

The Highland Council
Resources Committee – 26 August 2015

Agenda Item	20
Report No	RES/ 76/15

Welfare Reform Update

Joint report by Director of Finance and Director of Community Services

Summary

This Report provides comprehensive information on the current status of Universal Credit and other Welfare initiatives. It also makes available financial monitoring information, covering the Council's considerable involvement in this area of work together with an early analysis of the Chancellor's 2015 summer budget. In addition the report advises of The Scottish Parliament's Welfare Reform Committee's consultation on the future delivery of social security in Scotland.

1. Background

- 1.1 This report forms part of a regular update on all issues relating to Welfare Reform. The latest statistics are outlined in **Appendix 1** and budget monitoring is set out in **Appendix 2**.

2. Summer budget

- 2.1 In July 2015 the Chancellor of the Exchequer set out further changes to the benefits and welfare system as part of £12bn of welfare savings by 2019/2020. These measures will be phased in and will not affect any claimants until April 2016 at the earliest, with many changes affecting only new claimants.
- 2.2 On 9 July 2015 the UK government presented the Welfare Reform and Work Bill 2015/16 to Parliament; there was no debate on the Bill at that stage. On Monday 20 July, the Bill received its Second Reading in the House of Commons where MPs debated the main principles of the Bill. The Bill has now been sent to the Public Bill Committee where detailed examination of the Bill will take place. The Bill Committee is expected to hold its first oral evidence session on 10 September 2015.
- 2.3 Details of the proposed welfare and benefit changes including potential local economic impacts can be found at Appendix 3 of this report.
- 2.4 The UK government has published details of impact assessments relating to measures in the Welfare Reform and Work Bill. Some of the impacts highlighted include:
- an estimated 90,000 additional households - comprising 112,000 adults and 224,000 children - could be affected by reductions in the benefit cap in the implementation year of 2016/2017. Affected households will lose an average of £63 per week in 2017/2018 leading to additional cash savings of £95m in 2016/2017, rising to £480m in 2020/2021.

- around 500,000 families are expected to be affected by the abolition of the ESA work-related activity group, generating savings of £640m by 2020/2021.
- compared to CPI uprating of benefits, the four year benefit rate freeze is expected to save £3.5bn in real terms in 2019/20, with savings continuing in future as increases will be from a lower base level. The average difference between pre-change entitlement will be around £6 a week compared to CPI up-rating, with the majority of working-age households in receipt of state support affected by the policy.
- by 2020/2021, the savings generated by limiting support through tax credits and universal credit to two children will be £1,365m, and of removing the family element in child tax credit and child premium in universal credit will be £675m. If households continue to make the same choices about to whether to have a family and family size as they do currently it is estimated that, once the policy is fully rolled out, approximately 3.7million households will have a lower rate of payment than would otherwise have been the case.

3. Scottish Parliament's Welfare Reform Committee's consultation on the future delivery of social security in Scotland

3.1 The Head of Revenues and Business Support has been invited to give evidence to the Scottish Parliament's Welfare Reform Committee meeting on 6 October 2015.

3.2 The Committee has issued a consultation on the future delivery of social security in Scotland. The consultation invites written evidence to be submitted on the Smith Agreement and how the Scottish Government can use the proposed devolved powers to better deliver benefits in Scotland.

3.3 The Committee divided the inquiry into four areas and wants to know how the new welfare powers proposed by the Smith Agreement should be used to improve or change:

- a) personal independence payment, disability living allowance, attendance allowance and carer's allowance;
- b) universal credit (housing element and administrative arrangements) and discretionary housing payments;
- c) the Work Programme and Work Choice; and
- d) the regulated social fund, new benefits, top-ups and delivery of benefits overall.

Under these four areas, the Committee would particularly welcome:

- practical suggestions to ensure that the principles of dignity, respect, support, equality and commonsense are embedded in the new system;
- views on the integration of Scottish devolved benefits with existing devolved powers and any unintended consequences of changes; and
- systems of intergovernmental working in relation to benefit delivery.

3.4 The deadline for finalising the Council's response to the Committee is Friday 28 August 2015. Senior Officers continue to complete the final submission and will be approved by the Welfare Reform Working Group.

4. Scottish Parliament Committee Report on Women and Social Security

- 4.1 The Scottish Parliament Welfare Reform Committee Report on Women and Social Security was published in July 2015. This report sets out the findings and recommendations made by the Welfare Reform committee on its inquiry into the impact of welfare reform on women. The Committee heard evidence which suggests that there is an existing inequality for women which has been aggravated by the recent reforms to the social security system.
- 4.2 The Committee believes that the cumulative impact of the reforms has had a damaging and disproportionate impact on women. The evidence in particular has highlighted impacts for certain groups such as disabled women, lone parents, carers, refugee women and those experiencing domestic abuse.
- 4.3 The Committee welcomes the devolution of further social security powers to Scotland. It considers that this represents an opportunity to rectify some of the systematic inequalities that women face. However, it recognises that, as with any new change, there will be challenges

5. Scottish Welfare Fund

- 5.1 The Scottish Welfare Fund continues to experience high demand across the Highlands for support through Crisis Grants and Community Care Grants. In the first quarter of 2015/16 The Highland Council has awarded £165,151.
- 5.2 The Council has introduced a framework and selected two suitably qualified and experienced local contractors, for the supply, delivery, installation and disposal of second hand and recycled domestic furniture, to various clients in crisis, homelessness and community care in The Highland Council Area.
- 5.3 This local framework will deliver alongside the existing Scotland Excel Framework which has been operating since the implementation of the Scottish Welfare Fund in April 2013.
- 5.4 The unit costs within this new framework provide value for money and therefore will enable the Council to assist more customers via the available Scottish Welfare Fund and non HRA homeless budget. Furthermore the framework enables suppliers to create additional employment and volunteering opportunities to further support the local economy.

6. Universal Credit

- 6.1 In the published official Universal Credit statistics for July 2015, the North of Scotland Jobcentre Plus District has had 1,496 claimants who have completed the Universal Credit claim process and accepted their Claimant Commitment. In the Highland Council area 1,001 claimants are still claiming Universal Credit of which approximately 356 are in some form of employment.

Universal Credit waiting days

- 6.2 In the May 2015 report to this Committee, Members were informed that the UK Government had confirmed their intention to introduce new legislation from 3 August 2015 to make certain Universal Credit claimants wait seven days before they would be entitled to benefit, this included the housing element and would mean that claimants would have to find alternative finance for these 7 days to pay their rent.
- 6.3 The Social Security Advisory Committee recommended in their June 2015 report that the introduction of seven waiting days for universal credit should not proceed. However, this recommendation was rejected by the UK Government in its response to the report.
- 6.4 Thereafter, following a debate in the House of Lords on the Universal Credit (Waiting Days) (Amendment) Regulations 2015 Peers voted by 135 to 124, in favour of a motion introduced by Baroness Sherlock:

'That this House calls on Her Majesty's Government, in the light of the Social Security Advisory Committee's Report of June 2015, to delay the enactment of the Universal Credit (Waiting Days) (Amendment) Regulations 2015 until universal credit is fully rolled out'

If this legislation is to be introduced it is unclear as to how many households could be affected by this change and the impact this may have on rent arrears and rent collection levels.

Universal Credit and Council Tenants

- 6.5 The number of known Council tenants in receipt of Universal Credit has doubled between March and June 2015 from 62 cases to 124 cases. The increase in the known number of cases is in the main due to improved communication from DWP following the introduction of data sharing regulations and the extended roll-out of Universal Credit to all areas of Highland, both of which, came into effect from February 2015.
- 6.6 At the 25 June 2015, 111 (89.5%) of the 124 known Universal Credit cases are in arrears with their rent. The table below details the breakdown of Universal Credit cases and arrears values by accommodation type.

25 June 2015	Number of cases	Number of cases in arrears	Percentage of cases in arrears (%)	Cumulative rent arrears	Average rent arrears per household
Highland Council UC Cases	124	111	89.5%	£86,288	£777.37
Mainstream Tenancies	114	102	89%	£77,495	£759.75
Temporary Accommodation	10	9	90%	£8,793	£977.01

- 6.7 Since May 2015, Community Services has made 23 requests to the DWP for Alternative Payment Arrangements (APAs), with 36 APAs being received overall on behalf of tenants during the month of June 2015. The payment of

alternative payment arrangements is determined by the household's circumstances during the previous month therefore even where an APA has been requested by the Council there is no guarantee that a payment will be received.

- 6.8 Of the tenants currently affected there has been a reduction in the level of rent arrears in respect of 31 households (28%). 11 households (10%) have static arrears whereas the level of rent arrears has increased in 69 (62%) of cases.

Universal Credit - DWP test and learn project

- 6.9 Community Services and other Highland social housing landlords recently participated in a DWP test and learn project which aimed to improve the APA process for tenants who are vulnerable or have accrued two months or more of rent arrears. The trial delivered improved results in terms of reduced processing times for decisions on APAs and improved communication with landlords.
- 6.10 Following the success of the trials, the Department for Work and Pensions has rolled this new process out nationally to all social landlords from the 15 July 2015.

Universal Credit - Partnership engagement

- 6.11 A proposed joint local workshop will take place in September 2015 which will involve representatives from the Council, DWP, other social landlords and the voluntary sector with a view to improving the support that is available to Universal Credit recipients.
- 6.12 The workshop aims to raise awareness about the Universal Credit Customer Journey, and will place an emphasis on the importance of early intervention to provide support around engaging with services, personal budgeting and meeting the requirements of the claimant commitment.

7. Poverty

- 7.1 The Scottish Government's efforts to alleviate poverty and tackle inequality will be subject to independent scrutiny through the appointment of Naomi Eisenstadt, as independent adviser.
- 7.2 More than 2 million children in the UK are living in 'an out-of-work benefit household', according to new official statistics published by the Department of Work and Pensions. The new figures detail the numbers of children living in Great Britain households where at least one parent or guardian claimed at least one of income support, JSA, ESA, incapacity benefit, severe disablement allowance or pension credit at May 2014. Universal Credit (UC) is **not** included in these statistics.
- 7.3 Almost 170,000 children in approximately 98,000 households in Scotland are living in 'an out-of-work benefit' household. Members should note Appendix 4 which provides a breakdown for The Highland Council Area and shows 5,420 children in 2,980 households are living in 'an out-of-work benefit' household.

The main messages for the national statistics are comparable to those of the Council's area and are detailed in the following paragraphs.

- 7.4 At May 2014 the majority of children in out-of-work benefit households lived with Income Support claimants. Comparatively fewer children lived in Jobseeker's Allowance claimant households.
- 7.5 Between 2009 and 2014, the number of children living in households claiming Income Support began to fall due to the effects of Lone Parent entitlement conditions introduced in November 2008.
- 7.6 Employment and Support Allowance replaced Incapacity Benefit and Income Support paid on the grounds of incapacity for new claims from 27 October 2008. With no new claims to Incapacity Benefit since 2008, the numbers of children in Incapacity Benefit/Severe Disablement Allowance households are falling. However, numbers in Employment and Support Allowance households are rising.
- 7.7 A new report from the Institute for Fiscal Studies titled *Living Standards, Poverty and Inequality in the UK: 2015* which was funded by the Joseph Rowntree Foundation highlights that benefit changes over this parliament will put upward pressure on absolute poverty for working-age households including those in work.
- 7.8 In addition rising employment between 2009–10 and 2013–14 led to increases in the proportion of children living with working parents. At the same time, falls in real earnings reduced the incomes of working families. These two contrasting trends led to absolute child poverty remaining unchanged overall in this period. However, the proportion of children in poverty living in a working family rose from 54% in 2009–10 to 63% by 2013–14.

8. Household debt

- 8.1 In a new report from the Centre for Social Justice, household debt has soared by more than £34bn in less than three years. Almost nine million people across the UK struggle with problem debt. The personal cost of this debt can be overwhelming, hitting people's mental health, their performance at work, and placing a strain on personal relationships.
- 8.2 Serious personal debt is not just a consequence of poverty; it also causes poverty by damaging people's and families' ability to help themselves. The Centre for Social Justice highlights problem debt can drive family breakdown, lead to mental health and addiction issues, prevent people from maintaining employment and even prevent children from achieving in school. The result is that many people in Britain's most deprived communities have been left trapped in a cycle of borrowing, debt and poverty:
- 8.8 million people struggle with over-indebtedness, which affects 2.5 million children;
 - Households in the UK now owe debts worth £1.47 trillion, more than the entire national debt in 2014;
 - The failure to tackle over-indebtedness costs the UK economy at least £8.3 billion a year;

- Low levels of financial capability in the UK costs the economy £3.4 billion each year.

8.3 A preventative approach has been adopted within the Highlands to try and address the cycle of debt and poverty. Demand for Council-funded advice and information which are delivered by the Citizens Advice Bureaux and the Council's in-house team continues to increase. Over 7,700 people presenting with nearly £21 million of debt were assisted by these services during 2014/15. The report "*Advice and Information Services: End of Year Monitoring*" for 2014/15 is also reported to this Committee and provides further information.

9. School Clothing Grants

9.1 Members approved to increase the School Clothing Grant award to £81 per eligible child per school year with effect from the 2015/16, at the May 2015 Resources Committee.

9.2 Following consideration by the Council's Welfare Reform Working Group, it was agreed that a review of the school clothing grant payment method be undertaken. Led by the Council's Benefits and Welfare Manager, in collaboration with appropriate officers from Care & Learning and Finance Services, this process has been completed. PayPoint has been implemented as the best solution for this purpose.

9.3 PayPoint is recognised as an easy, secure and reliable electronic payment solution and has been successfully used since April 2013 by the Council to pay awards from the Scottish Welfare Fund.

9.4 Given the geographical challenges within the Highlands the use of PayPoint allows a flexible, accessible and immediate payment to be made by sending a barcoded text message to a mobile phone number provided by the applicant. Vouchers are available for those few customers that do not have access to a mobile phone. The customer can redeem their barcode at any PayPoint outlet in the UK. There are around 146 PayPoint outlets across the Highland Council area.

9.5 Feedback from Scottish Welfare Fund customers has been extremely encouraging as this electronic payment method does not run the risk of being automatically absorbed by bank overdrafts for instance and provides the recipient with better control over their payments.

10. Welfare Fund proposal

10.1 In 2014/15 the Council established a Welfare Fund of £1.167m. As part of the Council's programme commitment to prevention, targeting those struggling with deprivation.

10.2 A proposal costing £0.008m to print updated versions of two publications produced by the Benefits and Welfare Team in the Finance Service was supported by the Welfare Reform Working Group and approved by the Chair of Resources Committee during the summer recess.

10.3 The Highland Council publications are:

- *An essential guide to benefits, money advice, energy advice and other support.* This Guide pulls together contact and other information about the full range of benefits and entitlements available to customers and wider welfare-related matters. This Guide is aimed at professionals, volunteers in the third sector, self-help customers and those customers that may not be aware of their entitlements.
- *Funeral Guide.* This Guide was produced following comments from some funeral directors that customers were unaware that financial assistance with funeral costs is available in certain circumstances.

10.4 With expenditure of £0.550m approved at previous Resources Committees, the 2015/16 fund now has £0.649m after accounting for this initiative.

11. Financial Monitoring Report

11.1 The financial monitoring report can be found at Appendix 2. At this stage of the financial year, an underspend of £0.717m is reported at Council Tax Reductions (CTR). Members are reminded that the main reason for this reducing expenditure relates to the way in which DWP has increased benefits and other components used to calculate CTR entitlement. The impact of these measures is therefore to reduce the qualifying amounts on which CTR is calculated.

11.2 This is reflected in that whilst CTR expenditure levels have reduced by nearly 11% since April 13 (when CTR replaced Council Tax Benefit) compared to June 15, caseloads have reduced by less than 5% over the same period.

11.3 CTR reduces the amount of Council Tax customers are required to pay and therefore reduces the net Council Tax to be collected. A decrease in the amount the Council is able to award in CTR does result in higher Council Tax bills for some customers.

11.4 Conversely, this also means an increase in the net Council Tax due to be collected. Council Tax collections performance are reported to this Resources Committee under a separate report "*Finance Service: Quarterly Performance Report to 30 June 15*" (section 2.1). Performance shows an improvement on prior year reflecting ongoing improvements in business processes and general resource management.

12. Implications

12.1 Resource implications are set out in the paper. There are no legal; climate change/Carbon Clever; risk or Gaelic implications.

12.2 Rural Implications – the report highlights a range of issues that particularly impact on rural areas.

12.3 Equalities – the whole report seeks to consider and address the issues arising from welfare reforms that impact on poverty and vulnerability.

- 12.4 Poverty – the whole report aims to acknowledge current welfare issues which exacerbate the causes of debt and poverty within the Highlands.

Recommendations

The Committee is asked to:

- Note the local impact of the 2015 summer budget including the welfare changes and ongoing reform.
- Note that Senior Officers continue to complete the response to the Scottish Parliament's Welfare Reform Committee consultation on "*The Future Delivery of Social Security in Scotland*" and will be approved by the Welfare Reform Working Group
- Note the introduction of PayPoint for the electronic payment of school clothing grants
- Note the management information and budgetary position provided in the appendices to the report.
- Support the anti-poverty work that is being taken forward by the Council's Welfare Reform Working Group.

Designation: Director of Finance and Director of Community Services

Date: 13 August 2015

Authors: Allan Gunn, Head of Revenues and Business Support and David Goldie, Head of Housing

Background Papers:

http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Reports/wrr-15-03w.pdf

<https://www.gov.uk/government/statistics/universal-credit-29-apr-2013-to-2-july-2015>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444605/statistical-report.pdf

[Living standards, poverty and inequality in the UK: 2015 - Institute For Fiscal Studies - IFS](#)

<http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJ---Future-Finance.pdf>

Welfare Reform Report – August 15**Under occupation rules - 25/06/15**

Summary – 14% reduction		Summary – 25% reduction		Summary – combined	
	No of Properties		No of Properties		No of Properties
Council tenants	1,399 (67%)	Council tenants	318 (77%)	Council tenants	1,717 (68%)
HA tenants	698 (33%)	HA tenants	95 (23%)	HA tenants	793 (32%)
Total	2,097	Total	413	Total	2,510

Number of tenants in arrears, value of arrears and movement in quarterly periods – for Highland Council tenants only: *data as Jun 15

Period	Total number of arrears	Value £	+/- % Movement since Qtr. 4 12/13	Number +/-	Value £ +/-
28-Apr-15	590	£185,677	7%+	134-	£12,186+
25-May-15	574	£183,880	6%+	150-	£10,389+
26-Jun-15	589	£183,834	6%+	135-	£10,343+

Number of transfer applicants affected and movement in quarterly periods – for Highland Housing Register: Jun 15

Number of applicants	% Movement since Qtr. 4 14/15	Number +
251	15%	32

Benefit Cap at 23/06/15

Landlord type where cap has been implemented	HB reduction per week						
	£0 - £19.99	£20 – £39.99	£40 - £59.99	£60 - £79.99	£80 - £99.99	£100 - £119.99	£120 - £139.99
Local Authority	1	4		4	1		
Housing Association	2	2				2	
Private rent							2

Housing Benefit Appeals

Number of appeals received with a comparison to the previous financial year			
April 2014 Appeals/Reconsiderations	1 / 32	April 2015 Appeals/Reconsiderations	0 / 47
May 2014 Appeals/Reconsiderations	2 / 33	May 2015 Appeals/Reconsiderations	0 / 32
June 2014 Appeals/Reconsiderations	1 / 25	June 2015 Appeals/Reconsiderations	0 / 46

Discretionary Housing Payments

	Apr-15	May-15	Jun-15	Year to Date
Number of awards made in-month	2,571	2,373	296	4,944
Award Reasons				
Under Occupation:	2,310	2,228	223	4,761
Benefit Cap:	5	-1	3	7
Other:	256	146	70	472
Total amount paid and committed in-month	£1,605,692	£131,621	£27,732	£1,765,045

Scottish Welfare Fund

	Apr-15	May-15	Jun-15	Year to date
Crisis Grant				
Application Approved	260	266	241	767
In month award total	£16,016	£16,841	£16,074	£48,931
Average CG award	£62	£63	£67	£64
Community Care Grant				
Application Approved	72	86	98	256
In month award	£34,288	£34,688	£47,244	£116,220
Average CCG award	£476	£403	£482	£454

FoodBank MI

Inverness & Nairn

Vouchers issued	Adults fed	Children fed	Total fed
893	1,063	453	1,516

Top 3 reasons why voucher issued: 1. Benefit delay 2. Low income 3. Benefit changes

Data taken from Distributor report 1 January 2014 - 30 June 2015

Highland foodbanks (exc Inverness & Nairn)

Vouchers issued	Adults fed	Children fed	Total fed
608	773	342	621

Top 3 reasons why voucher issued: 1. Benefit delay 2. Low income 3. Benefit changes

Data taken from available Distributors report 1 January 2014 - 30 June 2015

Appendix 2

WELFARE BUDGET 1 April 2015 to 30 June 2015	ACTUAL YTD £000	ANNUAL BUDGET £000	ESTIMATED OUTTURN £000	VARIANCE
Housing Benefits				
- Rent Rebates	6,557	26,174	26,174	0
- Rent Allowances	7,491	24,696	24,696	0
	14,048	50,870	50,870	0
Council Tax Reduction Scheme	11,830	12,547	11,830	-717
Scottish Welfare Fund				
- Community Care Grants	82	555	555	0
- Crisis Grants	51	246	246	0
	133	801	801	0
Discretionary Housing Payments	534	1,925	1,925	0
Advice Services				
- Money Advice	56	249	249	0
- Income Maximisation	47	175	175	0
- Citizens Advice Bureau	685	1,389	1,389	0
	788	1,813	1,813	0
GROSS WELFARE BUDGET	27,333	67,956	67,239	-717
Income				
DWP - HB Subsidy	(12,858)	(50,749)	(50,749)	0
DWP - Discretionary Housing Payments	(399)	(1,726)	(1,726)	0
	(13,257)	(52,475)	(52,475)	0
NET WELFARE BUDGET	14,076	15,481	14,764	(717)

1. Background

- 1.1 The Chancellor has announced further changes to the benefits and welfare system as part of the summer budget. These measures will be phased in and will not affect any claimants until April 2016 at the earliest, with many changes affecting only new claimants.

2. Benefit Cap

- 2.1 The UK government believes that those out of work should not receive more from benefits than many working families earn. The government will lower the cap on the total amount of benefits an out of work family can receive, from £26,000 to £20,000, except in London where the cap will be £23,000.
- 2.2 A cap at
- £26,000 is equivalent to typical pre-tax earnings of around £35,000.
 - £23,000 is equivalent to typical pre-tax earnings of around £29,000
 - £20,000 is equivalent to typical pre-tax earnings of around £25,000
- 2.3 Households are exempt from the cap where someone is entitled to working tax credit or is in receipt of benefits relating to additional costs of disability, or war widow's and widower's pension.
- 2.4 **18 households are affected by the present benefit cap in The Highland Council area. Overall these 18 households currently have £1,011.75 per week or £52,611 per annum deducted from their housing benefit entitlements; an average of £56.20 per week or £2,923 per annum per household.**

3 Housing benefit/Universal Credit (housing element)

- 3.1 From April 2016, housing benefit claims will be backdated for a maximum of four weeks. The current applicable backdate periods are 6 months for working age and 3 months for non-working age.

872 backdated housing benefit applications were made to The Highland Council during 2014/15; many would have been made out-with the proposed 4 week period.

- 3.2 The family premium for housing benefit will be removed for new claims and new births from April 2016.

The Highland Council currently has 1,866 housing benefit family premiums in payment. This premium is currently worth £17.45 per week or £907.40 per annum to each household. Based on current figures, the removal of this premium for the existing caseload would result in a £1.693m loss to the local economy.

- 3.3 From April 2017, those out of work aged 18 to 21 making new claims to universal credit will no longer be automatically entitled to the housing element and will have to find another means of paying their rent. Parents whose children live with them, vulnerable groups, and those who were living independently and working continuously for the preceding six months will be exempt from this measure.
- 3.4 Applicable amounts for housing benefit and local housing allowance rates will be frozen for four years from April 2016. For 2015/16, the local housing allowance rate for a 3-bedroom house with a Highland postcode is £126.92.

4. Tax credits and Universal Credit

- 4.1 Changes announced will see expenditure on tax credits return to 2007-2008 levels in real terms. In 2016-2017, five in ten families with children will be supported through tax credits. In the current year, six in ten families with children are supported through tax credits (nine out of ten in 2010).
- 4.2 From April 2016 changes to the taper rates in tax credits will see the taper rate increased from 41 per cent to 48 per cent of gross income so that, once claimants earn above the income threshold, their award will be withdrawn at a rate of 48 pence for every extra pound earned.
- 4.3 From April 2016 there will be changes to tax credits income thresholds and universal credit work allowances. The amount you are able to earn to qualify for working tax credits will be reduced from £6,420 to £3,850 per year. Work allowances (the amount you can earn before your benefit is affected) in universal credit will be abolished for some claimants.
- 4.4 The child element of tax credits and universal credit will no longer be awarded for third and subsequent children born after 6 April 2017. This will also apply to families claiming universal credit for the first time after April 2017. Households, who have been in receipt of tax credits or universal credit, with an interruption of less than six months, will be protected and children with disabilities will continue to receive the disabled child element or severely disabled child element in tax credits and the equivalent in universal credit. Multiple births will be protected in both systems and the DWP and HMRC will develop protections for women in exceptional circumstances.
- 4.5 From April 2016, the amount by which a claimant's income can increase in-year compared to their previous year's income before their tax credit award is adjusted (the income rise disregard) will be reduced from £5,000 to £2,500.
- 4.6 From April 2017, the family element in tax credits and the higher first child element in universal credit will no longer be awarded when a first child is born. This will also apply for families with children making their first claim to universal credit. Households who have been in receipt of tax credits or universal credit with an interruption of less than six months will be protected and children with disabilities will continue to receive the disabled child element or severely disabled child element in tax credits and the equivalent in universal

credit.

4.7 HMRC will recover overpayments of working tax credit from payments of child tax credit, and recover overpayments of child tax credit from payments of working tax credit. HMRC will also extend the use of the private sector to improve the collection of tax credit debt; this will target tax credit debt in excess of £3,000 that has already passed the extending tax credits debt collection process.

4.8 **At April 2015, The Highland Council area had 13,900 individuals or families claiming child tax credits, working tax credits or a mixture of both.**

5. Freezing benefit rates

5.1 Most working-age benefits will be frozen for four years from April 2016. This will apply to:

Benefit	15/16 single rate	Number of Claimants
jobseekers allowance <ul style="list-style-type: none"> • under 25 • 25 and over 	£57.90 £73.10	1,970*
employment and support allowance <ul style="list-style-type: none"> • under 25 • 25 and over Additional amounts payable following work capability assessment (WCA): <ul style="list-style-type: none"> • work related activity group • support group 	£57.90 £73.10 £29.05 £36.20	8,270*
income support <ul style="list-style-type: none"> • under 25 • 25 and over 	£57.90 £73.10	2,040*
child benefit <ul style="list-style-type: none"> • 1st child • additional children 	£20.70 £13.70	25,045**

*Nov 14 / **Aug 13 – latest DWP official stats

5.2 Benefits excluded include maternity allowance; statutory sick pay; statutory maternity pay; statutory paternity pay; statutory shared parental pay; statutory adoption pay; disability, carers' and pensioners' premiums in the frozen benefits; the employment and support allowance support group component; and other disability, carer and pensioner benefits, which will continue to be uprated in relation to the consumer price index or earnings as applicable.

5.3 The uprating freeze will extend to child tax credit and working tax credit (excluding disability elements). As detailed at paragraph 3.4, this freeze will also apply to housing benefit and local housing allowance. All disability elements will continue to be uprated by prices each year.

6. Employment and support allowance – work related activity group

- 6.1 From April 2017, **new claimants** of employment and support allowance (ESA) who are placed in the work-related activity group will receive the same rate as those claiming jobseeker's allowance – currently £73.10 for those aged 25 and over.
- 6.2 The work related activity group is for claimants that the Department for Work and Pensions consider will be capable of work at some time in the future or work related activities immediately. This change will see **new claimants** to ESA lose £29.05 per week premium (15/16 rate) if placed in this group.
- 6.3 **The most up to date information available shows 2,090 people within The Highland Council area in the ESA work related activity group. Based on these figures if this premium was removed from the current ESA caseload it would result in a reduction of £3.157m per annum to the local economy.**

7. Universal Credit : Parent conditionality

- 7.1 From April 2017, with support from Jobcentre Plus, parents claiming universal credit, including lone parents, will be expected to prepare for work from when their youngest child turns two, and to look for work when their youngest child turns three.

8. Support for mortgage interest (SMI)

- 8.1 From 1 April 2016, claimants will have to wait 39 weeks before support for mortgage interest (SMI) can be claimed. This waiting period returns to the pre-recession rules and the capital limit will be maintained at the higher level of £200,000. From April 2018, new SMI payments will be paid as a loan. Loans will be repaid upon sale of the house, or when claimants return to work. Loan payments will be subject to interest charges.

9. Protecting pensioner benefits

- 9.1 The 'triple lock' on the state pension will be maintained and other benefits for pensioners, including the winter fuel allowance and free TV licences for over 75s, will be protected in this parliament.
- 9.2 The 'triple lock' was introduced in 2010 and was a guarantee to increase the state pension every year by the higher of inflation, average earnings or a minimum of 2.5%.

10. Living wage

- 10.1 From April 2016, a new national living wage of £7.20 an hour for the over 25s will be introduced. This will rise to over £9 an hour by 2020.

10.2 The following table compares the introduction of the living wage and average earnings in 2014:

Based 40hrs per week	Highland	Scotland	UK	Living wage
Gross Weekly pay	£487.90	£518.20	£520.80	£288.00
Hourly pay	£12.25	£13.04	£13.15	£7.20
Gross annual salary	£25,371	£26,946	£27,082	£14,976

This note provides initial analysis to yesterday's budget regarding welfare. As more information becomes available on the measures within the budget further briefings will be made available for Members.

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Children living in an Out-of-work Benefit Claimant Household at May 2014

The Highland Council	Number of Children				Number of Children		Number of households
	Age 0-4	Age 5-10	Age 11-15	Age 16-18	Age 0-15	Age 0-18	
All out of work benefits	1,830	1,770	1,340	480	4,930	5,420	2,980
Income Support	1,300	750	450	120	2,500	2,620	1,380
Jobseekers Allowance	160	310	200	50	680	730	390
Employment and Support Allowance	360	670	630	280	1,660	1,940	1,120
Incapacity Benefit or Severe Disablement Allowance	20	50	40	20	110	130	70
Pension Credit	-	20	40	20	60	80	60

Source: DWP WPLS 100% data and HMRC Child Benefit administrative data. Data represent a snapshot as at 31 May 2014. Figures are rounded to the nearest ten. Some additional disclosure controls have also been applied. Totals may not sum due to rounding.