
To: Leadership Board

On: 16 September 2015

Report by: Chief Executive

Heading: UK Government Budget 2015 – Welfare Reform

1. Summary

- 1.1 The UK Government announced a number of changes to welfare and personal taxation at the July 2015 budget. The underlying policy intent is to reduce overall welfare spending and encourage people into work. This report summarises the key reforms and provides an initial assessment of the impact on households in Renfrewshire.
- 1.2 The measures will result in a range of changes to welfare benefits being introduced from April 2016 and 2017 that will have an impact through until 2020 and beyond, across the spectrum of welfare benefits available to people of working age. The level of change in benefit provision is likely to be significant in the context of some individual circumstances and this in itself will present challenges and service pressures for the Council. It is recognised that there exists a real risk that the continued reform of welfare provision for working age families will exacerbate poverty for the most vulnerable individuals and families, whether in work or not, creating additional service pressures arising from demand for welfare, debt and money advice, additional family distress and increased homelessness presentations.
- 1.3 This report outlines the changes and provides an initial impact analysis using Renfrewshire data as well as Scotland wide analysis to reflect the numbers likely to be affected in Renfrewshire and offers a view on the potential impact on individuals, the community and the council. It also explains how we will progress the Council's response to the continuing changes to welfare provision.
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2. **Recommendations**

2.1 It is recommended that the Board

- Note the contents of the report

3. **Background**

3.1 The UK Government has, through the Welfare Reform Act 2012, introduced a raft of changes to welfare provision over the last four years. The underlying policy intent of the Government's measures is to reduce the level of welfare spending; to support people off welfare benefits and into work and; to reduce the complexity and administrative burden of the current system. Many of these changes have already led to a significant reduction in the levels of benefits received by the poorest households across Renfrewshire, with some of the impact of these changes yet to take effect.

The measures that were previously introduced include:

- Changes to the financial support people receive to help meet housing costs this includes Local Housing Allowance (LHA) restrictions; benefit cap; under occupancy restrictions (Bedroom tax); temporary and supported accommodation restrictions
- Changes to tax credits for working people
- Changes to state benefits for people who are unable to work because they are sick or disabled – this refers to the Incapacity Benefit (IB) to Employment and Support Allowance (ESA) migration
- Changes to financial support for people who need help to live independently – this refers to the end of Disability living Allowance for working age people and the introduction of Personal Independence Payment (PIP)
- Changes to social fund urgent/hardship support and community care grants - the devolution of these elements of the Social Fund scheme to the Scottish Government, with Councils now administering the new Scottish Welfare Fund scheme
- Introduction of Universal Credit – single integrated working age benefit paid to one person in the household on a monthly basis, with council providing arrange of support to ensure the people affected receive information and support to allow them to access the benefit and manage their finances

- Changes to the financial support people receive to help with the cost of Council Tax - the devolution of Council Tax Support to the Scottish Government, with Councils now administering the new Council Tax Reduction scheme

3.2 The measures announced by the UK Government at the July 2015 Budget introduced further changes to welfare benefits, changes to personal taxation and the introduction of a higher national minimum wage for over 25s.

3.3 This report provides information on the measures being introduced; the timescale for introduction where known; indicative data on the number of Renfrewshire citizens who may be affected by changes; as well as an initial assessment of the potential wider impact on the community and the Council.

4. **July 2015 measures**

4.1 In total, the welfare measures announced by the Chancellor will cut welfare spending across the UK by £13 billion a year by 2020-21 (OBR Economic and Fiscal Outlook). The key welfare reforms announced include:

- A freeze on the level of benefits paid to people of working age
- Changes to tax credits for working age people, including restricting child tax credit for people with more than three children
- Changes to the housing benefit rules for families and for people aged 18-21
- Changes to the length of time Housing Benefit can be backdated
- A change to the overall amount of welfare support a household can receive
- Changes to the amount paid to people receiving Employment and Support Allowance
- Changes to the rules for receiving Universal Credit for Lone Parents

4.2 More detail on the specific measures along with information on related changes to personal taxation and the national minimum wage are summarised, along with an initial analysis of the number potentially affected are provided in Table 1, included in Appendix 1 to this report.

- 4.3 This initial analysis draws on analysis undertaken at Scotland wide level, as well as provides Renfrewshire context where possible. The changes affect people on working age benefits, including Jobseekers Allowance, Employment and Support Allowance, Housing Benefit, Tax Credits, Child Benefit and Universal Credit.
- 4.4 Where it is possible to identify the specific number of households or individual claimants that are likely to be affected the analysis provides an estimate of the potential impact for individuals and households related to the specific measure. What it isn't possible to do at this stage is draw conclusions on the cumulative effect of the impact, even though it is understood that some people and households will be affected by more than one of the changes.
- 4.5 Members will wish to note that the greatest, long term impact on household income and the local economy is expected to arise as a result of the proposed four year freeze on benefit levels that will be introduced from 2016/17.
- 4.6 The Government's plans mean that these new measures will be introduced at the same time as the UK Government moves forward with a wider roll out of Universal Credit across the UK and in tandem with the move to devolve welfare powers to the Scottish Government, as proposed by the Smith Agreement, both of which will have significant implications.
- 4.7 It is therefore important that the Council takes proactive and coordinated steps to plan for the changes in order to manage and mitigate the impacts as far as possible for the people directly affected, the wider Renfrewshire Community and Council and partner service provision.
- 4.8 The Council's strategic approach to welfare reform has, over the last four years recognised and planned an effective response to the changes. These included ensuring effective arrangements were put in place to manage the impact of welfare reform; manage the impact on citizens and the financial risks to the council. These risks have continued to be kept under review. The July 2015 announcements require the Council to once again consider the new risks as the detail on the measures and the potential impacts are more fully understood.
- 4.9 Specifically, while a number of the intended measures directly apply to Housing Benefit, the complex interaction between the different benefits and tax credits, will also lead to revisions in Housing Benefit and Council Tax Reduction entitlement, which will have a consequential impact on Council financial assessment capability, as well as anticipated growth in requests for support from DHP and SWF.
- 4.10 This initial analysis highlights the range of changes that will be introduced over the next couple of years, all of which will require an

appropriate corporate and partnership response to mitigate the impact for people and prepare Council services to be able to respond to the increased demand for support and advice as well as the financial impact as a result of reduced benefit levels.

5. Development of an effective response

5.1 As with the first phase of welfare reform changes, any one of the changes would demand an effective Council response however with such wide ranging changes being introduced there are significant implications for a range of Council services and citizens.

5.2 It is therefore proposed that a welfare reform work stream is established within the Tackling Poverty Programme and that a corporate and partnership response is developed in a similar manner to the previous welfare reform project, developing an effective response to manage the financial and social impact on the most vulnerable; to identify and assess the impact of the proposed changes on Council finances, policies and strategies and propose effective strategies to mitigate the impact.

5.3 It is anticipated that plans will be developed to take account of the objectives are described below:

- Identify and assess the impact of the proposed changes on council policies and strategies and propose effective strategies to mitigate the impact.
- Develop effective strategies to communicate the changes to citizens. Define vulnerable citizens and seek to minimise the impact by offering advice and support to manage the financial and social impact during the transition period.
- Work with key stakeholders, including DWP, to plan an effective and coordinated response to a variety of impacts including the impact on housing provision; concessionary service provision and the provision of financial, benefits and debt advice.
- Mitigate as far as possible the impact on the council's financial position arising from the expected reduction in income; a reduction in external resources and new burdens.
- Consider the impact of the changes on the future provision and structural arrangements of Council Services
- Plan an effective and coordinated response to the 'make work pay' aspect of welfare reform by building on existing employability programmes and the wider programme of

economic regeneration activity

6. **Community Planning Partner engagement**

6.1 The welfare reform changes will impact on many individuals and organisations across Renfrewshire recognises that there is an opportunity and a need to continue to engage with Community Planning Partnerships (CPP) as a conduit for change within localities.

6.2 It is proposed that the Council facilitates discussions with community partners in relation to welfare reform under the auspices of the Tackling Poverty Programme in order to create an effective vehicle for the sharing of ideas, resources and good practice and act as a sounding board for the development of plans to mitigate the impacts of the welfare reform changes and develop consistent and coordinated communications.

7. **Resources**

7.1 The exact level and scale of the associated work programme that will emerge will become increasingly evident as each associated project develops and existing welfare reform funding will continue to be utilised and directed in a flexible manner to ensure appropriate resources are deployed to achieve the desired outcomes in line with the anticipated pace of change. Any requirements for additional resources in future years to support this programme of work will be kept under careful review and considered as part of the Council's budget setting process.

Implications of the Report

1. **Financial** - The welfare reform changes have potentially significant financial implications and risks for the Council both directly and indirectly will continue to be recognised and managed as part of the Council's strategic financial planning and risk management arrangements.

2. **HR & Organisational Development** - there are potentially significant staffing implications over the medium term in relation to the migration of Housing Benefit to Universal Credit. A report on any future staffing implications will follow as the implications become clear

3. **Community Planning** – There are potentially significant financial implications for the Renfrewshire economy and for citizens of Renfrewshire as a result of the scale of change to be introduced to the benefit system

4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None
7. **Equality & Human Rights**
 - (a) The changes are as a result of the UK Government legislation. The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website
8. **Health & Safety** – None
9. **Procurement** – None
10. **Risk** - there are significant financial risks as referred to above and risks associated with the change which the Council will be required to manage in relation to the welfare changes being planned by the UK Government. Risks will be identified and managed as part of the welfare reform workstream within the Tackling Poverty Programme.
11. **Privacy Impact** - None

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Table 1

Measure	Impact on citizens	Renfrewshire Estimate	Wider impact on Community/Council/Community Planning Partners
Freezing all working age benefits and tax credits for four years from 2016/17 to 2019/20. This includes a freeze on the Local Housing Allowances (level of support for rent in the private sector which is annually determined)	This will result in a real terms cut in the value of benefits received by working age benefit recipients. It will affect the people who claim a wide range of benefits in Renfrewshire, including families who currently receive child benefit. It does not affect maternity pay or disability benefits. Institute for Fiscal Studies estimates that families will lose an average of £260 per year Cumulative inflation from 2015-2019, the period covered by the freeze, is forecast by the Office for Budget Responsibility to be about 7 percent	23,000 households will be affected across Renfrewshire; this is estimated based on Scotland level data. Renfrewshire benefit recipients are shown below: Child Benefit – 20,215 families receive CHB in respect of 32,525 Jobseekers Allowance – 3017 recipients Employment and Support Allowance – 9165 recipients Tax Credits – 12,600 families in receipt of tax credits	Impact on local economy as a consequence of reduced spending power; increase in Housing Benefit and Council Tax Reduction entitlement if rent and CT liability levels increase; Potential detrimental effect on housing affordability if rent levels in Private Rented Sector rise quickly; Increased demand for advice and employability services
A reduction in income thresholds in tax credits and work allowances in Universal Credit (UC) from April 2016	This will reduce the amount of income an individual can earn before their tax credits start to be withdrawn from £6,420 to £3,850. The equivalents in UC will be reduced to £4,764 for those without housing costs, £2,304 for those with housing costs and removed altogether for non-disabled claimants without children	12,600 families receive tax credits. 8,900 are in work and this includes 4000 lone parent families	Impact on local economy as a consequence of reduced spending power; reduced work incentives Increased demand for advice and employability services
Increase the tax	This increases the speed at which tax	12,600 families receive tax	Impact on local economy as a

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credits taper rate from 41% to 48% from April 2016	credits start to be withdrawn once a person earns over £3,850. This reduced the rewards for a person from working more hours or moving into work	credits. 8,900 are in work and this includes 4000 lone parent families	consequence of reduced spending power; reduced work incentives Increased demand for advice and employability services
Restrict eligibility for child tax credit to the first two children, from April 2017	This will reduce the value of tax credits for future claimants with 3 or more children.	There are currently 2295 households in Renfrewshire with 3+ children receiving child benefit. At this stage it isn't possible to determine how many receive tax credits	Increased requirement for advice services about the impact of having another child;
From April 2017, those out of work aged 18 to 21 making new claims to Universal Credit will no longer be entitled to the housing element, with some exceptions	Young people in this age bracket will no longer receive support for housing costs, requiring them to live with family or friends	In Renfrewshire there are currently 64 claimants aged between 18-21 on Housing Benefit and JSA. If they were all subject to these new rules, the annual reduction in housing benefit or the UC Housing element across Renfrewshire is estimated to be £392,000	May lead to increased homelessness; impact on the funding of temporary and supported accommodation Increased demand for advice and employability services
The overall limit on welfare benefits (the benefit cap) will be reduced from £26,000 per annum for families couples	This will reduce the overall amount of welfare support received and breaks the link between need and entitlement. The benefit cap is currently applied by reducing the amount of housing benefit paid to a household. Universal Credit claimants can	Currently there are 30 households affected by the current Benefit Cap (£26,000 per annum), with an average weekly Housing Benefit loss of	Some of the impact may be offset by awards of Discretionary Housing Payment (DHP). Additional impacts/costs falling on councils include cost of providing temporary accommodation for

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living outside London, to £20,000 per annum, with single claimant's capped at £13,400 per annum. There is no defined date for when this Cap reduction will become effective.	have their total award reduced.	£32.29 per person, per week. It is estimated that the reduction in the cap amount will increase the number of households affected to 251 with an estimated average loss of Housing Benefit per person, per week of £50.50. It is anticipated that many affected by the cap will be lone parent families.	priority needs households if made homeless as a consequence of the benefit cap; additional support to families affected by the cap to enable to escape the cap; disruption to children's lives and schooling. Increased demand for advice and employability services
Reduction in the rate of employment and support allowance to jobseeker's allowance levels (this will be extended into Universal Credit) from April 2017	Entitlement will reduce by approximately £30 a week	There were 9165 ESA recipients as at February 2015, although not all will be in the work related activity group that will be affected by this measure	More vulnerable customers likely to be affected by this measure; Increased demand for advice and employability services
Backdating limit for HB reduced from 3 months to 4 weeks from April 2016	Housing Benefit awards will be restricted for periods prior to the date of application	Analysis of backdating values is being progressed	Impact on tenant's ability to make rent payments
Parents on UC expected to look for work if children over	Lone parents will be expected to attend the Jobcentre to discuss plans to return to the workforce when their youngest child	No data on the numbers likely to be affected is available at the current	Potential for benefit sanctions and a consequential impact on benefit levels if conditionality rules not

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3yrs of age. No date for introduction.	turns 3.	time	adhered to; impact on the need for quality flexible childcare provision
Introduction of a higher national Minimum wage for over 25s from April 2016	Initially be set at £7.20 per hour and is expected to rise to £9 per hour by 2020. People on the minimum wage who live with higher earners will benefit most from the increases as they are out of the tax credit system. The impact of this measure will be offset, for those whose income is supplemented by benefits, by the reductions to tax credits and housing benefit	Approximately 214,000 workers in Scotland over age of 25 who currently earn less than £7.20 an hour.	Impact on local economy as a consequence of increased spending power
Increase in the income tax personal allowance to £11,000 from April 2016	The increase will benefit the majority of taxpayers however the increase won't benefit people who currently earn less than £10,600 as they are already under the threshold for paying income tax. Increased income for many however the impact will be offset, for many whose income is supplemented by benefits, by the reductions to tax credits and housing benefit.	No data available	Impact on local economy as a consequence of increased spending power, but not for those earning less than the threshold
The UK Government is increasing the overall amount allocated for Discretionary Housing Payments	This is an increase in funding for DHP when compared with current annual funding of £125 million for 2015/16 There are no details of how the funding is to be apportioned, but it is will possibly be linked to the impact of the Benefit Cap and other	Renfrewshire's DHP allocation from DWP 2015/16 is £366,294. The Council has topped up the fund from its own resources in each of the	DHP is becoming the fund of last resort. Increased pressure on DHP provide an admin overhead and decisions based on need

Measure	Impact on citizens	Renfrewshire Estimate	Wider impact on Community/Council/Community Planning Partners
across the UK from £500 million to £800 million over 5 years from April 2016.	reductions	last 2 financial years	