Submission from Citizens Advice Scotland to the Health and Sport Committee Scrutiny of the UK Welfare Reform Bill Legislative Consent Motion

Keith Dryburgh, Social Policy Officer
Matt Lancashire, Social Policy Officer
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Introduction

Citizens Advice Scotland believes aspects of the UK Welfare Reform bill will have a damaging impact on the people, services and economy of Scotland. We are pleased that the Scottish Parliament has now begun a process that will lead to further scrutiny of this bill as we feel that this is very much needed.

However, CAS believes this cannot just be a short-term process and strongly believes the Scottish Parliament should establish a Welfare and Benefits Committee for the lifetime of this Parliament. The Scottish Parliament must be able to analyse, scrutinise, and assess the fundamental changes that are being introduced through policy and legislative changes to the current welfare and benefits system as they implemented over the next few years, as well as to oversee how they affect Scotland’s citizens and services.

CAS believes that the changes the UK welfare reform agenda will introduce are wide ranging, varied, cross cutting, and impact on the work of various committees and government departments including finance, local government, housing, education and children, justice, equal opportunities, and more. We therefore urge the Scottish Parliament to establish a Welfare and Benefits Committee, which has a remit to scrutinise the impact of these changes in the round, and not just within a specific subject/portfolio remit.

Welfare reform, public service cuts, and the economic climate, will place enormous pressure on public services and advice services. Reductions in benefit levels and eligibility will inevitably drive demand for advice provision at the same time as cuts are being felt across the public and voluntary sectors.

The citizens advice service across Scotland forms the country’s largest independent advice network. Citizen advice bureaux are the key frontline service that hundreds of thousands of people turn to and they deal with over half a million new issues every year. During 2010/11 bureaux dealt with 203,462 new benefit issues for clients – just over a third of all issues brought to bureaux. We expect welfare reform changes will put exceptional pressure on advice services across the country. Our experience is that changes to benefit entitlement are the number one driver of advice need at citizens advice bureaux. Problems with welfare will also lead to increased need for debt, housing, consumer, relationship and many other areas of advice.

This advice costs money, and the main funders of bureau advice are local authorities who are themselves suffering cutbacks. However, good advice ultimately saves money – debt and welfare advice is significantly cheaper than homelessness and bankruptcy, and the social outcomes for clients are far better. Local authorities and citizens advice bureaux have a shared agenda in
helping local people avoid crisis point and need to work together to achieve the best outcome.

**Welfare reform will impact on the services most needed; on the budgets of local authorities and the Scottish Government. Local government and voluntary services may have to pick up the pieces for those affected by welfare reform – all on a shrinking budget.**

**The Welfare Reform Legislative Consent Memorandum/Motion**

CAS believes that aspects of current UK welfare reform changes will be damaging to Scotland’s people, services, and economy. We are therefore sympathetic to the arguments in favour of opposing the UK Welfare Reform bill Legislative Consent Motion (LCM) when it is published and voted on.

However we are also concerned at what the outcome will be if the LCM is not passed. We would still expect the UK bill to be passed at Westminster – albeit with possible amendments – and are concerned as to where it would leave the areas which need the LCM – particularly in relation to passporting of benefits.

CAS welcomes the Scottish Government’s Legislative Consent Memorandum which sets out detail of the LCM and the areas of the UK Welfare Reform bill that have triggered it, as well as some further setting out of the work being done to prepare for the changes ahead. We also welcome the recognition that this bill will “have a significant impact on Scotland, particularly on a range of devolved services” and that timescales for the introduction of new benefits being administered by the Scottish Government will be tight. We also recognise that a lack of detail on many of the welfare reform changes from UK level has constrained analysis and impact assessments for Scotland as this has been an area of dissatisfaction for many in the voluntary sector also.

We also agree with much of the Scottish Government’s position on passported benefits, in relation to the impact the overall bill will have on Scotland’s people and services and that much of that impact is yet to be fully assessed. This briefing specifically discusses the impact UK welfare reform changes will have on Scotland.

However, the major concern that CAS has, is that the people of Scotland are in no way adversely affected by a rejection of the LCM by the Scottish Parliament. For the people who currently access passported benefits; they are a necessity and a vital means of support.

The current way of accessing those benefits will be abolished at UK level in less than seventeen months time. CAS is concerned that a rejection of the LCM could lead to delays for people accessing passported benefits. We already believe that there are very tight timescales for much of what is being introduced through the UK Welfare Reform bill. The Memorandum clearly shows that the current system of accessing passported benefits is complex and that much work will need to be done by Scottish Government, local authorities, and various other stakeholders in ensuring the smooth transition and delivery of passported benefits. If the LCM is to be rejected we would want assurances that Scottish legislation could be brought forward and
scrutinised in a timescale that would not lead to any delays for anyone seeking to access passported benefits.

Therefore as MSPs debate the LCM, we would ask for this to be borne in mind, and to ensure that there will be no negative or adverse impact on the people of Scotland if the LCM is rejected. The Scottish Government and local authorities already have a lot of work to do in planning ahead for the welfare changes to come and we would not want that planning to be jeopardised or delayed. We would like to know that all those working towards this are focused on ensuring that the right processes are in place for the many people who will be impacted by the imminent changes in welfare benefits. We would be concerned that the consequences of rejection of the LCM would mean that focus is lost - to the detriment of the people who rely on the welfare system.

We are therefore minded, taking all this into account, to call on MSPs not to reject the LCM – albeit with putting over any comments they have on specific aspects of the bill that they do not agree with - and look towards what processes can be put into place that can mitigate the welfare reform changes that will affect all of Scotland including the setting up of a specific Scottish Parliamentary Committee to scrutinise the impact of welfare changes on Scotland.

In relation to the specific issues the Scottish Government is inviting the Parliament to consider within the Memorandum, CAS has the following comments:

- CAS believes there has been a lack of detail about many aspects of welfare reform and that much is being left to regulation or secondary legislation where scrutiny is not of the same level as a bill is subject to. Therefore it would be helpful if the Scottish Government did have a role in consenting to such legislation when it applies to devolved areas of policy;

- There are provisions contained within the Welfare Reform Bill that will have an impact on all kinship carers across the UK. These include the conditionality requirements imposed upon claimants to be seeking or preparing for work, and the proposed benefits cap. However, the context of kinship caring is different in Scotland compared with the rest of the UK. In England and Wales, formal kinship carers are assessed as foster carers, but in Scotland, formal kinship carers are not assessed as foster carers. Benefit and tax rules that make good sense for English and Welsh kinship/foster carers can, in some cases, be very disadvantageous to Scottish kinship carers. We would therefore welcome the Scottish Parliament investigating this issue further.

- CAS supports greater flexibility in the payment of the housing component of Universal Credit to help people budget appropriately and to ensure that rent arrears do not build up; and we are concerned about under-occupation proposals due to its impact on people and services and a lack of suitable one-bedroomed properties being available;

- We would welcome the Scottish Parliament investigating further the relationship between the new UK Personal Independence Payment and the Scottish Government’s Self-Directed Support policy.
This briefing concentrates on the impact of welfare reform changes on the people, services and economy of Scotland. The impact will be significant and detrimental for many groups in society, particularly disabled people and families, and will place additional demand on local government services and voluntary services as their budgets and resources diminish, as well as have a major impact on the Scottish economy and local economies. It is a summary of these areas only and we would also refer you to other CAS briefings which give further detail and include case studies:

- The Impact of the Welfare Reform bill on Scotland’s people and services;
- Submission from Citizens Advice Scotland to the Finance Committee Scrutiny of the Scottish Government’s Spending Review 2011 and Draft Budget 2012-13;
- Submission from Citizens Advice Scotland to the Local Government & Regeneration Committee: Scrutiny of the Scottish Government’s Spending Review 2011 and Draft Budget 2012-13;

1. Impact on people in Scotland

By looking at individual circumstances, needs, and the loss of support that proposed welfare reform changes will entail, we can see the true impact of the fundamental changes in welfare reform that have been or are being introduced through changes in policy or through the UK Welfare Reform bill. This section looks at the impact of the reforms on the groups in society that stand to lose the most, including people with disabilities, families, jobseekers and Housing Benefit claimants.

People with disabilities

Disabled people stand to lose the most in these welfare reform proposals. Inclusion Scotland estimates that disabled people will lose in excess of £500 million per year in loss of benefits. This is based on conservative estimates from losses in Disability Living Allowance (DLA) and Employment & Support Allowance (ESA) only and does not take into account other losses in support such as housing benefit and council tax benefit that will also impact on disabled people in Scotland.

The UK Government is pressing ahead with the roll out of Employment and Support Allowance (ESA) to existing Incapacity Benefit claimants. This means that nearly 190,000 existing sickness benefit claimants in Scotland - those that were already deemed unfit for work - will be reassessed over the next four years at a rate of nearly 200 per weekday. Around three out of ten claimants (around 57,000 people) are expected to be found fit for work. Some of this group will be eligible for Jobseekers Allowance (JSA), but at a rate that is £30 a week lower than they were previously paid. Some will no longer be entitled to income related benefits altogether. Around half of those reassessed will be placed in the Work Related Activity Group with those claiming contributory
ESA facing a twelve month time limit on their claim. This will affect 280,000 people across the UK, who stand to lose more than £50 a week in income.

The Government is proposing a similar approach to disability benefits by replacing Disability Living Allowance (DLA) with the new Personal Independence Payment (PiP). The first thing to note is that the Government has already determined that they will cut the budget for disability benefits by 20%. To that end, the Government is proposing a new assessment for disability benefits. In Scotland, this means that up to 225,000 working age DLA claimants will be required to attend the new assessment with Inclusion Scotland estimating that 75,000 (one in three working age claimants) will lose their entitlement.

Changes in Housing Benefit payments will have a disproportionate impact on households containing a disabled person. The major change affecting disabled people will be the Government’s intention to reduce payments to tenants considered to be under occupying homes by an average of £13 a week. Two-thirds of those affected (62,000 households) will be households containing a disabled person. However, there is a significant lack of one bedroom properties in Scotland – 44% of working age housing association tenants need a one bedroom property but only 24% occupy one. Many disabled people, who often require an extra bedroom for carers, will be unable to move and will receive less housing support, which in turn could lead to housing arrears and homelessness problems.

Families

Families have already been affected by a freeze in Child Benefit payments, restrictions in the Sure Start Maternity Grant, and the abolishing of the Child Trust Fund. Changes in the Welfare Reform Bill will further impact on families, particularly lone parents, households claiming Housing Benefit, and families with disabled children.

The age threshold of the youngest child for lone parents claiming Income Support moved from sixteen to seven years old in 2008 and will be further reduced to five years old in 2012. This change will affect around 75,000 lone parents across the UK who will experience a loss of £560 million in benefit losses and increased tax and NICs expenditure. While the Government argues that this will be mitigated by increased employment, the change will also increase the child care costs of lone parents and could lead to Jobseekers Allowance sanctions if lone parents are unable to pursue or take up a job offer if they do not have adequate childcare arrangements.

The Child Support Agency is to be phased out and replaced by a new system which would include a compulsory gateway service. Single parents would have to show they had taken 'reasonable steps' to set up an arrangement with their former partner or they would need to pay an application fee of £100 (or £50 if in receipt of benefits), as well as an ongoing charge of between 7% and 12% of the money collected by the service. A survey by the charity Gingerbread found that 72% of single parents would be unable to agree private arrangements with their former partners and almost half would be unable to afford the application fee. This suggests that many children could go without maintenance support.
**Jobseekers**

The Government plans to introduce a Claimant Commitment that every Jobseekers Allowance (JSA) claimant will be required to agree to before payment. Failure to adhere to the commitment will result in significant sanctions to a claimant’s payments. The most serious failures – including failure to apply for a job, accept a reasonable job offer or to attend a mandatory meeting, will lead to a cease in payments of three months for the first failure, six months for the second, and three years for the third.

Given that tens of thousands of sickness benefit claimants are likely to be moved onto JSA in the coming months, we are concerned that many will fail to meet the conditions of the benefit and have payments stopped for significant periods of time. The use of sanctions in Jobcentres has already increased markedly in recent months, increasing fourfold between January and October 2010\(^8\).

**Housing Benefit and Local Housing Allowance claimants**

A number of fundamental changes to Housing Benefit (through the UK Welfare Reform bill) and Local Housing Allowance at UK level will impact on claimants and public services in Scotland over the next few years. These changes include the following examples.

Housing Benefits payments to claimants in Scotland will reduce by around £38 million annually\(^9\). Reductions in Housing Benefit payments will have a significant impact on local authorities and housing associations in terms of rent arrears, provision of housing, homelessness services, and temporary accommodation. The changes to Housing Benefit are also likely to have an adverse effect on the Scottish Government’s 2012 homelessness commitment that “all unintentionally homeless households will be entitled to settled accommodation” by December 2012\(^10\).

From October 2011, Local Housing Allowance payments will be restricted to the 30\(^{th}\) percentile of local rents rather than the midpoint for new claimants. For existing claimants, this change will come into force on the anniversary of their claim. The expected result of this change is that the average claimant will lose around £10 a week in housing support; the number of affordable properties that are available to these claimants will be restricted; and that housing support for 55,000 households across Scotland will be reduced\(^11\).

From April 2012, single people up to 35 years old will only receive enough Local Housing Allowance to cover sharing a property, not to rent their own home (from the current 25 years old). This will reduce the amount of support they are entitled to by up to £2,800 per year. This is likely to affect 7,500 people across Scotland and may force many to find shared accommodation or face arrears and possible homelessness\(^12\).

110,000 households claiming Housing Benefit where tenants are considered to be under occupying their homes will receive an average cut of £13 a week. Tenants will be penalised for under-occupying but many will have little option but to do this as there is a significant lack of one bedroom properties in Scotland. The Scottish Federation of Housing Associations commissioned a report into the impact of the welfare reform bill and the report states that 44%
of working age housing association/Co-op tenants need a one bedroom property but only 24% occupy one and across all tenants, 62% need one bedroom but only 34% occupy one\textsuperscript{19}.

2. Impact on public and voluntary services

As seen from some of the examples of how people will be affected by UK welfare reform, many people will find their income considerably diminished. As incomes drop and benefit support is reduced or removed, it is public services and advice providers that people will turn to. However, due to wider spending cuts in the public sector, these services will be required to cope with this extra demand alongside diminishing budget and resources. As a result, many people in Scotland will experience cuts in benefit payments as public and voluntary services struggle to maintain services to them. Local authorities and voluntary organisations have a shared agenda in helping local people avoid crisis point and working together to achieve the best outcome. Cuts in funding to voluntary organisations would work against this shared agenda.

**Local government and voluntary services may have to pick up the pieces for those affected by welfare reform – all on a shrinking budget.**

**Voluntary sector services**

Reductions in benefit levels and eligibility will inevitably drive demand for public services and advice provision at the same time as cuts are being felt across the public and voluntary sectors. In many cases, local authorities fund voluntary sector organisations to provide services for vulnerable people. As local authority funding decreases, inevitably the funding provided to the voluntary sector will decrease.

The UK Welfare Reform bill will put exceptional pressure on advice services across the country. Our experience is that changes to benefit entitlement are the number one driver of advice need at citizens advice bureaux, causing advice issues involving appeals, debt, housing arrears, and homelessness.

The implementation of ESA is a good example of welfare reform driving advice need. As a rule of thumb, bureaux deal with around 10 benefit problems for every 100 benefit claimants each year in Scotland. Two years after the implementation of ESA, bureaux were dealing with more than three times this ratio and we estimate that 1,100 adviser working days were spent on assisting ESA appeals last year. Widespread changes to benefit entitlement promise to have the same effect.

Problems with welfare will also lead to increased need for debt, housing, consumer, relationship and many other areas of advice. This advice costs money, and the main funders of bureau advice are local authorities who are themselves suffering cutbacks. CAS is particularly concerned that cuts in citizens advice bureaux funding will inevitably lead to delays in advice or to people not receiving the advice that they desperately require. **CAS estimates that total funding – including core and project funding - for citizens advice bureaux in Scotland will reduce by 9\% (or £1,436,761) in the financial year 2011/12, which may affect the number of clients that bureaux are able to advise.**
However, good advice ultimately saves money – debt and welfare advice is significantly cheaper than homelessness and bankruptcy, and the social outcomes for clients are far better. Research by the New Economics Foundation shows that for every £1 gained through welfare rights advice, an additional £1.70 is gained for the local economy\textsuperscript{14}. Citizens advice bureaux are playing a pivotal role in helping people in communities across Scotland, but they need support to continue this work.

**Public services**

Local authorities face a double whammy of decreased income alongside increased demand for their services, particularly in the areas of social work, housing and advice. Efforts to meet this demand will in turn have a detrimental impact on other services such as education, leisure and cleansing. The reduction in income of benefit recipients will also have an impact on local authority income and their ability to provide services. This will particularly be the case in charging for personal care, council tax payments, and rent payments. It is likely that local authority income from charges will reduce as benefit recipients struggle to pay council tax and rent. Some examples of impact on local authorities include:

**Social care**

The changes to DLA will force those who experience cuts in their income to seek support from local authorities in order to meet their needs – which will not have altered. Increasing demand for services while decreasing the capacity of individuals and local authorities to pay for those services is likely to result in vulnerable people being left to cope without support. As an estimated one in three working age DLA clients in Scotland will lose their DLA entitlement, a solution must be found to ensure these disabled people still receive the proper care and support they need. This must be achieved within the back drop of reducing local authority budgets without affecting the care and mobility support disabled people can rely upon.

**Housing**

Reductions in Housing payments will have a significant impact on local authorities and housing associations in terms of rent arrears, provision of housing, homelessness services, and temporary accommodation. Local authorities stand to deal with the effects of this loss in housing support alongside drops in income if the Housing Benefit caseload reduces.

Currently in Scotland there is a shortage of supply of one bedroom properties that will be needed to house those affected by under occupancy rules. Many people will need to find the shortfall in their rent to stay in the same property which will increase housing arrears.

**Council Tax Benefit**

The Welfare Reform Bill will abolish Council Tax Benefit (CTB), and devolve responsibility for replacement council tax rebate schemes in April 2013 to the Scottish Parliament. Local authorities in Scotland already administer the benefit but now this will be a direct scheme with a 10% cut in expenditure with, as yet, no commitment to ring-fence budgets or detail on the transfer of current administration costs.
Childcare

There will be an increase in demand for the level and availability of affordable childcare, particularly for children requiring out of school care, for lone parents who will require childcare if they are to maintain their income levels as they move from benefit into the workplace and avoid sanctions being placed on their benefits if they are forced to turn down work opportunities due to lack of childcare.

3. Impact on economy

The UK welfare reform changes will have a significant impact on Scotland’s economy. Budgets at both national and local level must consider the pressures that welfare reform and the current economic climate will place on public services, employment and the overall economy of Scotland.

The Fraser of Allander Institute has stated that that welfare reform changes will result in £2 billion being taken out of the Scottish economy by 2014-15 and they expect this to “contribute to the weak growth of household spending” and that “our fear is that the greater welfare spending cuts may dampen growth in 2012”\(^{15}\). An estimated £1 billion of this £2 billion will be from disabled people and their families\(^{16}\).

Using the much lower estimate of £514-614 million being lost from the Scottish economy from initial figures on the loss of welfare payments, the Local Government Forum Against Poverty and Rights Advice Scotland estimated that between 11,900-14,200 jobs would be directly jeopardised\(^{17}\).

These changes and the loss in personal income will have a direct impact on local economies and communities. As welfare payments, and therefore spending power, are reduced, the money being spent within local economies across Scotland will decrease also; with what could be very damaging consequences for some local communities.

Another report produced by the Fraser of Allander Institute (FAI) in 2001\(^ {18}\) estimated that the Glasgow City Council Welfare Rights Services (GCCWRS), which aims to increase the benefits paid to low income households in the city by advising individuals on the level of benefit to which they are entitled, generated additional benefit payments of £11.032 million in financial year 2000/01. The FAI estimated that this £11million created a total of 264 jobs across Scotland. The FAI concluded that when compared against cost per job estimates for a range of other government assistance programmes, GCCWRS’s activities were a cost-effective way of creating jobs. This report clearly shows the impact that benefit payments make to a local economy. By generating £11 million, the FAI estimate 264 jobs were created. By removing around £2 billion, we can extrapolate that there will be a major impact on job creation across Scotland.

A series of Parliamentary Questions asked the Scottish Government what estimates it had made of the financial impact of the proposed UK Government welfare reforms on the Scottish Government budget and on local government expenditure on (a) housing, (b) social care and (c) other areas. The answer was that “The UK Government has not provided sufficient detail on the implementation of its proposed welfare reforms for the financial impact on
future Scottish local government expenditure to be known. The Scottish Government has made repeated requests to the UK Government for further detail and will continue to press for this to be made available”. A similar answer was given in relation to the Scottish Budget19.

There is therefore a lack of clarity and detail about the impact of the current welfare reforms on public services and budgets in Scotland – however, it is clear that the impact will be significant and will be felt in the near future.

References

3 Ibid
4 Ibid
12 Ibid
16 Inclusion Scotland. *Welfare Reform Briefing September 2011*
17 Scottish Local Government Forum Against Poverty, Rights Advice Scotland. *People, Councils, the Economy*, September 2010