



The Scottish Parliament
Pàrlamaid na h-Alba

Welfare Reform Committee

2nd Report, 2013 (Session 4)

The Impact of Welfare Reform on Scotland

Published by the Scottish Parliament on 11 April 2013

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website -
www.scottish.parliament.uk



The Scottish Parliament
Pàrlamaid na h-Alba

Welfare Reform Committee

Remit and membership

Remit:

To keep under review the passage of the UK Welfare Reform Bill and monitor its implementation as it affects welfare provision in Scotland and to consider relevant Scottish legislation and other consequential arrangements.

Membership:

Annabelle Ewing
Linda Fabiani
Iain Gray
Jamie Hepburn (Deputy Convener)
Alex Johnstone
Michael McMahon (Convener)
Kevin Stewart

Committee Clerking Team:

Clerk to the Committee

Simon Watkins

Assistant Clerk

Catherine Fergusson

Committee Assistant

Kevin Dougan



The Scottish Parliament
Pàrlamaid na h-Alba

Welfare Reform Committee

2nd Report, 2013 (Session 4)

The Impact of Welfare Reform on Scotland

The Committee reports to the Parliament as follows—

1. In October 2012, the Committee commissioned research on the impact of welfare reform on Scotland from the Centre for Regional Economic and Social Research at Sheffield Hallam University.
2. The research is attached as Annexe A to this report.

**ANNEXE A: THE IMPACT OF WELFARE REFORM ON SCOTLAND –
RESEARCH REPORT**

THE IMPACT OF WELFARE REFORM ON SCOTLAND

Christina Beatty and Steve Fothergill

**Centre for Regional Economic and Social Research
Sheffield Hallam University**

April 2013

Report commissioned by the Scottish Parliament

The GB-wide research on which the report is based was also funded by Sheffield Hallam University and by the Financial Times (by a grant from the Pulitzer Centre on Crisis Reporting in Washington).

Note on the authors

Christina Beatty is a Professor in the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, and a statistician by background.

Steve Fothergill is also a Professor within CRESR at Sheffield Hallam University, and an economist by background.

Both authors have an extensive record of research and publication on local and regional trends across the UK, and on the benefits system. Their recent reports include *Incapacity benefit reform: the local, regional and national impact* and *The Real Level of Unemployment 2012*.

Key points

- *When the present welfare reforms have come into full effect they will take more than £1.6bn a year out of the Scottish economy. This is equivalent to around £480 a year for every adult of working age.*
- *The biggest financial losses arise from reforms to incapacity benefits (£500m a year), changes to Tax Credits (£300m a year) and the 1 per cent up-rating of most working-age benefits (£290m a year).*
- *The Housing Benefit reforms will result in more modest losses – an estimated £50m a year arising from the ‘bedroom tax’ for example – but for the households affected the sums are nevertheless still large.*
- *Some households and individuals, notably sickness and disability claimants, will be hit by several different elements of the reforms.*
- *Although the financial losses are very large the scale of the loss in Scotland, measured per adult of working age, is broadly on a par with the GB average. Overall, the welfare reforms hit Scotland less than northern England or Wales, but more than much of southern England.*
- *Within Scotland, however, the local authorities covering the poorest areas are hit hardest. As a general rule, the more deprived the local authority, the greater the financial hit. Several of Scotland’s older industrial areas, in particular, are hit especially hard.*
- *Glasgow faces the biggest loss, in absolute terms and on a per capita basis. Its residents can expect to lose around £270m a year in benefit income, equivalent to £650 a year for every adult of working age in the city.*
- *A key effect of the welfare reforms will be to widen the gaps in prosperity between the best and worst local economies in Scotland.*

THE IMPACT OF WELFARE REFORM ON SCOTLAND

Scope and purpose of the report

The Westminster Government is implementing welfare reforms that apply to all parts of the UK. The *impact of the reforms*, however, will vary enormously from place to place, not least because benefit claimants are so unevenly spread across Britain.

This report looks specifically at the impact of the reforms on Scotland. It provides figures for Scotland as a whole and for each of its 32 constituent local authorities. The report also draws comparisons with the rest of the UK. Separate figures are presented for each of the major benefit reforms and for their overall impact. The figures cover the number of households or individuals affected, and the total financial loss to each local area.

All the figures presented in the report are estimates, but in every case they are deeply rooted in official statistics – for example in the Treasury’s own estimates of the financial savings, the Westminster government’s *Impact Assessments*, and benefit claimant data.

Welfare reform is a deeply contentious issue and in documenting the impacts the report does not attempt to comment on the merits of each of the reforms. However, it is important that the impact on different places is fully exposed because this is a key dimension that is too often overlooked. The impact on different places is also one of the yardsticks by which the reforms should be judged.

The welfare reforms

The figures presented in the report cover all the major welfare reforms that are currently underway. In brief, these are:

Housing Benefit – Local Housing Allowance

Changes to the rules governing assistance with the cost of housing for low-income households in the private rented sector. The new rules apply to rent levels, ‘excess’ payments, property size, age limits for sole occupancy, and indexation for inflation.

Housing Benefit – Under-occupation

Changes to the rules governing the size of properties for which payments are made to working age claimants in the social rented sector (widely known as the ‘bedroom tax’)

Non-dependant deductions

Increases in the deductions from Housing Benefit, Council Tax Benefit and other income-based benefits to reflect the contribution that non-dependant household members are expected to make towards the household’s housing costs

Household benefit cap

New ceiling on total payments per household, applying to the sum of a wide range of benefits for working age claimants

Disability Living Allowance

Replacement of DLA by Personal Independence Payments (PIP), including more stringent and frequent medical tests, as the basis for financial support to help offset the additional costs faced by individuals with disabilities

Incapacity benefits

Replacement of Incapacity Benefit and related benefits by Employment and Support Allowance (ESA), with more stringent medical tests, greater conditionality and time-limiting of non-means tested entitlement for all but the most severely ill or disabled

Child Benefit

Three-year freeze, and withdrawal of benefit from households including a higher earner

Tax Credits

Reductions in payment rates and eligibility for Child Tax Credit and Working Families Tax Credit, paid to lower and middle income households

1 per cent up-rating

Reduction in annual up-rating of value of most working-age benefits

A fuller description of each of these reforms, including the timing of implementation and the expected savings to the Exchequer, is contained in the appendix to the report.

The vast majority of these welfare reforms have been initiated by the present Coalition government in Westminster, notably but not exclusively through the *Welfare Reform Act 2012*. Some of the incapacity benefit reforms, however, are Labour measures that pre-date the 2010 general election but are only now taking full effect. They have been included here, alongside the Coalition's reforms, to provide a comprehensive view of the impact of the reforms that are currently underway.

The figures the report presents show the impact *when the reforms have come into full effect*. This is important because some of the reforms, particularly those affecting incapacity and disability benefits, are being implemented in stages over a number of years. In most cases, the figures show the expected impact in the 2014-15 financial year¹.

A close observer of the list of reforms will note a number of apparent omissions. The most significant of these is *Universal Credit*, which is scheduled to replace just about all means-tested working age benefits and is arguably the single biggest reform of all. There are three reasons for omitting Universal Credit:

¹ The exceptions are the DLA reforms, which will not impact fully until 2017-18, and the wider application of means testing to ESA and the 1 per cent up-rating, both of which do not impact fully until 2015-16.

- Universal Credit is best understood as a repackaging of existing benefits. It introduces for the first time a consistent benefit withdrawal rate, intended to ensure that claimants are always financially better off in work, but the rules governing eligibility are essentially carried over from the existing benefits it replaces.
- Unlike the other welfare reforms covered here, Universal Credit is not expected to result in a net reduction in benefit entitlement. At the level of the individual or household there will winners and losers but on balance Universal Credit is expected to result in slightly higher expenditure, particularly as transitional relief will be available to existing claimants transferring across.
- Most of the impact of Universal Credit will be felt well beyond 2015. Its introduction begins in 2013 only in a small number of pilot areas and only for new claimants. The full impact is unlikely before 2018.

Additionally, without local-level household data, which is not available, it is extremely difficult to model the local impact of Universal Credit. That said, it should be noted that the intention to pay the housing element of Universal Credit to tenants, rather than direct to landlords, is a major cause of concern in the social housing sector.

Three further omissions are worth noting:

- *Council Tax Benefit*. The Scottish Government has chosen not to pass on to local authorities (and thence to claimants) the Westminster Government's 10 per cent cut in the value of Council Tax Benefit payments.
- *Income Support for lone parents*. The qualifying age of the youngest child has been reduced from under 7 to under 5. The effect is to transfer the lone parent from Income Support to Jobseeker's Allowance at the same payment rate.
- *RPI to CPI for benefits up-rating*. This was introduced from 2011-12 but is really part of a much wider accounting reform, including for example all public service pensions.

When fully implemented, the welfare reforms covered in this report are expected to save the UK Treasury almost £19bn a year.

Measuring the impacts

The data sources and methods underpinning the estimates are set out in full in the appendix to the report.

The Westminster Government has in most cases not produced estimates of the local impact of the reforms. It does however publish a range of statistics that allow the local impact to be estimated. This information includes:

- HM Treasury estimates of the overall financial saving arising from each element of the reforms, published in the *Budget* or in the government's *Autumn Statement*. The estimates in the report are fully consistent with these Treasury figures².
- The *Impact Assessment* and (where available) *Equality Impact Assessment* that Westminster departments publish for each element of the reforms³
- Benefit claimant numbers and expenditure, by local authority, published by DWP and HMRC
- Additional official statistics – for example on median earnings by local authority to help calibrate the impact of the withdrawal of Child Benefit
- DWP evidence from pilot schemes, in the context of the incapacity benefit reforms

As far as possible, for each benefit the figures presented in the report take account of the overall financial saving to the UK Exchequer, the distribution of benefit claimants between local authorities, and the extent to which claimants in each local authority are likely to be affected by the reforms.

In comparing the impact on different areas, the report looks in particular at the financial loss *per adult of working age*⁴. A focus on adults of working age (16-64) is appropriate because the welfare reforms impact almost exclusively on this group. By contrast, benefit claimants of pensionable age are essentially unaffected⁵.

Some of the welfare reforms focus on *households* – the reforms to Housing Benefit for example. Others – the reforms to incapacity benefits for example – are about the entitlement of *individuals*. Additionally, several of the reforms are likely to impact simultaneously on the same households and/or individuals. It is possible to estimate how many people are affected by each element of the reforms, and how much they lose. The financial losses can be added together but to avoid counting the same people twice the number of households/individuals affected cannot be summed to an overall total.

Finally, in estimating the impact of the welfare reforms the report *holds all other factors constant*. What this means in practice is that it makes no assumptions about

² The estimates of the impact of the reforms to incapacity benefits, DLA and Council Tax Benefit are subject to further detailed adjustment – see appendix.

³ Following official practice in the *Impact Assessments*, the estimates in the present report make no allowance for the small share of the financial impact falling on Northern Ireland. The effect is to slightly overstate the impact on Scotland and other parts of Great Britain, bearing in mind that Northern Ireland accounts for 3 per cent of the UK population.

⁴ In Scotland's case, where only a limited range of 2011 Census data has so far been published, the working age population figures for each authority are an estimate based on the overall population from the 2011 Census and the age distribution of the population in 2010 from the mid-year population estimates. In the rest of Britain the figures are all taken from the 2011 Census.

⁵ The main exceptions are a small minority (around 5%) of Housing Benefit recipients in the private rented sector, affected by the reforms to Local Housing Allowance, and a small number of adults of pensionable age who receive Child Benefit.

the growth of the UK and Scottish economies, or about future levels of employment and unemployment.

Westminster ministers take the view that the welfare reforms will increase the financial incentives to take up employment and because more people will look for work more people will find work. This assumes, of course, that extra labour supply leads to extra labour demand from employers. Whether labour markets really do work in this way, especially at times of recession or low growth, or in places where the local economy is relatively weak, is a moot point and one that many economists would contest. Some individuals will undoubtedly find work to compensate for the loss of benefit income but whether the *overall* level of employment will be any higher as a result is questionable. More often than not, they will simply fill vacancies that would have gone to other jobseekers. So the figures in this report do not assume that loss of income from benefits will wholly or in part be replaced by additional income from employment.

The impact on Scotland

Overall impact

Table 1 shows the estimated impact of the welfare reforms on Scotland as a whole. Overall, when the reforms have come into full effect it is estimated that they will take more than £1.6bn a year out of the Scottish economy, or around £480 a year for every adult of working age.

At more than £1.6bn, this estimate of the financial impact on Scotland is substantially higher than the £780m a year (in 2015-16) identified in a report by the Scottish Local Government Forum Against Poverty⁶. The higher figure in the present report arises principally because it takes fuller account of the impact of reforms on payments of incapacity benefits, Tax Credits and Child Benefit. The estimate in the present report is on the other hand a little lower than the £2bn (in 2014-15) quoted in an analysis by the Scottish Government⁷. In this instance the difference arises principally because the Scottish Government analysis includes the effects of the switch from RPI to CPI for indexation which, as noted earlier, is a wider public sector accounting reform also affecting public service pensions.

⁶ Scottish Local Government Forum Against Poverty and Rights Advice Scotland (2013) *People, Councils, the Economy, 2nd edition: An assessment of the impact of proposed changes to the UK Benefits System on people, councils and the economy in Scotland.*

⁷ Scottish Government (2013) *UK Government cuts to welfare expenditure in Scotland.*

Table 1: Impact of welfare reform on Scotland by 2014/15

	No of h'holds/individuals affected	Estimated loss £m p.a.	Average loss per affected h'hold/indiv £ p.a.	No. of h'holds/indiv affected per 10,000	Loss per working age adult £ p.a.
Incapacity benefits ⁽¹⁾⁽³⁾	144,000	500	3,480	410	145
Tax Credits	372,000	300	810	1,600	85
1 per cent uprating ⁽³⁾	n.a.	290	n.a.	n.a.	85
Child Benefit	621,000	225	360	2,660	65
Disability Living Allowance ⁽¹⁾⁽²⁾	55,000	165	3,000	160	50
Housing Benefit: LHA	80,000	80	1,010	340	25
Housing Benefit: 'bedroom tax'	80,000	50	620	340	15
Non-dependant deductions	28,000	30	1,130	120	10
Household benefit cap	2,600	15	4,810	10	<5
Total	n.a.	1,660	n.a.	n.a.	480

⁽¹⁾ Individuals affected; all other data refers to households

⁽²⁾ By 2017/18

⁽³⁾ By 2015/16

Source: Sheffield Hallam estimates based on official data

The methods used in the present report to estimate the impact on Scotland are more sophisticated than in either of these other studies. Also, bearing in mind that the overall reduction in welfare spending across the UK (based on Treasury figures) is approaching £19bn a year, and that Scotland accounts for around 8 per cent of the UK population, the estimated financial loss to Scotland of £1.66bn a year is intuitively plausible.

The individual welfare reforms vary greatly in the scale of their impact, in the number of individuals or households affected, and in the intensity of the financial loss imposed on those affected. A great deal of media coverage has focussed on, for example, the 'bedroom tax' and the overall household benefit cap. In fact, in Scotland the biggest financial impact comes from the reform of incapacity benefits – an estimated loss of £500m a year. Changes to Tax Credits and the 1 per cent up-rating of most working-age benefits, taking effect from April 2013, also account for substantial sums - £300m and £290m respectively.

Child Benefit changes affect the largest number of households – more than 600,000 in Scotland. This is because the three-year freeze in Child Benefit rates up to April 2014 (instead of up-rating with inflation) impacts on all recipients.

The household benefit cap, by contrast, impacts on relatively few households in Scotland – an estimated 2,600 – but the average financial loss for each of these households is relatively large.

Sickness and disability claimants can also expect to be hit hard. The individuals adversely affected by the incapacity benefit reforms can expect to lose an average of £3,500 a year, and those losing out as a result of the changeover from Disability Living Allowance to Personal Independence Payments by an average of £3,000 a year. Often these will be the same individuals: most DLA claimants of working age are out-of-work on incapacity benefits and in both cases the groups most exposed to benefit reductions are those with less severe disabilities or health problems.

The same individuals may also find that they encounter reductions in Housing Benefit entitlement. The overall reductions in Housing Benefit in Scotland are estimated to be more modest – £80m for those in the private rented sector (affected by LHA reforms), £50m for those in the social rented sector (affected by the 'bedroom tax') and £30m by higher deductions for non-dependants (which mostly impact on Housing Benefit). The losses for the households affected – often £1,000 a year – are nevertheless still large.

Impact by authority

Table 2 shows the estimated overall impact by local authority of the reforms. Tables in the appendix present detailed figures for each authority, benefit by benefit.

The biggest impact in absolute terms and on a per capita basis falls on Glasgow, where the welfare reforms are estimated to result in a loss of almost £270m a year, equivalent to £650 a year for every adult of working age in the city. On per

capita basis a number of other older industrial areas are also hit hard. These include Inverclyde, Dundee, West Dunbartonshire, North Lanarkshire, Clackmannanshire and North and East Ayrshire.

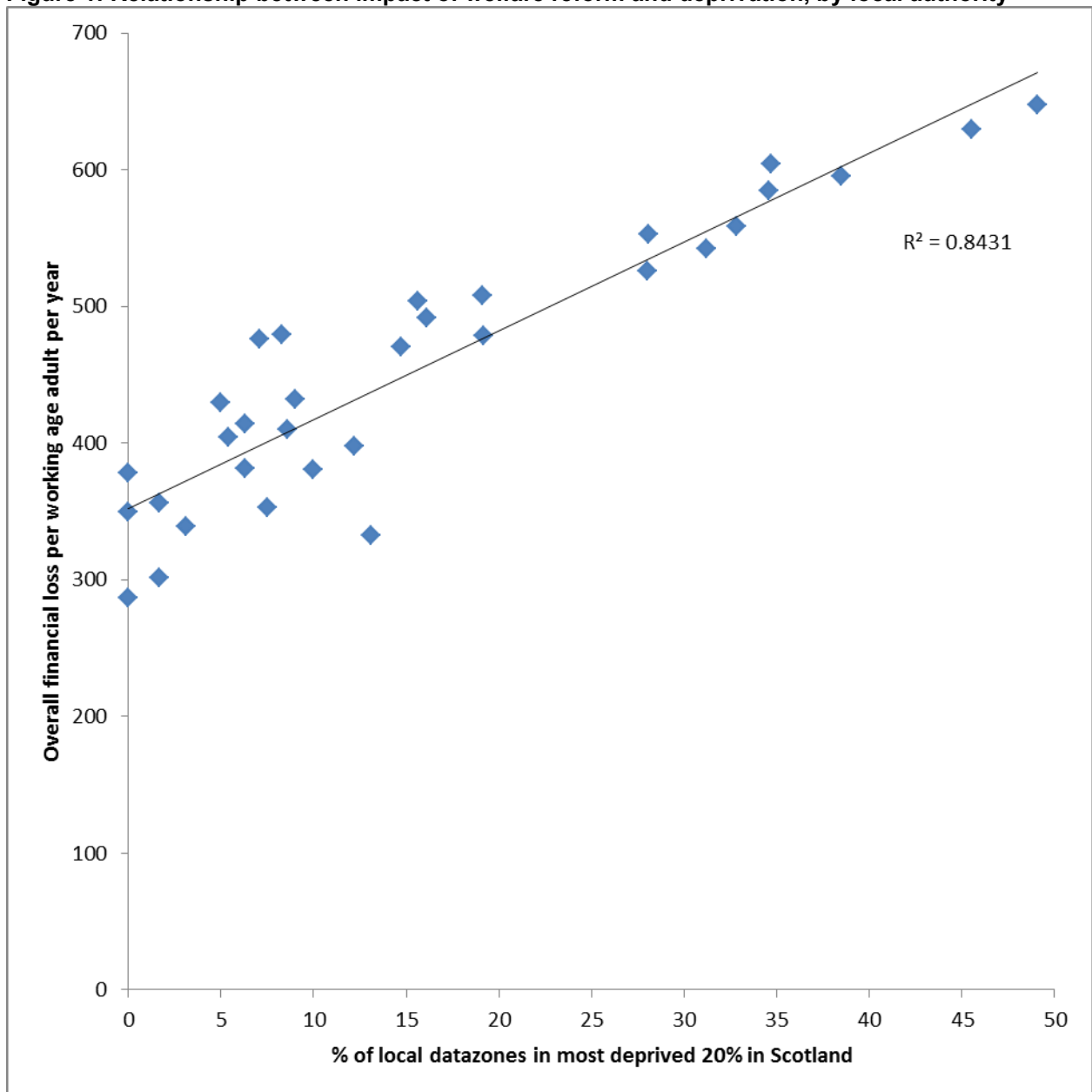
Table 2: Overall impact of welfare reform on Scotland by 2014/15⁽¹⁾, by local authority

	Estimated loss £m p.a.	Loss per working age adult £ p.a.
Glasgow	269	650
Inverclyde	33	630
Dundee	58	600
West Dunbartonshire	36	600
North Ayrshire	51	580
North Lanarkshire	123	560
Clackmannanshire	18	550
East Ayrshire	43	540
Renfrewshire	60	530
South Lanarkshire	104	510
South Ayrshire	35	500
West Lothian	57	490
Dumfries and Galloway	44	480
Fife	113	480
Midlothian	25	480
Falkirk	48	470
Argyll and Bute	24	430
East Lothian	27	430
Angus	30	410
Highland	60	410
Edinburgh	135	400
Scottish Borders	29	400
Eilean Siar	6	380
Perth and Kinross	36	380
Stirling	22	380
Moray	21	360
East Renfrewshire	20	350
Orkney Islands	5	350
East Dunbartonshire	22	340
Aberdeen	52	330
Aberdeenshire	49	300
Shetland Islands	4	290
Scotland	1,660	480

⁽¹⁾ Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Source: Sheffield Hallam estimates based on official data

Figure 1: Relationship between impact of welfare reform and deprivation, by local authority



Sources: Sheffield Hallam estimates and Scottish Indices of Deprivation 2012

By contrast, the financial loss to Edinburgh – an estimated £135m, or £400 per adult of working age – is significantly smaller.

The parts of Scotland that are least affected by the reforms are in North East Scotland, Orkney and Shetland, and two relatively affluent districts (East Renfrewshire and East Dunbartonshire) in the central belt. However, it is worth noting that even in some of these local authorities the absolute losses remain large. Aberdeen, for example, can still expect to lose £50m a year.

There are no surprises in this geography. It is to be expected that welfare reforms will hit hardest in the places where welfare claimants are concentrated, which in turn tend to be the poorest areas with the highest rates of worklessness. To underline this point, Figure 1 shows the relationship between the impact of the welfare reforms (measured in terms of the loss per adult of working age) and the share of the datazones⁸ in each local authority in the most deprived in Scotland (from the *Scottish Indices of Deprivation 2012*). There is a clear and unambiguous relationship: as a general rule, the more deprived the local authority, the greater the financial hit.

Comparisons with the rest of Britain

Table 3 compares the impact of each of the welfare reforms in Scotland with the impact across Britain as a whole⁹. This shows that the incapacity reforms and, to a lesser extent the DLA reforms, have a greater than average impact in Scotland. This is a reflection of the high claimant rate of both these benefits in Scotland. Conversely, the LHA reforms to Housing Benefit for claimants in the private rented sector hit Scotland less severely. This is partly a reflection of the smaller scale of the Scottish private rented sector and partly the higher rent levels in and around London.

Overall, the scale of the financial loss in Scotland – measured per adult of working age – is more or less on a par with the GB average.

What should not escape note, however, is that the gap between Scotland and the GB average would have been somewhat wider – around £20 per adult of working age – if the Scottish Government had chosen to pass on the cut in Council Tax Benefit to local authorities and thence to claimants. The Scottish Government, along with the Welsh Government and a number of English local authorities, has instead opted to absorb the reduction elsewhere within its budget. As in the rest of the UK, the DWP grant to pay for Council Tax Benefit has been reduced by 10 per cent, so this element of the welfare reforms still impacts on Scotland; the difference between Scotland and parts of England is that the impact does not fall directly on claimants.

⁸ Datazones are small geographical units with between 500 and 1,000 residents.

⁹ See C Beatty and S Fothergill (2013) *Hitting the Poorest Places Hardest: the local and regional impact of welfare reform*, CRESR, Sheffield Hallam University. The report can be accessed at www.shu.ac.uk/cresr

Table 3: Impact of welfare reform on Scotland by 2014/15: comparison with GB averages

	Loss per working age adult £ p.a.	
	Scotland	Great Britain
Incapacity benefits ⁽³⁾	145	110
Tax Credits	85	90
1 per cent uprating ⁽³⁾	85	85
Child Benefit	65	70
Disability Living Allowance ⁽²⁾	50	40
Housing Benefit: LHA	25	40
Housing Benefit: 'bedroom tax'	15	10
Non-dependant deductions	10	10
Household benefit cap	<5	5
Council Tax Benefit	0 ⁽¹⁾	10
Total	480	470

⁽¹⁾ Reductions not passed on to claimants

⁽²⁾ By 2017/18

⁽³⁾ By 2015/16

Source: Sheffield Hallam estimates based on official data

Table 4: Overall impact of welfare reform by 2014/15⁽¹⁾: comparison with GB regions

	Estimated loss £m p.a.	Loss per working age adult £ p.a.
North West	2,560	560
North East	940	560
Wales	1,070	550
London	2,910	520
Yorkshire and the Humber	1,690	500
West Midlands	1,740	490
Scotland	1,660	480
East Midlands	1,310	450
South West	1,440	430
East	1,490	400
South East	2,060	370
Great Britain	18,870	470

⁽¹⁾ Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Source: Sheffield Hallam estimates based on official data

Table 4 compares Scotland with Wales¹⁰ and the English regions. What is clear here is that although the financial loss to Scotland is large, on a per capita basis a number of other parts of Britain are being hit harder. Wales and the three regions of northern England all come above Scotland in this particular ranking. So does London, where the reforms to Housing Benefit, in particular, impact much more acutely. On the other hand, the remaining regions of southern and eastern England, generally regarded as covering some of the most prosperous parts of the UK, are on a per capita basis all hit less hard than Scotland.

At the level of individual local authorities, Glasgow ranks 23rd, out of 379 districts across Britain in terms of the financial loss per working age adult. This places Glasgow below Liverpool (8th) but above Birmingham (43rd) and Manchester (45th). Glasgow's ranking would have been only a couple of places higher if the Scottish Government had chosen to pass on the reduction in Council Tax Benefit. The worst-hit place in Britain is Blackpool in North West England, at an estimated £910 a year per adult of working age, compared to £650 a year in Glasgow.

In terms of the overall financial impact of the reforms, per adult of working age, Dundee ranks 51st among GB districts, Edinburgh 238th and Aberdeen 299th.

The incapacity benefit reforms are a key driver of Glasgow's high ranking – an estimated loss of £225 a year for every adult of working age in the city (or £94m a year), placing Glasgow 6th among all GB districts and ahead of all Britain's other major cities. Glasgow also ranks 8th in terms of the impact of the Disability Living Allowance reforms, again ahead of all other major cities. In addition, the 'bedroom tax' hits hard in Glasgow – the city ranks 14th, though this time behind Liverpool and Manchester. The overall financial impact of the welfare reforms on Glasgow is diluted mainly by the modest impact of the LHA reforms affecting Housing Benefit claimants in the private rented sector, a reflection of rent levels and the relatively small scale of the private rented sector in the city, especially compared to London.

The overall scale of the financial loss in Glasgow – an estimated £269m a year when the reforms are fully implemented – is second only in Britain to Birmingham (£419m), which has a substantially larger population.

Concluding remarks

Scotland has not been singled out as the target for welfare reform. Indeed, the figures here indicate that Scotland is being hit no harder than the GB average.

Nevertheless, the impacts of the reforms on Scotland are very substantial – an estimated loss of income of more than £1.6bn a year once all the reforms have been fully implemented, or an average of £480 a year per adult of working age.

¹⁰ The figures here for Wales differ from those in a 2012 report by the Welsh Government (*Analysing the impact of the UK government's welfare reforms in Wales*). The differences arise because the present report includes the impacts currently arising from the incapacity benefit reforms initiated by Labour, includes the impact of the 1 per cent up-rating, and excludes the shift from RPI to CPI for inflation up-rating. The present report also deploys more sophisticated methods for estimating the local impact of several of the reforms.

For some of the individuals affected by the changes the loss of income is much, much greater.

What is also clear is that the financial losses arising from the reforms will hit the most deprived parts of Scotland hardest. Glasgow in particular, but also a number of other older industrial areas, will feel the impact most. The loss of benefit income, which is often large, will have knock-on consequences for local spending and thus for local employment, which will in turn will add a further twist to the downward spiral. A key effect of welfare reform will therefore be to widen the gaps in prosperity between the best and worst local economies across Scotland.

APPENDIX 1: Impact of individual welfare reforms by 2014/15⁽¹⁾, by local authority

	Housing Benefit: LHA			
	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	1,300	1	120	10
Aberdeenshire	1,700	2	170	10
Angus	1,700	2	330	25
Argyll and Bute	1,500	2	370	40
Clackmannanshire	700	1	320	20
Dumfries and Galloway	2,600	2	390	20
Dundee	3,900	4	560	40
East Ayrshire	2,200	2	430	25
East Dunbartonshire	900	1	230	10
East Lothian	1,100	1	260	20
East Renfrewshire	800	1	220	15
Edinburgh	9,500	15	430	45
Eilean Siar	200	<0.5	160	10
Falkirk	1,500	1	220	10
Fife	5,400	4	340	20
Glasgow	12,600	13	440	30
Highland	2,300	2	220	15
Inverclyde	1,900	2	530	30
Midlothian	1,000	1	310	20
Moray	1,000	1	250	15
North Ayrshire	3,100	3	510	30
North Lanarkshire	4,700	4	330	20
Orkney Islands	200	<0.5	190	15
Perth and Kinross	2,000	2	300	20
Renfrewshire	3,000	3	390	25
Scottish Borders	1,600	1	320	20
Shetland Islands	<50	<0.5	50	5
South Ayrshire	2,300	2	470	30
South Lanarkshire	4,600	4	350	20
Stirling	800	1	220	10
West Dunbartonshire	1,200	1	290	20
West Lothian	2,500	2	350	20
Scotland	80,000	80	340	25

⁽¹⁾ Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Housing Benefit: under-occupation ('bedroom tax')				
	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	2,900	2	280	10
Aberdeenshire	1,800	1	180	5
Angus	1,400	1	270	10
Argyll and Bute	1,000	1	260	10
Clackmannanshire	900	1	420	15
Dumfries and Galloway	1,900	1	290	15
Dundee	3,100	2	450	20
East Ayrshire	2,200	1	420	15
East Dunbartonshire	700	<0.5	170	5
East Lothian	1,200	1	280	10
East Renfrewshire	600	<0.5	170	5
Edinburgh	5,900	4	260	10
Eilean Siar	300	<0.5	210	10
Falkirk	2,400	2	360	15
Fife	5,200	3	320	15
Glasgow	15,800	10	550	25
Highland	2,600	2	260	10
Inverclyde	1,500	1	420	20
Midlothian	1,100	1	340	15
Moray	900	1	230	10
North Ayrshire	2,500	2	420	20
North Lanarkshire	6,000	4	430	15
Orkney Islands	200	<0.5	170	5
Perth and Kinross	1,400	1	210	10
Renfrewshire	2,900	2	380	15
Scottish Borders	1,400	1	270	10
Shetland Islands	200	<0.5	210	10
South Ayrshire	1,600	1	310	15
South Lanarkshire	4,600	3	340	15
Stirling	1,000	1	260	10
West Dunbartonshire	2,300	1	560	25
West Lothian	2,600	2	350	15
Scotland	80,000	50	340	15

Non-dependant deductions				
	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	800	1	80	5
Aberdeenshire	700	1	60	5
Angus	500	1	100	10
Argyll and Bute	400	<0.5	100	10
Clackmannanshire	300	<0.5	130	10
Dumfries and Galloway	800	1	120	10
Dundee	1,100	1	160	15
East Ayrshire	800	1	150	10
East Dunbartonshire	300	<0.5	80	5
East Lothian	400	<0.5	100	5
East Renfrewshire	300	<0.5	80	5
Edinburgh	2,200	3	100	10
Eilean Siar	100	<0.5	120	10
Falkirk	800	1	110	10
Fife	1,800	2	110	10
Glasgow	5,100	6	180	15
Highland	1,000	1	100	10
Inverclyde	600	1	160	10
Midlothian	400	<0.5	110	10
Moray	300	<0.5	90	5
North Ayrshire	900	1	160	10
North Lanarkshire	2,100	2	150	10
Orkney Islands	100	<0.5	70	5
Perth and Kinross	500	1	80	5
Renfrewshire	1,100	1	140	10
Scottish Borders	500	1	100	10
Shetland Islands	100	<0.5	70	5
South Ayrshire	600	1	130	10
South Lanarkshire	1,800	2	130	10
Stirling	300	<0.5	90	5
West Dunbartonshire	700	1	180	15
West Lothian	900	1	120	10
Scotland	28,000	30	120	10

	Household benefit cap			
	No of h'holds affected	Estimated loss £m p.a.	No. of h'holds affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	200	1	20	5
Aberdeenshire	100	<0.5	10	<5
Angus	<50	<0.5	10	<5
Argyll and Bute	<50	<0.5	<5	<5
Clackmannanshire	<50	<0.5	10	5
Dumfries and Galloway	<50	<0.5	10	<5
Dundee	100	1	20	5
East Ayrshire	<50	<0.5	10	5
East Dunbartonshire	<50	<0.5	10	5
East Lothian	<50	<0.5	10	5
East Renfrewshire	<50	<0.5	10	<5
Edinburgh	500	3	20	10
Eilean Siar	<50	<0.5	10	<5
Falkirk	100	<0.5	10	<5
Fife	200	1	10	5
Glasgow	400	2	10	5
Highland	100	<0.5	10	<5
Inverclyde	<50	<0.5	10	<5
Midlothian	100	<0.5	20	5
Moray	<50	<0.5	<5	<5
North Ayrshire	100	<0.5	10	5
North Lanarkshire	100	1	10	<5
Orkney Islands	-	-	-	-
Perth and Kinross	100	<0.5	10	5
Renfrewshire	100	<0.5	10	5
Scottish Borders	<50	<0.5	10	5
Shetland Islands	-	-	-	-
South Ayrshire	<50	<0.5	10	5
South Lanarkshire	100	1	10	5
Stirling	<50	<0.5	10	<5
West Dunbartonshire	<50	<0.5	10	5
West Lothian	100	<0.5	10	5
Scotland	2,600	15	10	5

Disability Living Allowance				
	No of individuals affected	Estimated loss £m p.a.	No. of individuals affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	1,700	5	110	35
Aberdeenshire	1,600	5	100	30
Angus	1,000	3	140	40
Argyll and Bute	800	2	140	40
Clackmannanshire	600	2	170	50
Dumfries and Galloway	1,600	5	170	50
Dundee	1,900	6	200	60
East Ayrshire	1,400	4	180	55
East Dunbartonshire	800	2	120	35
East Lothian	800	3	130	40
East Renfrewshire	700	2	120	35
Edinburgh	3,900	12	120	35
Eilean Siar	200	1	130	40
Falkirk	1,600	5	160	50
Fife	3,400	10	150	45
Glasgow	9,300	28	220	65
Highland	2,100	6	140	40
Inverclyde	1,100	3	210	65
Midlothian	900	3	170	50
Moray	700	2	120	35
North Ayrshire	1,600	5	180	55
North Lanarkshire	4,100	12	190	55
Orkney Islands	200	0	120	35
Perth and Kinross	1,200	4	130	40
Renfrewshire	2,100	6	180	55
Scottish Borders	900	3	130	40
Shetland Islands	200	0	110	30
South Ayrshire	1,200	4	170	50
South Lanarkshire	3,600	11	180	55
Stirling	700	2	130	40
West Dunbartonshire	1,400	4	230	70
West Lothian	1,900	6	170	50
Scotland	55,000	165	160	50

Incapacity benefits				
	No of individuals affected	Estimated loss £m p.a.	No. of individuals affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	4,900	17	320	110
Aberdeenshire	3,600	13	220	75
Angus	2,200	8	310	110
Argyll and Bute	1,700	6	310	110
Clackmannanshire	1,800	6	530	180
Dumfries and Galloway	3,600	12	390	135
Dundee	5,200	18	540	185
East Ayrshire	3,700	13	470	165
East Dunbartonshire	1,700	6	260	90
East Lothian	2,000	7	320	110
East Renfrewshire	1,400	5	250	90
Edinburgh	10,200	36	300	105
Eilean Siar	600	2	330	115
Falkirk	4,300	15	420	145
Fife	9,400	33	400	140
Glasgow	27,200	94	650	225
Highland	5,000	17	340	115
Inverclyde	3,300	11	630	220
Midlothian	2,000	7	380	130
Moray	1,600	6	270	95
North Ayrshire	4,300	15	490	170
North Lanarkshire	11,300	39	510	180
Orkney Islands	300	1	230	80
Perth and Kinross	2,500	9	260	95
Renfrewshire	5,300	18	460	160
Scottish Borders	2,100	7	300	105
Shetland Islands	300	1	210	75
South Ayrshire	2,900	10	420	145
South Lanarkshire	9,200	32	450	155
Stirling	1,900	7	320	115
West Dunbartonshire	3,400	12	570	200
West Lothian	4,600	16	400	140
Scotland	144,000	500	410	145

Child Benefit				
	No of households affected	Estimated loss £m p.a.	No. of households affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	21,700	8	2,070	55
Aberdeenshire	30,300	12	2,950	70
Angus	13,400	5	2,620	65
Argyll and Bute	9,500	3	2,410	65
Clackmannanshire	6,500	2	2,930	70
Dumfries and Galloway	16,700	5	2,530	60
Dundee	16,700	6	2,420	60
East Ayrshire	15,200	5	2,910	65
East Dunbartonshire	12,500	5	3,020	75
East Lothian	12,500	5	2,910	75
East Renfrewshire	11,400	5	3,170	85
Edinburgh	48,000	19	2,150	55
Eilean Siar	2,900	1	2,390	60
Falkirk	19,500	7	2,870	70
Fife	44,000	16	2,750	65
Glasgow	67,500	24	2,370	60
Highland	26,300	9	2,600	60
Inverclyde	10,100	3	2,810	65
Midlothian	10,700	4	3,120	70
Moray	10,600	3	2,690	60
North Ayrshire	17,000	6	2,830	70
North Lanarkshire	44,400	16	3,150	70
Orkney Islands	2,200	1	2,430	60
Perth and Kinross	16,400	6	2,500	60
Renfrewshire	21,600	8	2,800	70
Scottish Borders	12,900	4	2,510	60
Shetland Islands	2,600	1	2,730	70
South Ayrshire	12,800	5	2,560	65
South Lanarkshire	39,500	15	2,970	75
Stirling	10,200	4	2,660	65
West Dunbartonshire	11,600	4	2,910	65
West Lothian	23,600	9	3,270	75
Scotland	621,000	225	2,660	65

Tax Credits				
	No of households affected	Estimated loss £m p.a.	No. of households affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	10,300	8	980	55
Aberdeenshire	10,800	9	1,050	55
Angus	7,200	6	1,410	80
Argyll and Bute	5,400	4	1,380	80
Clackmannanshire	4,100	3	1,840	100
Dumfries and Galloway	11,400	9	1,720	100
Dundee	12,500	10	1,810	105
East Ayrshire	10,100	8	1,930	105
East Dunbartonshire	4,500	4	1,090	55
East Lothian	6,600	5	1,540	85
East Renfrewshire	4,400	4	1,230	65
Edinburgh	26,600	22	1,190	65
Eilean Siar	1,400	1	1,160	65
Falkirk	10,700	9	1,570	85
Fife	27,700	22	1,730	95
Glasgow	55,700	45	1,960	110
Highland	15,000	12	1,480	85
Inverclyde	6,800	6	1,900	105
Midlothian	6,100	5	1,790	95
Moray	5,300	4	1,350	75
North Ayrshire	12,200	10	2,020	115
North Lanarkshire	28,200	23	2,000	105
Orkney Islands	1,300	1	1,410	80
Perth and Kinross	9,300	8	1,420	80
Renfrewshire	13,400	11	1,730	95
Scottish Borders	7,200	6	1,410	85
Shetland Islands	900	1	930	50
South Ayrshire	8,000	6	1,600	95
South Lanarkshire	23,000	19	1,730	90
Stirling	4,900	4	1,280	70
West Dunbartonshire	7,800	6	1,950	105
West Lothian	13,500	11	1,870	95
Scotland	372,000	300	1,600	85

1 per cent uprating				
	No of h'holds/indiv affected	Estimated loss £m p.a.	No. of h'holds/indiv affected per 10,000	Financial loss per working age adult £ p.a.
Aberdeen	n.a.	8	n.a.	50
Aberdeenshire	n.a.	7	n.a.	45
Angus	n.a.	5	n.a.	70
Argyll and Bute	n.a.	4	n.a.	75
Clackmannanshire	n.a.	3	n.a.	100
Dumfries and Galloway	n.a.	8	n.a.	85
Dundee	n.a.	10	n.a.	105
East Ayrshire	n.a.	8	n.a.	100
East Dunbartonshire	n.a.	4	n.a.	55
East Lothian	n.a.	5	n.a.	75
East Renfrewshire	n.a.	3	n.a.	55
Edinburgh	n.a.	23	n.a.	70
Eilean Siar	n.a.	1	n.a.	60
Falkirk	n.a.	8	n.a.	80
Fife	n.a.	21	n.a.	90
Glasgow	n.a.	47	n.a.	115
Highland	n.a.	10	n.a.	70
Inverclyde	n.a.	6	n.a.	110
Midlothian	n.a.	4	n.a.	85
Moray	n.a.	4	n.a.	65
North Ayrshire	n.a.	10	n.a.	110
North Lanarkshire	n.a.	22	n.a.	100
Orkney Islands	n.a.	1	n.a.	60
Perth and Kinross	n.a.	6	n.a.	70
Renfrewshire	n.a.	11	n.a.	95
Scottish Borders	n.a.	5	n.a.	70
Shetland Islands	n.a.	1	n.a.	45
South Ayrshire	n.a.	6	n.a.	90
South Lanarkshire	n.a.	18	n.a.	90
Stirling	n.a.	4	n.a.	65
West Dunbartonshire	n.a.	6	n.a.	105
West Lothian	n.a.	10	n.a.	85
Scotland	n.a.	290	n.a.	85

Source: Sheffield Hallam estimates

APPENDIX 2: Details of statistical sources and methods

HOUSING BENEFIT: (1) LOCAL HOUSING ALLOWANCE

Rules governing assistance with the cost of housing for low-income households in the private rented sector

Nature of reforms

- Maximum rents set at 30th percentile of local rents, rather than 50th percentile, from 2011-12
- Caps on maximum rents for each property size, with 4-bed limit, from 2011-12
- Abolition of £15 excess formerly retained by tenants paying below maximum LHA rent, from 2011-12
- Increase age limit for shared room rate from 25 to 35, from January 2012
- Switch from 30th percentile rents to CPI indexation for LHA, from 2013-14

Total estimated loss

£1,645m a year by 2014-15
(Source: HM Treasury)

Methods and data sources

- Total loss arising from 30th percentile, size caps and £15 excess (£1040m pa) allocated to local authorities on the basis of DWP estimates of the number of households affected and the average final loss (Source: *DWP Impacts of Housing Benefit proposals: changes to LHA to be introduced in 2011-12*)
- Loss arising from increase in age limit for shared room rate (£215m pa) allocated to local authorities on the basis of estimates of the numbers losing and average loss per week in each authority (Source: *DWP Housing Benefit equality impact assessment: increasing the shared accommodation rate age threshold to 35*)
- Loss arising from CPI indexation (£390m pa) allocated to local authorities on the basis of the number of Housing Benefit claims in the private rented sector in each authority in August 2012 (Source: DWP)
- Number of affected households based on number of Housing Benefit claimants in August 2012 in the private rented sector in each authority and the national share receiving LHA (Source: DWP). NB All LHA recipients affected by shift to CPI indexation.

HOUSING BENEFIT: (2) UNDER-OCCUPATION

New rules governing the size of properties for which payments are made to working age claimants in the social rented sector (council and housing association)

Nature of the reform

- Limit Housing Benefit payments to working-age households in social rented accommodation to a level reflecting the number of bedrooms justified by the size and age composition of the household, from 2013-14

Total estimated loss

£490m a year by 2014-15
(Source: HM Treasury)

Methods and data sources

- Estimated number of households affected in each region (Source: DWP Impact Assessment *Housing Benefit: under-occupation of social housing, June 2012 update*) allocated by region to each local authority on the basis of the number in social housing claiming Housing Benefit in August 2012 (Source: DWP)
- Financial loss allocated to each local authority on the basis of estimated number of affected households (see above) and estimated average loss per claimant in each region (Source: DWP Impact Assessment, *June 2012 update*)

NON-DEPENDANT DEDUCTIONS

Deductions from Housing Benefit, Council Tax Benefit and other income-based benefits to reflect the contribution that non-dependant household members are expected to make towards the household's housing costs.

Nature of reform

- Up-rating the deductions in stages between April 2011 and April 2014 to reflect growth in rents and increases in Council Tax since 2001, when the deductions were frozen, and subsequent link to prices

Total estimated loss

£340m a year by 2014-15
(Source: HM Treasury)

Methods and data sources

- Estimated 300,000 claimants affected (Source: DWP *Equality Impact Assessment: income-related benefits: changes to the non-dependent deduction rates*) allocated on the basis of the number of Housing Benefit and Council Tax Benefit claimants in each local authority in August 2012 (Source: DWP).
- Financial loss allocated to local authorities on the basis of the estimated numbers affected (see above)

HOUSEHOLD BENEFIT CAP

New ceiling on total payments per household applying to wide range of benefits, including Child Benefit, Child Tax Credit, Employment and Support Allowance, Housing Benefit, Incapacity Benefit, Income Support and Jobseeker's Allowance

Nature of reforms

- Total household benefit payments for working-age claimants capped so that workless households receive no more in benefit than the average weekly wage, after tax and national insurance, from 2013-14, administered through Housing Benefit payments

Total estimated loss

£270m a year by 2014-15
(Source: HM Treasury)

Methods and data sources

- Loss allocated to local authorities on the basis of the number of individuals in each authority in receipt of a letter notifying them that they may be affected by the benefit cap (Source: DWP)
- National total of 56,000 households expected to be capped in 2013/14 (Source: DWP *Benefit Cap (Housing Benefit regulations 2012): impact assessment for the benefit cap*) allocated to local authorities in proportion to letters of notification.

COUNCIL TAX BENEFIT

Paid to households on low incomes to offset Council Tax bills, in whole or in part

Nature of the reform

- 10 per cent reduction in expenditure by HM Treasury and transfer of responsibility for the scheme to local authorities, from 2013-14.
- Reduction in entitlement only permitted for working-age households; entitlement of pensioner households fully protected.
- Some local authorities in England have chosen not to pass on the reduction to claimants, in whole or in part, absorbing the cut within their budget. In Scotland and Wales the devolved administrations have made arrangements that avoid the reduction falling on claimants.

Total estimated loss

£490m a year by 2014-15 (Source: HM Treasury)
of which an estimated £340m a year is being passed on to claimants

Methods and data sources

- Number of households affected and average weekly loss, by authority, from statistics assembled by the New Policy Institute, as updated on 7th February 2013 at www.npi.org.uk. The NPI calculations are based on information assembled from each local authority.
- The NPI data shows that some local authorities in England have chosen not to pass on the benefit reduction to claimants, in whole or in part, absorbing the cut elsewhere within their budget. In Scotland and Wales the devolved administrations have not passed on the cut to local authorities, thereby avoiding any impact on claimants.
- Where the NPI identifies only 'minor changes' the impact has been set to zero.

DISABILITY LIVING ALLOWANCE

Payments intended to help offset the additional financial costs faced by individuals of all ages with disabilities, including those both in and out of work

Nature of reform

- Phased replacement of Disability Living Allowance (DLA) for working-age claimants by Personal Independence Payments (PIP), from 2013-14
- Introduction of more stringent medical test and regular re-testing
- Reduction in number of payment categories

Total estimated loss

£1,500m a year by 2017-18

(Source: DWP Impact Assessment *Disability Living Allowance reform*, adjusted for inflation and revised implementation timetable)

Methods and data sources

- Anticipated reduction in national caseload of working age to 1.7m (Source: DWP Impact Assessment) represents a 23 per cent reduction in anticipated numbers in absence of reform
- Numbers affected refer to the 23 per cent reduction in claimants, allocated on the basis of stock of working age DLA claimants in each local authority in February 2012 (Source: DWP). Additionally, a number of claimants in receipt of PIP instead of DLA may experience a reduction in payment.
- Financial loss allocated to each local authority on basis of reduction in claimant numbers (see above)

INCAPACITY BENEFITS

Out-of-work payments to men and women of working age with health problems or disabilities, including Employment and Support Allowance (ESA) and its predecessors Incapacity Benefit, Income Support on grounds of disability, and Severe Disablement Allowance

Nature of reforms

- Introduction of ESA for new claimants and a new, tougher medical test (the Work Capability Assessment), from October 2008
- Applying the Work Capability Assessment to existing incapacity claimants from autumn 2010 onwards, and migration to ESA if not deemed 'fit for work'
- Time-limiting to 12 months non-means tested entitlement for ESA Work Related Activity Group, from 2012-13
- New conditionality for ESA Work Related Activity Group

Total estimated loss

£4,350m a year by 2015-16, comprising:

- £2,600m a year from time limiting of non-means tested entitlement (Source: HM Treasury estimates for 2014-15, revised to take account of inflation and additional numbers affected by 2015-16)
- c. £1,750m a year from remaining measures (see below)

Methods and data sources

- By 2015-16, an estimated 700,000 will be affected by time limiting non-means tested ESA entitlement. Of these, 40 per cent are anticipated to lose benefit entirely and the remaining 60 per cent will experience a reduction in payment (Source: DWP Impact Assessment *Time limit contributory Employment and Support Allowance to one year for those in the Work-Related Activity Group*).

Welfare Reform Committee, 2nd Report, 2013 (Session 4) — Annexe A

- By 2014 an additional 550,000 are estimated to be denied ESA by other elements of the reforms, of which 30 per cent will not claim alternative benefits (Source: Beatty and Fothergill 2011, *Incapacity benefit reform: the local regional and national impact*, CRESR, Sheffield Hallam University).
- Numbers affected by local authority allocated on the basis of methods in Beatty and Fothergill (2011) based primarily on DWP claimant data, DWP impact assessments and DWP evidence from pilot areas.
- Financial loss arising from time limiting allocated in 3:1 ratio between those losing benefit entirely and those retaining benefit at reduced rate, on the basis of estimated numbers in each group by local authority.
- Financial loss arising from other elements of the reforms estimated to be two-thirds that arising from time limiting, given of numbers affected and proportion expected to be denied benefits. (Treasury or DWP estimates have not been published). Loss allocated in 2:1 ratio between those denied benefit entirely and those claiming other benefits at a lower rate, on the basis of estimated numbers in each group by local authority.

CHILD BENEFIT

Paid to households on the basis of the number of children up to age 16 or, if they remain at school or in further education, up to 19

Nature of reforms

- Freeze benefit rates for three years from 2011-12, instead of up-rate with inflation
- Withdrawal of benefit from households including a higher earner (threshold at £50,000 and taper to £60,000), from January 2013

Total estimated loss

£2,845m a year by 2014-15
(Source: HM Treasury)

Methods and data sources

- Numbers of families in receipt of Child Benefit, by local authority in August 2011, from HMRC (Source: HMRC *Child Benefit Statistics: geographical analysis*). NB All recipients affected by freeze.
- Financial loss arising from freeze (£975m pa) allocated on basis of number of families in receipt of Child Benefit in each local authority (see above)
- Financial loss arising from withdrawal of benefit from high earners (£1,870m pa) allocated on basis of number of families in receipt of Child Benefit multiplied by an index of median earnings in the three years 2010, 2011 and 2012 of residents in each local authority relative to the UK average (Source: Annual Survey of Hours and Earnings). County averages used where earnings data for districts is unavailable.

TAX CREDITS

Payments through the tax system of Child Tax Credit (CTC) and Working Families Tax Credit (WFTC) to lower and middle income households

Nature of reforms

- Adjustments to thresholds, withdrawal rates, supplements, income disregards and backdating provisions, from 2011-12 onwards
- Changes in indexation and up-rating, from 2011-12 onwards
- Reductions in childcare element of WFTC, from 2011-12
- Increase in working hours requirement for WFTC, from 2012-13

Total estimated loss

£3,660m (net) a year by 2014-15
(Source: HM Treasury)

Methods and data sources

- Overall loss allocated on the basis of the total number of families in receipt of CTC or WFTC in December 2012, by local authority (Source: HMRC *Child and Working Tax Credits Statistics: geographical analysis*)
- All families in receipt of CTC or WFTC affected by one or more of the changes

1 PER CENT UP-RATING

Annual up-rating of value of benefits

Nature of reform

- 1 per cent up-rating (instead of by CPI) for three years from 2013-14 for main working-age benefits, and for two years from 2014-15 for Child Benefit and for Local Housing Allowance within Housing Benefit

Total estimated loss

£3,430m a year by 2015-16
(Source: HM Treasury)

Methods and data sources

- Total loss divided equally between DWP-administrated benefits and HMRC-administrated benefits (Child Benefit, CTC, WFTC), reflecting split of overall expenditure on relevant benefits (Sources: DWP and HMRC)
- HMRC benefits loss allocated on basis of total number of families in receipt of CTC or WFTC in December 2012, (Source: HMRC *Child and Working Tax Credits: geographical analysis*)
- DWP benefits loss divided 75:25 between working age benefits and Housing Benefit, reflecting split of overall expenditure on relevant benefits (Source: DWP)
- DWP working age benefits loss allocated on basis of non-employed working age benefit numbers in February 2012, by local authority (Source: DWP)
- Housing Benefit loss allocated on basis of estimated expenditure on claimants in the private rented sector, by local authority, derived from overall Housing Benefit expenditure data for 2011/12 and share of claimants in the private rented sector in August 2012 (Sources: DWP)

Members who would like a printed copy of this *Numbered Report* to be forwarded to them should give notice at the Document Supply Centre.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by APS Group Scotland

All documents are available on
the Scottish Parliament website at:

www.scottish.parliament.uk

For details of documents available to
order in hard copy format, please contact:
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@scottish.parliament.uk

ISBN 978-1-78307-786-1
