Welfare Reform (Further Provision) (Scotland) Act 2012

Annual Report – 2016

June 2016

The Scottish Government
Riaghaltas na h-Alba

Welfare Reform (Further Provision) (Scotland) Act 2012

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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

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Executive Summary

The Welfare Reform (Further Provision) (Scotland) Act 2012 tasks the Scottish Government with producing an Annual Report on the impacts of the UK Welfare Reform Act 2012 (the Act) on the people of Scotland. Changes in UK welfare policy since the Act was passed have been detailed in previous annual reports. This is the third annual report (an initial report was also published in 2013), and the first to be published since the passing of the Scotland Act 2016, which will devolve a range of disability benefits, carer benefits and components of the Regulated Social Fund to Scotland, as well as powers to create new devolved benefits and top-up existing reserved benefits.

Impacts of the Welfare Reform Act

In June 2016, **Universal Credit** (UC) was available in all jobcentres in Scotland for single jobseekers without children. The most recent data for May 2016 show that there are around 28,100 households in Scotland claiming UC. Measures announced in the Summer Budget 2015 have reduced the relative generosity of UC for in-work claimants by reducing the Work Allowances. Once fully rolled out, UC is expected to have mixed financial impacts, with ‘winners’ and ‘losers’ in terms of benefit entitlement. The Scottish Government will have the power to make certain administrative changes to UC.

The **Personal Independence Payment (PIP)** caseload continues to be low, with 85,400 people in April 2016. The latest data for working age Disability Living Allowance (DLA) from November 2015 showed a caseload of 165,000 (November 2015 caseload for PIP was 67,500). PIP and DLA will both be devolved following passage of the Scotland Act 2016, although timescales for delivering these (and other benefits) in Scotland have yet to be formalised.

The UK Government announced in the Summer Budget 2015 a lower **Benefit Cap** of £20,000 per year for couples and lone parent households, and £13,400 per year for single adult households (a higher cap has been set for claimants in London).

The new **Jobseeker’s Allowance (JSA) sanction regime** was introduced in October 2012. In the year to December 2015, a total of 26,400 adverse sanctions were applied, affecting 23,800 individuals. A new ‘Early Warning’ system, which will work alongside the sanctions regime, is being trialled in Scotland during 2016, and is expected by DWP to reduce the number of sanctions.

The rate for new **Employment and Support Allowance (ESA)** claimants in the ‘Work Related Activity Group’ is set to be reduced from £103 to £73 per week in 2017 to bring the rate into line with Jobseekers Allowance.

The UK government announced that **Local Housing Allowance (LHA) rates** (used to calculate housing benefit in the private rented sector) will be either frozen or be reduced to the 30th percentile of average rental prices, if lower than the frozen rate from April 2016. This is expected to reduce the number of properties in the private rented sector with rents that could be met by the LHA alone.

Scottish Government Mitigation

The Scottish Government has introduced a number of measures using existing powers, to mitigate some of the impacts of Welfare Reform.

In the period 2013 to 2017, the Scottish Government is providing £125 million of additional funding to mitigate the ‘bedroom tax’ through **Discretionary Housing Payments**. The **Council Tax Reduction Scheme** has continued to help people on low incomes with their council tax liabilities, following the abolition of Council Tax Benefit (CTB) in 2013. In 2016-17, a further £23m of funding provided by the Scottish Government to protect previous entitlement under CTB. The Scottish Government also provides £38 million to local authorities through the **Scottish Welfare Fund**, which continues to provide crisis grants and community care grants.

The Scottish Government is continuing to meet the challenges of Welfare Reform in other areas. The Scottish Government continues to fund universal free school meals to children in primary one to three, providing £54m in funding in 2016/17. Entitlement to **early learning and childcare to vulnerable two-year-olds** is being extended to 600 hours a year, with over 4,300 two-year-olds (50% of those eligible) receiving the support. Finally, eligibility criteria to **Blue Badges** have been extended following the introduction of PIP and the Scottish Government’s **Emergency Food Action Plan** provided £1 million over 2014-15 and 2015-16 to help combat food poverty in Scotland.

New Social Security Powers

The Scotland Act 2016 will transfer responsibility for 11 benefits to the Scottish Parliament covering benefits related to disability, ill health and caring, and components of the Regulated Social Fund. This will represent around £2.7 billion (15%) of total social security spending in Scotland.

In addition, the Scottish Parliament will be given powers to create new benefits in areas of devolved responsibility and to top-up reserved benefits, as well as having limited powers to make administrative changes to Universal Credit. Thus, new powers will give future Scottish Governments the opportunity to create distinct social security policies in the area of devolved responsibility.

In March 2016, the Scottish Government announced that a new agency will be created to oversee the delivery of these benefits. Timescales for delivery of Scottish social security benefits have yet to be formalised and will be led by the commitment to a safe and secure transition.

1. Introduction

1.1 Purpose of report

The Welfare Reform Act 2012[1] (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[2]. 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"[3].

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

The following requirements were set out in the Act:

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

4. An annual report is -

a) starting with 2014, required each year until 2017[4]*.*

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

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

(a) a relevant portion of that Act, or

(b) a relevant instrument made under that Act. [5]

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[1] 'Welfare Reform Act 2012' can be found at: http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted

[2] Audit Scotland, 'Welfare Reform Update', Accounts Commission, May 2013.

[3] Department for Work and Pensions (DWP), '2010 to 2015 Government Policy: Welfare Reform', 08 May 2015 (update).

[4] An initial report was produced in 2013, and can be found at http://www.gov.scot/Resource/0042/00426405.pdf

[5] 'Welfare Reform (Further Provision) (Scotland) Act 2012' (section 4: Impact of reform: annual reporting), can be found at: http://www.legislation.gov.uk/asp/2012/10/enacted .

This report provides a summary of the impacts of the UK Act on people in Scotland, primarily focusing on updates to the information on the impacts of provisions in the Act and particular changes in UK policy in relation to provisions in the Act since the publication of last year's report[6]. As with previous reports, it will outline the details of Scottish Government's mitigation activities. This year's report contains an additional chapter describing the new welfare powers in the Scotland Act 2016 which provide opportunities for the Scottish Government to set its own social security polices in the areas of devolved responsibility.

1.2 Key provisions in the Welfare Reform Act 2012

The Welfare Reform Act includes the following key provisions, discussed in detail in section 2.

- The phased introduction of Universal Credit.
- The abolition of Council Tax Benefit at UK level.
- The abolition of certain discretionary elements of the Social Fund at UK level.
- The phased replacement of Disability Living Allowance (DLA) with the Personal Independence Payment (PIP) for working-age adults.
- Changes to Housing Benefit in relation to under-occupancy in the social housing sector (the 'bedroom tax'[7]).
- The introduction of a cap on the total amount of benefit that working-age people can receive (the benefit cap).
- Changes to entitlement for the contributory element of Employment and Support Allowance.
- Changes to Local Housing Allowance.
- A new requirement on lone parents, whose youngest child has reached the age of five to look for work, meaning they must instead claim Jobseeker's Allowance instead of Income Support.
- The introduction of a new Claimant Commitment that sets out the particular jobseeker activities that any claimant must undertake in order to receive benefits.

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[6] 'Welfare Reform (Further Provision) (Scotland) Act 2012 - Annual Report – 2015' can be found at: http://www.gov.scot/Publications/2015/06/6720/0

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

1.3 Points to note about this report

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

Delays to roll-out continue. The provisions of the Act began to be introduced from March 2012. However, key provisions - including Universal Credit (UC) and Personal Independence Payment (PIP) - have not been rolled out to their original timetables. Only limited numbers are in receipt of UC 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.

Welfare reform pre-dates and post-dates the Act. Although many of the provisions of the Act are significant in terms of impacts, other changes to welfare, introduced before and after the Act also have significant impacts. This Annual Report is specifically focused on the Act, however, where impacts are arising from policies directly or indirectly related to the provisions in the Act these are also included. Key welfare policy announcements since June 2015 are listed in section 1.4.

Some welfare powers are being devolved to Scotland. New powers in relation to social security will be devolved to Scotland in the Scotland Act 2016, based on the recommendations of the Smith Commission[8]. Chapter 4 of this report provides more detail on this. Although the devolution of these powers will have significant implications for the people of Scotland in the future, reporting on the potential impacts of these is beyond the scope of this report.

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 reforms since 2010 has been differently phased and managed. Hence, separating out the direct impacts of the Act is not necessarily straightforward.

[8] The Smith Commission, 'Report of the Smith Commission for Further Devolution of Powers to the Scottish Parliament', 27 November 2014.

1.4 Key changes in UK policy since June 2015

There are seven key policy changes introduced since June 2015 (the publication date of last year's report) which concern the main provisions of the Welfare Reform Act but were not specifically set out in the original Act :

1. *Universal Credit*: the 'Work Allowances' (the amount of income a household can earn before benefits begins to be taken away) have been reduced, reducing the generosity of Universal Credit (see section 2.2).

2. *Personal Independence Payments (PIP)*: In the Summer Budget 2015 the UK Government announced that PIP roll-out would be extended to 2019. In March 2016, the UK Government announced and then reversed its decision to change the eligibility criteria related to aids and appliances in PIP. It then made a commitment to no further cuts to disability benefit expenditure for the remainder of the parliamentary term (see section 2.4).

3. *Benefit Cap*: The Benefit Cap, introduced in April 2013, has been reduced from £26,000 to £20,000 per year for couples and lone parents, and from £18,200 to £13,400 per year for single people (see section 2.6) from November 2016.

4. *Sanctions*: A new 'Early Warning' system is to be trialled in Scotland for Job Seekers Allowance claimants subject to a benefit sanction (see section 2.7).

5. *Employment and Support Allowance*: The rate for new claimants in the 'Working Related Activity Group' is set to be reduced from £103 to £73 per week in 2017 to bring the rate into line with Jobseekers Allowance.

6. *Local Housing Allowance (LHA)*: The UK Government announced that from April 2016, LHA rates would be either frozen or be reduced to the 30th percentile of average rental prices, if lower than the frozen rate (see section 2.9).

7. *Benefits Freeze:* In the Summer Budget 2015, the UK Government announced that the cash value of most working-age benefits will be frozen for four years from 2016-17.

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 the key changes introduced by the Welfare Reform Act 2012 (the Act). It also highlights specific changes in UK welfare policies and instruments introduced by the Act since the 2015 Report. Sections 2.2 to 2.9 focus on separate provisions in the Act, whilst sections 2.10 and 2.11 summarise the findings of the Welfare Reform Tracking Study 2016[9] and Emergency Food Aid Programme actions.

2.2 Universal Credit

Background

Universal Credit (UC) is a new, integrated, working-age benefit which will, when fully implemented, replace six existing means-tested benefits[10].

UC is being gradually introduced across the whole of the UK, and is now available in all jobcentres for single jobseekers without children. In May 2016, around 28,100 households in Scotland claimed UC – an increase of over 27,400 since May 2015. The number is expected to rise to 700,000 at full roll-out which the DWP estimates to take place by 2021. There is significant uncertainty around this date due to on-going technical complications, particularly with the real-time IT 'Digital Service' system . Phases One and Two of the national roll-out of the 'Digital Service' will take place between May and December 2016.

Inverness is the only area of Scotland to offer UC beyond out-of-work single claimants with no children and is expected to move to Full Service[11] in June 2016, with the other Highland jobcentres following in November. As part of Phase One 'Digital Service' roll-out, Musselburgh is the second area in Scotland offering UC to claimants with families (March 2016).

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[9] Graham, H., Edgell, V., McQuaid, R., and Raeside, R., The Impact of Welfare Reform in Scotland – Tracking Study – Sweep 4 Report, (DRAFT) The Scottish Government.

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

[11] Note - Under UC Full Service, all new claimants in an area will come under the UC system. In addition, UC claimants main contact with DWP will be through electronic means (through an online UC account, email or text) and there are slightly different rules, for example, on reporting childcare costs and on calculating unearned income.

Latest policy changes

Measures announced in the Summer Budget 2015 have reduced the generosity of UC, reducing the 'Work Allowances' from April 2016. The 'Work Allowance' is the amount of money a household can earn every month before their UC award begins to be gradually withdrawn. This means that current and future *in-work claimants* will be relatively worse off under UC than they would have otherwise been in the absence of this policy change. For example, under reasonable assumptions[12], and taking into account the introduction of the 'National Living Wage' in 2016/17, a lone parent with two children working 35 hours per week under UC could be over £300 per year worse off in 2016/17[13].

Impact

The impacts remain unclear, with only 3% of the expected future caseload in Scotland currently claiming UC. Initial evaluations by DWP suggest a number of positive effects of UC, with UC claimants being 8 percentage points more likely to have been employed at some point in the first nine months of their claim compared with similar JSA claimants (although this could partly be due to more people accepting short-term temporary work when on UC).[14] However, once fully rolled out UC is expected to have mixed financial impacts with 'winners' and 'losers' in terms of benefit entitlements.

The Institute of Fiscal Studies estimates that, across the UK, 2.1 million *in-work* households will get less in benefits due to the introduction of UC (£1,600 average annual loss) and 1.8 million households will get more (£1,500 average annual gain)[15]. *Out of work* households' total benefit entitlements are more likely to be unaffected by UC compared to working households. These impacts are based on the UC post-Summer Budget 2015 policy changes.

Devolution of Universal Credit flexibilities to Scotland

UC will involve a move from fortnightly to calendar monthly payments and direct payments of Housing Benefit to tenants rather than social landlords. However, following the passage of the Scotland Act 2016, the Scottish Government will now have the power to make administrative changes to UC that can change this (see section 4.2).

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[12] Note – assumes lone parent works on the NMW (£6.70 per hour) in 2015-16 and on the NLW (£7.20 per hour) in 2016-17. Also assumes housing costs of £600 per month and no transitional protection or childcare cost element.

[13] Keen, R & Kennedy, S, 'Universal Credit changes from April 2016', House of Commons Library, January 2016.

[14] DWP, 'Universal Credit: Estimating the Early Labour Market Impacts', December 2015.

[15] Browne, J., Hood, A. & Joyce, R., 'The (changing) Effects of Universal Credit', Institute of Fiscal Studies, February 2016.

2.3 Abolition of the Council Tax Benefit and changes to the Social Fund

Background

Before the passage of the Act, Council Tax Benefit (CTB) was a DWP administered form of social security which provided claimants with help to meet liability for Council Tax up to 100%.

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

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

Responsibility for assisting those who would otherwise struggle to meet Council Tax liabilities in Scotland now sits with the Scottish Government and Scottish local authorities via the Council Tax Reduction scheme (see section 3.3). The UK Government transferred funding equivalent to forecasted CTB expenditure in Scotland, less 10%, to the Scottish budget. The Scottish scheme protects vulnerable groups by reducing their Council Tax liabilities, rather than providing benefit payments to meet them as existed under CTB.

The Scottish Government also replaced Community Care Grants and Crisis Loans with the new ‘Scottish Welfare Fund’ (see section 3.4), which is a national scheme administered by local authorities.

Latest policy changes

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

- Funeral Payments
- Sure Start Maternity Grant
- Winter Fuel Payments
- Cold Weather Payments

More detail on these is included in section 4.2.

2.4 Personal Independence Payment

Background

Personal Independence Payment (PIP) is replacing Disability Living Allowance (DLA) – the benefit for disabled people and people with a long-term health condition – for working-age adults. Central to the PIP system is a change to eligibility for the benefit with tighter criteria backed by ‘descriptors’ and a points-based approach to entitlement. An assessment for the benefit by an independent healthcare provider is a critical aspect of the system[16].

The roll-out of PIP across the UK was initiated on 1 October 2015 and is due to conclude by 2019. As of April 2016, 85,400 people in Scotland were receiving PIP[17].

Latest policy changes

The expected date for the full roll-out of PIP was extended to 2019 in the Summer Budget 2015[18]. The budget also proposed changes to the eligibility criteria related to aids and appliances but widespread opposition resulted in this proposal being withdrawn and a commitment by the UK government to no further cuts to disability benefit expenditure for the remainder the UK parliamentary term. Improvements to communication and the assessment process as a result of the independent review of PIP continue to be developed and implemented[19].

Impact

The ability to measure the impact of PIP so far is limited by a lack of information on the outcomes of the PIP assessments. The change in criteria and emphasis on the most severely disabled has meant people losing out in some areas and gaining in others. Where people have lost access to their Motability vehicle this has caused particularly negative impacts on independent living.

- 2014/15 spending on DLA in Scotland was £1,465 million, with an estimated £164 million being spent of PIP[20].

- HM Treasury’s 2013 Budget document estimates reduced spend due to DLA reform of nearly £3 billion a year by 2017/18. These figures do not reflect the

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[16] Note - more information on PIP can be found at: https://www.gov.uk/government/collections/personal-independence-payment-policy-briefing-notes

[17] PIP figures sourced from DWP’s Stat-Xplore.

[18] HM Treasury, ‘The Summer Budget 2015’, July 2015.

[19] DWP, ‘Personal Independence Payment (PIP) assessments first independent review: second government response’, November 2015.

[20]Scottish Government, ‘Social Security for Scotland: Benefits being devolved to the Scottish Parliament’, February 2016.

reality of the PIP roll-out as a number of revisions have been made since then that revised spend upwards.

- In March 2016, the Office of Budget Responsibility (OBR) increased their estimate of the percentage of DLA cases which would be successfully re-assessed to PIP (at any level of award) from 74% to 83% of cases[21]. Based on the number of working-age people in Scotland claiming DLA prior to reassessments starting (171,200 in August 2015), 29,100 can expect to lose their award[22] after being re-assessed.

- The OBR report also suggests that the composition of PIP caseload across different levels of award for the initial reassessment is different to what was expected previously. However, to date, DWP have not published new analysis of how many re-assessed cases can expect a higher/lower/unchanged PIP award compared to their previous DLA award.

Devolution of DLA and PIP

The introduction of the Scotland Act 2016 will transfer powers to the Scottish Parliament over a range of ill health and disability benefits, including DLA and PIP[23] (see section 4.2). These benefits currently help people towards the additional costs of their disabilities and impairments.

While exact timescales have yet to be formalised, it is anticipated that the majority of, if not all, DLA claims by people of working age will be migrated to PIP by the time the Scottish Government will be able to deliver social security benefits. The Scottish Government will have the power to change all aspects of the system and a number of commitments have already been made (see section 4.5).

2.5 'Bedroom Tax'

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 (a similar reduction was introduced to the housing element of Universal Credit). The UK Government refers to this change as the 'removal of the spare room subsidy', but it is more commonly known as the 'bedroom tax'.

The Scottish Government has been mitigating the bedroom tax since 2013 through funding Discretionary Housing Payments (see section 3.2) for those affected and

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[21] Office of Budget Responsibility, 'Economic and Fiscal Outlook', March 2016.

[22] Some of whom will have already lost the award since reassessments have started.

[23] Note - other benefits include Attendance Allowance, Industrial Injuries Disablement Benefit and Severe Disability Allowance. The Scottish Government intends to establish an agency to oversee the administration of these benefits, with the exact timescale yet to be formalised.

has announced it intends to use its powers under the Scotland Act 2016 to effectively abolish the bedroom tax for those on Universal Credit**.**

Impact

The introduction of the bedroom tax in Scotland raised widespread concerns about the impact on both households and social landlords.

Around 72,000 households are affected by the bedroom tax in Scotland. Housing benefit recipients have an average weekly reduction of £12.12.[24] Around 60,900 (85%) have one spare bedroom and around 10,500 (15%) have two or more bedrooms.[25]

Of those affected, around 53,000 are single person households, 11,000 are households with children and around 8,000 are couples without children. Analysis using the Family Resources Survey suggests that around 80% of households affected in Scotland contain an adult with a 'Disability Discrimination Act' recognised disability.[26]

DWP intended that the bedroom tax would lead to behavioural change, with households downsizing to smaller accommodation to avoid the cut in housing benefit. However, limited availability of accommodation in the social rented sector meant it was not possible to meet the needs of those wishing to downsize in the short-term, especially as this accommodation remains in demand from homeless households. DWP's own review suggests no more than 8% of those affected have downsized.[27]

In the absence of behavioural change, the impact of the bedroom tax on household incomes raised concerns. DWP's own review suggested that 78% of people affected said they ran out of money by the end of the week or month very/fairly often.[28] This raised the prospect of an increase in arrears and risk to tenancies as well as a knock on impact on local authority and Registered Social Landlord (RSL) finances.

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[24] Figures from DWP's *Stat-Xplore,* (24 May 2016).

[25] Figures from DWP's *Stat-Xplore,* (24 May 2016).

[26] Scottish Government, 'Updated Evidence On The Number Of Households Affected By The Housing Benefit Under Occupation Penalty', June 2013.

[27] DWP, 'Evaluation of Removal of the Spare Room Subsidy, Final Report', December 2015.

[28] Ibid.

2.6 The Benefit Cap

Background

From April 2013, the UK Government introduced a cap on the total amount of benefit that working-age people can receive. The cap was set to £26,000 for couple and lone parent households and £18,200 for single households. Those in receipt of Working Tax Credit, Disability Living Allowance and Personal Independence Payment are exempt from the cap.

Latest Developments

The UK government announced in its 2015 Summer Budget that the level at which benefits were capped would be reduced to £20,000 per year for couples and single parent households (£23,000 in London) and to £13,400 per year for single adult households (see table 1).

Table 1 - Maximum Benefit Cap for different households

Household Type	**Benefit Cap introduced in April 2013**		**Benefit Cap introduced in Autumn 2016**	
	Per year	*Per week*	Per year	*Per week*
Couples and Lone Parent Households	£26,000	*£500*	**£20,000**	*£385*
Single Adult Households	£18,200	*£350*	**£13,400**	*£257*

The cap will be lowered sometime in Autumn 2016 but no firm date has yet been published. The UK Government has also announced plans to exempt households in receipt of Carer's Allowance and Guardian's Allowance from the cap.

Impact

The most recent statistics as of February 2016 show that a total of 3,587 Scottish households were affected by the current Benefit Cap since its introduction on 15 April 2013[29]. The number of people affected by the Benefit Cap in each month has been slowly decreasing, from a high of 980 households in March 2014 to 730 households in February 2016[30].

Amongst these 730 households, around 100 are single adult households with no children. In the absence of behavioural changes or changes in circumstances, these single adult households could lose £4,800 per year under the new cap (in addition to any losses under the current cap). Couple and lone parent households could lose £6,000 per year. Households who were not subject to the old benefit cap but are subject to the new cap will all lose between £0 and £6,000 per year.

[29] Scottish Government analysis based on figures from DWP's Stat-Xplore (24 May 2016).
[30] Ibid.

A UK Government impact assessment estimated that an additional 90,000 households (across the UK) could be affected in the first year, although behavioural changes (e.g. moving into work or moving home) could reduce this number. If Scotland's current share of UK households affected by the new benefit cap was the same as those affected by the current cap (3.5%), this would mean 4,000 could be affected. However, a higher benefit cap in London and exemptions for Carer's and Guardian's Allowance claimants may mean that the impacts would be different in Scotland.

DWP have now published local authority level estimates of the total number of households they expect to be affected (those already affected plus additional households affected by the changes to the cap)[31]. These estimates do not provide a single estimate for each local authority but instead provide a range of numbers that could be affected.

2.7 Jobseekers Allowance - Conditionality and Sanctions

Background

Claimants must meet certain conditions in order to remain entitled to Jobseeker's Allowance (JSA) and some other means tested benefits such as Employment and Support Allowance and Universal Credit[32]. Since October 2013, JSA claimants are required to sign a personalised 'Claimant Commitment', which sets out the particular job readiness and job searching activities that must be undertaken in order to receive payments. If claimants do not meet the requirements, payments are stopped for a certain period. This is known as a 'sanction'.

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

Latest Developments

A new 'Early Warning' system, which will work alongside the sanctions regime, is currently being trialled in Scotland. The Early Warning system involves issuing a warning to a claimant before a sanction is applied. This differs from the current regime, where a sanction is applied immediately after notification from DWP. During the trial a sanctioned claimant will be given a 14 day period after the 'warning' to provide evidence of a good reason before the decision to sanction is made.

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[31] DWP, 'Benefit cap: planning estimates of number of households in scope for lower benefit cap levels', February 2016.

[32] Note - only ESA claimants who are in the 'work-related activity group' are affected. In addition, at full roll-out, some UC claimants will not be affected such as those who claim the Carer's element.

The trial should reduce the number of sanctions experienced by JSA claimants in Scotland, particularly the number of sanctions which are later overturned.

Impact

Scottish Government analysis published in 2014 highlighted that sanctions tend to affect the most vulnerable in society, including lone parents, young people and disabled people[33]. In the year to December 2015[34], a total of 26,400 adverse sanctions were applied, affecting 23,800 individuals. The absolute number of sanctions has decreased compared to the same period in 2014, when 49,400 individuals were sanctioned. However, JSA sanction statistics need to be understood in the context of falling numbers of claims to JSA as UC is rolled out across Scotland. The JSA claimant count has fallen from 113,700 in January 2014 to 59,500 in December 2015[35] part of which can be attributed to the roll-out of Universal Credit.

The percentage of JSA claimants being sanctioned has also fallen to 2.1% in the December 2015, compared to 4.8% in January 2014. It should be noted however, that the age profile of JSA claimants has changed, with the percentage of young people aged 16-24 dropping from 25% of the caseload in January 2014 to 17% in December 2015. This change is key because young people aged 16-24 in Scotland are disproportionately affected by sanctions. DWP figures for the period from January 2014 and December 2015 indicate that 16-24 year olds accounted for somewhere between 35% and 42% of all adverse sanction decisions[36].

There is concern that claimants who are sanctioned but subsequently successfully appeal this sanction, will still experience an interruption in payment whilst the appeal is pending an outcome.

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

[34] Note – this refers to the period of January 2015 to December 2015.

[35] Note – Referring to the third quarter of 2013 and 2015, respectively.

[36] Scottish Government analysis based on figures from DWP's Stat-Xplore..

2.8 Employment and Support Allowance

Background

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

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

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

Only individuals in the WRAG are required to take part in interviews or training and thus only they can be sanctioned (similar to JSA[37]) as a result of not fulfilling particular job searching activities. As of November 2015, 64,110 individuals in Scotland belonged to the ESA WRAG, accounting for 25% of all ESA claimants.

From April 2013, contributory based ESA[38] for WRAG claimants was limited to one year. In addition, provisions allowing young people to qualify for contributory ESA without meeting the normal National Insurance conditions were abolished. Eligibility for income related ESA was unaffected.

Latest Developments

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

The rate for new claimants in the WRAG is set to be reduced from £103 to £73 per week in 2017 to bring the rate into line with Jobseekers Allowance. The UK Government believe too few people are moving from the WRAG into work and that although £55 million is expected to be saved (total savings across the UK)[39] in the first year of the lower rate, £60 million would be spent to support people to get back to work.

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[37] Scottish Government, 'ESA Sanctions in Scotland – July 2015' , July 2015.

[38] Note – entitlement to contribution based ESA is based on the number of years of National Insurance (NI) contributions made by a claimant. Eligible claimants with insufficient NI contributions will claim Income-based ESA.

[39] HM Government, 'Summer Budget 2015: Policy Costings', July 2015.

Impact

The new ESA sanction regime was introduced in December 2012 and entails open-ended sanctions followed by fixed period sanctions after re-compliance.

In the year to 2015, 1,417 ESA sanctions were applied to 1,233 people in Scotland[40]. The number of sanctions have fallen from the equivalent period in 2014 where 2,419 sanctions were applied to 1707 people in Scotland[41]. Similar to the case with JSA sanctions, the WRAG caseload for ESA has fallen in this period from 66,980 to 64,100[42]

2.9 Local Housing Allowance

Background

Private rented sector (PRS) 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 and then reduced to the 30th percentile of rents in each Broad Rental Market Area (BRMA).

Latest Developments

In April 2014 and 2015, the annual LHA rates were set at either the greater of the 30th percentile, or the previous LHA rate uprated by 1% or 4% as directed by the UK Government. In the 2015 Autumn Budget it was announced that the April 2016 rates would be either frozen or reduce to the 30th percentile if lower than the 2015 rates.

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.

Impact

Research commissioned by the DWP highlighted that, as of May 2013, the impacts of the changes to LHA had been concentrated in the South East of England, with the expected displacement of existing claimants due to the reduction in LHA not occurring0[43]. Analysis also concluded that the gap in rent payments left by the

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[40] Scottish Government analysis based on figures from DWP's Stat-Xplore (24 May 2016).

[41] Ibid.

[42] Note – Caseload in November 2014 and November 2015, based on figures from DWP's Tabtool (24 May 2016).

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

reduction in LHA rates was mostly being met by tenants (94% of incidences) with only 6% of incidences being met by landlords[44].

The most recent DWP data show that in November 2015 just over 77,000 PRS households in Scotland (around 3% of all households in Scotland[45]) were in receipt of LHA.

In addition, the 2012 reforms mean that single people under 35 without dependants, with some exceptions, are only eligible for Housing Benefit in the private rented sector based on the cost of living in shared accommodation, rather than in a self-contained property. This ‘Shared Accommodation Rate’ is set at the one bedroom shared rate.

Recent research by the Chartered Institute of Housing[46] shows people have faced a growing gap between the LHA they receive and the rent they pay since April 2012. In a number of parts of the UK, the rate of LHA paid means that people can only afford to rent in the bottom 10% of the PRS market – this is before the effect of the LHA freeze from April 2016. Aberdeen and Shire BRMA is the worst in the UK, with less than 20% of the market available at the LHA rate for every category of dwelling.

2.10 Welfare Reform Tracking Study

Background

The Employment Research Institute at Edinburgh Napier University and the University of Stirling conducted a qualitative longitudinal study for the Scottish Government, following circa 30 individuals in receipt of working-age benefits or tax credits over the period 2013-2016. The aim was 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.

Main findings

The main findings of the study focused on both participants’ experiences of welfare reform and on policy implications for mitigating actions[47] and issues to consider in the design and implementation of new devolved benefits. The findings noted here focus on participants’ experiences:

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[44] Ibid.

[45] Note – based on the latest estimate of 2.34 million households in Scotland which can be found at: http://www.nrscotland.gov.uk/files//statistics/household-estimates/house-est-15/15house-est.pdf.

[46] Chartered Institute of Housing, ‘Mind the gap: the growing shortfall between private rents and help with housing costs’, May 2016.

[47] Note – actions that the Scottish Government could take to reduce the impact of welfare reforms that sit outside its jurisdiction.

- Those affected by welfare reform are not always aware of how changes to benefits will affect them, and there are a range of situations in which people might seek **information, advice and support**. This needs to come from a range of services, including frontline health and social care services and dedicated information and advice agencies, with referral mechanisms between them.

- The UK Government and media rhetoric around welfare reform, and participants' interactions with some of the officials involved in administering benefits, have contributed to participants feeling **stigmatised**, stressed, and distrustful of the benefits system.

- Participants viewed **addressing barriers to work** (in the areas of education, skills, employability services, childcare, and health) as more likely to get people into work than stronger conditionality.

- Some participants found the **process of applying for benefits burdensome** (due to the length and repetitiveness of forms, and the amount of information required), and many experienced a range of life stressors that constrained their ability to tackle it.

- Many participants had few resources to fall back on, which meant that even **temporary delay or loss of benefit** (i.e. due to a sanction) could have a substantial negative impact.

- Participants who considered themselves to have fluctuating conditions found it difficult to quantify or predict the impact on their lives in the straightforward way required by the polar questions in the **assessment process for disability benefits**.

- Participants often found **official communication** (by local authorities as well as DWP) about benefits and benefit changes to be confusing and poorly worded.

- A number of participants had been caused problems not (or not solely) by the welfare changes themselves, but due to **errors and delays** on the part of the agencies responsible for their claims.

2.11 Emergency Food Aid

The Scottish Government funded a report - published in 2015 by The Poverty Alliance - which identified 167 groups and organisations in Scotland offering some form of emergency food provision.[48] In April 2016, The Trussell Trust reported that the main drivers of foodbank use across the UK continue to be benefit problems (e.g. administrative delays and sanctions) and low income.[49]

In 2015-16, 133,726 people in Scotland were given a three-day supply of emergency food by Trussell Trust foodbanks.[50] This is an increase of 13.6% or 16,037 people compared to 2014-15.[51] Across the UK, over one million people received three-day emergency food supplies from the Trust in 2015-16; a rise of 2% on 2014-15.[52]

The Trussell Trust has been working in partnership with the University of Hull to map foodbank data against UK census data. Early findings indicate a significant emergent link between foodbank use and areas with high numbers of people in skilled manual work or unable to work due to long-term illness or disability.[53]

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[48] The Poverty Alliance, 'Making the Connections: A Study of Emergency Food Aid in Scotland', February 2015.

[49] The Trussell Trust, 'Foodbank Use Remains at Record High, As New Data Mapping Tool Gives Fresh Insight into UK Hunger', April 2016.

[50] Sourced from Trussel Trust statistics, available at: https://www.trusselltrust.org/news-and-blog/latest-stats/

[51] Sourced from Trussel Trust statistics, available at: https://www.trusselltrust.org/news-and-blog/latest-stats/

[52] The Trussell Trust, 'Foodbank Use Remains at Record High, As New Data Mapping Tool Gives Fresh Insight into UK Hunger', April 2016.

[53] Ibid.

3. SCOTTISH GOVERNMENT MITIGATION

3.1 Introduction

This chapter covers Scottish Government activity to mitigate some of the impacts of the Welfare Reform Act (2012) (the Act), and other UK welfare reforms, on the people of Scotland. A summary of some of the Scottish Government's most significant mitigation activity to date is included in this chapter.

3.2 Discretionary Housing Payments

Discretionary Housing Payments (DHPs) provide help with housing costs for those on Housing Benefit (or the housing element of Universal Credit). These are currently administered by local authorities on behalf of DWP and will be devolved to the Scottish Government through the Scotland Act 2016.

In the period 2013-2017, the Scottish Government is providing £125m of additional funding for DHPs to mitigate the 'bedroom tax'. In 2015/16, local authorities in Scotland made around 116,000 DHP awards. During this same period the average payment was £425. This amounts to a total value of £49.2 million of awards spent or committed.[54]

Table 2 - Breakdown of DHP Funding in Scotland (2013-2017)[55]

Year	**DHP Funding in Scotland**		**Total**
	SG	DWP	
2016/17	£35m estimated	£15.2m	£50.2m
2015/16	£35.8m spent	£13.3m	£49.2m
2014/15	£35.1m spent	£15.2m	£50.3m
2013/14	£20m spent	£18m	£38m

3.3 Council Tax Reduction Scheme

The Scottish Government and Scottish local authorities continued the Council Tax Reduction (CTR) scheme in 2015-16, following the abolition of Council Tax Benefit (CTB) in 2013 (see section 2.3). The aim of CTR is to ensure that low income households do not face difficulties in meeting their council tax liabilities. The CTR scheme replicates entitlement to CTB so that households have the same net liability for council tax (provided that their circumstances remain the same). In 2016-17, a further £23m of funding was provided by the Scottish Government to protect previous entitlement.

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[54] Scottish Government, 'Discretionary Housing Payments in Scotland: 1 April 2015 to 31 March 2015', May 2016.

[55] Note – figures subject to rounding error.

There were over 505,000 CTR recipients in Scotland in December 2015 and provisional expenditure for 2015-16 was £336 million. A total of 86,500 (16.5%) of recipients were lone parents and 201,000 (38%) were aged 65 or over in March 2015.

3.4 The Scottish Welfare Fund

The Scottish Welfare Fund (SWF) is a national grant scheme delivered on behalf of the Scottish Government by all 32 local authorities. The scheme replaced elements of the Social Fund, abolished by the Department for Work and Pensions (see section 2.3).

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

There are two types of grant available:

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

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

Between April 2013 and December 2015, local authorities awarded £89 million of grants. These grants were made to more than 191,000 vulnerable households across Scotland (63,000 of which were households with children)[56].

3.5 Emergency Food Action Plan

The Scottish Government's Emergency Food Action Plan provided £1 million over 2014-15 and 2015-16 to help combat food poverty in Scotland. The funding supported 26 emergency food aid projects in 17 local authority areas, which aimed to both respond to immediate demands, and help to address the underlying causes of food poverty. Actions ranged from increasing food provision to promoting healthy eating, advice provision and linking food providers across local areas. The funding also supported FareShare, a charity which takes good quality surplus food from the food industry and makes it available to charities and community groups. Over the course of its funding, FareShare distributed 1,853 tonnes of surplus food to over 360 local community groups across the country.

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[56] Statistics for the Scottish Welfare Fund can be found at: http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/swf

A further £1 million of funding was announced for 2016-17. The funding aims to help emergency food providers link with other local providers to deliver services that give people opportunities to access fresh and healthy food, share a meal, or develop new skills.

3.6 Free School Meals

The Scottish Government continues to fund universal free school meals to children in primary one to three, providing £54m in funding in 2016/17. This measure saves families around £380 a year per child who takes the meals and also ensures children have access to a healthy meal at school. Free school meals for older children and young people are provided if they meet the benefits-related eligibility criteria[57].

The Scottish Government is continuing to consider how eligibility to free school meals will be determined in the context of the UK Government's changes in welfare policy. As an interim arrangement, legislation[58] prescribed the receipt of Universal Credit as an eligibility criterion for free school meals to ensure that no child will lose their entitlement during the early stages of the Universal Credit roll-out. The Scottish Government is working with the Convention of Scottish Local Authorities (COSLA) to consider the eligibility criteria for free school meals in the future.

3.7 School Clothing Grant

Under section 54 of the Education (Scotland) Act 1980, local authorities are under a duty to provide help to parents of pupils whose clothing may be inadequate for the purposes of school education. The provision of school clothing grants has become the customary way for local authorities to fulfil this duty with local authorities currently being responsible for setting the criteria for allocating grants, for deciding on the grant amount and for the application process. Earlier this year, section 54 of the 1980 Act was amended by the Education (Scotland) Act 2016 to give Scottish Ministers the power to introduce regulations that will end disparities in clothing grant provision across Scotland. Scottish Ministers intend to achieve this in partnership with COSLA, rather than impose regulations, as has been achieved with free school meals for P1-3. The Scottish Government, in negotiation and agreement with COSLA, is seeking consistency of provision, a minimum grant amount and agreed eligibility criteria, informed by evidence.

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[57] Note – a list of criteria can be found at: http://www.gov.scot/Topics/Education/Schools/HLivi/schoolmeals/FreeSchoolMeals

[58] 'Education (School Lunches) (Scotland) Amendment Regulations 2013' can be found at: http://www.legislation.gov.uk/ssi/2013/64/made

3.8 Early Learning and Childcare to Vulnerable Two-year-olds

The Scottish Government committed to extending the entitlement of 600 hours funded early learning and childcare to around 27% of two-year-olds from August 2014. Entitlement includes any children with a parent in receipt of an out-of-work benefit, or children in a low income households (as defined through the free school meal criteria). Entitlement also covers two-year-olds who are looked after or subject to a kinship care/guardianship order. In September 2015, 4,321 two-year-olds were registered for early learning and childcare[59], this is around 50% of those eligible at term one. The Scottish Government is working closely with key delivery partners to promote the benefits and uptake of this offer for two-year-olds; and has commissioned research on the drivers and barriers to uptake. It is also transforming data collection to more accurately reflect the significant policy change and expansion, including two-year-olds.

3.9 Blue Badges

In 2013, the Blue Badge eligibility criteria was extended as a result of the UK Government's welfare reforms to cover the introduction of PIP. It was further extended in 2014 to cover two groups of 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.

- To those who do not receive PIP at a rate to passport automatically, and have challenged that decision with DWP, a badge will be issued for a period of one year.

- To those who were in receipt of a ‘lifetime’ or ‘indefinite’ HMRC DLA award will retain passporting entitlement to a Blue Badge.

The Scottish Government continues to monitor the impact of PIP on Blue Badge applications through data captured by local authorities through the Blue Badge Information System database.

[59] Summary Statistics for Schools in Scotland (December 2015) can be found at: http://www.gov.scot/Topics/Statistics/Browse/School-Education/Summarystatsforschools

4. NEW SOCIAL SECURITY POWERS FOR SCOTLAND

4.1 Introduction

This chapter covers, in more detail, the new social security powers which will be devolved to Scotland following the Scotland Act 2016. Information is provided on the full list of 11 benefits which will be devolved, the principles underlying Social Security in Scotland and the progress made in relation to how social security will be delivered. New powers will give the Scottish Parliament and Government the opportunity to create distinct welfare policies in the area of devolved responsibility.

4.2 New Powers in the Scotland Act 2016

The Smith Commission was tasked with providing recommendations on potential financial, welfare and taxation powers that could be devolved to Scotland[60]. The Commission recommended that the Scottish Parliament be given complete autonomy to determine the structure and value of a range of powers over disability, ill health and caring benefits, and devolution of the components of the Regulated Social Fund.

The disability-related benefits to be devolved to the Scottish Parliament include Attendance Allowance, Carer's Allowance, Disability Living Allowance , Personal Independence Payments, Industrial Injuries Disablement Benefit and Severe Disablement Allowance. In addition, the following components of the Regulated Social Fund will be devolved - Cold Weather Payment, Funeral Payment, Sure Start Maternity Grant and Winter Fuel Payment. Discretionary Housing Payments are also to be fully devolved to the Scottish Parliament[61].

In addition to these benefits, the Smith Commission recommended that the Scottish Government should be given the administrative power to vary elements of Universal Credit, including the housing cost element, and that the Scottish Parliament be given powers to create new benefits in areas of devolved responsibility, and to top-up reserved benefits.

Part three of the Scotland Act 2016[62] has been enacted to implement these recommendations and the Scottish Government anticipates that it will begin to come into force during 2016. The Scottish Government intends to introduce a

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[60] The Smith Commission, 'Report of the Smith Commission for Further Devolution of Powers to the Scottish Parliament', November 2014.

[61] Scottish Government, 'Social Security for Scotland: Benefits being devolved to the Scottish Parliament', November 2015.

[62] 'The Scotland Act 2016' can be found at: http://www.legislation.gov.uk/ukpga/2016/11/contents/enacted

Social Security Bill in the first year of the Scottish Parliament. Timescales for delivering social security benefits in Scotland have yet to be formalised.

While the devolution and use of these powers will have implications for Scottish households, this is beyond the scope of this report.

4.3 Principles Underlying Social Security in Scotland

In 2015, the Scottish Government announced[63] that social security in Scotland will be based on the following five *principles*:

- Social security is an investment in the people of Scotland.
- Respect for the dignity of individuals is at the heart of everything we do.
- Our processes and services will be evidence-based and designed with the people of Scotland.
- We will strive for continuous improvement in all our policies, processes and systems, putting the user experience first.
- We will demonstrate that our services are efficient and value for money.

The principles reflect feedback the Scottish Government received from organisations who work across Scotland and with all areas of society, including children, carers, disabled people, ethnic minority groups and older people as well as the wider general public.

Underpinning these principles is the *aim* is to create a fairer society and to contribute to the wider Scottish Government goal of tackling poverty and inequality. In addition, short-term and long-term *outcomes* have been created to inform the development of social security and to evaluate its functions in the future[64].

These principles, aims and outcomes will be used in an 'options-appraisal' which will identify and assess the viability of the options for the delivery for the social security system[65].

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[63] Scottish Government, 'Scotland's social security principles', December 2015.

[64] Scottish Government, 'Creating a Fairer Scotland: A New Future for Social Security in Scotland', March 2016.

[65] Scottish Government, 'Options Appraisal Part 1: The strategic case for change and the governance of social security in Scotland', March 2016.

4.4 Delivery of Social Security

In March 2016 the then Cabinet Secretary for Social Justice, Communities and Pensioners' Rights announced that a new agency, which will be directly accountable to Ministers, will be created to oversee the delivery of social security benefits in Scotland.

The decision to establish an agency was made following consultation with a range of stakeholders and from analysis of a number of delivery options carried out by the Scottish Government[66]. In further developing this work the Scottish Government is now considering how the agency will work in practice, including how services will be delivered to people. This will involve continuing to work in partnership with stakeholders and ensuring that decisions made are based on robust evidence, taking into account the financial affordability and economic value for money of the options being considered and whether proposals are achievable.

The first priority, throughout this programme of work, is to make sure there is a smooth transfer of benefits and that people continue to receive their payments on time and in the right amount. The Scottish Government aims to make changes as soon as practically possible, and once the powers and finances are made available. However, this will only be done when all the correct systems and processes are in place and a transition plan is agreed with the UK Government, to safeguard payments which are important to so many recipients.

[66] Scottish Government, 'Scottish Social Security - Options Appraisal Part 1: The strategic case for change and the governance of social security in Scotland',March 2016.

4.5 New Powers – Commitments of the New Administration

The previous administration committed to introducing a number of new polices in Social Security, and the new administration (elected in May 2016) will continue to implement these[67].

Create a Social Security Agency
The Scottish Government will establish an agency to oversee the administration of devolved benefits, ensuring the principles of fairness, dignity and respect are at its heart (see sections 4.2 and 4.3 for further information).

As part of the Fiscal Framework agreement between the Scottish and UK Governments,[68] the Scottish Government will receive £200 million to support implementation of new social security powers, with annual funding for on-going administration costs. The agency will be responsible for administering benefits worth £2.7 billion[69].

Universal Credit Flexibilities
Universal Credit (UC) will remain a reserved benefit. However, the Scotland Act 2016 will allow the Scottish Government to introduce flexibilities to how frequently UC payments are made and how the housing element will be paid.

The Scottish Government has announced[70] that it intends to give claimants the choice of having their payments made twice a month rather than once a month, as the Department of Work and Pensions (DWP) plan. In addition, the Scottish Government has announced that it intends to give claimants the choice to have payment of the housing element made directly to landlords, where the claimant is renting from a social landlord.

Increase Carer's Allowance
The Scottish Government has announced it will use the new powers to improve the support offered to carers by increasing Carer's Allowance (£62.10 per week[71]) to the level of Jobseeker's Allowance (£73.10 per week[72]). This will result in, approximately, an extra £600 for carers each year.

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[67] First Minister of Scotland, 'Priorities speech - Taking Scotland Forward', 25 May 2015.

[68] The Scottish Government, 'The Agreement Between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework', March 2016.

[69] Scottish Government, 'Social Security for Scotland: Benefits being devolved to the Scottish Parliament', February 2016 (update).

[70] Note – commitments made by the previous Scottish Government administration, available at: http://news.scotland.gov.uk/News/New-benefits-agency-for-Scotland-2335.aspx

[71] Note – the basic rate of Carer's Allowance.

[72] Note - the JSA rate for claimants over the age of 25.

Abolish the ‘Bedroom Tax’
The Scottish Government has announced it intends to use its Universal Credit powers under the Scotland Act 2016 to effectively abolish the bedroom tax (see section 2.5).

Jobs Grant
The Scottish Government intends to introduce a Jobs Grant to help young people aged 16-24 who are returning to work after a period of six months unemployment. This will be a one-off payment of £100, or £250 for those who have children. This will be supplemented with free bus travel for a three month period.

Maternity and Early Years Allowance
The Scottish Government intends to replace the Sure Start Maternity Grant with an expanded Maternity and Early Years Allowance. This will increase payment on the birth of a first child from £500 to £600, restore payments for second and subsequent children of £300 and introduce payments of £250 for low income families at other stages in children’s lives (when they begin nursery and when they start school).

Winter Fuel Payments
The Scottish Government intends to extend Winter Fuel Payment eligibility to families with severely disabled children.

Housing Benefit
The Scottish Government intends to restore entitlement to housing support for 18-21 year olds in Scotland.

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