report

This report seeks to present as full a picture as possible of the impacts of the Act, but a number of issues limit what is able to be presented here, as follows.

Delays to roll-out continue. The provisions of the Act began to be introduced from April 2013. However, key provisions - including Universal Credit (UC) and the Personal Independence Payment (PIP) - have not been rolled out to their original timetables. Only limited numbers are in receipt of UC or PIP in Scotland to date.

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. For example, impacts on health are likely to be felt in the longer term, and any data available now are only able to provide either baseline or indicative findings. Also, analysis for PIP and UC is partly based on DWP experimental statistics which are in a testing phase and not yet fully developed\textsuperscript{12}.

**Welfare reform also pre-dates and post-dates the Act.** The UK Coalition Government began introducing changes to welfare from 2010, and continued to do so once the Act received Royal Assent in March 2012. As previously outlined, the current UK Conservative Government is continuing with reforms to welfare throughout this parliamentary term. Although many of the provisions of the Act are significant in terms of impacts, other changes to welfare, such as how benefits are uprated, also have significant impacts. As this Annual Report is specifically focused on the Act, these other changes only receive partial coverage here.

**Isolating Act changes from other UK changes to welfare is challenging.** The welfare system is inter-connected in a highly complex way. The introduction of a variety of changes since 2010 has been differently phased and managed. Hence, separating out the direct impacts of the Act is not necessarily straightforward. For example when considering impacts on health, people may experience stress from a particular change, but also more general anxiety from actual or anticipated changes which may or may not flow from the Act. Further, some of the impacts may be compounded by wider trends, including the economic crisis, wider UK Government austerity measures, and structural features of the labour market. The report therefore necessarily ranges outwith the provisions of the Act at various points, while trying to maintain a focus on its provisions throughout.

**Welfare powers are being devolved to Scotland.** The Smith Commission was tasked with providing recommendations on potential financial, welfare and taxation powers that could be devolved to Scotland\textsuperscript{13}. The Commission recommended that the Scottish Parliament be given complete autonomy to determine the structure and value of a range of powers over disability benefits, and devolution of the components of the Regulated Social Fund. In addition, the Scottish Parliament should be given the power to make administrative changes to UC and to vary the housing cost element. The Commission also made clear recommendations that the Scottish Parliament be given powers to create new benefits in areas of devolved responsibility, and top-up reserved ones. While the devolution of these powers will have implications for Scottish households this is beyond the scope of this report.


Chapter 2. Impacts of the Welfare Reform Act 2012 in Scotland

2.1. Introduction

This chapter presents a brief summary of the impacts, as they are understood to date, of key changes introduced by the Welfare Reform Act 2012 (the Act). The chapter begins with a consideration of the direct impacts of key changes from the Act on the people of Scotland. It closes with a focus on the more cross-cutting impacts on health and food poverty.

Over the last year, the Scottish Government has either commissioned or undertaken a range of research and analysis in order to understand these impacts better. For example, the Employment Research Institute at Edinburgh Napier University and the University of Stirling are conducting a qualitative longitudinal study for the Scottish Government, the Welfare Reform Tracking Study, following circa 30 individuals in receipt of working-age benefits or tax credits over the period 2013-2017. The aim of this tracking study is to assess both short and long-term impacts of welfare changes on Scottish households to inform the development and implementation of the Scottish Government’s welfare reform mitigation strategy.

Other work has included

- Reports analysing trends and affected groups of Employment and Support Allowance and Jobseeker’s Allowance sanctions.
- An impact assessment of Welfare Reform on families.
- A financial impact assessment of Welfare Reform on disabled people.
- An evidence review of impacts of Welfare Reform affecting housing as well as papers analysing the impact on housing supply; on communities in the Private Rented Sector; on equality, poverty and geographies; and on the impact on income available for housing.

Reference to this work is brought out in this chapter in particular. External analysis is also referred to where a fuller picture is needed. Relevant work is set out in footnotes, and in a list of references at the end of the report.

14 Scottish Government research and analysis on Welfare Reform can be found at http://www.gov.scot/Topics/People/welfarereform/analysis and in Annex B.
2.2. Introduction of Universal Credit

Universal Credit (UC) is a new, integrated, working-age benefit which will, when fully implemented, replace the following benefits:

- Income-based Jobseeker’s Allowance;
- Income-related Employment and Support Allowance (ESA);
- Income Support;
- Working Tax Credit;
- Child Tax Credit;
- Housing Benefit.

In April 2013, UC was introduced in certain pathfinder areas of North West England with roll-out to other areas since October 2013\(^{15}\). Inverness was the first area to receive UC in Scotland. By June 2015, UC had been introduced into 49 jobcentres across Scotland. This roll-out covers only new, single jobseekers without children, with exception of Inverness where couples and parents are able to claim UC\(^{16}\).

From May 2016, the Department for Work and Pensions (DWP) will roll out UC on the new digital IT system taking on more complex new claim types and closing the new claims gateway for legacy benefits. The current caseload of legacy benefit claims will be migrated onto UC, probably during 2017 to 2019 leaving the ESA caseload to be moved last, possibly early 2020. However much depends on the capability and capacity of the new IT system under development.

According to the most recent DWP statistics\(^{17}\), 2,760 people, with a male to female ratio of around 7:3, have started on UC across Scotland in the two years since its introduction in May 2013.

Table 2.1 presents a breakdown of UC caseloads in Great Britain\(^{18}\) and Scotland as at May 2015\(^{19}\). It highlights that women make up a smaller proportion of those on UC in Scotland (27 per cent) compared to Great Britain (31 per cent). With 42 per cent, young people (aged 16 to 24) make up a big proportion of UC claimants. However, this proportion is smaller than compared to Great Britain (46 per cent). Scotland has a higher proportion of UC claimants not in employment (74 per cent) compared to Great Britain (69 per cent).


\(^{16}\) DWP, Jobcentre Areas Where You Can Claim Universal Credit, 27 April 2015.


\(^{18}\) Great Britain data also includes some couples and parents.

\(^{19}\) By May 2015, UC has been introduced in 39 Scottish jobcentres.
Table 2.1 Universal Credit caseload as at May 2015

<table>
<thead>
<tr>
<th></th>
<th>Great Britain</th>
<th></th>
<th>Scotland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total caseload</td>
<td>65,380</td>
<td>2,420</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caseload in GB</td>
<td></td>
<td>As % of total in GB</td>
<td>Caseload in Scotland</td>
<td>As % of total in Scotland</td>
</tr>
<tr>
<td>Female</td>
<td>20,520</td>
<td>31%</td>
<td>660</td>
<td>27%</td>
</tr>
<tr>
<td>Male</td>
<td>44,860</td>
<td>69%</td>
<td>1,760</td>
<td>73%</td>
</tr>
<tr>
<td>Not in Employment</td>
<td>44,820</td>
<td>69%</td>
<td>1,780</td>
<td>74%</td>
</tr>
<tr>
<td>In Employment</td>
<td>20,560</td>
<td>31%</td>
<td>630</td>
<td>26%</td>
</tr>
<tr>
<td>Aged 16-24</td>
<td>30,260</td>
<td>46%</td>
<td>1,010</td>
<td>42%</td>
</tr>
<tr>
<td>Aged 25-49</td>
<td>29,580</td>
<td>45%</td>
<td>1,130</td>
<td>47%</td>
</tr>
<tr>
<td>Aged 50+</td>
<td>5,540</td>
<td>8%</td>
<td>250</td>
<td>10%</td>
</tr>
</tbody>
</table>


The roll-out of UC is not yet complete and in areas where UC is already available, it was only recently introduced and data are either not available or only covering very short periods. Thus, the impacts from the introduction of UC are not clear yet. However, UC is expected to have mixed financial impacts.

Initial evaluations of UC roll-out by DWP suggest that it is resulting in a number of positive effects not only for individuals but also for businesses and local services. They also highlight that ‘the first Universal Credit claimants are consistently more likely to be in work, to spend more time in work, and earn more’. However, it is still early days with UC recently being extended from only new, single jobseekers without children to couples and parents.

### 2.2.1. ‘Winners’ and ‘losers’ from the introduction of Universal Credit

As the roll-out of UC is still in the relatively early stages, it is useful to consider who is expected to ‘win’ and ‘lose’ out from its introduction. DWP estimates that under UC, 3.1 million households in Great Britain will have higher benefit entitlement, with 75 per cent of those being in the bottom two quintiles of the income distribution and on average gaining £168 per month. 1.9 million households are estimated to see an increase in entitlement of more than £100 per month. On the other hand, 2.8 million

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households are estimated to face a lower entitlement than they otherwise would have had as a result of UC, with an average reduction of £137 per month\(^{21}\). Once UC is introduced more fully, ‘winners’ will include individuals with children working less than 16 hours who are not currently eligible for Working Tax Credits, who will be able to claim for the costs of childcare under UC. Households currently claiming Tax Credits and other benefits such as Housing Benefit will also increase their incomes as maximum entitlements will be combined before a taper is applied. They will no longer be facing separate and simultaneous calculations in which their income is taken into account twice.

It is expected that a higher proportion of households with children, in particular couples with children, will see higher entitlements than other household types. DWP estimates that UC will lift 350,000 children out of poverty (at the UK level)\(^{22}\).

There may also be positive impacts for some young people. The age group least likely to see a reduction in entitlement is that where the head of household is under 25 (12 per cent). This age group is also the most likely to see an increase in entitlement (40 per cent) with an average increase in entitlement by £20 per month\(^{23}\). Note that this does not take into account under 25 year olds who are living with family and are not the head of a household.

Ethnic minority groups are more likely to be among the group of low earners and thus tend to benefit more from introduction of UC compared to the general population\(^{24}\). On average, households of ethnic minority will see an increase in their entitlement of £51 per month\(^{25}\). Also, compared to Jobseeker’s Allowance claimants, UC claimants are three to four percentage points more likely to be in work at 30, 60, 90 and 120 days after making their claim\(^{26}\).

Many welfare recipients will see no change as a result of moving onto UC. This includes unemployed single adults, where the UC standard allowance is set at the same rate as income-based Jobseeker’s Allowance.

‘Losers’ will include individuals working more than 30 hours a week who can currently claim a higher rate of Working Tax Credit, for which there is no equivalent under UC. Relatively high-income households claiming Tax Credits will also lose some income, as the withdrawal rate of UC is higher than that currently applying to Child Tax Credit.

\(^{24}\) Ibid.
\(^{25}\) Ibid.
2.2.2. Changes to how benefits are paid

UC will involve a move from fortnightly to monthly payments and direct payments of Housing Benefit to tenants rather than social landlords. Research with welfare recipients, commissioned by the Scottish Government\textsuperscript{27}, found concerns about this change. Participants felt budgeting to be considerably more difficult\textsuperscript{28}. Further, women, who tend to be responsible for budgeting in low-income households, are more likely to be impacted\textsuperscript{29}. Similarly, disabled people’s organisations have raised concerns that these changes might adversely impact on people with mental health problems or learning difficulties, who may struggle with budgeting\textsuperscript{30}.

Furthermore, UC is paid to a single member of the household instead of different benefits being paid to separate members of a household. This may lead to financial resources not being equally shared. In opposite sex couple households where the man receives the single payment, this will represent a loss of independent income for the woman\textsuperscript{31}. Money provided to women is more likely to be spent on children’s needs. Thus, the move to a single household benefit payment has the potential to reduce spending on children\textsuperscript{32}. Finally, there is concern that other UC changes create weak incentives for many second earners (mainly women) to enter work or continue working\textsuperscript{33} and thus may lead to a return to a ‘male breadwinner’ model.

2.2.3. Devolution of Universal Credit flexibilities to Scotland

The Smith Commission has recommended that the Scottish Government have the flexibility to make administrative changes to UC, such as introducing twice monthly payments and payments of the housing costs element directly to social landlords. Any changes made under these new flexibilities could have an impact on Scottish households in receipt of UC. However, these policies are yet to be implemented and as such are outwith the scope of this report.

2.3. Abolition of elements of the Social Fund

Certain elements of discretionary Social Fund payments were abolished by DWP from April 2013. This included Community Care Grants and Crisis Loans for living expenses. From this same date, the Scottish Government replaced these elements

\textsuperscript{27} B. Lister et al., \textit{The Impact of Welfare Reform in Scotland – Tracking Study}, Scottish Government, 16 May 2014.  
\textsuperscript{28} Ibid.  
\textsuperscript{29} Scottish Government, \textit{The Gender Impact of Welfare Reform}, August 2013.  
\textsuperscript{32} Ibid.  
\textsuperscript{33} Ibid.
of the Social Fund with the new Scottish Welfare Fund, which is a national scheme administered by local authorities. This scheme is a discretionary budget-limited scheme that prioritises applications according to need and vulnerability.

The Scottish Welfare Fund aims to achieve the advantages of local delivery while maintaining a national character. The Scottish Welfare Fund supports individuals, families and communities to manage better in the longer term by providing a more holistic approach through linking to other services.

The Scottish Welfare Fund is now a statutory requirement following the recent passing of the Welfare Funds (Scotland) Act 2015\(^\text{34}\)\(^\text{35}\), which will come into force from April 2016. This places a duty on each local authority to maintain a Welfare Fund. More information on the Scottish Welfare Fund is provided in Section 3.2.

\subsection*{2.4. Abolition of Council Tax Benefit}

Council Tax Benefit (CTB) was abolished from April 2013. Responsibility for assisting those who need help in meeting their council tax liabilities in Scotland now sits with the Scottish Government and Scottish local authorities via the Council Tax Reduction scheme. In line with this transfer of responsibility, and to fund the new arrangements, the UK Government transferred funding equivalent to forecasted CTB expenditure in Scotland, less 10 per cent, to the Scottish budget\(^\text{35}\).

The Scottish scheme protects the entitlement to support for vulnerable groups in meeting their council tax liabilities that existed under CTB. More information on the Council Tax Reduction Scheme is provided in Section 3.3.

\subsection*{2.5. Introduction of Personal Independence Payment}

Personal Independence Payment (PIP) is a replacement for Disability Living Allowance (DLA) for working-age claimants aged 16 to 64. PIP is non-means-tested, non-taxable and payable to people both in and out of work\(^\text{36}\). As with DLA, the allowance is to help with the extra costs of personal care (for example, washing, dressing and bathing), or for supervision, or getting around. It does not include help with activities such as shopping or housework. Awards range between £21.80 and £139.75 per week and include components for both daily living and mobility.

\footnotesize
\begin{itemize}
\item \(^\text{34}\) Welfare Funds (Scotland) Act 2015 can be found at 
\end{itemize}
According to DWP:

**PIP helps towards some of the extra costs arising from a long term ill-health condition or disability and is based on how a person’s condition affects them, not the condition they have.**

### 2.5.1. Personal Independence Payment roll-out and caseload

From April 2013, PIP replaced DLA for new claims by working-age people. In addition, all current working-age DLA recipients will be invited to claim PIP and will be reassessed under the new system. Reassessments have been rolled out on a gradual geographical basis from October 2013. The first reassessments in Scotland began in January 2014 and by the end of July 2015, reassessment is expected to have started for DLA claimants in all areas in Scotland, see Table 2.2, as well as in the rest of the UK. PIP is expected to be fully in place by late 2017.

<table>
<thead>
<tr>
<th>Table 2.2 Timetable for reassessment of DLA claimants in Scotland by postcode area</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2014</td>
</tr>
<tr>
<td>January 2015</td>
</tr>
<tr>
<td>February 2015</td>
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<tr>
<td>March 2015</td>
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<tr>
<td>May 2015</td>
</tr>
<tr>
<td>July 2015</td>
</tr>
</tbody>
</table>


As highlighted above, the roll-out and reassessment of PIP is not fully complete and most disabled people who claim some form of additional support associated with their disability still receive DLA. Data from November 2014, which is the most recent available, show that 334,730 people in Scotland were in receipt of a DLA payment. Of those, 200,130 were working-age (16 to 64 years old) and will eventually be reassessed. For comparison, in April 2015, 47,646 people were in receipt of a PIP payment in Scotland. Of those, only 6,902 people (14 per cent) had been reassessed from DLA.

Table 2.3 provides an overview of the different award rates that PIP claimants can receive and how many of all PIP claimants in Scotland received those rates in January 2015. The data show that most PIP claimants receive both a mobility and

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37 Ibid.
38 Ibid.
39 DLA figures refer to cases in payments and are sourced from DWP’s Tabulation Tool.
40 Ibid.
41 PIP figures sourced from DWP's Stat-Xplore.
enhanced living award (57 per cent) with just over a quarter (26 per cent) receiving the highest possible rate of around £140.

| Table 2.3 Percentage of PIP claimants receiving any combination of Mobility Award and Daily Living Award and the corresponding weekly payments in Scotland, April 2015 |
|-----------------|-----------------|-----------------|-----------------|
|                 | Mobility Award Status |                 |                 |                 |
|                 | Enhanced (£57.45) | Standard (£21.80) | Nil (£0.00)     |
| Daily Living Award | £139.75       | £104.10          | £82.30          |
| (£82.30)         | 26%            | 11%              | 16%             |
| Standard (£55.10) | £112.55       | £76.90           | £55.10          |
| (£55.10)         | 6%             | 14%              | 19%             |
| Nil (£0.00)      | £57.45         | £21.80           | £0.00           |
|                 | 2%             | 6%               | 0%              |

Source: Based on current award rates (from [https://www.gov.uk/pip/what-youll-get](https://www.gov.uk/pip/what-youll-get)) and on PIP data from DWP’s Stat-Xplore.
Note: Figures may not sum due to rounding.

2.5.2. Expected impacts of Personal Independence Payment

The replacement of DLA with PIP is expected to reduce spending on disability benefit expenditure. This reduction will stem from reductions in caseload (some people will lose entitlement completely) and from reducing entitlements for some claimants (disabled people being moved from higher to lower benefit rates)\(^{42}\). It was initially estimated that the introduction of PIP will lead to a total reduction in spending of £740 million between 2013-14 and 2017-18 with expenditure being reduced more substantially in the later years and by £310 in 2017-18 in Scotland\(^{43}\).

Between 2013 and 2018, 190,000 working age DLA claimants in Scotland are being reassessed to determine eligibility for PIP. Based on initial projections by DWP, it is expected that around 105,000\(^{44}\) reassessed working-age disabled people will lose

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\(^{43}\) Scottish Government calculations, based on the proportion of total DLA expenditure awarded in Scotland, and projections of cost savings from the move to PIP given by HM Treasury in the 2013 main Budget document (p. 67, Table 2.2, Ref: AZ).

\(^{44}\) Scottish Government, *Financial Impacts of Welfare Reform on Disabled People in Scotland*, August 2014. This figure is based on DWP’s estimate of the combined number of reassessed claimants in Great Britain who will have their award decreased or removed (from DWP, *Personal Independence Payment: Reassessment and impacts*, 2012, Table 6) and adjusted for Scotland’s share of working-age caseload.
some or all their disability benefits by 2018, with a likely loss of at least £1,134 per year. Of those around 47 per cent (49,000) are estimated to get no PIP award and the remaining 53 per cent (56,000) to receive a reduced PIP award. However, it should be noted that some individuals will see their award increase or remain unchanged under the transfer from DLA to PIP.

Not included in the previous figures are new claimants who would have become eligible for DLA but did not qualify for PIP or qualified for a lower award under PIP. DWP estimated in 2013 that, by May 2018, 607,000 fewer people will receive PIP than would have got DLA under existing rules in Great Britain with Scotland’s share being estimated to be approximately 64,100 working-age disabled people.

Expenditure savings will stem from a stricter mobility test that will lead to a decrease (by £35 per week) or a loss (amounting to £57 per week) in the mobility award rate for approximately 47,000 disabled people in Scotland. Furthermore, savings will arise as under PIP there is no replacement of the lowest care component of DLA (£21.80 per week, amounting to £1,134 per year) which is currently claimed by around 88,630 people in Scotland.

Disability organisations have voiced concern that losses or reductions of entitlement will lead to many current DLA claimants facing financial hardship. A UK survey of 2,286 people (80 per cent of whom were current DLA claimants) by the Papworth Trust found that “three-quarters of disabled people would not have enough money if their DLA was cut. Six in ten would lose some of their independence [and] 86 per cent of disabled people would cut back on essentials like food and transport if their DLA was cut.”

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45 Scottish Government, Financial Impacts of Welfare Reform on Disabled People in Scotland, August 2014. This figure is based on the lowest possible reduction in award in any one component of £21.80, e.g. when a claimant is reassessed and moves from being on DLA’s lowest care component to no award under PIP.

46 Based on estimations from DWP, Personal Independence Payment: Reassessment and Impacts, 2012 with adjustments for Scotland’s share of working age caseload.


48 Calculated by taking the most recent data before introduction of PIP (February 2014 from DWP’s Tabulation Tool) on the proportion of working-age DLA claimants in Scotland (10.56 per cent) and the number of working age DLA claimants across Great Britain expected to lose entitlement entirely when DLA is replaced by PIP (607,000 people, estimate taken from DWP, Personal Independence Payment: Reassessment and Impacts, 2012).


50 DLA figures for November 2014 from DWP’s Tabulation Tool. As the assessment criteria for PIP are generally considered to be stricter, it is likely that the number of people who manage to qualify for the daily living component of PIP is small.


52 Papworth Trust, Changes to Disability Living Allowance Survey Results: Summary, 2011.
Data on the PIP reassessment are still limited. However, in Great Britain between the start of DLA reassessments in October 2013 and April 2015, 108,700 people were reassessed. Of those around 74 per cent were awarded PIP and almost two per cent withdrew their application\(^{53}\).

However, as noted above, the numbers migrated onto PIP in Scotland are currently small compared to the number of those still on DLA and at present it is not possible to be definitive about the actual impacts of the new arrangements.

### 2.6. Employment and Support Allowance

From April 2013, entitlement to contributory Employment and Support Allowance (ESA) changed in two ways.

First, the amount of time people can receive contributory ESA is now limited to one year if the claimant is in the Work-Related Activity Group (WRAG) or assessment phase. DWP initially estimated that by 2015-16 around 700,000 people would be affected by this change at the UK level\(^{54}\). In November 2014, 248,350 people received ESA in Scotland, 47 per cent of those (115,600) were in the assessment phase or WRAG\(^{55}\).

Second, youth provisions allowing young people to qualify for contributory ESA without meeting the normal National Insurance conditions have been abolished. DWP estimated that by 2015-16 around 15,000 people would be affected by this change at the UK level\(^{56}\). Young people who satisfy the same contribution conditions as other groups will still be eligible for contributory ESA. Those who do not meet the contribution test will be eligible to receive income-related ESA if they fulfil the conditions of entitlement. Ten per cent are expected not to qualify for income-related ESA across the UK\(^{57}\).

### 2.7. Under-occupancy in the social rented sector

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. DWP argued that this was fair because private rented sector tenants were already subject to size criteria for Housing Benefit claims.

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\(^{54}\) DWP, *Time Limiting Contributory Employment and Support Allowance to One Year for Those in the Work-Related Activity Group*, October 2011.

\(^{55}\) Scottish Government analysis based on figures from DWP’s Tabulation Tool.


\(^{57}\) Ibid.
The UK Government refers to this change as the ‘removal of the spare room subsidy’, while a commonly-used term has been the ‘bedroom tax’. This measure is intended to improve the supply of social rented properties by incentivising social tenants to move to smaller accommodation, thereby freeing up larger accommodation for those who require it. It also represents a source of cost savings for DWP.

2.7.1. Key statistics on the ‘bedroom tax’

DWP statistics suggest that just over 72,000 households had been affected by the ‘bedroom tax’ in Scotland by February 2015.

Figure 2.1 highlights that around three quarters of those affected in Scotland are single people with no children. Households with children make up about one-sixth of the total. Of those affected, 53,300 are single person households, 11,100 are households with children and 7,600 are couples without children.

![Figure 2.1 Proportion of households affected by the ‘bedroom tax’ in Scotland, February 2015](image)

Of those affected, around 61,300 (85 per cent) had one spare bedroom and around 10,500 (15 per cent) had two or more bedrooms. Analysis using the Family

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58 For clarity, this paper uses the more familiar and popular term ‘bedroom tax’.
59 Figures from DWP’s Stat-Xplore.
60 Figures from DWP’s Stat-Xplore.
Resources Survey suggests that around 80 per cent of households affected in Scotland contain an adult with a Disability Discrimination Act recognised disability.\(^{61}\)

From April 2013, working-age households in social rented properties have had their Housing Benefit reduced by 14 per cent of their eligible rent if they were assessed as under-occupying by one bedroom; or by 25 per cent of their eligible rent if they under-occupy by two or more bedrooms. By February 2015, affected households were losing on average £11.75 per week.\(^{62}\)

### 2.7.2. Concerns about the ‘bedroom tax’

The introduction of this change has raised a number of concerns across Scotland. The main concerns are:

- The lack of availability of one-bedroom accommodation in the social rented sector to meet the needs of those wishing to downsize to escape the ‘bedroom tax’ and the needs of homeless households for one-bedroom settled accommodation. As of 2013, there were around 20,000 lets of one-bedroom local authority and housing association properties each year but:
  - There are an estimated 52,000 households who need one-bedroom accommodation in order to avoid DWP penalties; and
  - In 2013-14, there were 21,000 households assessed as homeless or potentially homeless who would have been entitled to one-bedroom settled accommodation under the DWP rules.

- The ability of households affected to meet the shortfall in their rent if they cannot or choose not to move and the impacts on arrears or household budgets.

- Possible increases in arrears and their impact on the finances of local authority and housing association housing services.

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\(^{62}\) Figures from DWP’s Stat-Xplore.


\(^{64}\) Figures from DWP’s Stat-Xplore for February 2015, combined with previous analysis from the Family Resources Survey suggesting that 72 per cent of those affected need a one-bedroom property.

2.7.3. Rent arrears

As discussed above, there is a concern that the ‘bedroom tax’ will have potentially increased the number of rent arrears. The total arrears at 31 March 2014 for all Scottish social landlords was 5.1 per cent of total rental income due for 2013-14, or £108 million. The National Report on the Scottish Social Housing Charter shows that Registered Social Landlords (RSLs) have a lower percentage arrears level (4.7 per cent) than local authority landlords (5.5 per cent). However, the levels of arrears for local authority landlords (between 0.5 up to 15.2 per cent) fall in a smaller range than for individual landlords (2.6 up to 9.4 per cent). Between March 2013 and 2014, Scottish Housing Regulator data for RSLs only shows that percentage arrears increased from 3.7 per cent to 4.7 per cent. This increase indicates a possible impact of Welfare Reform as it occurred despite an overall downward trend in RSL arrears levels in recent years and although the Scottish Government provides Discretionary Housing Payments to mitigate against the impacts of the ‘bedroom tax’ by the UK Government.

DWP’s most recent Housing Benefit caseload statistics as of February 2015 show the total estimated losses to tenants in Scotland in terms of Housing Benefit to be £43.4 million. Because of the range of concerns set out in the discussion above, the Scottish Government has taken action to mitigate in full the impacts of the ‘bedroom tax’ in Scotland. This action is described in Section 3.4.

2.8. Local Housing Allowance

Changes to the Local Housing Allowance (LHA) have been ongoing since April 2011, with any transitional protection ending in December 2012, and include amendments made in the Act.

Private sector Housing Benefit has been a source of increased costs for DWP, especially due to increases in rental prices in London and the South East. LHA sets the maximum Housing Benefit that can be paid in each ‘Broad Rental Market Area’ for five property types. Prior to April 2011, it was set at the 50th percentile. The rates from April 2011 were set at the 30th percentile.

In April 2013, the annual LHA figures were the greater of the 30th percentile or the previous LHA uprated by 2.1 per cent (CPI). From April 2014, it is the greater of the

67 Arrears are expressed as a percentage of the total rental income for the reporting period.
68 RSLs’ arrears performance over time is measured by comparing data from this year’s Annual Report on the Charter return and the Annual Performance and Statistical Return in previous years which both use the same measure for arrears. Both measures are published by the Scottish Housing Regulator.
30th percentile or uprated by one per cent or four per cent as directed by the UK Government.

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.

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 with the expected displacement of existing claimants due to the reduction in LHA not occurring70. Analysis also concluded that the gap in rent payments left by the reduction in LHA rates was mostly being met by tenants (94 per cent of incidences) with only six per cent of incidences being met by landlords71.

The most recent DWP data show that in February 2015 just under 83,000 households in Scotland were in receipt of LHA. The proportions of different accommodation types and their weekly awards can be found in Table 2.4.

<table>
<thead>
<tr>
<th>Accommodation Type</th>
<th>Proportion in Scotland (per cent)</th>
<th>Weekly Allowance (£ per week)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared accommodation</td>
<td>11%</td>
<td>£57</td>
</tr>
<tr>
<td>One bedroom</td>
<td>35%</td>
<td>£79</td>
</tr>
<tr>
<td>Two bedrooms</td>
<td>36%</td>
<td>£91</td>
</tr>
<tr>
<td>Three bedrooms</td>
<td>13%</td>
<td>£110</td>
</tr>
<tr>
<td>Four bedrooms</td>
<td>4%</td>
<td>£137</td>
</tr>
</tbody>
</table>

Source: Scottish Government Analysis based on figures from DWP’s Stat-Xplore.
Note: Figures may not sum due to rounding.

In addition, the reforms mean that younger single people without dependants 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’ is set at the 30th percentile of local rates for single rooms. From 2012-13 it has been extended from applying to those aged under 25 to those aged under 35, with some exceptions.

2.9. The Benefit Cap

From April 2013, the UK Government introduced a cap on the total amount of benefit that working-age people can receive. Households on out-of-work benefits will no

71 Ibid.
longer receive more in welfare payments than the average weekly wage for working households. The Benefit Cap was phased in from April 2013 and across all local authorities in summer 2013. It is set at £500 per week for couples and lone parent households and at £350 per week for single adult households without children.\textsuperscript{72}

The most recent statistics as of February 2015 show that a total of 2,692 Scottish households were affected by the Benefit Cap since its introduction on 15 April 2013\textsuperscript{73}. Initially, the number of households affected increased until January 2014. Remaining relatively constant until numbers started to slowly decrease in September 2014, see Figure 2.2. In February 2015, 799 households were affected by the Benefit Cap\textsuperscript{74}.

\begin{center}
\textbf{Figure 2.2 Number of households affected by the Benefit Cap monthly from August 2013 to February 2015, Scotland}
\end{center}

\begin{center}
\includegraphics[width=\textwidth]{figure2.2}
\end{center}

\begin{center}
\end{center}

Of the Scottish households affected by the Benefit Cap the majority (56 per cent) had their benefits reduced by up to £50 per week and 26 per cent saw their benefits reduced by between £50 and £100\textsuperscript{75} per week, as illustrated in Figure 2.3. The total amount of deductions resulting from the Benefit Cap in 2014 is estimated to have

\textsuperscript{72} The Cap will apply to the combined income from benefits including; the main out-of-work benefits (Jobseeker’s Allowance, Income Support, and Employment and Support Allowance except where the Support Component is in payment); Housing Benefit; Child Benefit; Child Tax Credit; and other benefits such as Carer’s Allowance.

\textsuperscript{73} Scottish Government analysis based on figures from DWP, \textit{Benefit Cap: Number of Households Capped to February 2015}, May 2015.

\textsuperscript{74} Ibid.

\textsuperscript{75} Ibid.
been around £3 million\textsuperscript{76} in Scotland. The Scottish Government’s original estimate\textsuperscript{77} of the impact of the Benefit Cap, based on information supplied by DWP, was around £14 million per annum, and this was based on 4,600 households affected. The impact of the Benefit Cap therefore appears to be less than initially thought.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure23.png}
\caption{Weekly reduction in benefit payments for Scottish households affected by the Benefit Cap in February 2015}
\end{figure}

The Benefit Cap has a range of equality implications. As depicted in Figure 2.4, since the introduction of the Benefit Cap, lone parents were the household group most likely to be affected, accounting for 41 per cent of all Scottish households affected by the Benefit Cap, to February 2015\textsuperscript{78}. Ninety-six per cent of those lone parents were female\textsuperscript{79}. Seventy-four per cent of affected Scottish households contained children, see Figure 2.4. More than 7,800 children in Scotland are estimated to have been affected by the Benefit Cap to date\textsuperscript{80}.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|}
\hline
Benefit Cap & % of Scottish households affected to February 2015 May 2015 \tabularnewline
\hline
Lone parents & 41 \tabularnewline
Children & 74 \tabularnewline
\hline
\end{tabular}
\caption{Households affected by the Benefit Cap}
\end{table}

\textsuperscript{76} Scottish Government analysis based on data for average amount capped per month and number of households affected per month in 2014 from DWP’s Stat-Xplore.
\textsuperscript{78} Scottish Government analysis based on figures from DWP, \textit{Benefit Cap: Number of Households Capped to February 2015}, May 2015.
\textsuperscript{79} Scottish Government calculations based on figures from DWP’s Stat-Xplore for February 2015.
\textsuperscript{80} Scottish Government analysis based on figures from DWP’s Stat-Xplore.
The Benefit Cap may also affect particular ethnic minority communities disproportionately, although data are not currently available for Scotland to support this. In Scotland, 51 per cent of households affected by the Benefit Cap, since its introduction, have four or more children. As DWP notes, “those from cultural backgrounds with a high prevalence of large families and households from certain ethnic minorities that tend to have a higher proportion of large families are more likely to be affected [by the Benefit Cap].” DWP has estimated that, at UK level, approximately 40 per cent of households affected by the Benefit Cap will contain someone from an ethnic minority.

The Benefit Cap does not apply if the claimant, their partner receiving Working Tax Credit, or any dependent child qualifies for certain disability-related benefits. Those in receipt of certain disability benefits (Disability Living Allowance, Personal Independence Payments, Attendance Allowance, Industrial Injuries Benefit or Employment and Support Allowance (ESA) with the support component) are exempt from the Benefit Cap. However, disabled people on ESA who are not in the support group are at risk of financial pressure due to the Benefit Cap.

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81 Scottish Government calculations based on figures from DWP, Benefit Cap: Number of Households Capped to February 2015, May 2015.
84 Ibid.
DWP research has suggested that capped households are more likely to move into employment than similar uncapped households. Analysis of the May 2013 cohort in Great Britain suggested that 19 per cent of capped households were in work after a year compared to 11 per cent for a similar uncapped group\textsuperscript{86}. A survey of capped households undertaken by DWP\textsuperscript{87} found that between 40 and 44 per cent of participants have been encouraged by the Benefit Cap to find work, although between 42 and 47 per cent said the Benefit Cap made no difference and around 10 per cent reported that they felt less encouraged to look for work (with four per cent saying they did not know). The report also makes clear that circa 70 per cent of participants perceive ‘considerable barriers to employment’.

2.10. Income Support eligibility affecting lone parents

Another change in the Act is that, from May 2012, lone parents whose youngest child has reached the age of five have been expected to look for work in order to be eligible for benefits. This means they are no longer entitled to Income Support (IS) upon their child turning five, but may be eligible for Jobseeker’s Allowance (JSA).

The movement from IS to JSA could be problematic for lone parents, as the current JSA regime does not appear to take into account adequately the needs of all those with specific barriers to employment, such as child care needs, and as a result does not effectively help them into employment\textsuperscript{88}. These requirements predominantly affect women, as 96 per cent of lone parents on IS with a child aged five to six are female\textsuperscript{89}.

A report by the Glasgow Centre for Population Health\textsuperscript{90} suggested that the impact of this change in eligibility is that lone parents may feel driven to take jobs that are unsustainable and that they would not have taken otherwise. Also, they conclude that problems may arise where childcare and flexible working are not adequate for lone parents, forcing them to leave their job, possibly incurring a sanction. Research has also suggested that jobcentres are not providing adequate support for lone parents’ needs in terms of consideration for care responsibilities, specialised assistance in searching for jobs, or improving employability\textsuperscript{91}. Lone parents moving onto JSA from IS face a range of barriers to the labour market. These include personal and structural factors: large families; poor employability; poor health; low work orientation; and high unemployment in the local labour market\textsuperscript{92}.

\textsuperscript{87} DWP, \textit{Post-Implementation Effects of the Benefit Cap (Wave 2 Survey)}, December 2014.
\textsuperscript{89} Scottish Government analysis based on figures for Great Britain from DWP’s Tabulation Tool.
\textsuperscript{91} Ibid.
\textsuperscript{92} Ibid.
2.11. Changes to benefit conditionality and sanctions

The Act also reformed the system of sanctions and conditionality. The conditionality regime is “supported by a new system of financial sanctions, […] which will provide greater incentives for people to meet their responsibilities”93.

The Claimant Commitment is the new form of agreement that all new claimants of Jobseeker’s Allowance (JSA), Employment and Support Allowance (ESA) and Universal Credit must sign (replacing the Jobseeker’s Agreement under the previous system) since October 2013. The Claimant Commitment is personalised for each jobseeker and clearly sets out the particular job readiness and job searching activities that must be undertaken as a condition of receiving benefits. If the Claimant Commitment is considered not to be fulfilled, the jobseeker’s benefits may be reduced or stopped, this is known as a ‘sanction’.

A new system of sanctions for JSA was introduced on 22 October 201294. This was before the new Claimant Commitment was rolled out. The new JSA sanction regime has three levels of fixed-term sanctions95 with increasing penalties for repeat sanctions. The sanction regime for ESA claimants who are in the Work-related activity group (WRAG) was also revised, on 5 December of 2012. Individuals in the WRAG can be sanctioned as a result of failing to participate in interviews or training96. Under the new ESA sanction regime, 100 per cent of the personal allowance for a single person are sanctioned open-ended followed by a fixed period sanction after re-compliance97.

The system of sanctions and conditionality is widely criticised. Scottish Government analysis published in 2013, highlighted that sanctions tend to affect the most vulnerable in society, including lone parents, young people and disabled people98. Furthermore, there has been criticism of conditionality, as currently applied in the UK, as a rather ‘blunt instrument’. The Expert Working Group on Welfare99 describes conditionality in their second report as “cumbersome and punitive”, and as failing to take into account changes to “childcare arrangements, access to transport, or recurrence of a health condition”100. Evidence from sanction regimes internationally suggests that although sanctioned claimants can experience positive outcomes in

95 Ibid.
99 The Expert Working Group on Welfare was established by the Scottish Government in 2013, prior to the Scottish Independence Referendum, in order to evaluate the cost and delivery of benefit payments in an independent Scotland and to assess the options for reform of the social security system.
terms of entering employment in the short term, such claimants do not tend to enter sustainable employment and/or have low earnings\textsuperscript{101}.

2.11.1. Analysis of Jobseeker’s Allowance sanctions

In 2014, 38,216 individuals received at least one adverse JSA sanction decision in Scotland\textsuperscript{102}. The majority of those are sanctioned for four weeks, leading to a loss of almost £280, given the average JSA payment in Scotland in November 2014\textsuperscript{103}. From October 2011 to September 2012, before the change in the sanction regime, 64,155 adverse sanctions decisions were applied. After the change in October 2012, 83,100 sanction decisions were applied over the following 12-month-period. As depicted in Figure 2.5, in 2014, the trend seems to be reversing as fewer adverse sanctions were applied and with a total of 55,864 the number of adverse sanction decisions was almost at the same level than in 2011.

![Figure 2.5 Number of adverse JSA sanction decisions in Scotland, Monthly 2007 to 2014](image)

The number of sanctions is likely to be affected by the total caseload of JSA claimants. Figure 2.6 depicts the trend in the proportion of the number of individuals who face adverse sanctions as compared to overall JSA caseload since 2008. The


\textsuperscript{102} Scottish Government analysis based on figures from DWP’s Stat-Xplore.

\textsuperscript{103} Scottish Government analysis based on most recent figures to November 2014 from DWP’s Tabulation Tool.
proportion of individuals receiving sanctions initially increased under the new regime, peaking at 5.9 per cent in August 2013. However, while not back at pre-change levels, the proportion of individuals on JSA receiving sanctions has fallen in 2014.

Figure 2.6 Share of individuals receiving adverse JSA sanctions from JSA caseload in Scotland, Quarterly 2008 to 2014

Source: Scottish Government analysis based on data for individuals sanctioned from DWP’s Stat-Xplore and data on JSA caseload from DWP’s Tabulation Tool.
Note: The new sanction regime was introduced on 22 October 2012.

JSA claimants can be sanctioned for various reasons as summarised in Figure 2.7. Not actively seeking employment is the main reason for an individual to be sanctioned, accounting for 38 per cent of sanction decisions. Failure to attend or to participate in an adviser interview without good reason and failure to participate in a scheme for assisting person to obtain employment without good reason (Work Programme) are the second and third most common reasons for JSA sanctions.
Figure 2.7 Reasons for receiving adverse JSA sanctions in Scotland in 2014

<table>
<thead>
<tr>
<th>Reason for Sanction</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not actively seeking employment</td>
<td>38%</td>
</tr>
<tr>
<td>Failure to attend/participate in adviser interview</td>
<td>26%</td>
</tr>
<tr>
<td>Failure to participate in Work Programme</td>
<td>16%</td>
</tr>
<tr>
<td>Left employment voluntarily</td>
<td>6%</td>
</tr>
<tr>
<td>Refusal/failure to comply with Jobseeker’s Direction</td>
<td>5%</td>
</tr>
<tr>
<td>Refusal/failure to apply/accept a job</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Scottish Government analysis based on data for JSA sanctioned individuals from DWP’s Stat-Xplore.
Note: Figures may not sum due to rounding.

Table 2.5 sets out key findings from analysis of the DWP JSA sanctions data. Men account for three quarters of all adverse sanction decisions with a slight decrease over the last five years. Thus, women are becoming increasingly affected by JSA sanctions. Lone parents are the group who have seen a continuous increase in their share of total adverse sanction decision; in 2014 they accounted for more than five per cent of all adverse JSA sanctions\(^{104}\). As noted before, an overwhelming majority of lone parents are women. Disabled people account for more than one quarter of all adverse JSA sanctions\(^{105}\).

Young people aged 16 to 24 in Scotland are disproportionately affected by JSA sanctions. In November 2014, they represented more than 40 per cent of all adverse JSA sanction decisions but only accounted for 23 per cent of JSA claimants\(^{106}\). However, their share of all JSA sanctions was decreasing since 2010, see Table 2.5.

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\(^{104}\) Scottish Government analysis based on data from DWP’s Stat-Xplore.

\(^{105}\) Ibid.

\(^{106}\) Scottish Government analysis based on data from DWP’s Stat-Xplore and Tabulation Tool.
### Table 2.5 Adverse JSA sanction decisions for different groups in Scotland, 2010 to 2014

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of adverse sanction decisions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>56,223</td>
<td>53,628</td>
<td>72,224</td>
<td>84,200</td>
<td>55,864</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disabled people</td>
<td>14,605</td>
<td>13,824</td>
<td>18,708</td>
<td>23,136</td>
<td>14,643</td>
</tr>
<tr>
<td>Lone Parents</td>
<td>1,271</td>
<td>1,975</td>
<td>3,444</td>
<td>4,373</td>
<td>2,963</td>
</tr>
<tr>
<td>Men</td>
<td>43,747</td>
<td>40,993</td>
<td>53,904</td>
<td>63,363</td>
<td>41,727</td>
</tr>
<tr>
<td>Women</td>
<td>12,471</td>
<td>12,633</td>
<td>18,316</td>
<td>20,837</td>
<td>14,137</td>
</tr>
<tr>
<td>16-24 year olds</td>
<td>27,599</td>
<td>25,650</td>
<td>34,500</td>
<td>35,097</td>
<td>22,997</td>
</tr>
</tbody>
</table>

### Number of adverse sanctions as a per cent of total adverse sanctions

<table>
<thead>
<tr>
<th></th>
<th>2010%</th>
<th>2011%</th>
<th>2012%</th>
<th>2013%</th>
<th>2014%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disabled people</td>
<td>26.0%</td>
<td>25.8%</td>
<td>25.9%</td>
<td>27.5%</td>
<td>26.2%</td>
</tr>
<tr>
<td>Lone Parents</td>
<td>2.3%</td>
<td>3.7%</td>
<td>4.8%</td>
<td>5.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Men</td>
<td>77.8%</td>
<td>76.4%</td>
<td>74.6%</td>
<td>75.3%</td>
<td>74.7%</td>
</tr>
<tr>
<td>Women</td>
<td>22.2%</td>
<td>23.6%</td>
<td>25.4%</td>
<td>24.7%</td>
<td>25.3%</td>
</tr>
<tr>
<td>16-24 year olds</td>
<td>49.1%</td>
<td>47.8%</td>
<td>47.8%</td>
<td>41.7%</td>
<td>41.2%</td>
</tr>
</tbody>
</table>

Source: Scottish Government analysis based on data from DWP’s Stat-Xplore.
Note: Figures may not sum due to rounding. Male and female figures may not sum due to variation between gender and total figures.
* Figures for 2012 include data for the new sanction regime from 22 October 2012 to 31 December 2012.

#### 2.11.2. Analysis of Employment and Support Allowance sanctions

In 2014, a total of 2,566 adverse ESA sanctions were applied affecting 1,772 individuals in Scotland\(^{107}\). Figure 2.8 depicts the trend in the number of adverse ESA sanctions from 2010 to 2014. It shows that since October 2011 the number of ESA sanctions is overall increasing, with this trend starting prior to the introduction of the new sanction regime. When the number of individuals affected by the sanctions are compared with the caseload of ESA WRAG claimants, we find a similar pattern. Thus, the increase in ESA sanctions does not seem to be driven by an increase in ESA caseload. In 2014, between around 0.2 and 0.3 per cent of ESA WRAG claimants faced (one or more) sanction(s)\(^{108}\).

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\(^{107}\) Scottish Government analysis based on data from DWP’s Stat-Xplore.

\(^{108}\) Scottish Government calculations based on data of individuals affected by ESA sanctions decisions from DWP’s Tabulation Tool and ESA WRAG caseload data from DWP’s Stat-Xplore.
Since introduction of the new ESA sanction regime in December 2012 until December 2014, 84 per cent of sanctions are based on failure to participate in work-related activity (as opposed to 16 per cent due to failure to attend a mandatory interview)\textsuperscript{109}. As illustrated in Figure 2.9, since 2008, around 79 per cent of individuals who faced adverse ESA sanctions only experienced them once whereas 14 per cent experienced them twice and six per cent three or more times\textsuperscript{110}.

\textsuperscript{109} Scottish Government analysis based on data on ESA sanction decisions from DWP’s Stat-Xplore.

\textsuperscript{110} Scottish Government analysis based on data on individuals affected by ESA sanctions from DWP’s Stat-Xplore.
Figure 2.9 Percentage of individuals who faced one, two, three or more adverse ESA sanction decisions in Scotland, 2008 to 2014

<table>
<thead>
<tr>
<th>Number of adverse sanction decisions</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>79%</td>
</tr>
<tr>
<td>Two</td>
<td>14%</td>
</tr>
<tr>
<td>Three</td>
<td>3%</td>
</tr>
<tr>
<td>Four or more</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Scottish Government analysis based on data from DWP’s Stat-Xplore.
Note: Figures may not sum due to rounding.

2.12. Health implications and food poverty

Health impacts from any intervention can take some time to emerge. Thus, actual health impacts of Welfare Reform are still fairly speculative at this stage and data for quantitative measures of health impacts are still insufficient. However, early qualitative evidence suggests that Welfare Reform has had a negative impact on the health and wellbeing of some people in Scotland.

The Scottish Government’s Welfare Reform Tracking Study¹¹¹ found negative impacts on wellbeing from welfare changes introduced particularly in terms of mental health. Participants in the study found themselves in very difficult financial situations and therefore felt an underlying sense of ‘precariousness’ and experienced considerable anxiety over how they would be financially affected in the future as a result of reforms. Participants found the process of claiming benefits stressful. They found it difficult to access appropriate and concise information about benefits and impending changes to benefits. Further, they described communications from benefit agencies as unclear which contributed to a sense of uncertainty about the future. Some study participants experienced errors and delays in awaiting decisions which had negative emotional as well as financial impacts. Furthermore, some also felt that their lack of income limited their opportunities to socialise, reinforcing feelings of isolation.

Analysis by NHS Highland\textsuperscript{112} and the Scottish Public Health Network\textsuperscript{113} suggests that particularly those with long-term health conditions and/or disabilities will be negatively impacted by Welfare Reform. A study for Scope of disabled people found decreasing mental health amongst participants, with increasing levels of depression, anxiety and fear for the future, with some relying on increased levels of medication\textsuperscript{114}. Three quarters of disabled participants in a study by the Hardest Hit Coalition said their health had become worse as a result of the stress caused by their Work Capability Assessment for Employment and Support Allowance\textsuperscript{115}. The Scottish Government Tracking Study\textsuperscript{116} as well as research by Inclusions Scotland\textsuperscript{117} found that the changeover from Disability Living Allowance to Personal Independence Payment was a source of great anxiety for disabled people due to ongoing uncertainty and associated stress of being reassessed.

Loss of income due to benefit changes may result in increasing levels of poverty and disadvantage\textsuperscript{118}. This does not only affect people’s health and wellbeing but also seems to be having an impact on at least some households’ abilities to afford basic necessities\textsuperscript{119}. The Scottish Government funded report by the Poverty Alliance\textsuperscript{120} identifies a growing need for emergency food, with 167 emergency food aid providers in Scotland. In 2014-15, 117,689 people\textsuperscript{121} in Scotland were given a three-day supply of emergency food by a Trussell Trust foodbank. Of those, 36,114 were children. This is more than eight times the number of people helped two years ago\textsuperscript{122}. Across the UK, over one million people received emergency food and support from the Trust over the same period, more than in any previous year. ‘Benefits delays’ was the primary reason given for referral to the foodbank in 30 per

\begin{thebibliography}{99}
\bibitem{115} Hardest Hit Coalition, The Tipping Point: The Human and Economic Costs of Cutting Disabled People’s Support, UK Disability Consortium, October 2012.
\bibitem{117} Inclusion Scotland, Second Class Citizens? How Welfare Reform Marginalises Disabled People, March 2015.
\bibitem{120} The Poverty Alliance, Making the Connections: A Study of Emergency Food Aid in Scotland, 12 February 2015.
\bibitem{121} Note that some people will have received a three day supply more than once. In other words, these figures do not represent ‘unique users’ and the Trussell Trust is not able to provide unique user figures. The statistics provided do, however, give an indication of the volume of support given, and how this is changing over time.
\bibitem{122} The Trussell Trust, Foodbank Statistics with Regional Breakdown financial year 2014 – 2015.
\end{thebibliography}
cent of cases, with ‘low income’ the reason given for a further 22 per cent, and ‘benefit changes’ accounting for 14 per cent\textsuperscript{123}.

2.13. Conclusion

The analysis set out above has shown that particular provisions of the Act have had significant impacts on people in Scotland – in particular, the introduction of the Benefit Cap, the ‘bedroom tax’ and the new sanctions regime.

The analysis has also suggested a range of impacts on equality groups. Young people (aged 16 to 24) make up more than 40 per cent of all Universal Credit (UC) claimants in Scotland and are disproportionately affected by sanctions. Due to reassessment from Disability Living Allowance (DLA) to Personal Independence Payment (PIP), 105,000 disabled people in Scotland are expected to lose some or all their disability benefits once roll-out is complete. To date over 24 per cent of reassessed DLA claimants lost their entitlements to disability benefits in Great Britain. Furthermore, disabled people seem to be particularly affected by the ‘bedroom tax’. Lone parents are affected by new entitlement rules on Income Support and are the group most affected by the Benefit Cap.

Some elements of the Act have had no or only limited impacts to date; because UC and PIP have not been rolled out to their original timetables; or because the Scottish Government has taken action to mitigate any negative impacts of particular changes, as with the abolition of Council Tax Benefit and elements of the Social Fund. The Scottish Government’s mitigation responses are outlined more broadly in the next chapter.

\textsuperscript{123} The Trussell Trust, Foodbank Statistic Financial Year 2014 – 2015.
Chapter 3. Mitigation Activities

3.1. Introduction

This chapter covers Scottish Government activity to mitigate the worst impacts of the Welfare Reform Act (2012) (the Act), and other UK welfare reforms, on the people of Scotland. Information is given here on the Scottish Welfare Fund, the Council Tax Reduction Scheme, Discretionary Housing Payments, Passported Benefits, the Welfare Reform Resilience Fund and other mitigation activity.

The Scottish Government’s mitigation activity is part of wider efforts to tackle inequality, a key priority set out in the Programme for Government124. The Scottish Government is continuing to work with a range of organisations across key sectors - including local government, the third sector, housing and health - to better understand the impacts of the reforms and help inform our mitigation activity.

Current and planned funding by the Scottish Government will result in an investment of at least £296 million over the period 2013-14 to 2015-16, as shown in Table 3.1.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Welfare Fund (£33 million plus admin)</td>
<td>38</td>
<td>38</td>
<td>38</td>
<td>114</td>
</tr>
<tr>
<td>Other Welfare Reform Mitigation</td>
<td>7</td>
<td>8.2</td>
<td>8.2</td>
<td>23.4</td>
</tr>
<tr>
<td>Council Tax Reduction Scheme</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>69</td>
</tr>
<tr>
<td>‘Bedroom Tax’ Mitigation</td>
<td>20</td>
<td>35</td>
<td>35</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>88</strong></td>
<td><strong>104.2</strong></td>
<td><strong>104.2</strong></td>
<td><strong>296.4</strong></td>
</tr>
</tbody>
</table>

3.2. Scottish Welfare Fund

The Scottish Welfare Fund provides Crisis Grants and Community Care Grants for individuals on low incomes, and replaces discretionary elements of Department for Work and Pension’s (DWP) Social Fund. The Scottish Welfare Fund has been operating on an interim basis since April 2013. Scottish Ministers’ intention from the outset has been to set the scheme out in law. Informed by the experience of the last two years, the permanent arrangements for the Scottish Welfare Fund are due to come into force from April 2016, following the successful passage of the Welfare Funds (Scotland) Bill125. The details of the scheme will be set out in regulations and

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125 The Welfare Funds (Scotland) Bill can be found at http://www.scottish.parliament.uk/parliamentarybusiness/Bills/77924.aspx.
guidance. The Scottish Government is currently consulting on drafts of the regulations and guidance for the permanent arrangements.

Total funding for the Scottish Welfare Fund in 2013-14 and 2014-15 was £33 million with Scottish Ministers topping up the funding transferred from DWP by an additional £9.2 million for both 2013-14 and 2014-15. The Scottish Welfare Fund has also been fully funded by the Scottish Government for 2015-16, with £33 million. The funding for the Scottish Welfare Fund is ring-fenced, and any underspend is carried forward to the next financial year.

Monitoring arrangements have been put in place for local authorities to submit case-level information on the operation of the Scottish Welfare Fund\textsuperscript{126}. Statistics on the fund for the period 1 April to 31 December 2014 are available on the Scottish Government Website\textsuperscript{127} with key findings outlined in Box 3.1. Statistics for the second full year of the Scottish Welfare Fund are due to be published on 28 July 2015.

These Scottish statistics provide the fullest picture of the operation of a successor scheme anywhere in the UK. The depth of the statistics gives the Scottish Government important information in terms of how the interim Scottish Welfare Fund has been operating and which improvements should be made in the transition to the permanent scheme and also allows stakeholders to hold local authorities and the Scottish Government to account.

The monitoring framework put in place for the interim Fund provides a good basis for understanding and developing the permanent arrangements. It has also been important in checking the equality impacts of the scheme. The Equality Impact Assessment completed for the Welfare Funds (Scotland) Bill suggested a range of targeted improvements to the Scottish Welfare Fund, including boosting access for particular demographic groups who have been under-represented in the interim scheme.

The Scottish Government is continuing to work in partnership with local authorities, COSLA and the third sector to develop the Scottish Welfare Fund. This includes working with Inclusion Scotland and People First to co-produce information on the Scottish Welfare Fund, to support local authorities in developing practice and service delivery which meets the needs of disabled people. Co-production preparatory meetings involved disabled people, Scottish Welfare Fund practitioners, COSLA and Scottish Government, all working equally to find solutions to issues raised and the outcomes from this work include:

- Co-production of an Easy Read leaflet on the Scottish Welfare Fund.
- British Sign Language translation of existing leaflet and Frequently Asked Questions.

\textsuperscript{126} Full details of the information being gathered can be found in the data specification available from \url{http://www.gov.scot/Topics/Statistics/15257/1529/swf-dataspec}.

\textsuperscript{127} A list of publications and reference tables for the Scottish Welfare Fund statistics are available from \url{http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/swf}. 

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• Production of a ‘Train the Trainer’ training module for use by Scottish Welfare Fund decision makers.
• Delivery of the training to representatives from local authority Scottish Welfare Fund teams.

Box 3.1 Main points of the Scottish Welfare Fund statistics

Number of applications
• Since the scheme began in April 2013 to December 2014, a total of 325,000 applications to the Scottish Welfare Fund were received.
• Some households have applied multiple times to the Scottish Welfare Fund. With 18 per cent of the 92,600 unique households applying for Community Care Grant and 42 per cent of the 120,400 unique households applying for the Crisis Grant multiple times.
• A total of 134,600 unique households have received at least one award from the Scottish Welfare Fund.

Characteristics of households in receipt of awards
• Over half of households in receipt of funds were single-person households with no children. Around one-third of households in receipt of funds contain children.
• Overall, one in three households receiving awards has a recorded vulnerability. Vulnerabilities were most likely to be around mental health impairments, being a lone parent, physical impairments, chronic illness and homelessness.
• Around one in five households in receipt of awards was referred or signposted to other agencies. The main organisations applicants were referred to were advocacy services, welfare rights/benefit maximisation, housing and money management services.
• Around half of Community Care Grants were awarded to applicants living in the 20 per cent most deprived data zones in Scotland. The figure for Crisis Grants is similar. These proportions have remained largely unchanged since the scheme commenced.

Expenditure and recipients
• Between 1 April 2014 and 31 December 2014, a total of £26.8 million was awarded through the scheme, 72 per cent of the £37.2 million available for the year.
• Between 1 April 2014 and 31 December 2014, 35,200 Community Care Grant awards were made totalling £21.3 million with an average award value of £605.
• 75,800 Crisis Grant awards were made between April 2014 and December 2014, totalling £5.5 million with an average award value of £73.
• Recipients used these awards on a range of items. For Community Care Grants, the most common expenditure was on floor coverings, cookers, washing machines, beds, settees and armchairs, fridge freezers and wardrobes. For Crisis Grants, most expenditure was on food, other living expenses and essential heating costs.

3.3. Council Tax Reduction Scheme

The Council Tax Reduction (CTR) scheme provides vulnerable people with a reduction in their council tax liability. It replaces Council Tax Benefit (CTB), which was run by DWP, and abolished on 1 April 2013. Entitlement to CTB reflected a variety of circumstances which include unemployment, disability, low pay and inability to work because of disability or caring commitments.

The CTR scheme replicates entitlement to CTB and allows previous entitlement criteria to be maintained. On a like-with-like basis, vulnerable people have the same net liability for council tax as if CTB were still in place, provided that their circumstances remain the same.

A joint funding commitment of £40 million between the Scottish Government and local government was agreed to fully mitigate the 10 per cent cut in funding from the UK Government for CTB successor arrangements. This has now been rolled forward for a third year, 2015-16, to again ensure that over half a million vulnerable recipients in Scotland are protected from increased council tax liabilities. The total funding package for the CTR scheme is shown in the table below.

<table>
<thead>
<tr>
<th>Table 3.2 Council Tax Reduction Funding in Scotland (£ million)</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Government Funding (expenditure projection, minus 10 per cent)</td>
<td>328</td>
<td>320</td>
<td>320</td>
</tr>
<tr>
<td>Scottish Government Contribution</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Local Government Contribution, from own resources</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total funding</strong></td>
<td><strong>368</strong></td>
<td><strong>360</strong></td>
<td><strong>360</strong></td>
</tr>
</tbody>
</table>

This national partnership approach is in contrast to England, where local authorities are individually responsible for their own local council tax support schemes. With no equivalent of a national scheme or support in place, research by the New Policy Institute (NPI) for the Joseph Rowntree Foundation showed that in 2014-15 a total of 2.34 million low-income families would pay an average of £149 a year more in council tax than they would have been paying under CTB. This includes 580,000 families (higher than the total number of CTR recipients in Scotland) facing a second successive year of increases. They would be paying £54 more in 2014-15 on top of the £97 rise they faced in 2013-14, i.e. a total of £151 more in 2014-15 in comparison to 2012-13 – the last year of CTB.

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128 All figures on the Council Tax Reduction Scheme are up to date as at 16 June 2015.
130 Ibid.
131 Ibid.
Further NPI research showed that “English local authorities who made the deepest cuts to council tax support were most likely to see the biggest increases in council tax arrears and court and administration costs”\(^{132}\). NPI states that, in 2013-14 in England, “council tax arrears rose by £145 million (20%) to £836m, court and administration costs rose by £24 million (11%) to £233 million, while the overall council tax collection rate fell by 0.4 percentage points. This is only the second time the collection rate has fallen since council tax was introduced 20 years ago.”\(^{133}\)

**Trends of Council Tax Benefit and Council Tax Reduction**

Council Tax Benefit was introduced in 1993-94, with around 580,000 recipients. As shown in Table 3.3 in 2007-08 there were around 533,000 CTB recipients in Scotland. The caseload (number of recipients) fell to 513,000 in 2008-09, and then rose again before stabilising at around 560,000\(^{134}\).

Table 3.3 also illustrates that CTB expenditure has been broadly consistent since 2007-08, with a total of around £380 million in 2012-13 – the last year of CTB. The UK Government’s budget transfer to Scotland for CTB successor arrangements was based on a forecasted drop in expenditure in future years, plus a 10 per cent cut in funding.

| Table 3.3 Caseload and Expenditure of Council Tax Benefit in Scotland, 2007-08 to 2012-13 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Caseload                        | 533,000 | 513,000 | 544,000 | 561,000 | 562,000 | 563,000 |
| Expenditure (£ million)         | 366     | 363     | 380     | 387     | 384     | 380     |


Figures for the first two years (April 2013 to March 2015) of the CTR scheme are shown in Box 3.2.

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\(^{133}\) Ibid.

Box 3.2 Figures for the first two years (April 2013 to March 2015) of the Council Tax Reduction Scheme

- There were over 525,000 CTR recipients in Scotland in March 2015 and provisional expenditure for 2014-15 was £345.9 million.
- The average weekly award per recipient in March 2015 was £12.74.
- Recipients of CTR are some of the most vulnerable in society – 86,500 (16.5 per cent) of recipients were lone parents and 201,000 (38 per cent) were aged 65 or over.
- Of all CTR recipients, 79 per cent were in receipt of full CTR, i.e. their Council Tax liability was reduced to nil, generally due to ‘passporting’ from certain income-based benefits (Income-Related Jobseeker’s Allowance and Employment and Support Allowance, Income Support and Pension Credit (Guarantee Credit)).


Information going forward

Since the introduction of the CTR scheme in April 2013, the Scottish Government has asked all local authorities to provide individual record level extracts on a monthly basis. This enables monitoring of the caseload and expenditure of the CTR scheme, and is used to inform policy development and evaluation. Summary caseload statistics are published each quarter, and a more detailed annual report is published in June.

With the CTR data being collected at an individual level, detailed analyses on a range of characteristics of CTR applicants are available. This is essential in ensuring that the CTR scheme continues to support the most vulnerable in Scotland and also identifying the impact that potential future policy changes could have on different households.

An initial Equality Impact Assessment was undertaken in development of the CTR scheme using CTB data, which identified potential benefits for age, disability and gender protected characteristics from the introduction of the scheme. This has now been revised using the latest CTR data to update the assessment of impacts on the protected characteristics.

With the continuing roll-out of Universal Credit (UC) across Scotland in 2015-16, the Scottish Government will further examine the impact on, and interface with, the CTR scheme. Detailed analysis will look at the impact on CTR awards and scheme expenditure for UC recipients, particularly for those who ‘do better’ under UC, such as workers with relatively low amounts of earned income. From an administrative perspective, local authorities have so far found the data-sharing arrangements with DWP to be inadequate, and note that significant improvements will be required when case numbers and complexity increase further.
The Local Government Finance Act 2012\textsuperscript{135}, the legal basis for the replacement of CTB by localised council tax support schemes, requires the UK Government to commission an ‘independent review’ of the schemes made under the provisions of the Act within three years – that is, by the end of 2015-16. In particular, the Act states that the review will “make recommendations as to whether ‘council tax support’ should be brought within Universal Credit”. Details of that review are yet to be announced.

The Commission on Local Tax Reform is currently considering options for the reform of local taxation in Scotland and its remit is to consider the impacts of alternative systems of local taxation on individuals, households and inequalities in income and wealth. Some of these options do not have an inherent need for a scheme such as CTR to alleviate the impact on low-income households. However, it could be some years yet before a replacement to council tax is in operation and, therefore, CTR is expected to be in place for the foreseeable future.

### 3.4. Discretionary Housing Payments

The Scottish Government is doing all it reasonably can to mitigate the effects of the ‘bedroom tax’ within the limits of current constitutional arrangements. The only statutory mechanism available to provide regular and ongoing financial assistance to people on Housing Benefit is through Discretionary Housing Payments (DHP). These are administered by individual local authorities on behalf of DWP and the policy is reserved to the UK Government.

In the twelve month period from April 2014 to 31 March 2015, local authorities in Scotland made around 118,000 awards, from 132,000 applications, under the DHP scheme. Although not all of these awards will be a result of the ‘bedroom tax’, the figure is likely to include a large number of cases where local authorities are continuing to make up the shortfall in tenants’ rent due to ‘bedroom tax’ reductions. During this time the average payment was £429 amounting to a total value of over £50.5 million\textsuperscript{136}.

In the period 2013-16, the Scottish Government is providing £90 million in mitigation funding for DHP. In 2015-16, the Scottish Government is providing £35 million to fully mitigate the ‘bedroom tax’ in Scotland. When added to the £13.3 million provided by DWP, Scottish local authorities have £48.3 million to spend on DHP. Note that, in 2012-13, prior to the introduction of the ‘bedroom tax’, DHP expenditure in Scotland was around £4 million.

On 2 May 2014, the UK Government offered to devolve powers to Scottish Ministers to set the statutory cap on DHP in Scotland via a Section 63 Order of the Scotland

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\textsuperscript{135} The Local Government Finance Act 2012 can be found at \url{http://www.legislation.gov.uk/ukpga/2012/17/enacted}.

Act 1998. The powers were transferred and the statutory cap was removed completely in December 2014.

3.5. Passported Benefits

The number of people taking up Scottish passported benefits is shown in Table 3.4, whilst expenditure on these is shown in Table 3.5. Further explanations on data sources and descriptions can be found in Annex A.

Table 3.4 Number of people taking up passported benefits in Scotland, 2007-08 to 2013-14

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Blue Badge Parking*</td>
<td>120,870</td>
<td>117,920</td>
<td>129,300</td>
<td>122,960</td>
<td>125,530</td>
<td>118,848</td>
<td>116,412</td>
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<td>Concessionary Travel**</td>
<td>269,010</td>
<td>275,630</td>
<td>281,520</td>
<td>283,100</td>
<td>283,650</td>
<td>284,010</td>
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<td>-</td>
<td>860</td>
<td>840</td>
<td>540</td>
<td>571</td>
</tr>
<tr>
<td>Education Maintenance Allowance</td>
<td>37,280</td>
<td>39,000</td>
<td>37,230</td>
<td>34,780</td>
<td>34,390</td>
<td>35,515</td>
<td>34,955</td>
</tr>
<tr>
<td>Free NHS Dental Treatment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Free School Meals</td>
<td>105,020</td>
<td>101,950</td>
<td>118,960</td>
<td>131,250</td>
<td>130,480</td>
<td>130,585</td>
<td>126,388</td>
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<tr>
<td>Individual Learning Accounts</td>
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<td>57,880</td>
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<td>Legal Aid</td>
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<td>150,000</td>
<td>140,000</td>
<td>137,000</td>
<td>140,000</td>
<td>125,000</td>
</tr>
<tr>
<td>NHS Optical Vouchers</td>
<td>304,740</td>
<td>320,840</td>
<td>328,860</td>
<td>326,310</td>
<td>329,170</td>
<td>299,960</td>
<td>300,083</td>
</tr>
<tr>
<td>Student Loans Exemptions</td>
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<td>****</td>
<td>****</td>
<td>****</td>
<td>****</td>
<td>****</td>
<td>****</td>
</tr>
</tbody>
</table>

Note: Figures rounded to nearest ten; except Legal Aid, which is to nearest 1,000.
- Information not available/unknown.
* These figures do not include free school meal registrations for children in pre-school, but for primary, secondary and special only. Scottish Government do not hold figures on the number of pre-school children receiving free meals.
** Blue Badge Parking figures are only those who receive a Blue Badge through a passported benefit; they exclude those who apply directly to the local authority.
*** Concessionary Travel figures are number of people eligible due to receipt of Disability Living Allowance.
**** Less than 50 affected and this is for the academic year.
Table 3.5 Passported benefit outturn expenditure (£’000), 2007-08 to 2013-14

<table>
<thead>
<tr>
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<tr>
<td>Concessionary Travel</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Court Fee Exemptions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70</td>
<td>60</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Education Maintenance Allowance</td>
<td>33,300</td>
<td>35,400</td>
<td>33,200</td>
<td>27,200</td>
<td>27,600</td>
<td>27,800</td>
<td>28,200</td>
</tr>
<tr>
<td>Free NHS Dental Treatment</td>
<td>26,700</td>
<td>29,000</td>
<td>33,700</td>
<td>35,700</td>
<td>37,400</td>
<td>37,300</td>
<td>36,300</td>
</tr>
<tr>
<td>Free School Meals</td>
<td>40,400</td>
<td>42,000</td>
<td>45,500</td>
<td>48,500</td>
<td>53,200</td>
<td>52,800</td>
<td>53,100*</td>
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<td>Individual Learning Accounts</td>
<td>-</td>
<td>-</td>
<td>9,900</td>
<td>11,800</td>
<td>10,300</td>
<td>10,100</td>
<td>-</td>
</tr>
<tr>
<td>Legal Aid</td>
<td>80,600</td>
<td>78,100</td>
<td>78,300</td>
<td>83,900</td>
<td>82,000</td>
<td>78,700</td>
<td>70,000</td>
</tr>
<tr>
<td>NHS Optical Vouchers</td>
<td>13,500</td>
<td>14,500</td>
<td>15,200</td>
<td>15,000</td>
<td>15,900</td>
<td>14,300</td>
<td>15,700</td>
</tr>
<tr>
<td>Student Loans Exemptions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Figures rounded to nearest 100; except Court Fee Exemption, which is to nearest ten.
- Information not available/unknown.
* This figure does include (small) expenditure on children in pre-school.

The Scottish Government will continue to monitor changes in uptake and expenditure for the effects of welfare reforms such as Personal Independence Payment (PIP) and Universal Credit (UC). It should be noted that NHS Patient Travel is not presented in Table 3.4 or Table 3.5 as this information is not collected centrally. Also, early learning and childcare of two year olds is not included in the tables as accurate figures are not available to date.

The introduction of UC has implications for passported benefits in Scotland. However, changes in roll-out plans for UC mean it is likely to take longer than expected before there are any significant volumes of UC cases in Scotland. Given this uncertainty, it was agreed that the Scottish Government would not proceed with a package of legislation on passported benefits as originally planned. Policy areas will instead bring forward legislation when needed for the individual passporting areas. The Scottish Government will monitor developments and review this approach if there is any sudden acceleration in roll-out plans.
3.5.1. Free school meals

The Scottish Government recognises the importance of providing children and young people with a healthy meal at school, particularly for those living in low income households. Extending the eligibility of free school meals has been a long term aspiration of Scottish Ministers, who are proud of the actions they have taken in recent years to both extend and protect free school meal eligibility. These included the implementation of legislation in 2009\textsuperscript{137} to extend the eligibility of free school meals to those in receipt of both Child and Working Tax Credits; an action which was not replicated in England.

On 5 January 2015, the First Minister launched the extended entitlement of free school meals to all children in primary 1 to 3. This action has a number of clear benefits to both children and their families, playing an important role in improving attainment in schools, through offering healthy and nutritious lunches that will help children achieve their best in class. It will also deliver a saving for families of at least £330 per child per year, helping to protect household incomes and tackle child poverty in Scotland. The Scottish Government is committed to fully funding this policy and following agreement with COSLA. It is providing additional revenue funding of £70.5 million over two years to deliver the commitment, supported with capital funding for local government of £24.8 million.

The Education (School Lunches) (Scotland) Amendment Regulations 2013\textsuperscript{138} prescribe UC as an eligibility criteria for free school meals to ensure that nobody who would otherwise have been eligible to receive free school meals loses their entitlement during the roll-out. It is intended that these regulations will be replaced in order to provide substantive arrangements for free school meals when more information about the roll-out of UC becomes clear. While the roll-out of UC remains slower than anticipated, Scottish Ministers will maintain the current arrangements whilst continuing to consider how eligibility to free school meals will be determined in the context of the Welfare Reform over the next year.

3.5.2. Early learning and childcare to vulnerable two year olds

Universal early learning and childcare was extended by 125 hours per year from August 2014. In January 2014, the then First Minister also announced that early learning and childcare would be extended to around 15 per cent of two year olds in Scotland from August 2014 (based on parents in receipt of DWP out-of-work benefits); and widened to around 27 per cent from August 2015 according to the Scottish criteria for free school lunches.


\textsuperscript{138} The Education (School Lunches) (Scotland) Amendment Regulations 2013 can be found at http://www.legislation.gov.uk/ssi/2013/64/made .
The Scottish Government’s policy is to develop a universal system of high quality early learning and childcare which is accessible and affordable for all families, focusing, in the first instance, on those who are most vulnerable or disadvantaged. Early learning and childcare improves outcomes for those children as well as removing barriers to parents seeking work or study; and creates wider opportunities for local authorities to engage and support parents with work related activity or family support.

As described in the Provision of Early Learning and Childcare (Specified Children) (Scotland) Order 2014\textsuperscript{139}, all three and four year olds are entitled to the mandatory amount of early learning and childcare as well as two year olds, with a parent on the following qualifying benefits:

- Income support;
- Jobseeker’s allowance (income-based);
- Employment and Support Allowance (income-based);
- Incapacity or Severe Disablement Allowance; and
- Pension Credit.

From August 2015 (pending Parliamentary approval of secondary legislation), additional two year olds will be eligible, based on current free school lunch criteria\textsuperscript{140}. UC is included as an interim measure to ensure that no child is disadvantaged during the roll-out of UC. Following full roll-out of UC, the free school lunch criteria will be redefined and the Specified Children Order will be amended accordingly.

### 3.5.3. Blue Badges

Following the introduction of the PIP passporting arrangements to the Blue Badge scheme in 2013, the Scottish Government undertook to consider whether Blue Badge provision could be provided to those who lose passporting entitlement as they are transferred from Disability Living Allowance (DLA) to PIP. The Scottish Government introduced two further passporting arrangements in 2014-15 covering people who were in receipt of the higher rate of the mobility component of DLA but who no longer receive that award due to being assessed for PIP:

- The first new eligibility criterion applies to those who do not receive PIP at a rate to passport automatically, and who have challenged that decision with DWP. A Badge under this eligibility criterion will have a period of issue of one year.
- The second new eligibility criteria ensures that those who were in receipt of a ‘lifetime’ or ‘indefinite’ HMRC DLA award will retain passporting entitlement to a Blue Badge. Such persons would reasonably have expected to retain

\textsuperscript{139} The Provision of Early Learning and Childcare (Specified Children) (Scotland) Order 2014 can be found at [http://www.legislation.gov.uk/sdsi/2014/9780111023488](http://www.legislation.gov.uk/sdsi/2014/9780111023488).

\textsuperscript{140} The (Specified Children) Amendment Order 2015 can be found at [http://www.legislation.gov.uk/sdsi/2015/9780111027646](http://www.legislation.gov.uk/sdsi/2015/9780111027646).
passporting entitlement under DLA, and there is no equivalent ‘lifetime’ or ‘indefinite’ period of issue for PIP.

The Scottish Government will continue to monitor the impact of PIP on Blue Badge applications. DWP will publish the numbers of people in receipt of PIP at different levels of award. These data will be used to monitor eligibility for the Blue Badge scheme. For the first time in 2015, information on all Blue Badge applications is contained within the Blue Badge Information System database which will enable us to work with local authorities, as the data owners, to gather information about the impact of the introduction of PIP. This new database will result in an improvement to the quality of the available data and will allow us not only to monitor the impact of the introduction of PIP on the number of Badges on issue but also the series of reforms to the Blue Badge Scheme that came into effect in 2012.

3.5.4. National Concessionary Travel

The Scottish Government has put in place transitional provisions that allow all current card holders who might lose eligibility to PIP after reassessment to retain their cards until the expiry date. They then may continue to qualify for Concessionary Travel under other existing disability-related criteria. The Scottish Government will continue to monitor the situation to identify if any specific groups are losing entitlement as a result of the welfare changes; and the impact of PIP on Blue Badge applications will also be monitored.

We will monitor the numbers of people applying for a pass using PIP as the eligibility criteria. After national roll-out, the first full year of data will be included with the publication of pass-holder numbers in Scottish Transport Statistics.

3.5.5. Court fee exemptions and Legal Aid

The Scottish Government is keen to minimise the impact of the introduction of UC and has given a commitment to protecting access to justice for those who would otherwise be unable to afford it.

Legal Aid

In 2013-14, 52 per cent of applications for legal assistance related to those in receipt of passported benefits. In that period, 62 applications involved UC.

In April 2013, the Scottish Government amended secondary legislation\textsuperscript{141} to allow those in receipt of UC to be passported for applications for legal assistance as an interim measure. The Scottish Government also amended secondary legislation to

\textsuperscript{141} The Welfare Reform (Consequential Amendment) (Scotland) (No. 2) Regulations 2013, coming into force 29 April 2013, can be found at http://www.legislation.gov.uk/ssi/2013/137/made.
allow PIP\textsuperscript{142} and Armed Forces Independence Payment\textsuperscript{143} not to be regarded as part of an applicant’s disposable income when making an application for Legal Aid.

The longer term aim for UC is to maintain the current passporting client group without any significant increase or decrease in those eligible for Legal Aid. The Scottish Government is working closely with colleagues in Analytical Services and the Scottish Legal Aid Board about how this intention may be achieved. Taking a different approach would likely result in significantly increased costs to the Legal Aid Fund or its administration.

**Court fees – fee exemptions**

The majority of fee exemptions are mainly as a result of people receiving Legal Aid with a small percentage being made through the receipt of passporting benefits. For example, in 2014-15 there were around 600 exemptions relating to passporting benefits with a value of around £45,000. This is in comparison to 23,000 exemptions for those persons satisfying the legal aid criteria which had an overall value of around £1.7 million. These figures remain broadly similar to those held between 2012-13 and 2013-14.

The Scottish Government is continuing to develop various policy options for future court fee exemptions that take into account the impacts arising from the introduction of UC. This is with a view to maintaining current levels of eligibility. Throughout this process, various factors are being considered, including the potential impact that any proposals could have on the Scottish Courts and Tribunals Service. For example, any increase in the number of exemptions (either via Legal Aid or passporting) will not only impact on staffing/administration costs but could potentially reduce the level of court fee income generated.

3.6. **Health**

A range of activity is being undertaken to mitigate the negative impacts of Welfare Reform on health and health services in Scotland. This activity is driven by an Outcome Focused Plan developed in partnership with NHS Board representatives, COSLA and third sector organisations. The Plan sets out a framework to advise and support the NHS in Scotland to plan, deliver and evaluate its contribution to mitigating the impact of Welfare Reform on health and NHS services. The target group for the Plan includes working-age people and their dependents who are most likely to be directly affected by Welfare Reform, such as: workless households and those in low-paid work; disabled people and those with long-term health conditions; lone parents; children in low-income families; and people from black and minority ethnic communities. The Plan informs the design of local activities delivered in

\textsuperscript{142} The Welfare Reform (Consequential Amendment) (Scotland) Regulations 2013, coming into force 8 April 2013, can be found at [http://www.legislation.gov.uk/ssi/2013/65/contents/made](http://www.legislation.gov.uk/ssi/2013/65/contents/made).

\textsuperscript{143} The Welfare Reform (Consequential Amendment) (Scotland) (No. 3) Regulations 2013, coming into force 11 June 2013, can be found at [http://www.legislation.gov.uk/ssi/2013/142/introduction/made](http://www.legislation.gov.uk/ssi/2013/142/introduction/made).
collaboration with NHS Boards Community Planning Partners. This activity includes improving access to welfare advice; improving support and signposting for employment and employability services; training and guidance for healthcare staff; and improving links to local authority and other social service providers.

3.6.1. NHS-led partnerships

In addition, an NHS-led partnership approach to support those with health conditions and vulnerable groups who are affected by the changes to the welfare benefits system has been developed in two pilot areas - NHS Tayside and NHS Highland. Working with key stakeholders, the approach is based on that used by the Equally Well Test Sites that were established by the Scottish Government in October 2008. Those sites were supported to try out new ideas to redesign and refocus public services, and to use that learning to inform national level actions. The Health and Welfare Reform Outcome Focussed Plan forms the framework for identifying local outcomes and interventions. Key to the development and delivery of these pilot projects is embedding the ‘model for improvement’ methodology into an ongoing evaluation process. This will ensure that throughout the pilots, interventions and changes are evaluated and the learning is used to improve the approach.

3.6.2. Health and Welfare Reform Development Fund

A number of projects are also being funded through a Health and Welfare Reform Development Fund which has been established to encourage innovative practice by NHS Boards to implement the Outcome Focussed Plan. Projects include developing effective approaches and tools to support income maximisation for families with young children (pre-birth to eight years of age); development of financial assessment and referral pathways; and co-location of welfare and benefits advice together with access to credit unions in GP practices. A summary of the projects funded in 2014-15 is set out in Box 3.3.
**Box 3.3 Health and Welfare Reform Development Fund 2014-15: Summary of Projects**

**NHS Borders:** Working within two of the Borders’ new early years centres, the project is developing effective approaches and tools to support income maximisation for families with young children (pre-birth to eight years of age). It offers screening, information, action planning and signposting on welfare benefits and money advice. The information gathered will be used to develop programmes to address health inequalities, for delivery through integrated mainstream early years services.

**NHS Lanarkshire:** The project is co-locating welfare and benefits advice together with supported access to Credit Unions in NHS Health Centres in deprived areas. In order to address the negative impact of Welfare Reform upon the health and wellbeing of disadvantaged and isolated groups, the project aims to remove barriers to specialist advice; increase staff knowledge and confidence in identifying and supporting patients at risk of financial hardship; reduce stigmatisation of benefits recipients; and work in partnership to build pathways to referral services.

**NHS Lothian:** The project is providing bespoke training and support to a wide range of multi-agency staff in front-line services within West Lothian Community Planning Partnership, in order to enable them to better support their patients/clients experiencing hardship as a result of Welfare Reform. The project utilises the tailor-made Life Matters training course, with the aim of rolling it out across both NHS and social policy, housing, homelessness and voluntary sector agencies.

**NHS Lothian:** The project is developing a screening/triage tool for financial inclusion and hardship issues, for use by frontline health workers. The screening tool will support the introduction of routine enquiry about hardship issues, and will be linked to information about hardship resources and referral pathways for welfare and money advice. It aims to enable staff to effectively identify financial concerns and take action to minimise the negative impact on health through care planning and onward referral.

**NHS Western Isles:** The project is developing and piloting a universal referral form, which will allow individuals in crisis to be signposted to the appropriate organisation for support whilst identifying areas of need within the community. Training is being developed around this resource, increasing knowledge and understanding of poverty and inequalities. Delivered by experienced NHS staff with in-depth knowledge of poverty issues and practice of working with the individuals and groups experiencing them, the training will enable participants to identify ways in which they can provide an effective service to individuals experiencing poverty.
3.7. Emergency Food Aid Action Plan

In April 2014, the First Minister announced that the Scottish Government would make £1 million available over 2014-15 and 2015-16 to provide support to those working in the emergency food aid sector, helping to address food poverty by:

- Building capacity in the sector;
- Fostering stronger links to mainstream advice services, particularly money, benefits and employment advice; and
- Improving sustainability by reducing food waste.

As a result, funding has so far been provided for FareShare, an Emergency Food Fund and the Poverty Alliance, more detail on which is provided below.

3.7.1. Support for FareShare

FareShare will be provided with £500,000 over 2014-15 and 2015-16 to tackle food waste and food poverty across Scotland. FareShare operates by taking surplus food from supermarkets and other retailers and distributing it to voluntary organisations supporting their local communities.

3.7.2. Emergency Food Fund

An Emergency Food Fund was set up to provide funding to food aid organisations to enable them to respond to immediate demands for emergency food aid, and to help address the underlying causes of food poverty.

The Scottish Government wants to help food aid providers support even more people and make sure that those using foodbanks are able to access appropriate advice and support. The aims of the Grant Fund therefore focus on:

- Capacity building in the emergency food aid sector;
- Connecting those who seek emergency food aid with appropriate help to prevent the crisis recurring;
- Building more effective connections between emergency food aid providers and mainstream advice agencies, as well as organisations working to promote healthy eating and food waste reduction; and
- Building more sustainable local solutions to food poverty.

The Fund is being supported by £523,000 over 2014-15 and 2015-16. Foodbanks and organisations working with those who seek emergency food aid were able to apply for funding. Twenty-six projects were successful in receiving funding from the Emergency Food Fund. This includes eight larger and 18 smaller projects covering 17 local authority areas in Scotland.
3.7.3. Further work with emergency food providers

In February 2015, the Poverty Alliance received further funding to support additional work with emergency food providers. This will enable the Poverty Alliance to work with those providers to take forward research findings, to focus more strongly on the causes of food poverty and work towards ensuring people get the help they may need to prevent reliance on food aid provision.

3.8. Welfare Reform Resilience Fund

The Scottish Government launched the Welfare Reform Resilience Fund (WRRF) in April 2014. Working in partnership with COSLA and the Improvement Service, a programme of projects were delivered in 2014-15. The fund supported a range of mitigation projects across 11 local authorities, many of which involved an assets-based/co-production approach. The projects varied in size, and provided support for a range of issues including mental health issues, fuel advocacy services, housing and money advice and increasing digital access. Brief project descriptions are provided in Table 3.6.

This Fund was designed to contribute to learning about potentially innovative and transformational aspects of service design and delivery that could potentially inform service (re)design in line with Christie principles. The Scottish Government are interested in both the overall impacts of the project and the operational ‘lessons learned’ which will be used to inform future service delivery. Final evaluation reports from the projects will be submitted at the end of July 2015.

144 The Christie principles were identified by the Commission on the Future Delivery of Public Services (the Christie Commission). The Christie Commission report was published on 29 June 2011 and can be found at http://www.gov.scot/About/Review/publicservicescommission.
Table 3.6 Summary of 2014-15 Welfare Resilience Fund Pilots

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Project description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen City</td>
<td>Support for customers with complex/multiple needs (mental health) to access welfare benefits/advice services.</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>Holistic housing and money advice service for new social sector tenants.</td>
</tr>
<tr>
<td>Dundee City</td>
<td>Digital inclusion with equalities aspect (development of bespoke software/apps for e.g. the deaf community, and black and minority ethnic people).</td>
</tr>
<tr>
<td>Falkirk</td>
<td>Support for customers with complex/multiple needs (mental health) to access welfare benefits/advice services.</td>
</tr>
<tr>
<td>Fife</td>
<td>Support for people in their communities through improved triage, digital and financial inclusion and add consistency to localised welfare reform action plans.</td>
</tr>
<tr>
<td>Inverclyde</td>
<td>Innovative financial model to support white goods purchase for social sector tenants and development of central case management system.</td>
</tr>
<tr>
<td>Midlothian</td>
<td>Digital inclusion for vulnerable individuals.</td>
</tr>
<tr>
<td>Moray</td>
<td>Creation of a welfare benefits 'portal' giving information on and access to support services.</td>
</tr>
<tr>
<td>Renfrewshire</td>
<td>Fuel advocacy services to vulnerable families and families experiencing financial hardship.</td>
</tr>
<tr>
<td>Shetland Islands</td>
<td>Digital inclusion in a rural setting.</td>
</tr>
<tr>
<td>West Dunbartonshire</td>
<td>Provision of financial wellbeing advice and support for families with additional support needs relating to parenting challenges (via local family support centre).</td>
</tr>
</tbody>
</table>

3.9. Other mitigation activity

The Scottish Government is supporting initiatives with the third sector, local authorities and others to ensure that people and organisations affected by welfare reform have access to the help and support they need.

Throughout 2014-15, the Making Advice Work Fund, which is administered by the Scottish Legal Aid Board (SLAB), has continued to help organisations provide advice and support to people across Scotland.

In April 2014, we announced a further £2.4 million for the Tackling Money Worries Fund which SLAB also will administer. This Fund will focus on improving outcomes for low-income families with children and the projects will run from October 2014 to October 2016.

In addition to this, £2.5 million has been provided across 2013-14 to 2014-15 to Citizens Advice Scotland (CAS) to fund a range of services for local bureaux across Scotland, including additional resources to support the move to online claims. An
additional £1.46 million has been provided for 2015-2016 to support CAS’s welfare reform mitigation efforts.
Chapter 4. Conclusion

This third Annual Report has built on the previous two reports, providing an update on the impacts of Welfare Reform as more detail and more data become available. Limitations around data availability and the delays to Universal Credit and Personal Independence Payment implementation have constrained what can be said around actual impacts. Furthermore, it is at points difficult to disentangle the impacts of the Act from the wider reforms to welfare initiated before and after the Act.

However, the analysis in this report shows that the introduction of the Benefit Cap, the roll-out of the ‘bedroom tax’ and the new sanctions regimes in particular are having significant impacts on people in Scotland. Impacts are being especially felt by equality groups. Sanctions disproportionally affect young people. The group most likely to be affected by the Benefit Cap are lone parents. Disabled people are particularly affected by the ‘bedroom tax’ and many are facing to lose some or all their disability benefits due to reassessment from Disability Living Allowance to Personal Independence Payment.

The Scottish Government, working with its stakeholders, partners and the UK Government, has continued to further its understanding of these impacts on those receiving welfare benefits, as well as on those using or delivering services.

As also set out in this report, the Scottish Government has introduced a number of measures to mitigate the impacts of Welfare Reform. The Scottish Welfare Fund provides Crisis Grants and Community Care Grants for individuals on low incomes. The Welfare Reform Resilience Fund, launched in April 2014, will contribute to learning about innovate and transformational aspects of service (re)design. The £1 million Emergency Food Action Plan over 2014-15 and 2015-16 will support work to combat food poverty. Entitlements to early learning and childcare for two year olds and free school meals have been introduced and extended to improve the wellbeing and outcomes for children and their families.

Going forward, and in light of the further welfare reforms proposed by the new UK Government, it is vital that the Scottish Government, local government and the third sector continue to work together so as to understand and mitigate, as far as possible, the worst impacts of the reforms.
References


http://www.gcph.co.uk/assets/0000/4284/Lone_parents_Literature_Review_web.pdf [Accessed 12 May 2015]


The Welfare Reform (Further Provision) (Scotland) Act 2012.  

Annex A: Further information relating to take-up and expenditure data for passported benefits

Table A1 below provides further detail on the take-up and expenditure data that Table 3.4 and Table 3.5 respectively relates to. Further information about the eligibility criteria for each of these passported benefits is available from the Scottish Government website (see [http://www.gov.scot/Publications/2012/06/9166/8](http://www.gov.scot/Publications/2012/06/9166/8)).

### Table A.1: Further information relating to take-up and expenditure data for passported benefits

<table>
<thead>
<tr>
<th>Passported Benefit</th>
<th>Take-up data (Table 3.4)</th>
<th>Expenditure data (Table 3.5)</th>
<th>Data sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Badge Parking</td>
<td>The figures relate to the number of individuals who received a Blue Badge on a passported basis only. Entitlement through receipt of DLA, war pensioners’ scheme Mobility Supplement, a lump sum (tariffs 1-8) of the Armed Forces Compensation Scheme, or to blind or registered blind.</td>
<td>Expenditure data is not available as it is paid as part of the overall grant to local authorities.</td>
<td>Scottish Transport Statistics Annual Publication</td>
</tr>
<tr>
<td>Concessionary Travel</td>
<td>The figures relate to the number of individuals who are eligible on a passported basis only, as at the February of each year.</td>
<td>Expenditure data is not available and cannot be broken down to passported cases.</td>
<td>DWP DLA Benefit statistics</td>
</tr>
<tr>
<td>Court Fee Exemptions</td>
<td>Prior to 2010-11 data relating to exemption on a passported basis was not collected. Figures from 2010-11 onwards relate to the number of individuals eligible on a passported basis only.</td>
<td>Prior to 2010-11 data relating to exemption on a passported basis was not collected. Figures from 2010-11 onwards relate to expenditure on a passported basis only.</td>
<td>Scottish Court Service</td>
</tr>
<tr>
<td>Education Maintenance Allowance (EMA)</td>
<td>The figures relate to the number of individuals who meet the EMA eligibility criteria and therefore will be in receipt of EMA.</td>
<td>This is expenditure as a result of the number of individuals meeting the EMA eligibility criteria and associated administrative costs. Prior to 2009-10 this includes bonus payments and weekly payments, bonus payments were removed from the scheme from 2010-11.</td>
<td>Scottish Government Education Maintenance Allowances 2013-14 Publication</td>
</tr>
<tr>
<td>Passported Benefit</td>
<td>Take-up data (Table 3.4)</td>
<td>Expenditure data (Table 3.5)</td>
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<tr>
<td>Free NHS Dental Treatment</td>
<td>Information on the numbers of individuals in receipt of free NHS dental treatment on a passported basis is not available. Claims are submitted and counted for individual courses of dental treatment, not for individuals.</td>
<td>Expenditure as a result of eligibility on a passported basis and for those entitled to help with health costs under the NHS Low Income Scheme.</td>
<td>2011-12 figures from Scottish Dental Practice Board Annual Reports and 2012-13 and 2013-14 figures from NHS National Services Scotland.</td>
</tr>
<tr>
<td>Free School Meals</td>
<td>Figures show number of children and young people in Scottish schools registered for free school meals. Figures from 2010-11 include a small number of children in P1-P3, who might not meet the eligibility criteria, but are registered to receive free school meals under local initiatives designed to promote healthy eating in the early years. Data is registrations in February/March of each year - e.g. 2013-14 data is for registrations in February 2014.</td>
<td>These figures are estimates of expenditure on free meals. Estimates are based on local authority expenditure on providing school meals services (both free and paid for meals) and number of free meals served. They are an indication of the amount spent on providing free school meals only as it is not possible to provide specific data on free meals alone.</td>
<td>Healthy Living Survey and the Local Financial Return.</td>
</tr>
<tr>
<td>Individual Learning Accounts (ILA)</td>
<td>Numbers of individuals receiving ILA funding. The figures reflect all individuals receiving funding, not only those who are accessing on a passported basis.</td>
<td>Figures reflect all individuals receiving funding, not only those who are accessing on a passported basis. Published expenditure figures for ILA prior to 2009-10 are not available.</td>
<td>Education and Culture Committee Report (16 April 2013) and written Parliamentary Questions (18 and 19 June 2012).</td>
</tr>
<tr>
<td>Legal Aid</td>
<td>This relates to those getting legal aid on a passported basis.</td>
<td>Estimated total cost, based on total net expenditure, for persons as a result of eligibility on a passported basis.</td>
<td>Scottish Legal Aid Board</td>
</tr>
<tr>
<td>Passported Benefit</td>
<td>Take-up data (Table 3.4)</td>
<td>Expenditure data (Table 3.5)</td>
<td>Data sources</td>
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<tr>
<td>NHS Optical Vouchers</td>
<td>This is the number of voucher claims processed for those in receipt of a passported benefit. An individual may receive more than one optical voucher in a year.</td>
<td>Expenditure as a result of eligibility on a passported basis. Optical voucher costs include all passported benefits and is not limited to those being replaced by Universal Credit.</td>
<td>Information Services Division of NHS National Services Scotland ‘Ophthalmic Workload Statistics’</td>
</tr>
<tr>
<td>Student Loans Exemptions</td>
<td>There is no difference between full figures and those on a passported basis, as borrowers must be in receipt of qualifying benefit to get exemption.</td>
<td>Expenditure data is not available – figures are not published because they are deemed nil or negligible by the Student Loans Company.</td>
<td>Student Loans Company ‘Student Loans for Higher Education in Scotland’ Publication</td>
</tr>
</tbody>
</table>
Annex B: List of published Scottish Government research and analysis on Welfare Reform

This annex provides a list of Scottish Government research and analysis on Welfare Reform.


Welfare Reform (Further Provision) (Scotland) Act 2012

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