

The Scottish Parliament  
Pàrlamaid na h-Alba

**Welfare Reform Committee**

**5th Report, 2014 (Session 4)**

**Report on Local Impact of Welfare Reform**

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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  
Jamie Hepburn (Deputy Convener)  
Alex Johnstone  
Kenneth Macintosh  
Michael McMahon (Convener)  
Kevin Stewart

#### **Committee Clerking Team:**

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Rebecca Macfie

##### **Committee Assistant**

Kevin Dougan



The Scottish Parliament  
Pàrlamaid na h-Alba

**Welfare Reform Committee**

**5th Report, 2014 (Session 4)**

**Report on Local Impact of Welfare Reform**

The Committee reports to the Parliament as follows—

1. In January 2014, the Committee commissioned research on the local impact of welfare reform 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 LOCAL IMPACT OF WELFARE REFORM**

**THE LOCAL IMPACT OF WELFARE REFORM**  
A report for the Scottish Parliament

**Christina Beatty and Steve Fothergill**

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

**June 2014**

### **Key points**

- *A 2013 report by the present authors documented the impact of welfare reform on Scotland as a whole and on its constituent local authorities. This new report extends the analysis down to ward level.*
- *Revised figures confirm that when the 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 £460 a year for every adult of working age.*
- *Although the financial loss is large, the scale of the loss in Scotland is broadly on a par with the GB average.*
- *At the level of electoral wards, there is a roughly four-fold difference between the worst and least hit communities. Calton ward in Glasgow is hit hardest (£880 per adult of working age per year). St Andrews in Fife (£180) escapes lightest.*
- *A dozen Glasgow wards figure prominently among the list of worst affected places in Scotland.*
- *There is a clear relationship between the extent of deprivation and the scale of the financial loss. The most deprived wards are hit hardest.*
- *The reforms to incapacity benefits are resulting in the biggest financial losses, particularly in more disadvantaged communities.*
- *Some households and individuals are hit by several different elements of the reforms. Incapacity claimants, for example, will often also lose out because of the reforms to Disability Living Allowance and may lose from reforms to Housing Benefit if they live in the private rented sector or if they have grown-up children still living at home. They are also hit by the failure to uprate benefits with inflation.*
- *In the absence of a big shift into employment, a key effect of the welfare reforms will be to widen the gaps in income between communities.*

## THE LOCAL IMPACT OF WELFARE REFORM

### 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, varies 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 within Scotland at the level of *electoral wards*. This fine-grain picture is important because there is large variation in the impact not only between local authorities but also between individual neighbourhoods and communities. The report also considers the impact on different types of households and individuals.

In April 2013 the Scottish Parliament published a report by the present authors which for the first time documented the impact of the reforms across Scotland as a whole and in each of its 32 constituent local authorities<sup>1</sup>. The new report builds directly on the foundations of this earlier study.

As in the 2013 report, 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 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 in the 2013 report covered all the major welfare reforms that have been underway in Scotland since 2010. Some of these reforms are now fully in place, others are currently underway and a small number still have a long way to run before coming to full fruition.

The reforms covered by the present report 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.

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<sup>1</sup> C Beatty and S Fothergill (2013) *The Impact of Welfare Reform on Scotland*, Scottish Parliament, Edinburgh. The research on which the report was based was co-funded by the Scottish Parliament, the *Financial Times*, and Sheffield Hallam University.

**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 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.

In the Scottish context, two important omissions from the list are worth noting:

- *Council Tax Benefit*. In collaboration with Scottish local authorities, the Scottish Government has chosen not to pass on to claimants the Westminster Government's 10 per cent cut in the value of Council Tax Benefit payments.



- *Housing Benefit: under-occupation in the social rented sector.* This reform, better known as the 'Bedroom Tax', is effectively not being implemented in Scotland from 2014-15 as a result of the decision to make available sufficient funding for Discretionary Housing Payments to fully offset the reduction in Housing Benefit.

The 'Bedroom Tax' was included in the Scottish figures published in the 2013 report but, in the light of the new arrangements, is not included here. The 'Bedroom Tax' and the reductions in Council Tax Benefit continue to be included in the comparative figures for the other parts of the UK where they have been implemented.

Three further omissions are worth noting:

- *Universal Credit.* This is scheduled to replace just about all means-tested working age benefits and is arguably the most ambitious reform of all. The introduction of Universal Credit is however distinctly different from the other reforms. Unlike the others, it is not expected to lead directly to a reduction in welfare spending and is better understood as a repackaging of existing benefits that for the first time introduces a consistent benefit withdrawal rate, but the rules governing eligibility are essentially carried over from the existing benefits it replaces.
- *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, including those that no longer apply to Scotland, 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.

In essence, this new report takes the estimates for local authorities published in the 2013 report for the Scottish Parliament and drills them down to the local, ward level. The 2013 estimates by authority have been modified only to remove the impact of the 'Bedroom Tax' and to take account of new data on the impact of the household benefit cap.

The Westminster Government has in most cases not produced estimates of the impact of the reforms by local authority, let alone by ward. 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 figures<sup>2</sup>.
- The *Impact Assessment* and (where available) *Equality Impact Assessment* that Westminster departments publish for each element of the reforms<sup>3</sup>
- 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

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 year<sup>4</sup>.

In comparing the impact on different areas, the report looks in particular at the financial loss *per adult of working age*<sup>5</sup>. 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 largely unaffected<sup>6</sup>.

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

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<sup>2</sup> The GB-wide estimates of the impact of the reforms to incapacity benefits, DLA and Council Tax Benefit, the Household Cap and the 'Bedroom Tax' are subject to further detailed adjustment – see appendix.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> From the 2011 Census of Population.

<sup>6</sup> 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.

entitlement of *individuals*. Additionally, several of the reforms 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 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 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. The figures in this report (and its 2013 predecessor) therefore 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 as a whole**

To provide a context for the local figures, Table 1 shows the estimated impact of the welfare reforms on Scotland as a whole. These figures are taken from the 2013 report but have been up-dated to incorporate new data on the household benefit cap and now exclude the 'Bedroom Tax', so in detail they differ a little from those previously published<sup>7</sup>

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 £460 a year for every adult of working age.

These revised estimates are £60m, and £20 a year per adult of working age, down on the figures in the 2013 report. The difference is attributable to the measures to avert the 'Bedroom Tax' (worth around £50m a year to claimants in Scotland) and also to the smaller-than-expected numbers impacted by the household benefit cap.

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. In Scotland, and indeed in the rest of the UK, the biggest financial impact comes from the reform of incapacity benefits – an estimated loss in Scotland of £500m a year. Changes to Tax Credits and the 1 per cent up-

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<sup>7</sup> The figures also take more accurate account of DLA claimants who experience a partial loss of benefit as a result of the changeover to PIP.

**Table 1: Impact of welfare reform on Scotland (revised figures)**

	<b>No of h'holds/individ uals adversely affected</b>	<b>Estimated loss £m p.a.</b>	<b>per affected h'hold/indiv £ p.a.</b>	<b>No. of h'holds/indiv affected per 10,000</b>	<b>Loss per working age adult £ p.a.</b>
Incapacity benefits <sup>(1)(3)</sup>	144,000	500	3,480	410	145
Tax Credits	372,000	300	810	1,600	85
1 per cent uprating <sup>(3)</sup>	n.a.	290	n.a.	n.a.	85
Child Benefit	621,000	225	360	2,660	65
Disability Living	106,000	165	1,560	310	50
Housing Benefit: LHA <sup>(1)(2)</sup>	80,000	80	1,010	340	25
Non-dependant	28,000	30	1,130	120	10
Household benefit cap	1,900	10	4,600	<10	<5
<b>Total</b>	<b>n.a.</b>	<b>1,600</b>	<b>n.a.</b>	<b>n.a.</b>	<b>460</b>

<sup>(1)</sup> Individuals affected; all other data refers to households<sup>(2)</sup> By 2017/18<sup>(3)</sup> By 2015/16

All other impacts by 2014-15

Source: Sheffield Hallam estimates based on official data

rating of most working-age benefits 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) impacted on all recipients.

The household benefit cap, by contrast, impacts on relatively few households in Scotland – just 1,900 according to the latest figures – but the average financial loss for each of these households is relatively large.

As the 2013 report noted, the overall scale of the financial loss in Scotland (now estimated to be £460 per adult of working age per year) is more or less on a par with the GB average (£470). Scotland is hit harder than South East England (£370) but less than Wales (£550), London (£520) or North East England (£560)<sup>8</sup>.

It should not escape note, however, that the impact in Scotland would have been around £35 a year higher (i.e. around £495 per adult of working age) if the Scottish Government had not struck a deal with local authorities to avoid passing on the cut in Council Tax Benefit or put in place arrangements to defray the impact of the 'Bedroom Tax'. The financial burden of these welfare reforms is being borne by public sector budgets in Scotland rather than by benefit claimants.

### **The impact by local authority**

Table 2 shows the estimated overall impact by local authority of the reforms. Again, this is a modified and up-dated version of the figures published in the 2013 report and the figures now exclude the 'Bedroom Tax'. Tables in the appendix to the 2013 report presented 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 £259m a year, equivalent to £620 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.

By contrast, the financial loss to Edinburgh – an estimated £130m, or £390 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.

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<sup>8</sup> The figures quoted here for GB, Wales, London, South East and North East are from the 2013 report have not been revised to take account of new data on the impact of the 'Bedroom Tax' and household benefit cap.

**Table 2: Overall impact of welfare reform on Scotland, by local authority (revised figures)**

	Estimated loss £m p.a.	Loss per working age adult £ p.a.
Glasgow	259	620
Inverclyde	32	600
West Dunbartonshire	35	580
Dundee	56	560
North Ayrshire	49	560
North Lanarkshire	119	540
East Ayrshire	42	520
Clackmannanshire	18	520
Renfrewshire	58	510
South Lanarkshire	101	490
South Ayrshire	34	490
West Lothian	55	470
Fife	109	460
Dumfries and Midlothian	43	460
Falkirk	25	460
Argyll and Bute	46	450
East Lothian	23	420
Highland	26	410
Angus	59	400
Edinburgh	29	400
Scottish Borders	130	390
Perth and Kinross	28	390
Eilean Siar	35	380
Stirling	6	370
East Renfrewshire	22	370
Moray	20	350
Orkney Islands	20	340
East Dunbartonshire	5	340
Aberdeen	22	330
Aberdeenshire	50	310
Shetland Islands	48	290
	4	270
<b>Scotland</b>	<b>1,600</b>	<b>460</b>

All impacts by 2014-15 except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16

Source: Sheffield Hallam estimates based on official data

As the 2013 report explained, 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 tend to be in the poorest areas with the highest rates of worklessness.

At the level of individual local authorities, Glasgow ranks 23<sup>rd</sup>, out of 379 districts across Britain in terms of the financial loss per working age adult<sup>9</sup>. This places Glasgow below Liverpool (8<sup>th</sup>) but above Birmingham (43<sup>rd</sup>) and Manchester (45<sup>th</sup>)<sup>10</sup>. 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 £620 a year in Glasgow.

The overall scale of the financial loss in Glasgow – an estimated £259m a year when the reforms are fully implemented – is second only in Britain to Birmingham (£419m)<sup>11</sup>, which has a substantially larger population.

### The impact by ward

The new, local estimates in the present report are all for *electoral wards*. There are 353 of these across Scotland as a whole. Scottish wards have an average population of 15,000 but tend to be larger (in terms of population) in cities than in rural areas.

Wards are the lowest spatial scale at which reliable estimates of the impact of welfare reform can be generated. At a finer geographical scale – in Scotland the option would be datazones – there is plenty of data to assist the estimation process but the relatively small number of residents in each zone – between 500 and 1,000 – means that the resulting figures would be subject to a wide margin of error. Electoral wards have the added advantage of being recognisable units, often familiar to politicians, administrators and residents.

The estimates for wards presented here are for the *overall financial loss*, per adult of working age per year when the reforms have come to full fruition. These overall estimates have been built up from benefit-by-benefit calculations. The appendix to the report presents maps and statistics by ward for each of Scotland's 32 local authorities.

Table 3 list the wards with the highest and lowest financial losses. Unsurprisingly, the size of the gap between the 'worst' and 'best' wards is greater than between local authorities. Whereas the welfare reforms hit Glasgow rather more than twice as hard (per adult of working age) as Shetland, the least affected authority in Scotland, the worst affected wards are hit around four times harder than the least affected. The extremes are Calton, in Glasgow, with an estimated financial loss of £880 a year per adult of working age, and St Andrews, in Fife, where the loss is just £180 a year.

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<sup>9</sup> See C Beatty and S Fothergill (2013) *Hitting the Poorest Places Hardest: the local and regional impact of welfare reform*, CRESR, Sheffield Hallam University.

<sup>10</sup> Comparisons based on unrevised 2013 estimates.

<sup>11</sup> Unrevised 2013 estimate.

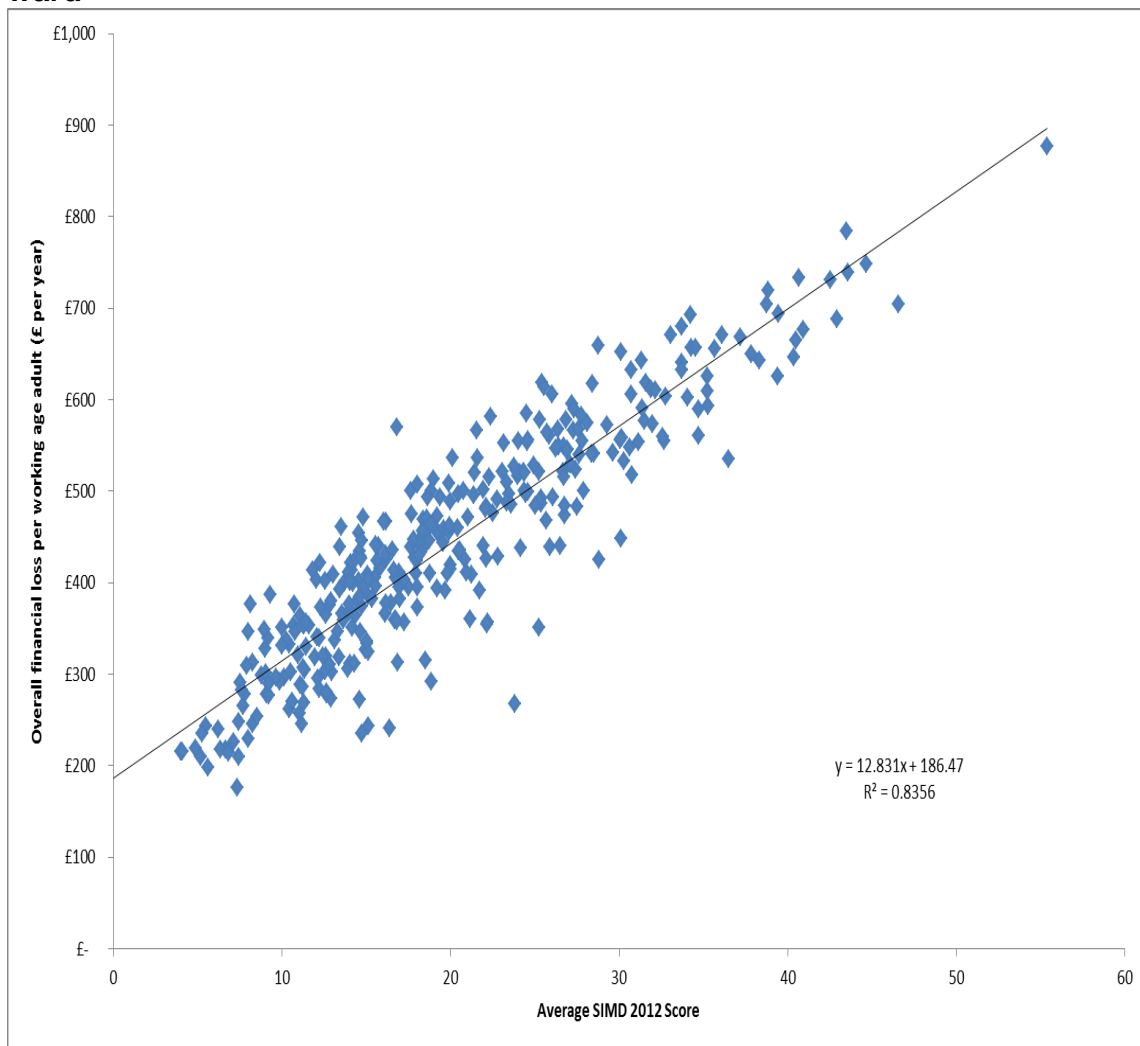
**Table 3: Wards with the highest and lowest financial loss arising from welfare reform**

Authority	Ward	Overall financial loss per adult of working age £ per year
WORST AFFECTED 20 WARDS		
Glasgow	Calton	880
Glasgow	Springburn	780
Glasgow	North East	750
Glasgow	Drumchapel/Anniesland	740
Glasgow	Southside Central	730
Dundee	East End	730
Glasgow	Shettleston	720
Fife	Buckhaven, Methil and Wemyss Villages	700
Glasgow	Canal	700
Inverclyde	Inverclyde East Central	690
Glasgow	Garscadden/Scotstounhill	690
Glasgow	Govan	690
Glasgow	Ballieston	680
Glasgow	East Centre	680
Dundee	North East	670
Fife	The Lochs	670
Glasgow	Linn	670
Renfrewshire	Paisley North West	660
Inverclyde	Inverclyde North	660
West Dunbarton	Clydebank Central	660
LEAST AFFECTED 10 WARDS		
Edinburgh	Meadows/Morningside	220
Aberdeenshire	Banchory and Mid Deeside	220
Aberdeen	Bridge of Don	220
East	Netherlee, Stamperland and	220
Renfrewshire	Williamwood	220
East	Newton Mearns South	220
Renfrewshire		
Stirling	Dunblane and Bridge of Allan	210
Aberdeenshire	East Garioch	210
Aberdeenshire	Westhill and District	210
Aberdeen	Hazlehead/Ashley/Queens Cross	200
Fife	St Andrews	180

Source: Sheffield Hallam estimates based on official data



**Figure 1: Relationship between impact of welfare reform and deprivation, by ward**



Sources: Sheffield Hallam estimates and Scottish Indices of Deprivation 2012

The list of hardest-hit wards is dominated by Glasgow, which accounts for 12 of the worst-hit 20. Other parts of older industrial Scotland also figure on this list. By contrast, 5 of the 10 wards that escape most lightly are in Aberdeen or Aberdeenshire.

The 2013 report demonstrated that at the level of local authorities there is a clear relationship between the financial loss arising from welfare reform and the level of deprivation: as a general rule, the more deprived the local authority the greater the financial loss. Figure 1 confirms this relationship at the level of wards: the higher the average deprivation score<sup>12</sup> of the ward, the greater the estimated loss per adult of working age.

The source of the financial loss varies between the richest and poorest wards. Because there are relatively large numbers of children in nearly all areas, the freeze in the value of Child Benefit impacts more or less everywhere, but in the most affluent areas the loss is compounded by the withdrawal of Child Benefit from higher earners. As a result, in the most affluent wards the reduction in Child Benefit can account for a quarter or a third of the overall financial loss.

By contrast, the really big financial losses in the poorest wards arise from the reforms to incapacity benefits. In Calton ward in Glasgow for example, the estimated loss from the incapacity benefit changes alone (£350 a year per adult of working age) is almost double the financial loss from the *whole* welfare reform package in St Andrews. In the poorest wards, like Calton, this loss is compounded by further big losses arising from DLA reform, reductions in Tax Credits and below-inflation up-rating.

The measures to offset the 'Bedroom Tax' have gone some way towards narrowing the differences between the wards worst and least affected by welfare reform. In the worst affected wards, averting the impact of the 'Bedroom Tax' has reduced the loss by around £30 per adult of working age per year. This reflects the high proportion of social housing in these wards and high numbers claiming Housing Benefit. By contrast, the wards least affected by welfare reform generally have little social housing and low claimant numbers, so the arrangements to avert the 'Bedroom Tax' have little impact there.

What should still be noted is that even in mid-2014 much of the financial loss in the poorest wards is still in the pipeline. The incapacity benefit reforms will not come to full fruition until 2015-16, when means-testing for ESA claimants in the Work Related Activity Group – one of the very largest of all the welfare reforms, anticipated to save the Treasury six times as much as the 'Bedroom Tax' – will finally kick in for many. The changeover from DLA to PIP has barely started and is not anticipated to be completed until 2017-18, and the below-inflation up-rating still has another year to run.

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<sup>12</sup> The deprivation score for each ward is a population-weighted average of the scores for each of its constituent datazones.

As a rule of thumb, it would be reasonable to assume that in the poorest wards around 40 per cent of the overall financial loss arising from welfare reform has, in mid-2014, still to make itself felt.

### **The impact on households and individuals**

The welfare reforms impact on a wide range of households and individuals, and not just on those on out-of-work benefits.

As a guide, Table 4 identifies the types of households and individuals most affected by each of the reforms. This list draws on information in the Westminster government's *Impact Assessments* but also on a wider understanding of which groups claim which benefits.

A key point about the welfare reforms, however, is that they often *impact simultaneously on the same individuals and households*.

This point is best illustrated by considering incapacity benefit claimants. This very large group of out-of-work men and women tends to be older (IB/ESA claimant rates increase with age) and most have previously worked in low-grade manual jobs. They tend to be concentrated in the most difficult local labour markets, where age, low skills and poor health severely limit their chances of finding work. Among incapacity claimants, the group most exposed to loss of benefit are those with less severe health problems or disabilities. They run the risk of being found 'fit for work' at the point they undergo the new medical assessment or, if they remain on ESA in the Work Related Activity Group, of losing their entitlement to non-means tested benefit after a year.

This group of incapacity claimants is also most exposed to the loss of DLA as the changeover to PIP takes place. At present, around half of all incapacity claimants also claim DLA. In theory, the most severely disabled should retain entitlement to PIP, meaning that the reductions in eligibility that the Westminster government anticipates will hit those with less severe health problems or disabilities. Many of these will be the same people who are having their entitlement to incapacity benefits removed or reduced.

Added to this, the age and income level of incapacity claimants means that they are also exposed to reductions in Housing Benefit. Many are tenants in the social rented sector and, if their children have grown up and moved away, they would have been hit by the 'Bedroom Tax'. This impact has been averted in Scotland, but they may still face reductions in Housing Benefit if they live in the private rented sector. And, if their grown-up children are still living at home the new, larger non-dependant deductions come into play. The failure to uprate the value of benefits with inflation adds a further twist to their financial difficulties. In Scotland a still further financial hit on this group has only been averted by the decision not to pass on the claimants the Westminster Government's reduction in funding for Council Tax Benefit.

**Table 4: Groups typically most affected by individual welfare reforms**

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**HOUSING BENEFIT: LOCAL HOUSING ALLOWANCE**

- Low income households, mostly of working age, in the private rented sector
- Under-35s, often single men, in the private rented sector
- Families with large numbers of children in the private rented sector

**NON-DEPENDENT DEDUCTIONS**

- Low-income households with grown-up children living at home

**HOUSEHOLD BENEFIT CAP**

- Large out-of-work families in high rent areas

**DISABILITY LIVING ALLOWANCE**

- Less severely disabled of working age, mostly older, mostly out-of-work

**INCAPACITY BENEFITS**

- Out-of-work, mainly older adults with ill health or disability, except the most severely ill or disabled

**CHILD BENEFIT**

- All households with children (a little)
- Households with higher earners (a lot)

**TAX CREDITS**

- Low-to-middle income families with children, including workless households
- Part-time workers on less than 24hrs a week

**1 PER CENT UP-RATING**

- Everyone on the main working age benefits (JSA, IB/ESA, IS, HB(LHA), Tax Credits)
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Source: *Impact Assessments*

The effect is that many individuals and households face a loss of benefits from more than one source. Estimating just how much particular groups will lose in total is not easy and this is not an exercise the Westminster government has so far undertaken. Indeed, in the absence of this information it is impossible at this stage to provide an estimate of the total number of individuals or households adversely affected by the reforms, in Scotland or the rest of the UK<sup>13</sup>.

What should nevertheless be noted, from the table listing the groups most affected by the welfare reforms, is the frequency with which a number of descriptive terms appear – ‘older’, ‘out-of-work’, ‘low-income’, ‘sick and/or disabled’. These give a fair indication of who is being hit hardest by the welfare reforms.

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<sup>13</sup> The Sheffield Hallam team does however expect to generate preliminary estimates, later in 2014, drawing in particular on the Westminster government’s *Family Resources Survey*.

## **Concluding remarks**

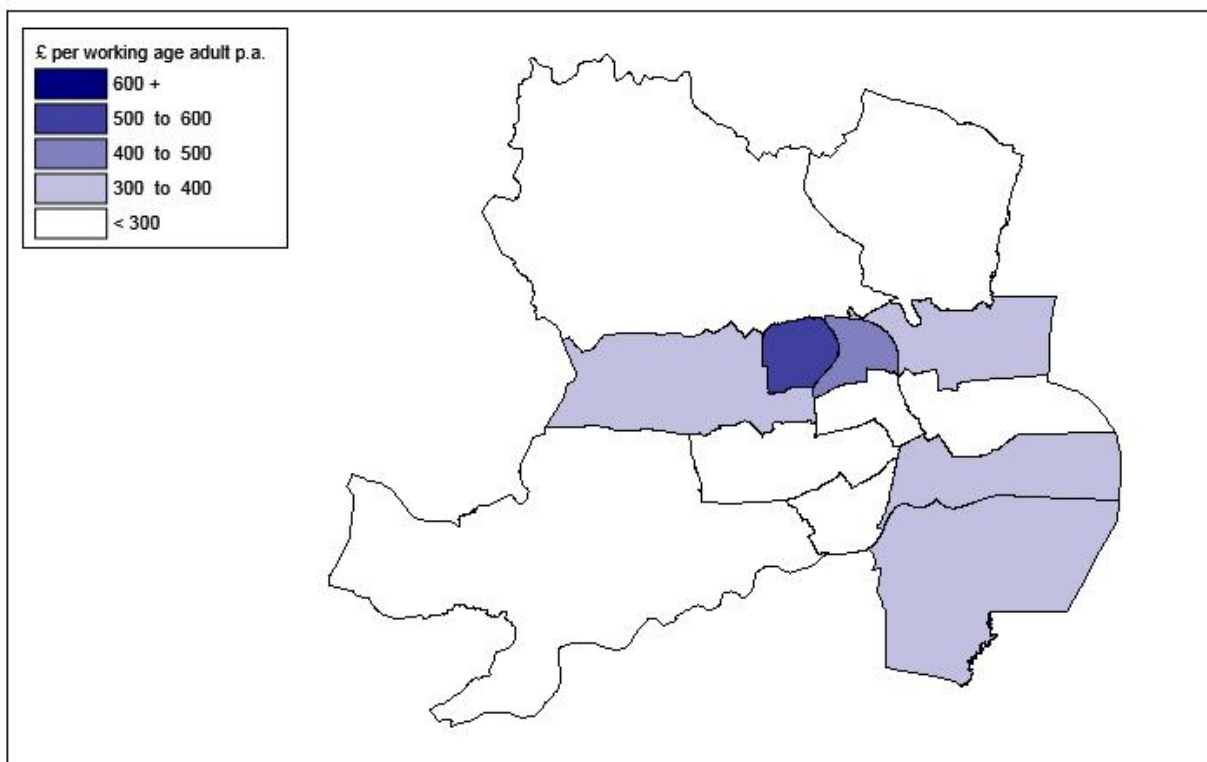
Our 2013 report noted that Scotland has not been singled out as the target for welfare reform, and that the financial loss in Scotland is close to the GB average. The slightly revised figures presented in this new report do not alter this assessment.

But just as the 2013 report identified big variations in the impact between local authorities within Scotland, the new report shows that there are even larger variations between wards. This is not unexpected because the socio-economic differences between small areas such as wards are generally larger than between whole authorities. Nevertheless, it is striking that across Scotland the wards facing the greatest financial loss (per adult of working age) are sometimes losing four times as much as the wards losing the least. Moreover, there is a clear pattern to the losses, with Scotland's most deprived wards being hit hardest.

Westminster ministers are keen to claim that the welfare reforms will increase the incentive to work and will therefore lead to higher employment. As we noted, this is a bold assumption based on a questionable view of how the labour market works, especially in less prosperous areas. If Westminster ministers are not proved right, the evidence in this report suggests that the gaps in income and living standards between communities in Scotland are set to widen.

## APPENDIX 1: Impact of welfare reform by electoral ward

### Aberdeen



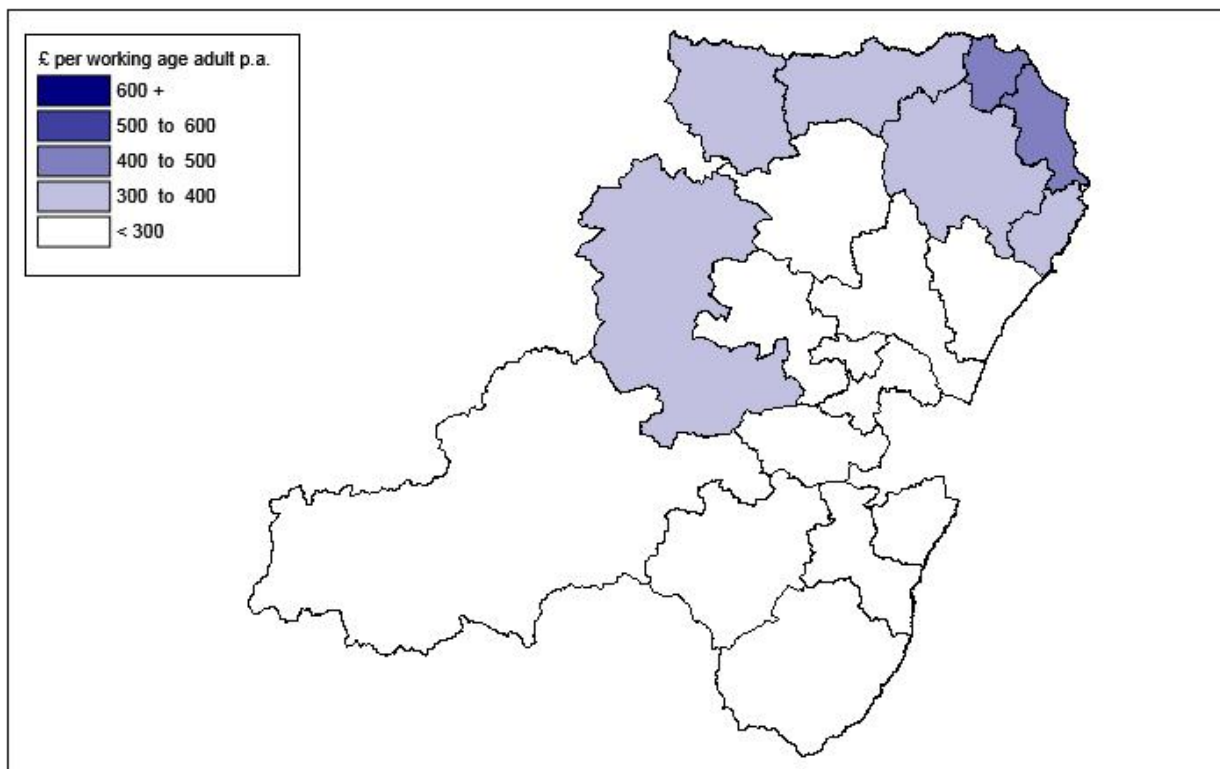
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Ward	Loss per working age adult £ p.a.
Airyhall/Broomhill/Garthdee	260
Bridge of Don	220
Dyce/Bucksburn/Danestone	260
George St/Harbour	240
Hazlehead/Ashley/Queens Cross	200
Hilton/Stockethill	440
Kincorth/Loirston	310
Kingswells/Sheddocksley	390
Lower Deeside	240
Midstocket/Rosemount	270
Northfield	560
Tillydrone/Seaton/Old Aberdeen	350
Torry/Ferryhill	360

Source: Sheffield Hallam estimates based on official data

## Aberdeenshire



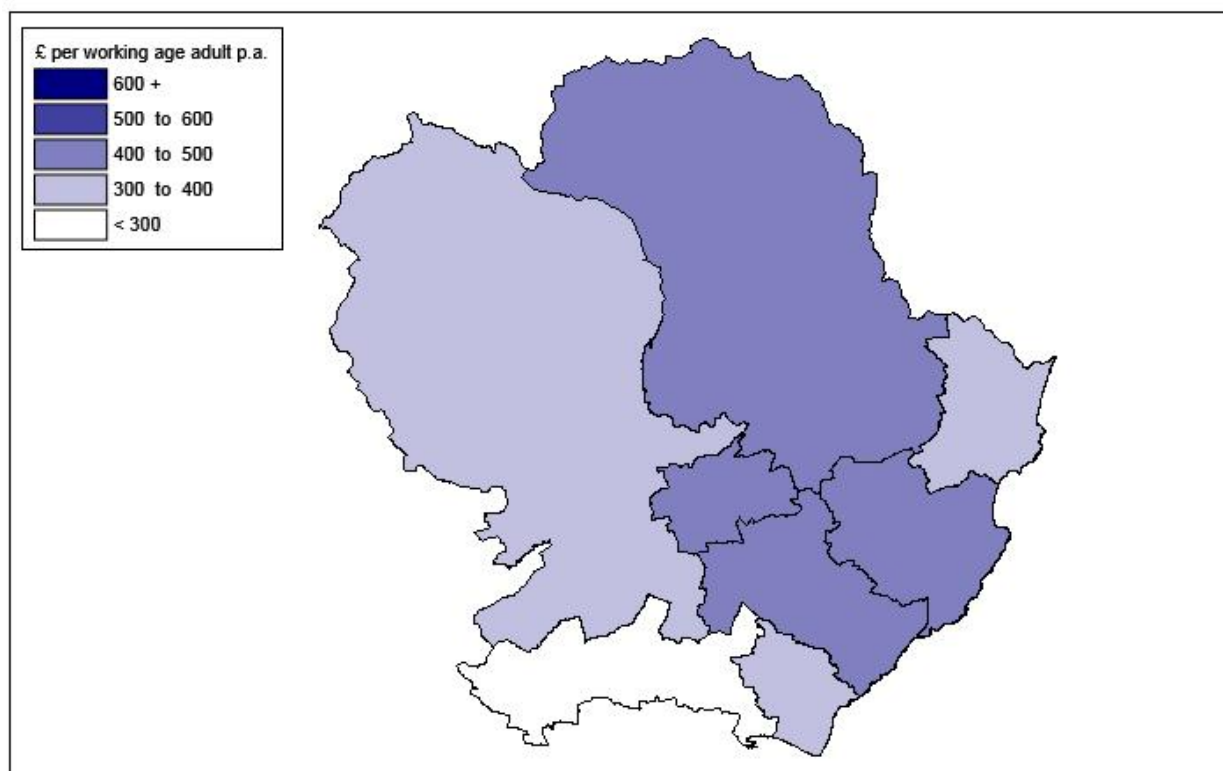
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Ward	Loss per working age adult £ p.a.
Aboyne, Upper Deeside and Donside	280
Banchory and Mid Deeside	220
Banff and District	400
Central Buchan	320
East Garioch	210
Ellon and District	230
Fraserburgh and District	420
Huntly, Strathbogie and Howe of Alford	320
Inverurie and District	270
Mearns	290
Mid Formartine	250
North Kincardine	230
Peterhead North and Rattray	410
Peterhead South and Cruden	350
Stonehaven and Lower Deeside	250
Troup	370
Turriff and District	280
West Garioch	250
Westhill and District	210

Source: Sheffield Hallam estimates based on official data

## Angus



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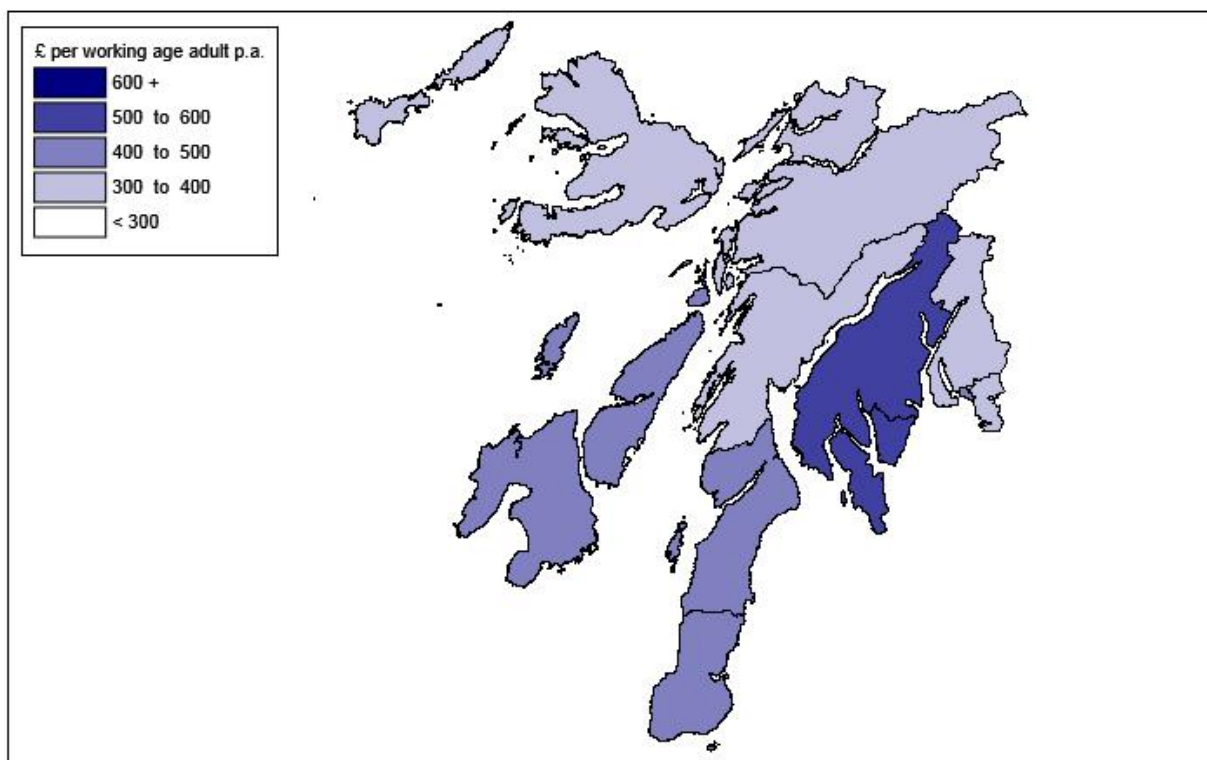
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Ward	Loss per working age adult £ p.a.
Arbroath East and Lunan	480
Arbroath West and Letham	420
Brechin and Edzell	410
Carnoustie and District	360
Forfar and District	430
Kirriemuir and Dean	360
Monifeith and Sidlaw	300
Montrose and District	390

Source: Sheffield Hallam estimates based on official data



## Argyll and Bute



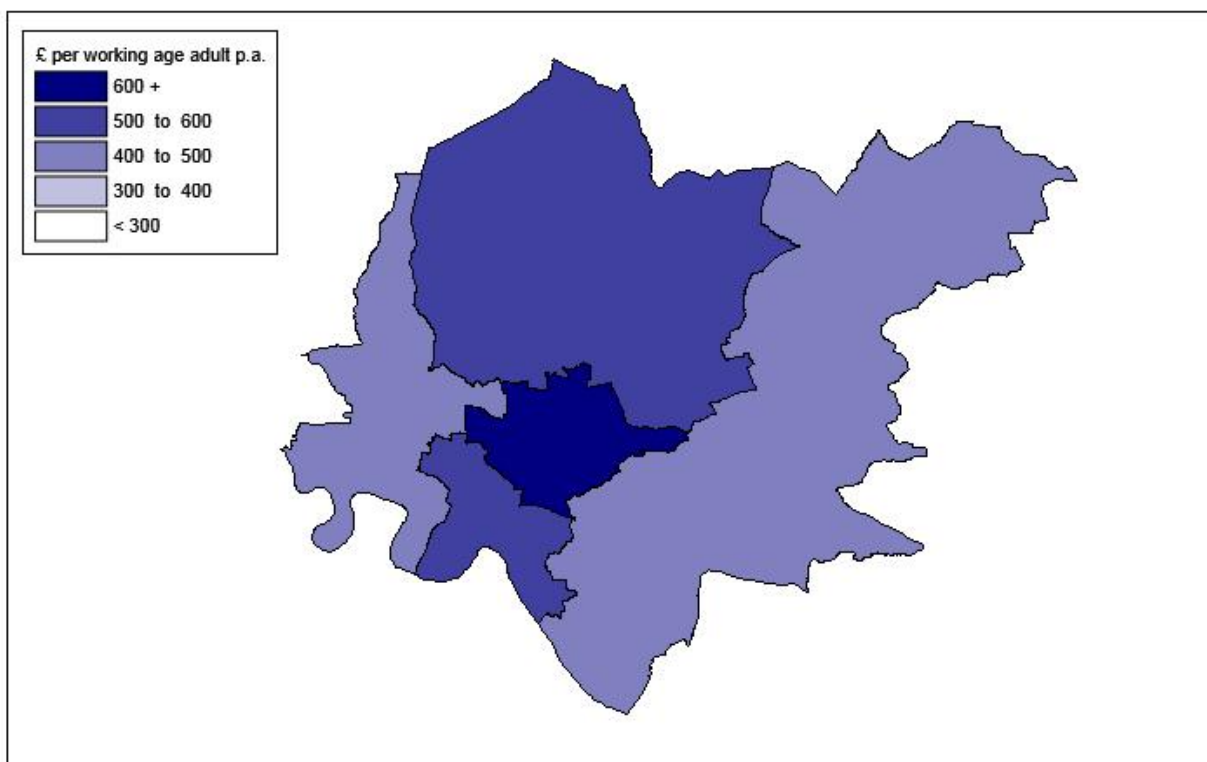
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Ward	Loss per working age adult £ p.a.
Cowal	510
Dunoon	560
Helensburgh and Lomond South	330
Helensburgh Central	440
Isle of Bute	580
Kintyre and the Islands	440
Lomond North	310
Mid Argyll	380
Oban North and Lorn	330
Oban South and the Isles	400
South Kintyre	490

Source: Sheffield Hallam estimates based on official data

## Clackmannanshire



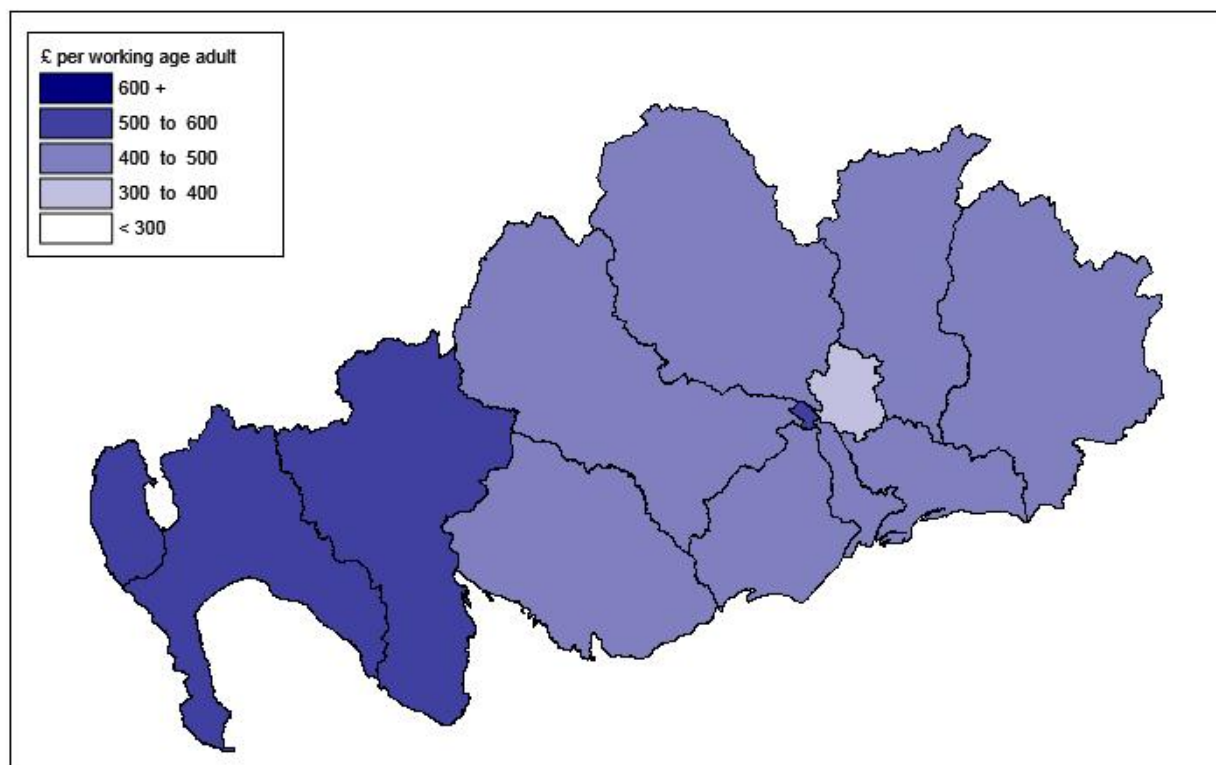
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Ward	Loss per working age adult £ p.a.
Clackmannanshire Central	620
Clackmannanshire East	470
Clackmannanshire North	500
Clackmannanshire South	550
Clackmannanshire West	480

Source: Sheffield Hallam estimates based on official data

## Dumfries and Galloway



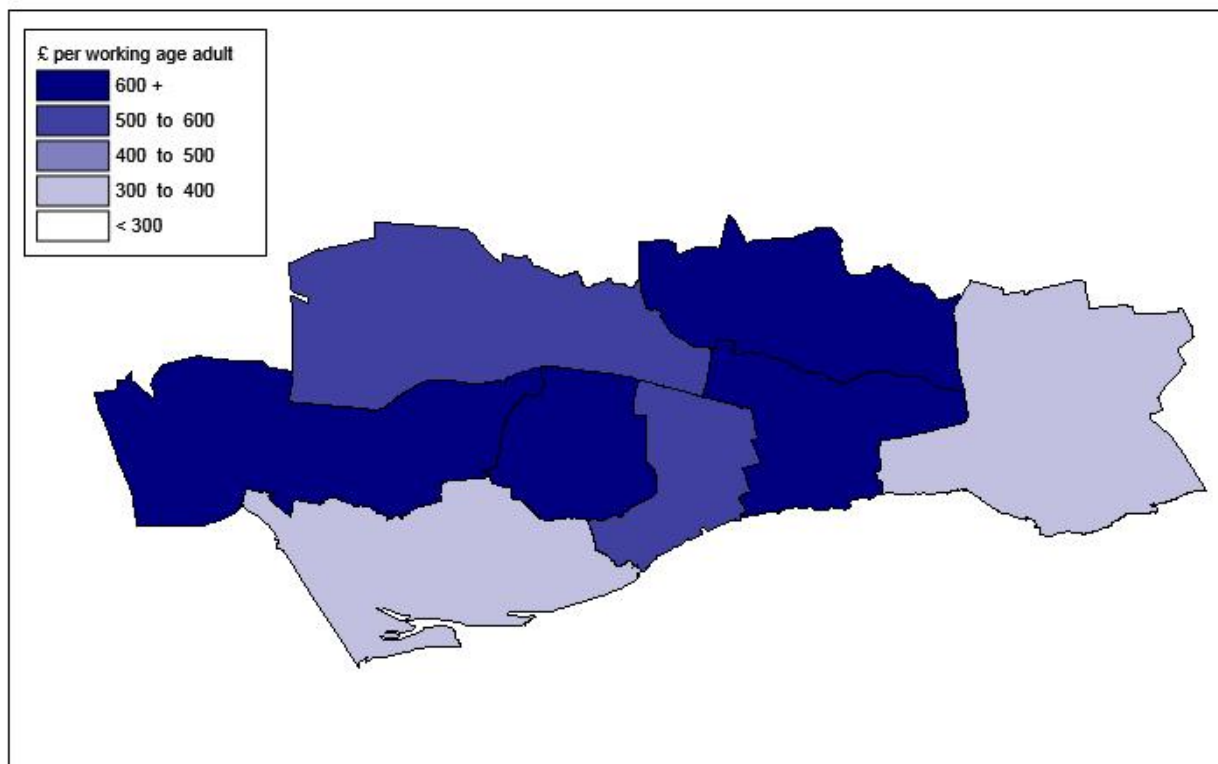
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Ward	Loss per working age adult £ p.a.
Abbey	440
Annandale East and Eskdale	410
Annandale North	400
Annandale South	450
Castle Douglas and Glenkens	400
Dee	450
Lochar	370
Mid and Upper Nithsdale	490
Mid Galloway	540
Nith	420
North West Dumfries	530
Stranraer and North Rhins	580
Wigtown West	550

Source: Sheffield Hallam estimates based on official data

## Dundee



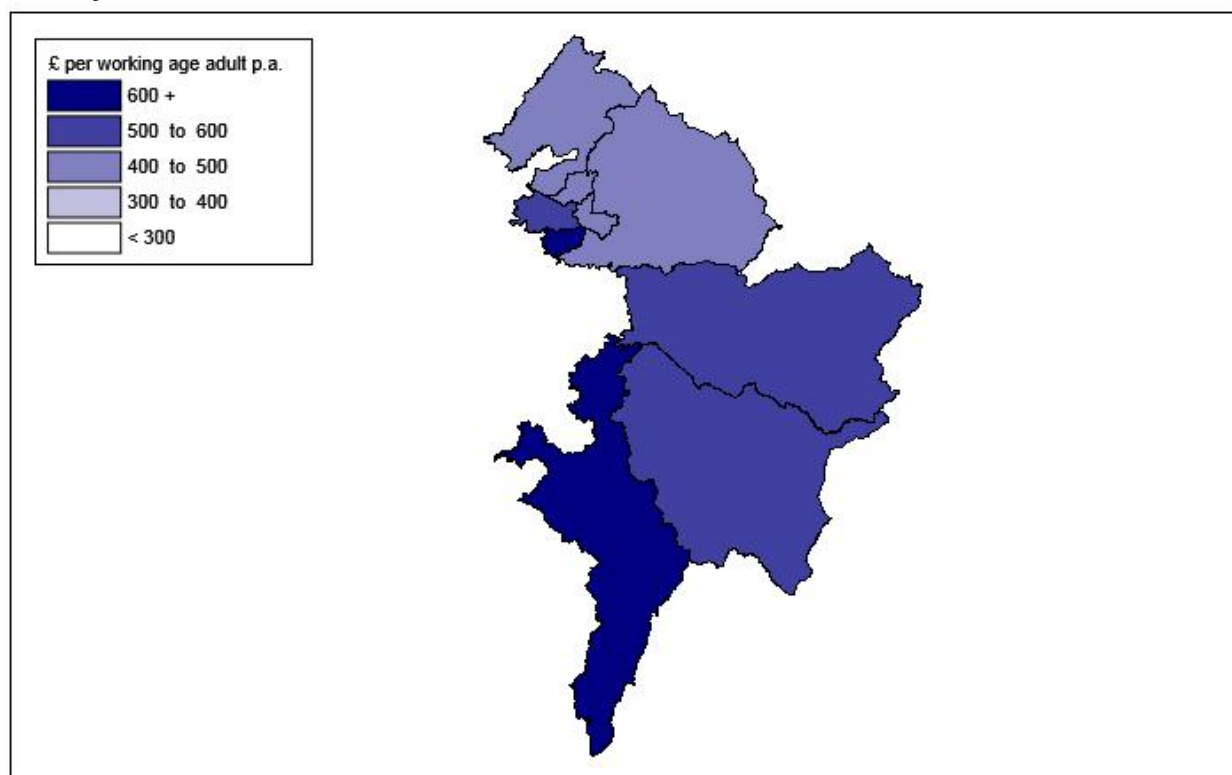
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Ward	Loss per working age adult £ p.a.
Coldside	600
East End	730
Lochee	660
Maryfield	600
North East	670
Strathmartine	580
The Ferry	390
West End	360

Source: Sheffield Hallam estimates based on official data

## East Ayrshire



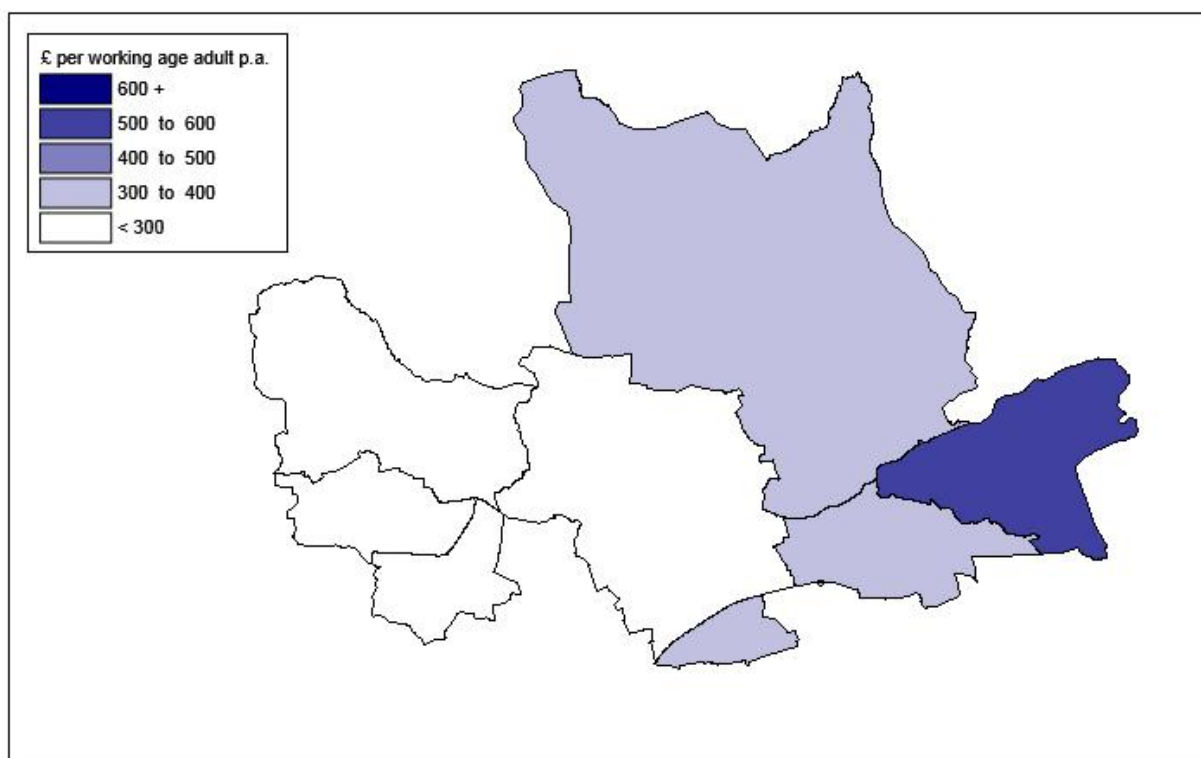
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Ward	Loss per working age adult £ p.a.
Annick	430
Ballochmyle	550
Cumnock and New Cumnock	550
Doon Valley	640
Irvine Valley	480
Kilmarnock East and Hurlford	500
Kilmarnock North	430
Kilmarnock South	640
Kilmarnock West and Crosshouse	520

Source: Sheffield Hallam estimates based on official data

## East Dunbartonshire



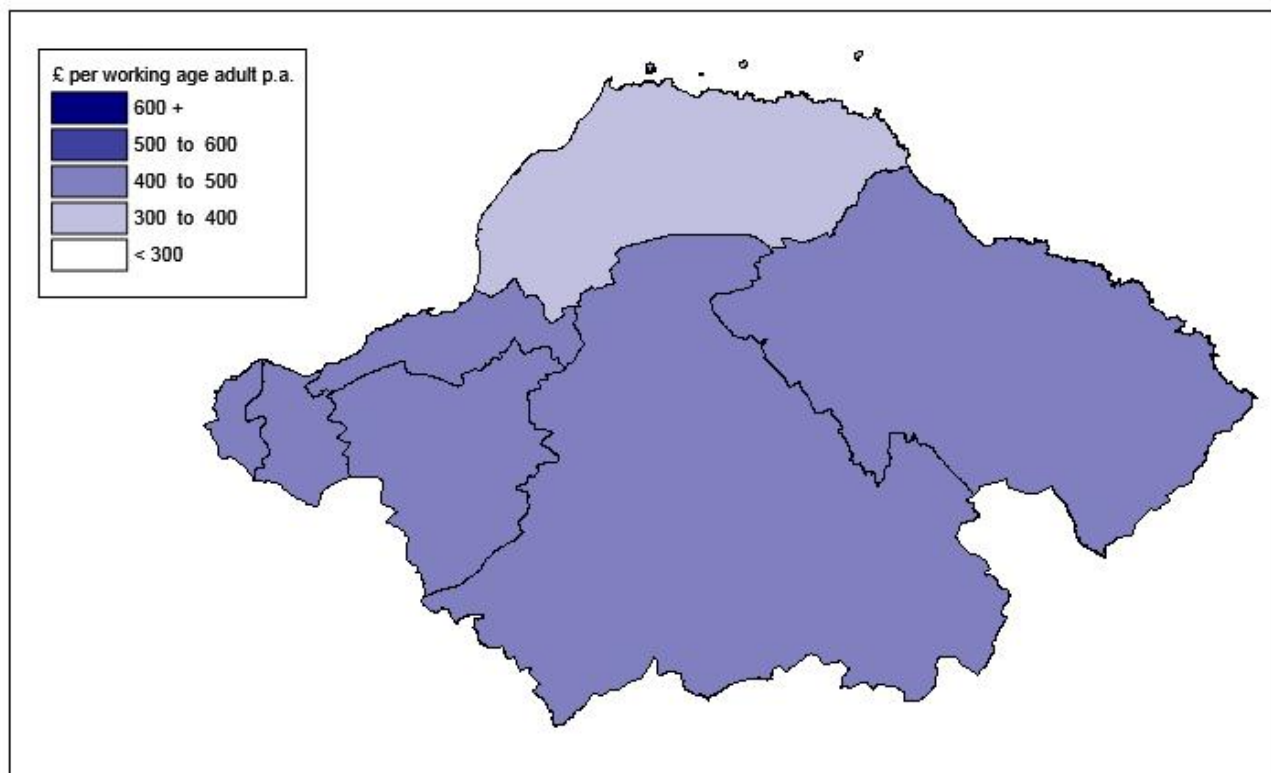
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Ward	Loss per working age adult £ p.a.
Bearsden North	240
Bearsden South	240
Bishopbriggs North and Torrance	280
Bishopbriggs South	400
Campsie and Kirkintilloch North	380
Kirkintilloch East and Twechar	530
Lenzie and Kirkintilloch South	310
Milngavie	290

Source: Sheffield Hallam estimates based on official data

## East Lothian



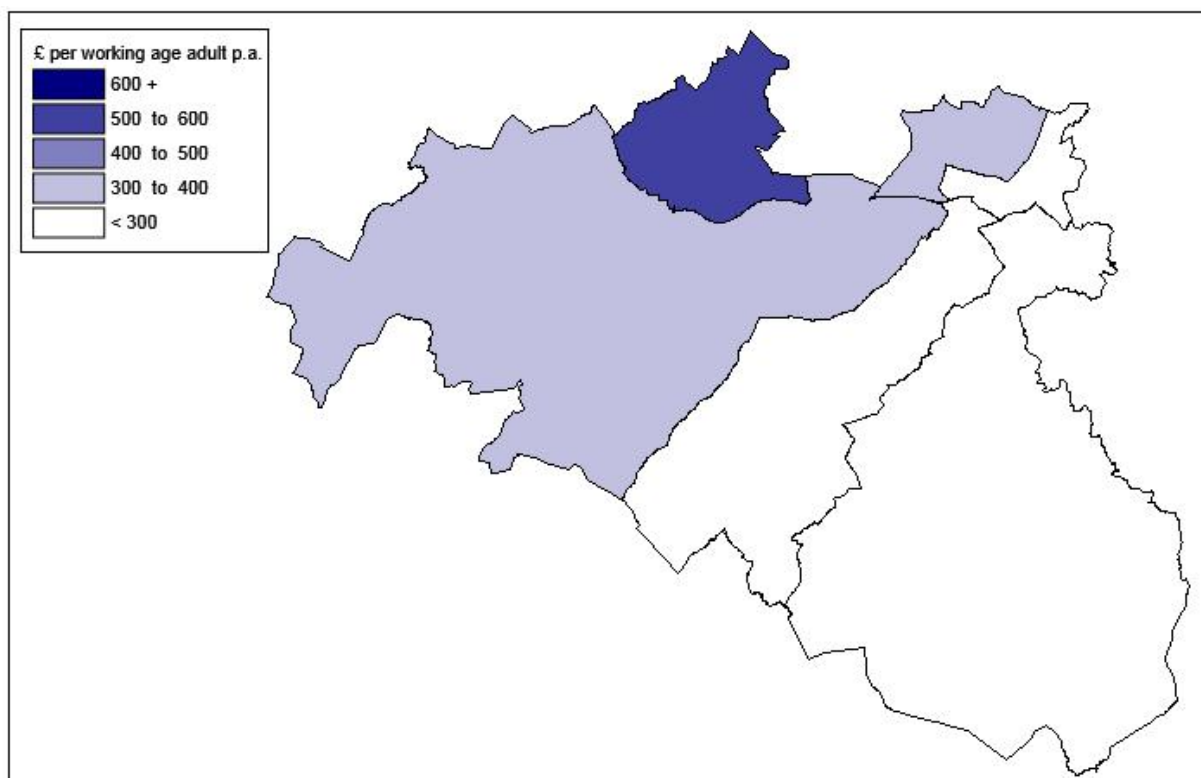
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Ward	Loss per working age adult £ p.a.
Dunbar and East Linton	400
Fa'side	410
Haddington and Lammermuir	420
Musselburgh East and Carberry	440
Musselburgh West	430
North Berwick Coastal	350
Preston/Seton/Gosford	420

Source: Sheffield Hallam estimates based on official data

## East Renfrewshire



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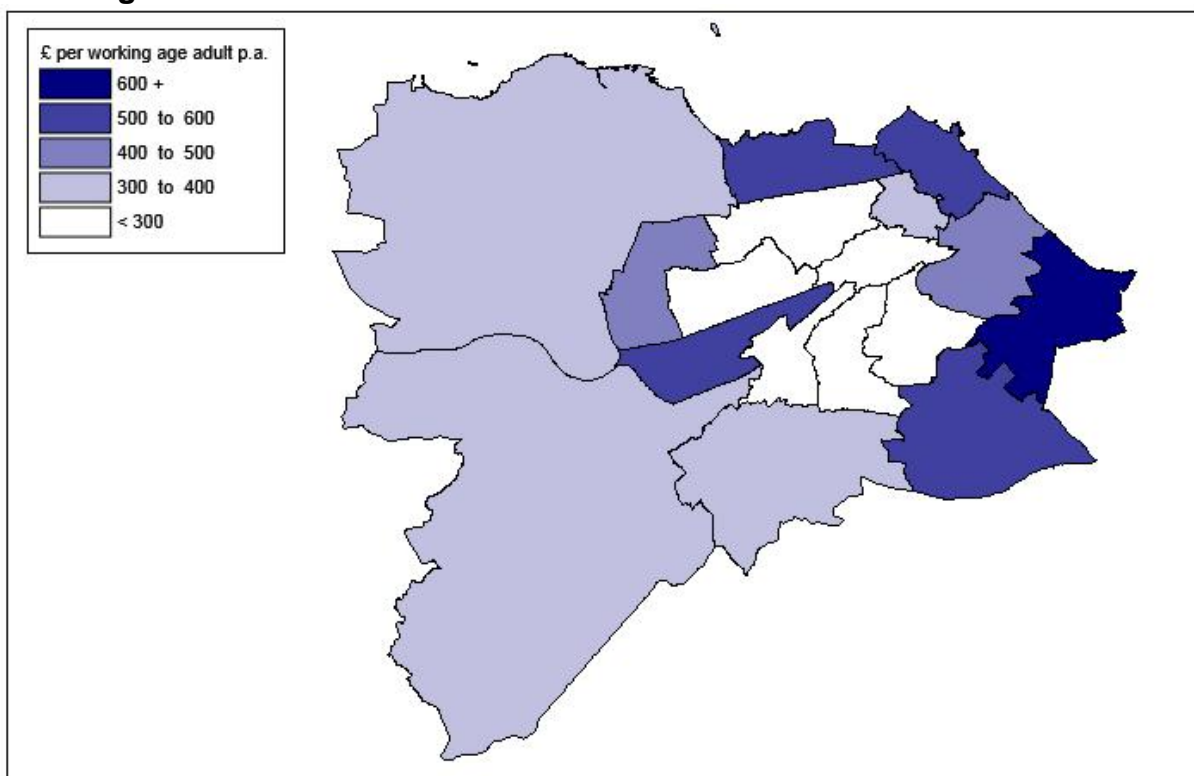
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Ward	Loss per working age adult £ p.a.
Barrhead	560
Busby, Clarkston and Eaglesham	270
Giffnock and Thornliebank	380
Neilston, Uplawmoor and Newton Mearns North	350
Netherlee, Stamperland and Williamwood	220
Newton Mearns South	220

Source: Sheffield Hallam estimates based on official data



## Edinburgh



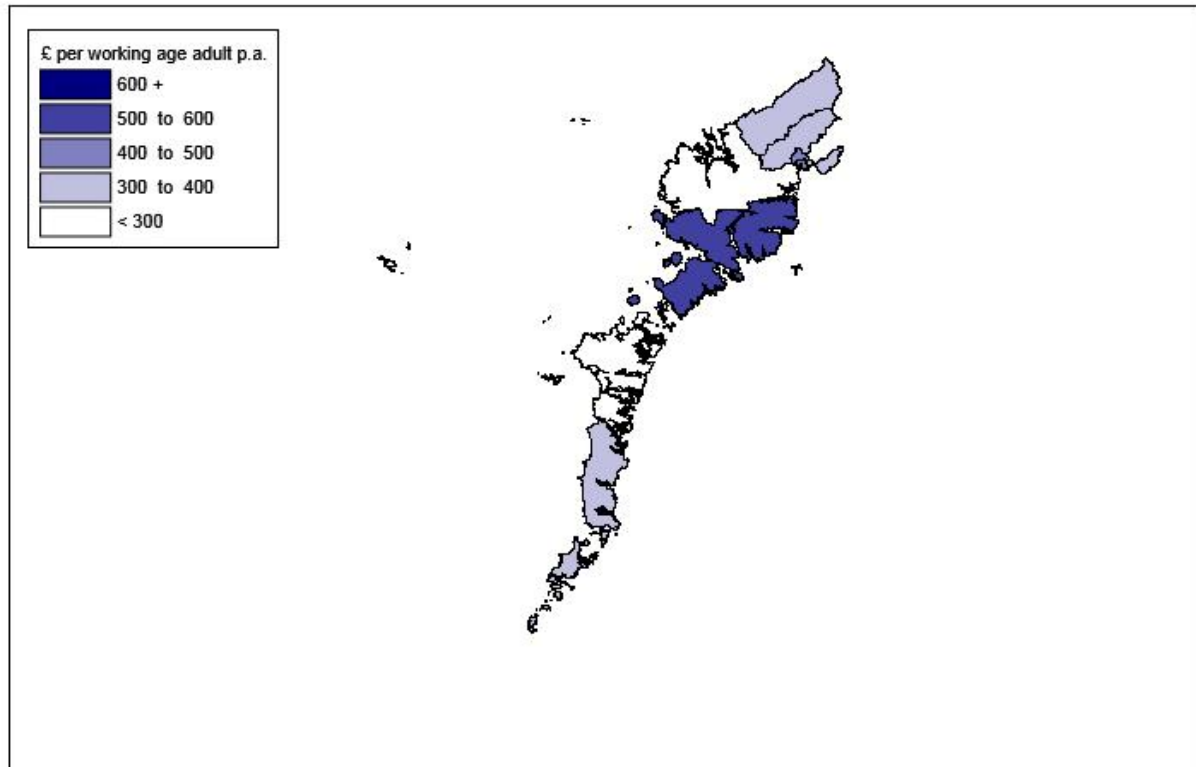
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Ward	Loss per working age adult £ p.a.
Almond	310
City Centre	300
Colinton/Fairmilehead	330
Corstorphine/Murrayfield	290
Craigentinny/Duddingston	470
Drum Brae/Gyle	400
Forth	540
Fountainbridge/Craiglockhart	300
Inverleith	280
Leith	520
Leith Walk	370
Liberton/Gilmerton	520
Meadows/Morningside	220
Pentland Hills	320
Portobello/Craigmillar	620
Sighthill/Gorgie	520
Southside/Newington	280

Source: Sheffield Hallam estimates based on official data

## Eilean Siar



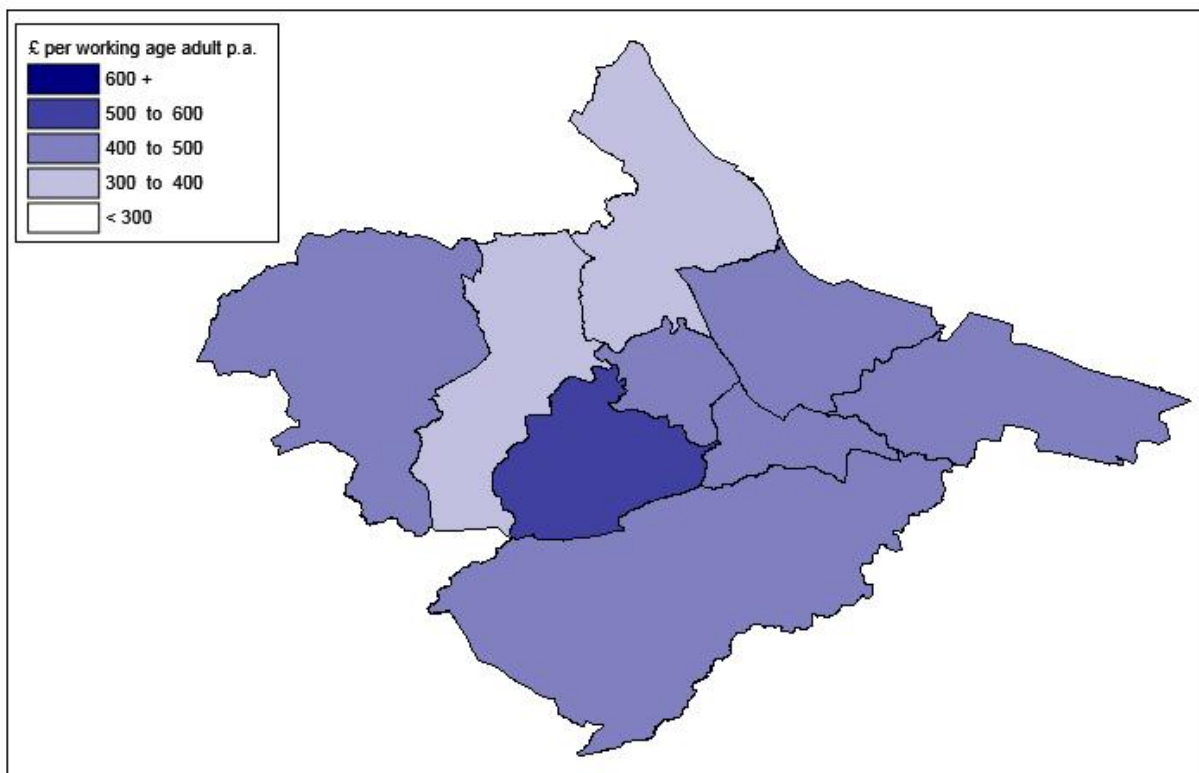
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Ward	Loss per working age adult £ p.a.
An Taobh Siar agus Nis	390
Barraigh, Bhatarsaigh, Eirisgeigh agus Uibhist a Deas	360
Beinn na Foghla agus Uibhist a Tuath	290
Loch a Tuath	370
Na Hearadh agus Ceann a Deas nan Loch	500
Sgìre an Rubha	310
Sgìr'Uige agus Ceann a Tuath nan Loch	270
Steòrnabhagh a Deas	460
Steòrnabhagh a Tuath	410

Source: Sheffield Hallam estimates based on official data

## Falkirk



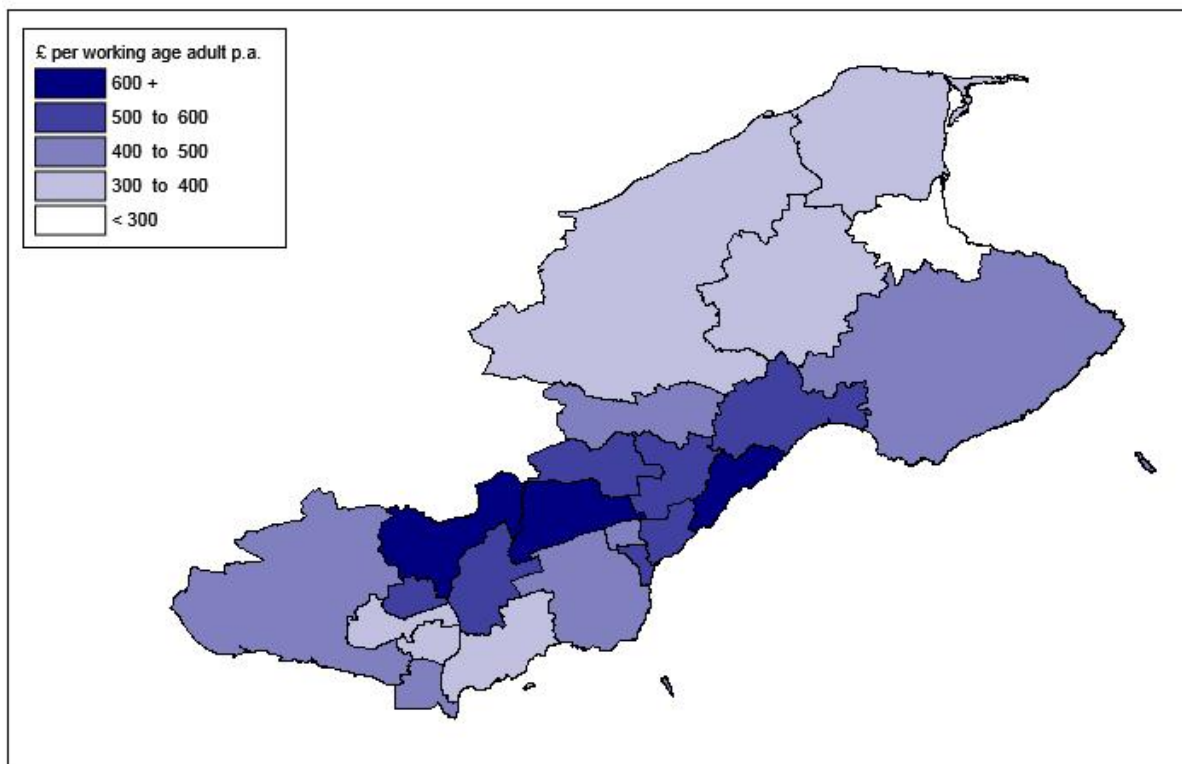
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Ward	Loss per working age adult £ p.a.
Bo'ness and Blackness	410
Bonnybridge and Larbert	400
Carse, Kinnaird and Tryst	390
Denny and Banknock	410
Falkirk North	490
Falkirk South	560
Grangemouth	490
Lower Braes	440
Upper Braes	470

Source: Sheffield Hallam estimates based on official data

## Fife



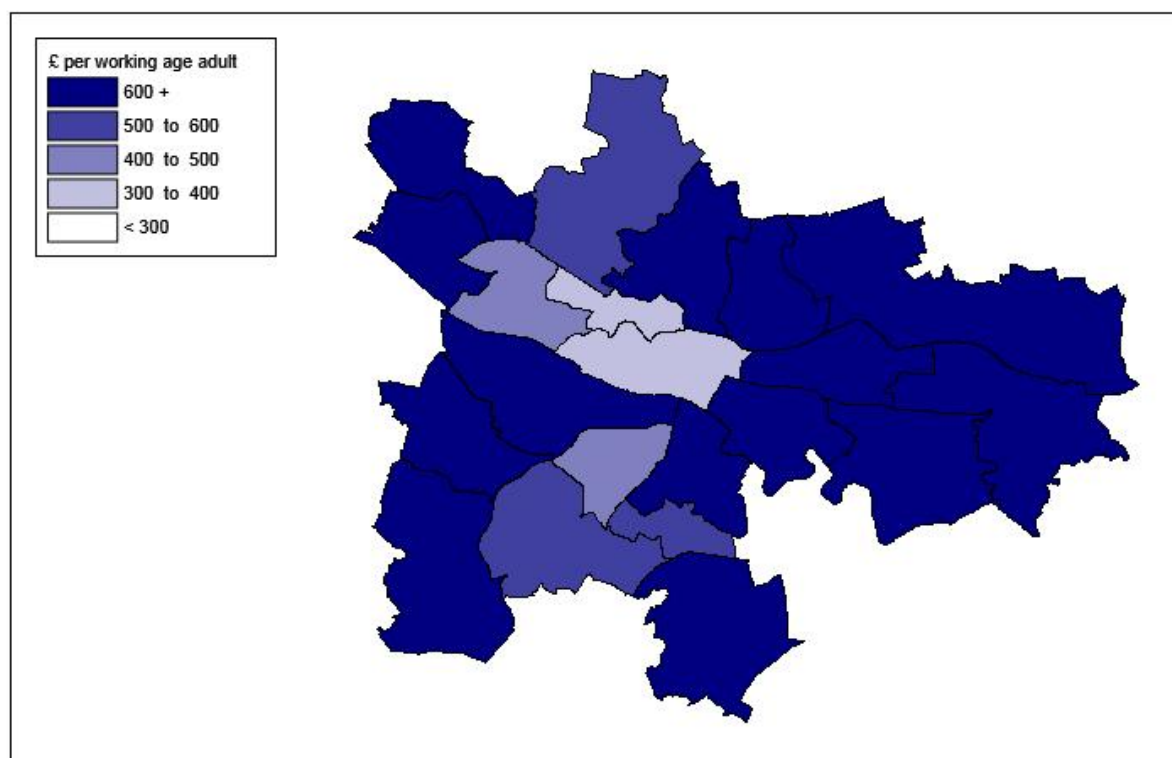
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Ward	Loss per working age adult £ p.a.
Buckhaven, Methil and Wemyss Villages	700
Burntisland, Kinghorn and Western Kirkcaldy	420
Cowdenbeath	500
Cupar	390
Dunfermline Central	380
Dunfermline North	510
Dunfermline South	380
East Neuk and Landward	420
Glenrothes Central and Thornton	520
Glenrothes North, Leslie and Markinch	460
Glenrothes West and Kinglassie	520
Howe of Fife and Tay Coast	370
Inverkeithing and Dalgety Bay	350
Kirkcaldy Central	570
Kirkcaldy East	590
Kirkcaldy North	440
Leven, Kennoway and Largo	520
Lochgelly and Cardenden	650
Rosyth	440
St Andrews	180
Tay Bridgehead	350
The Lochs	670
West Fife and Coastal Villages	440

Source: Sheffield Hallam estimates based on official data

## Glasgow



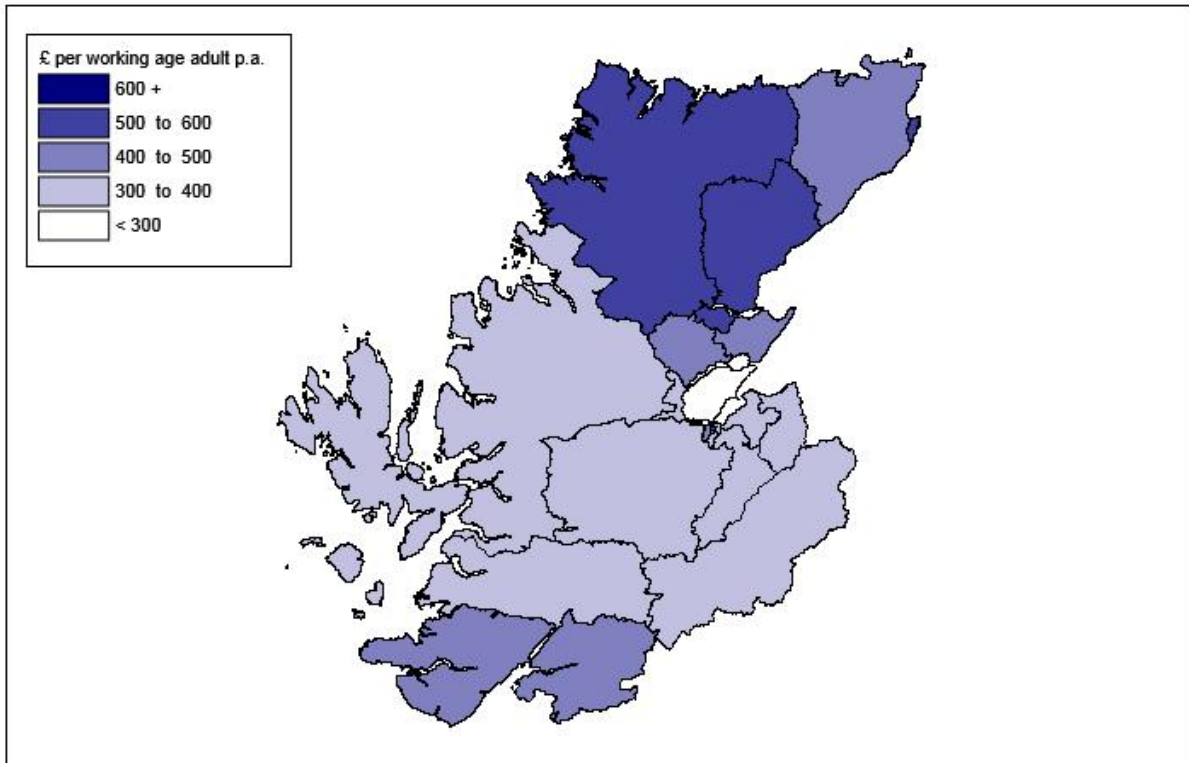
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Ward	Loss per working age adult £ p.a.
Anderston/City	350
Baillieston	680
Calton	880
Canal	700
Craigton	630
Drumchapel/Anniesland	740
East Centre	680
Garscadden/Scotstounhill	690
Govan	690
Greater Pollok	630
Hillhead	360
Langside	500
Linn	670
Maryhill/Kelvin	560
Newlands/Auldburn	590
North East	750
Partick West	450
Pollokshields	460
Shettleston	720
Southside Central	730
Springburn	780

Source: Sheffield Hallam estimates based on official data

## Highland



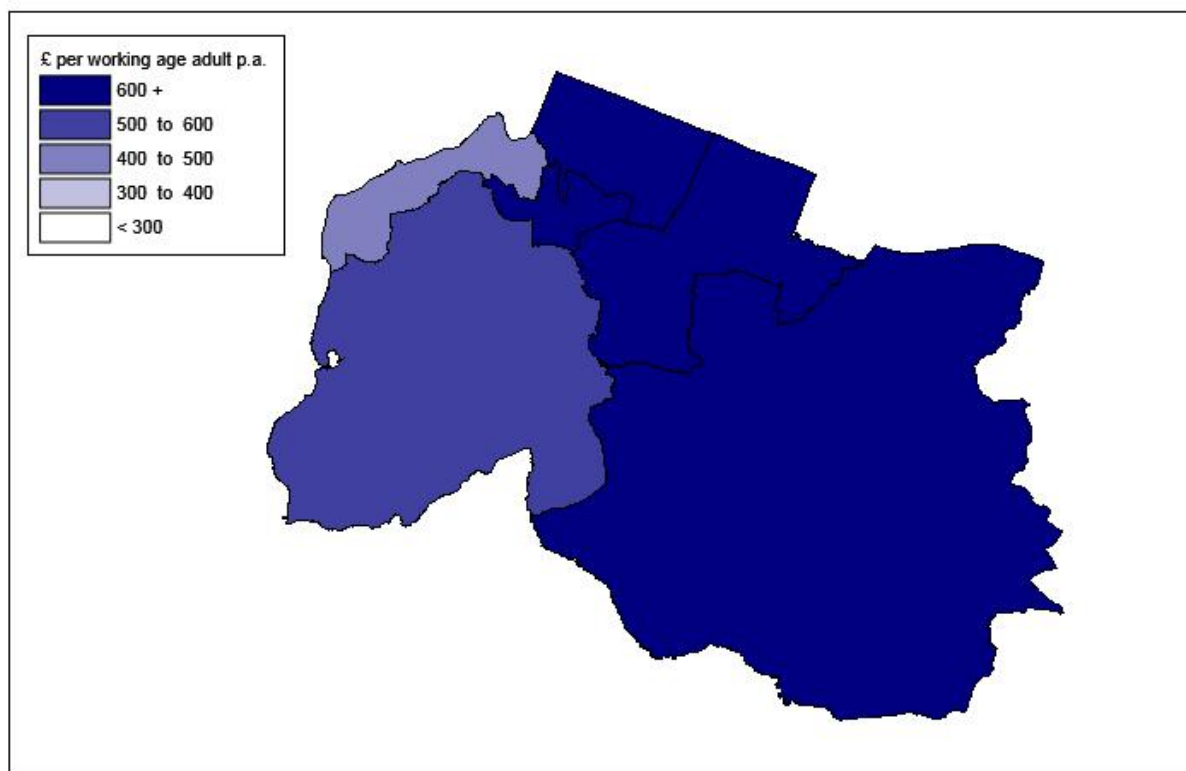
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Ward	Loss per working age adult £ p.a.
Aird and Loch Ness	300
Badenoch and Strathspey	300
Black Isle	270
Caol and Mallaig	360
Cromarty Firth	440
Culloden and Ardersier	350
Dingwall and Seaforth	380
East Sutherland and Edderton	570
Eilean a' Chèo	390
Fort William and Ardnamurchan	410
Inverness Central	590
Inverness Millburn	340
Inverness Ness-Side	320
Inverness South	330
Inverness West	440
Landward Caithness	460
Nairn	370
North, West and Central Sutherland	510
Tain and Easter Ross	420
Thurso	450
Wester Ross, Strathpeffer and Lochalsh	330
Wick	520

Source: Sheffield Hallam estimates based on official data

## Inverclyde



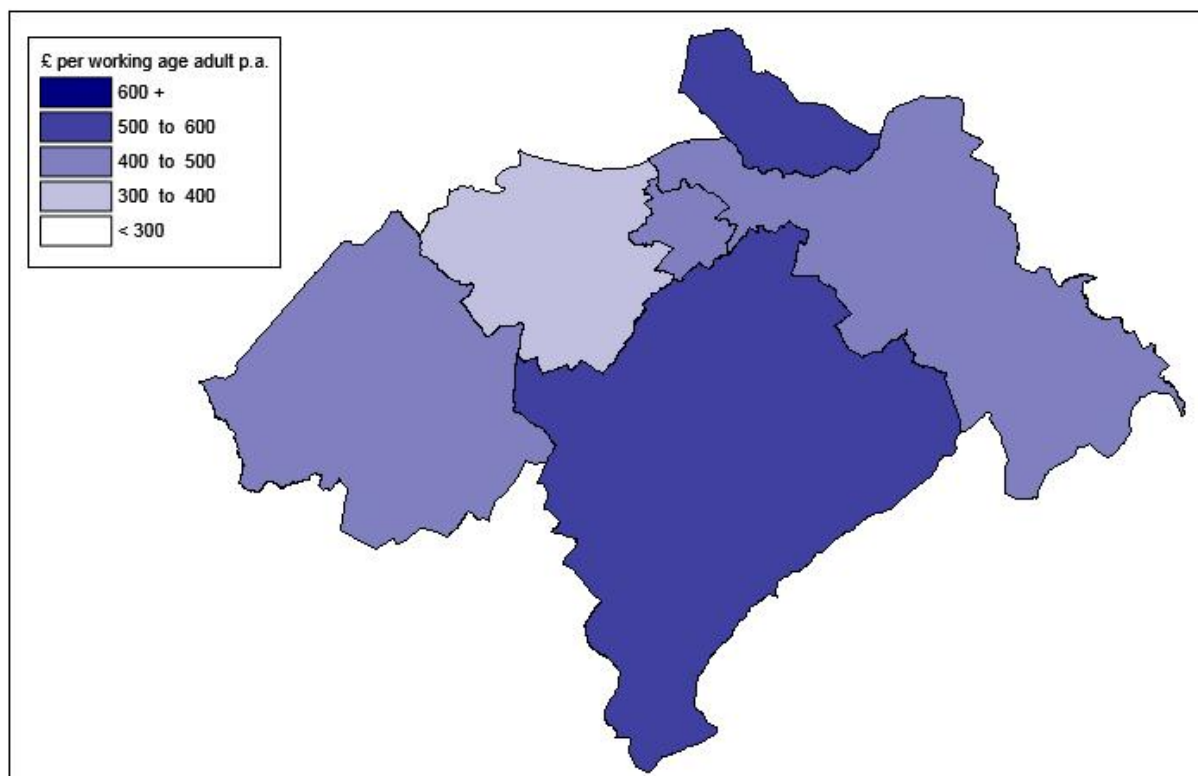
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Ward	Loss per working age adult £ p.a.
Inverclyde East	610
Inverclyde East Central	690
Inverclyde North	660
Inverclyde South	610
Inverclyde South West	550
Inverclyde West	430

Source: Sheffield Hallam estimates based on official data

## Midlothian



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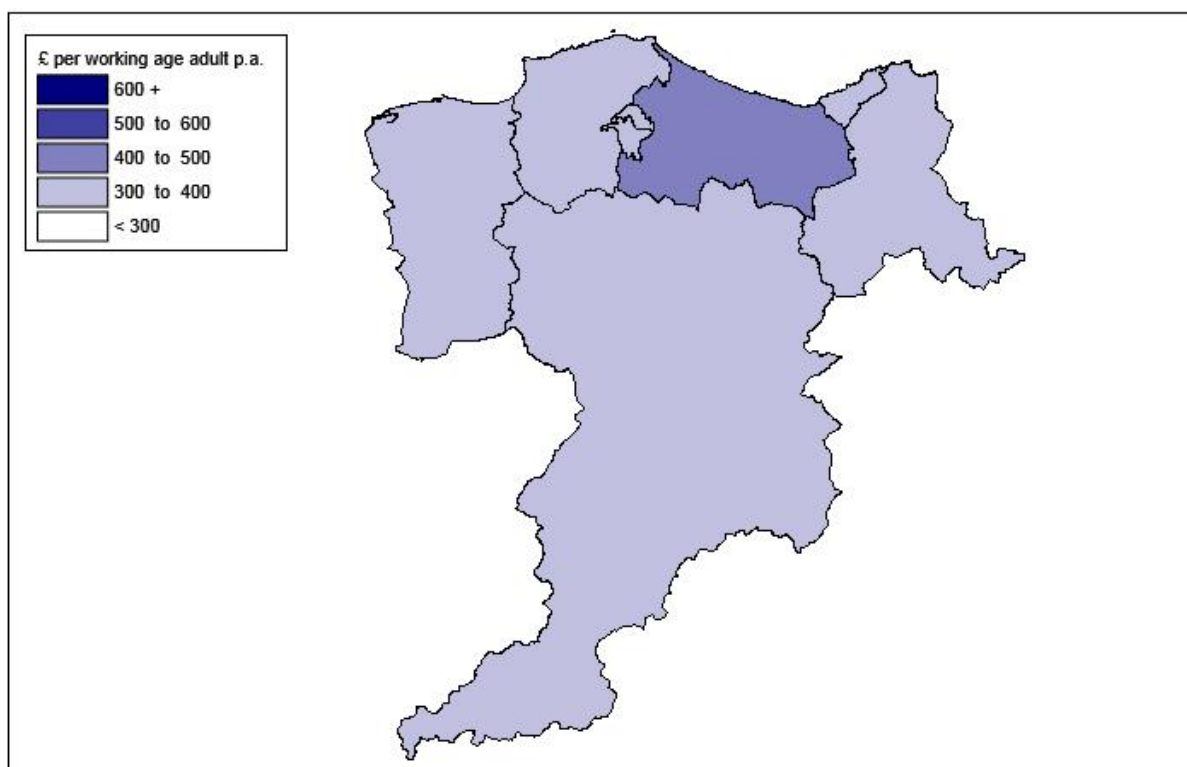
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Ward	Loss per working age adult £ p.a.
Bonnyrigg	430
Dalkeith	520
Midlothian East	490
Midlothian South	510
Midlothian West	400
Penicuik	410

Source: Sheffield Hallam estimates based on official data



## Moray



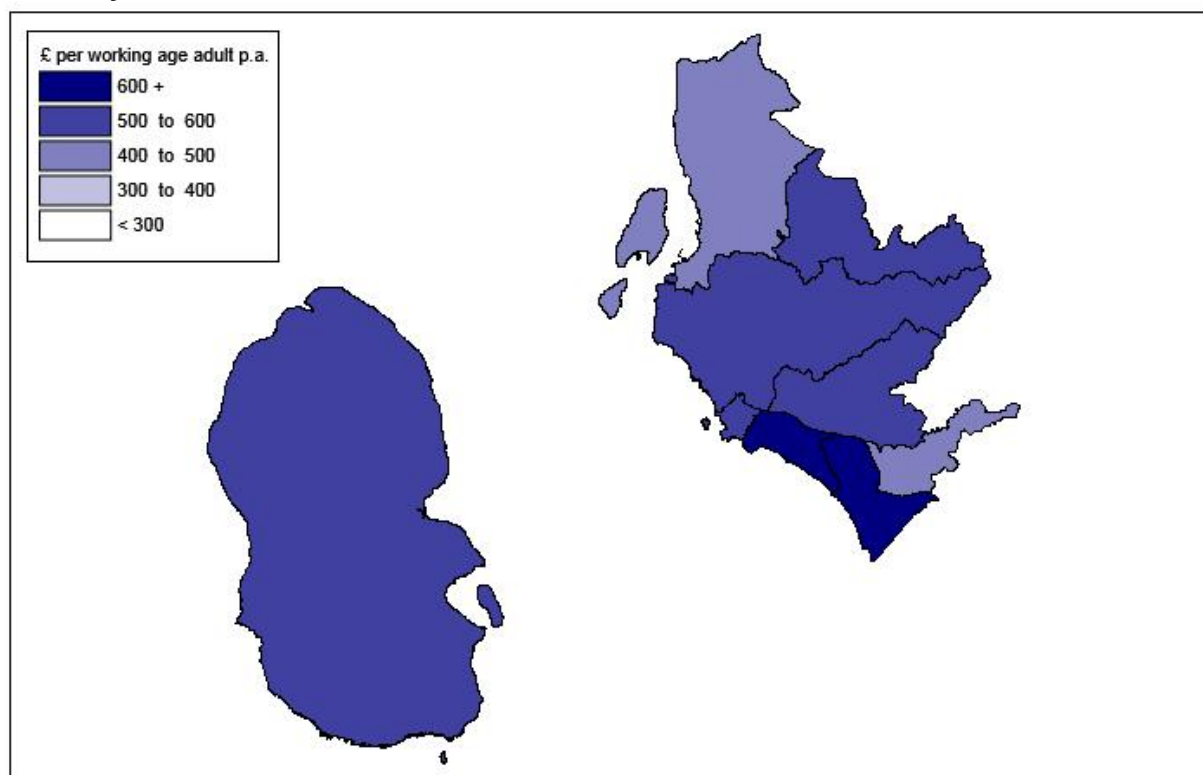
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Ward	Loss per working age adult £ p.a.
Buckie	360
Elgin City North	360
Elgin City South	310
Fochabers Lhanbryde	430
Forres	340
Heldon and Laich	310
Keith and Cullen	350
Speyside Glenlivet	340

Source: Sheffield Hallam estimates based on official data

## North Ayrshire



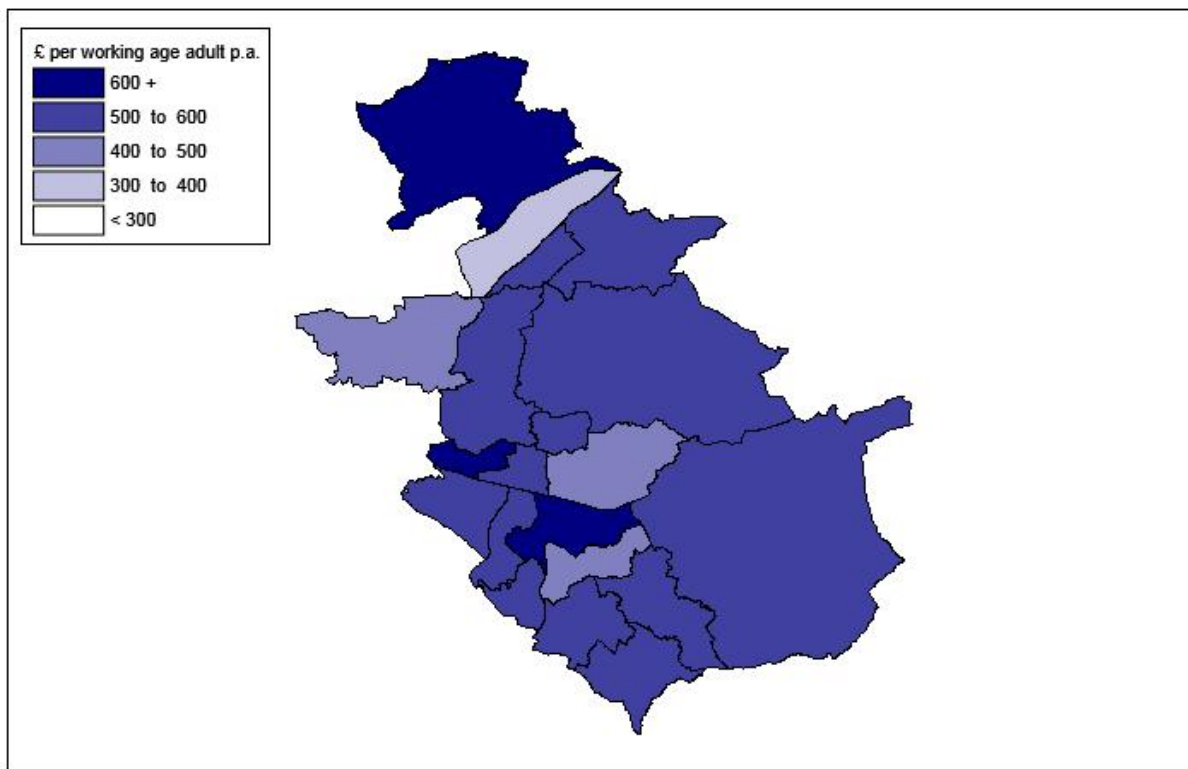
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Ward	Loss per working age adult £ p.a.
Ardrossan and Arran	520
Dalry and West Kilbride	580
Irvine East	500
Irvine West	650
Kilbirnie and Beith	550
Kilwinning	570
North Coast and Cumbraes	460
Saltcoats and Stevenston	650

Source: Sheffield Hallam estimates based on official data

## North Lanarkshire



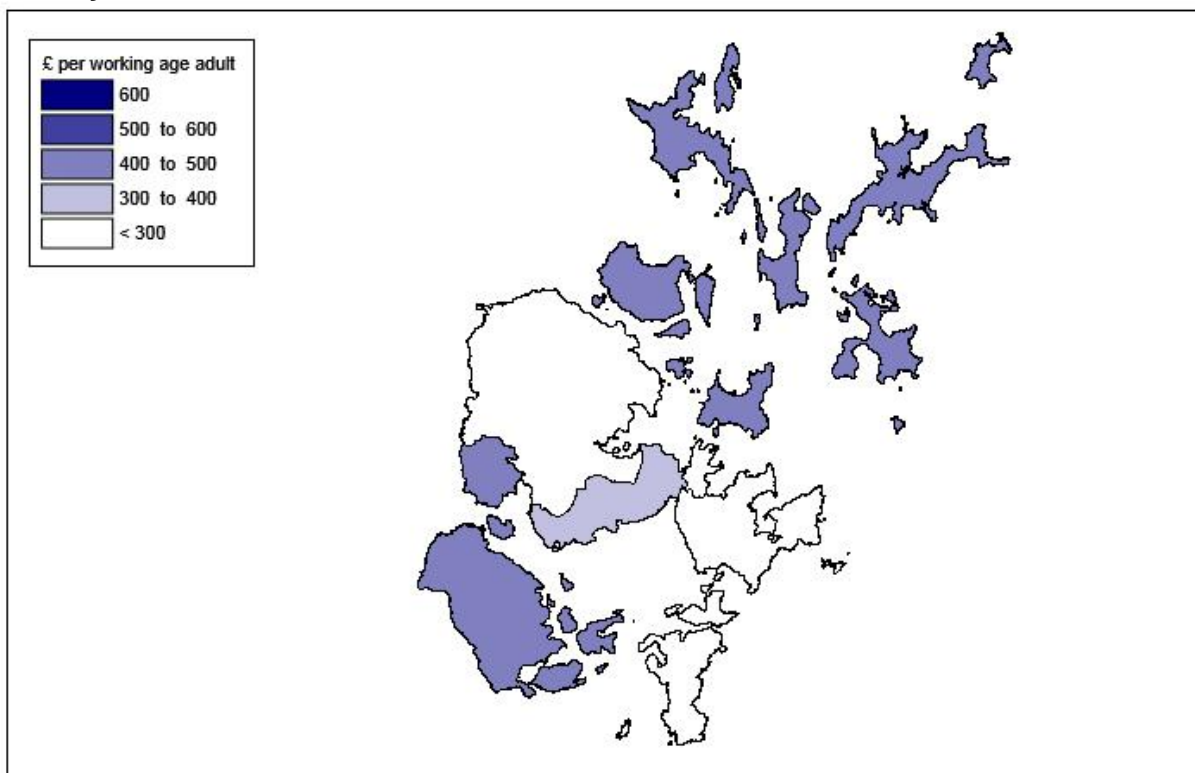
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Ward	Loss per working age adult £ p.a.
Abronhill, Kildrum and the Village	540
Airdrie Central	590
Airdrie North	570
Airdrie South	490
Bellshill	560
Coatbridge North and Glenboig	570
Coatbridge South	560
Coatbridge West	660
Cumbernauld North	380
Cumbernauld South	530
Fortissat	570
Kilsyth	620
Mossend and Holytown	630
Motherwell North	470
Motherwell South East and Ravenscraig	530
Motherwell West	500
Murdostoun	520
Strathkelvin	450
Thorniewood	550
Wishaw	540

Source: Sheffield Hallam estimates based on official data

## Orkney Islands



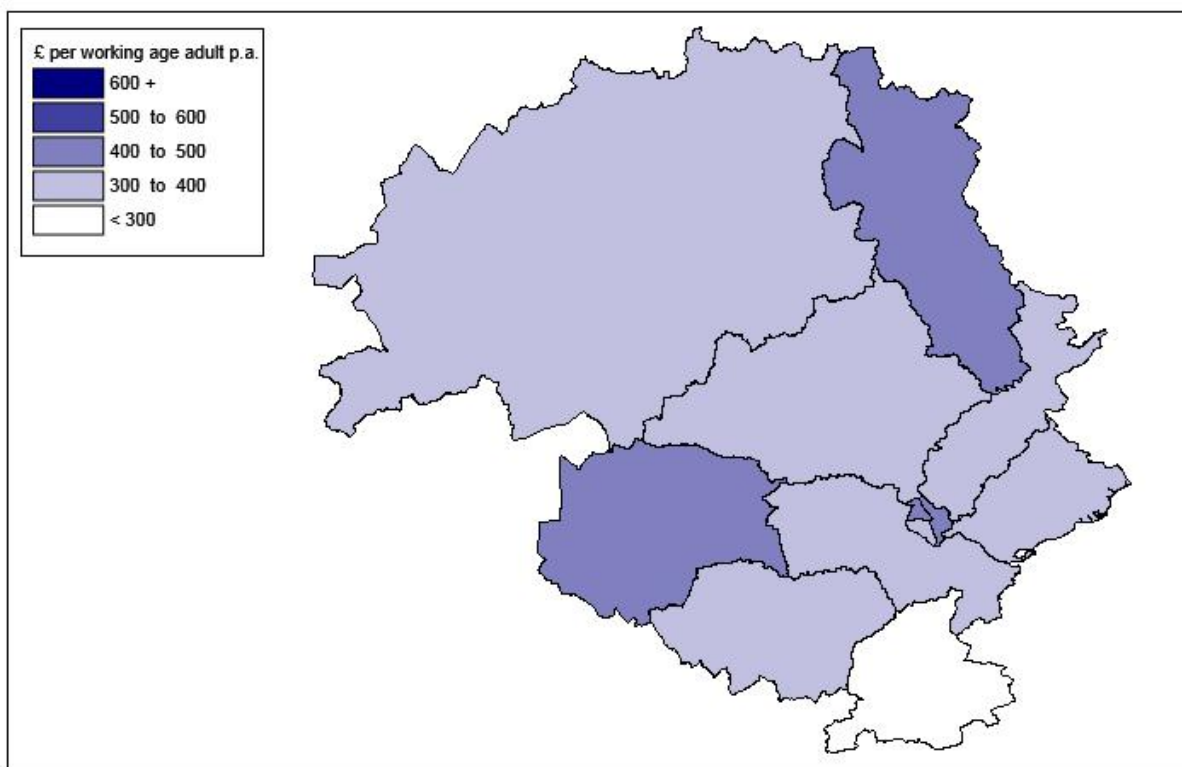
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Ward	Loss per working age adult £ p.a.
East Mainland, South Ronaldsay and Burray	280
Kirkwall East	270
Kirkwall West and Orphir	380
North Isles	430
Stromness and South Isles	450
West Mainland	290

Source: Sheffield Hallam estimates based on official data

## Perth and Kinross



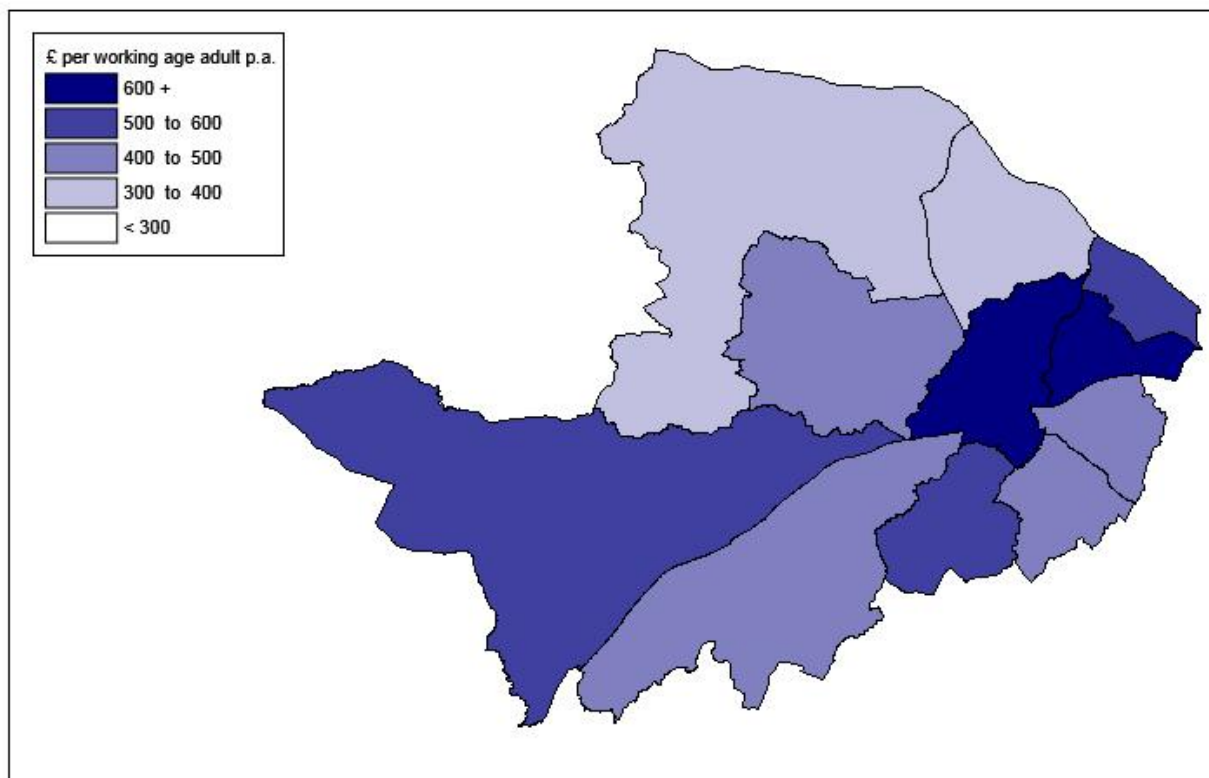
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Ward	Loss per working age adult £ p.a.
Almond and Earn	300
Blairgowrie and Glens	410
Carse of Gowrie	300
Highland	320
Kinross-shire	300
Perth City Centre	500
Perth City North	490
Perth City South	310
Strathallan	340
Strathearn	410
Strathmore	370
Strathtay	350

Source: Sheffield Hallam estimates based on official data

## Renfrewshire



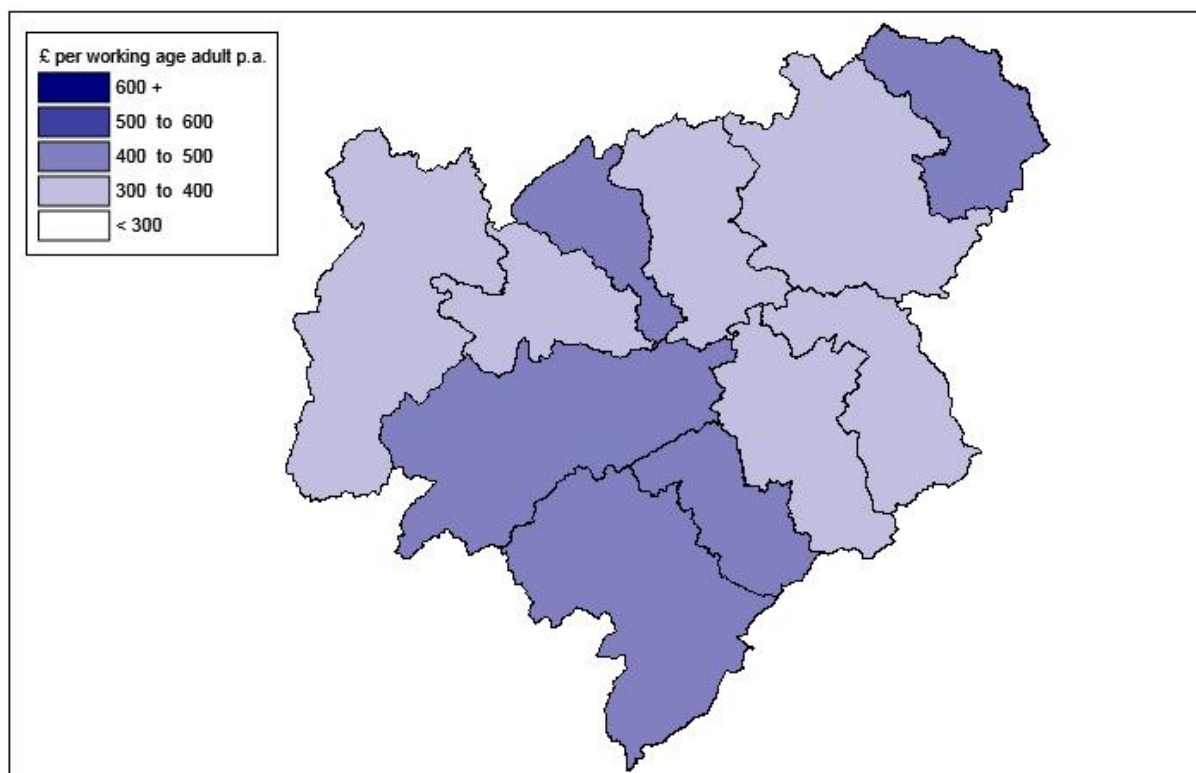
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Ward	Loss per working age adult £ p.a.
Bishopton, Bridge of Weir & Langbank	330
Erskine & Inchinnan	370
Houston, Crosslee & Linwood	470
Johnstone North, Kilbarchan & Lochwinnoch	540
Johnstone South, Elderslie & Howwood	480
Paisley East & Ralston	480
Paisley North West	660
Paisley South	490
Paisley South West	560
Renfrew North	520
Renfrew South & Gallowhill	610

Source: Sheffield Hallam estimates based on official data

## Scottish Borders



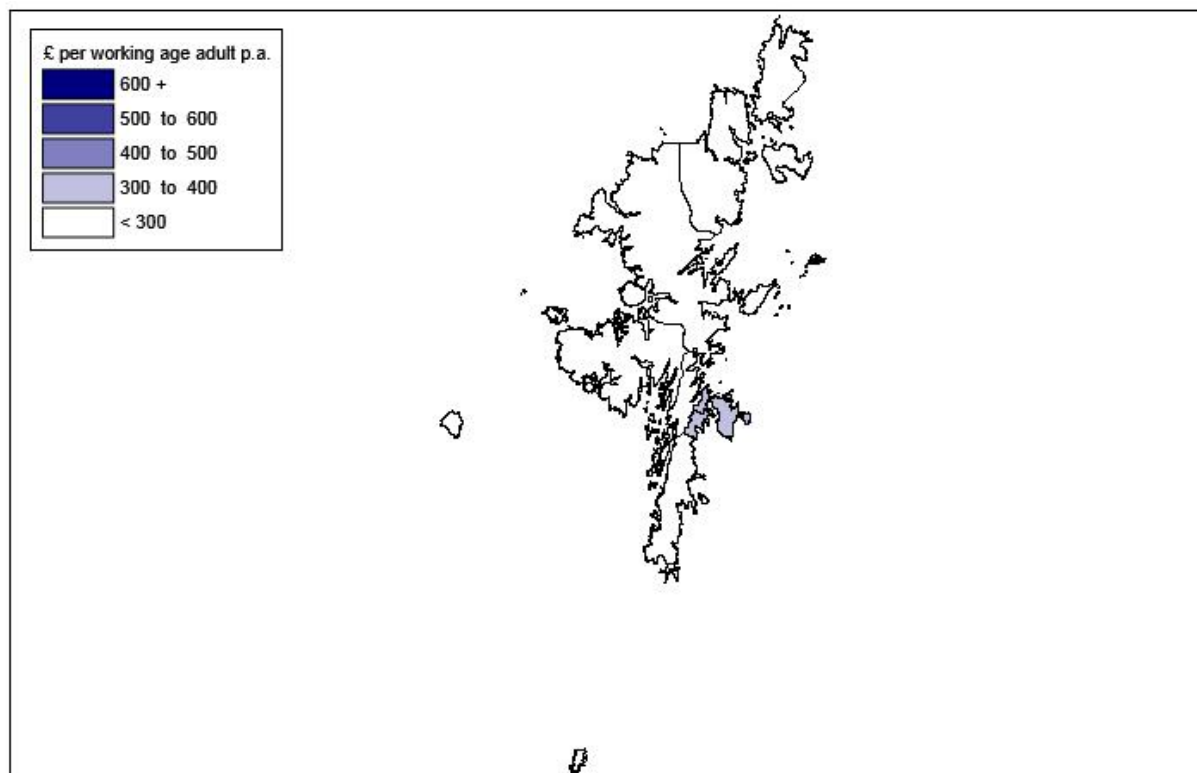
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Ward	Loss per working age adult £ p.a.
East Berwickshire	410
Galashiels and District	430
Hawick and Denholm	470
Hawick and Hermitage	460
Jedburgh and District	320
Kelso and District	360
Leaderdale and Melrose	360
Mid Berwickshire	380
Selkirkshire	400
Tweeddale East	350
Tweeddale West	350

Source: Sheffield Hallam estimates based on official data

## Shetland Islands



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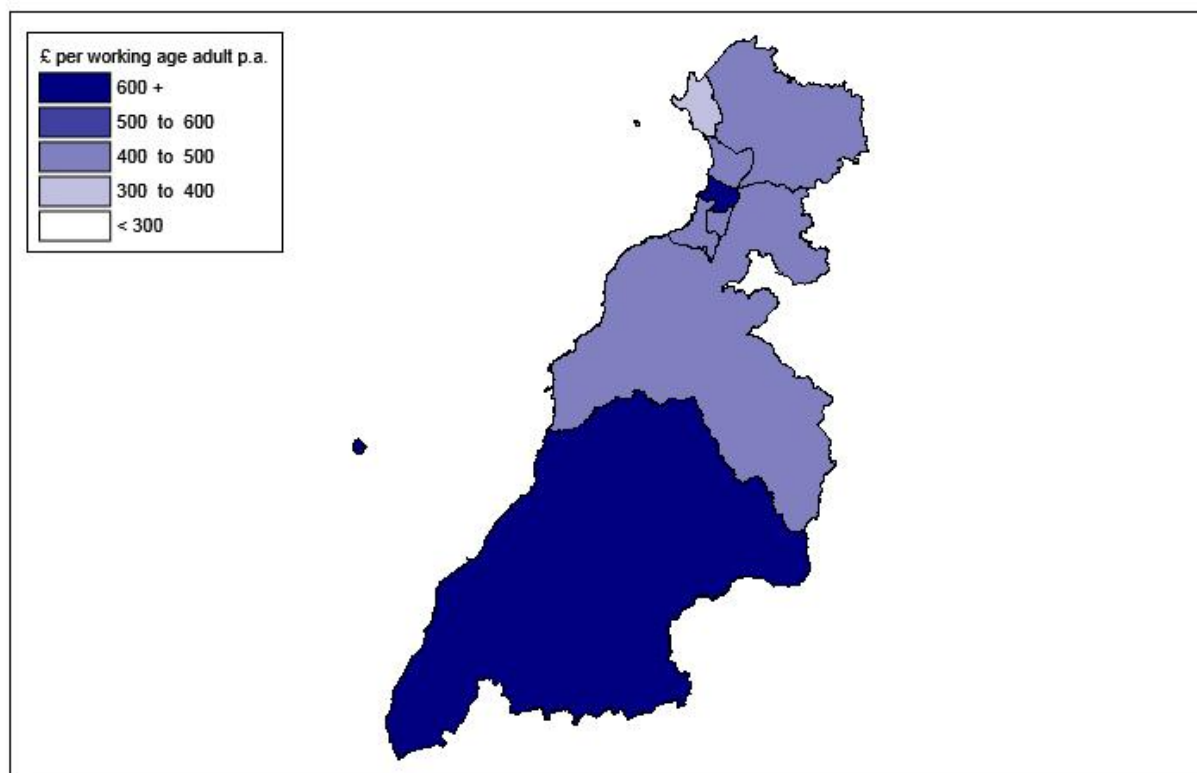
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Ward	Loss per working age adult £ p.a.
Lerwick North	310
Lerwick South	310
North Isles	230
Shetland Central	250
Shetland North	240
Shetland South	280
Shetland West	270

Source: Sheffield Hallam estimates based on official data



## South Ayrshire



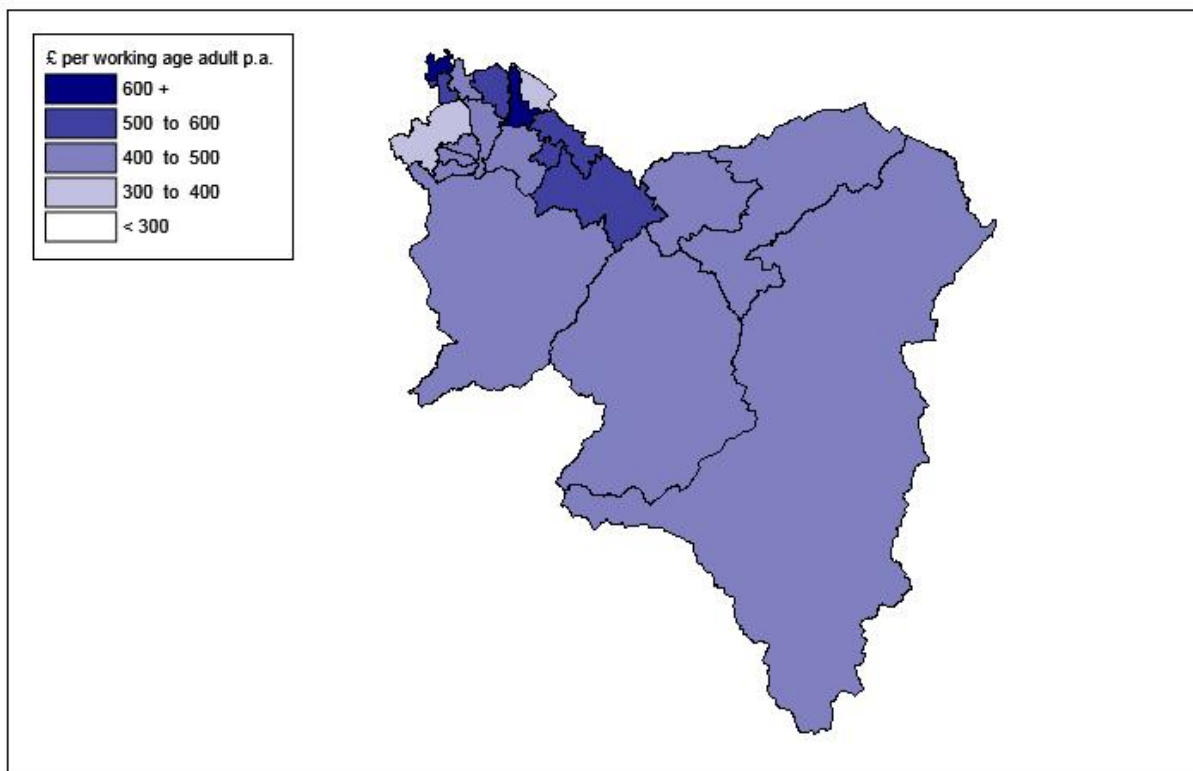
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Ward	Loss per working age adult £ p.a.
Ayr East	470
Ayr North	630
Ayr West	470
Girvan and South Carrick	610
Kyle	500
Maybole, North Carrick and Coylton	450
Prestwick	410
Troon	400

Source: Sheffield Hallam estimates based on official data

## South Lanarkshire



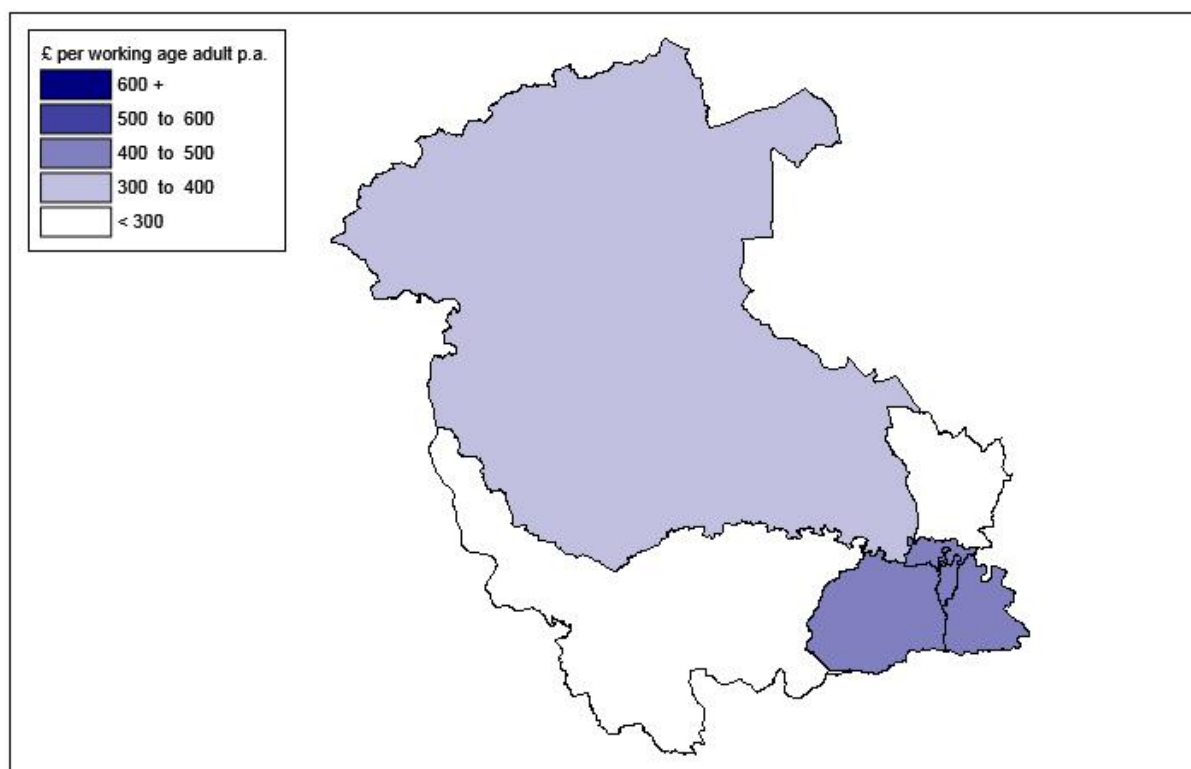
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Ward	Loss per working age adult £ p.a.
Avondale and Stonehouse	400
Blantyre	640
Bothwell and Uddingston	380
Cambuslang East	560
Cambuslang West	500
Clydesdale East	440
Clydesdale North	460
Clydesdale South	480
Clydesdale West	470
East Kilbride Central North	470
East Kilbride Central South	430
East Kilbride East	490
East Kilbride South	460
East Kilbride West	340
Hamilton North and East	550
Hamilton South	530
Hamilton West and Earnock	440
Larkhall	540
Rutherglen Central and North	600
Rutherglen South	580

Source: Sheffield Hallam estimates based on official data

## Stirling



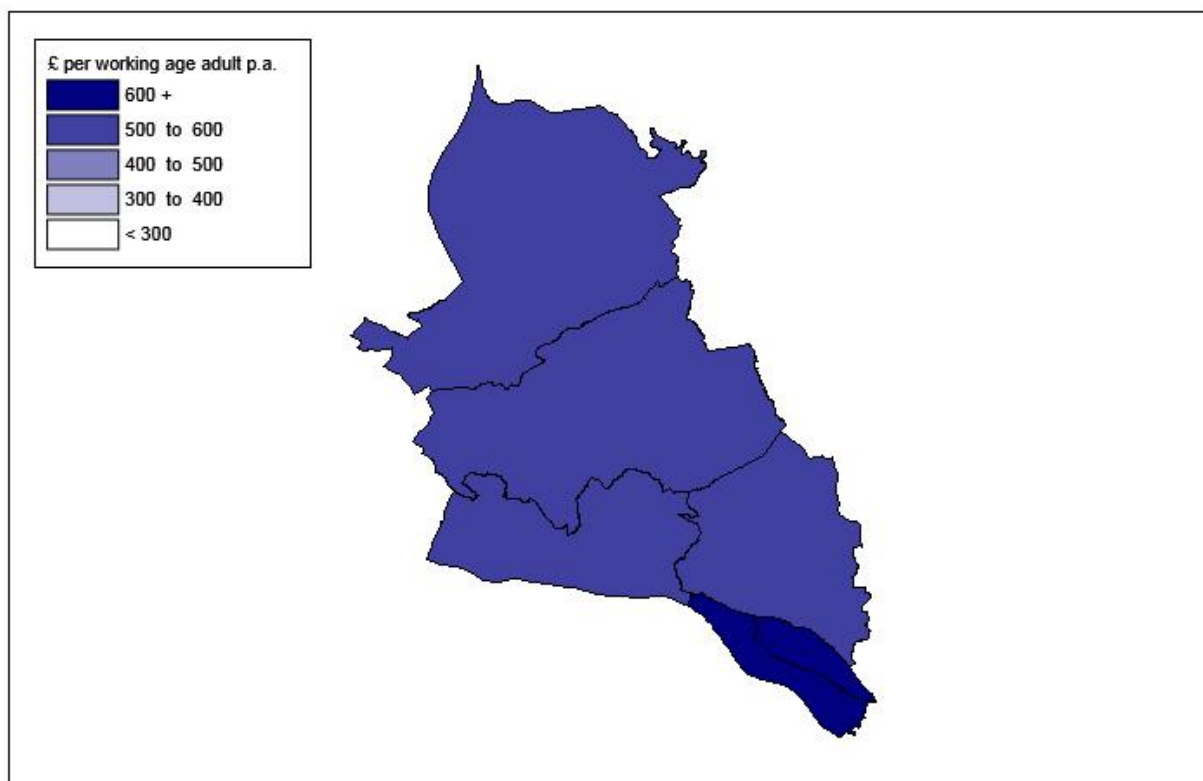
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Ward	Loss per working age adult £ p.a.
Bannockburn	490
Castle	450
Dunblane and Bridge of Allan	210
Forth and Endrick	290
Stirling East	410
Stirling West	400
Trossachs and Teith	340

Source: Sheffield Hallam estimates based on official data

## West Dunbartonshire



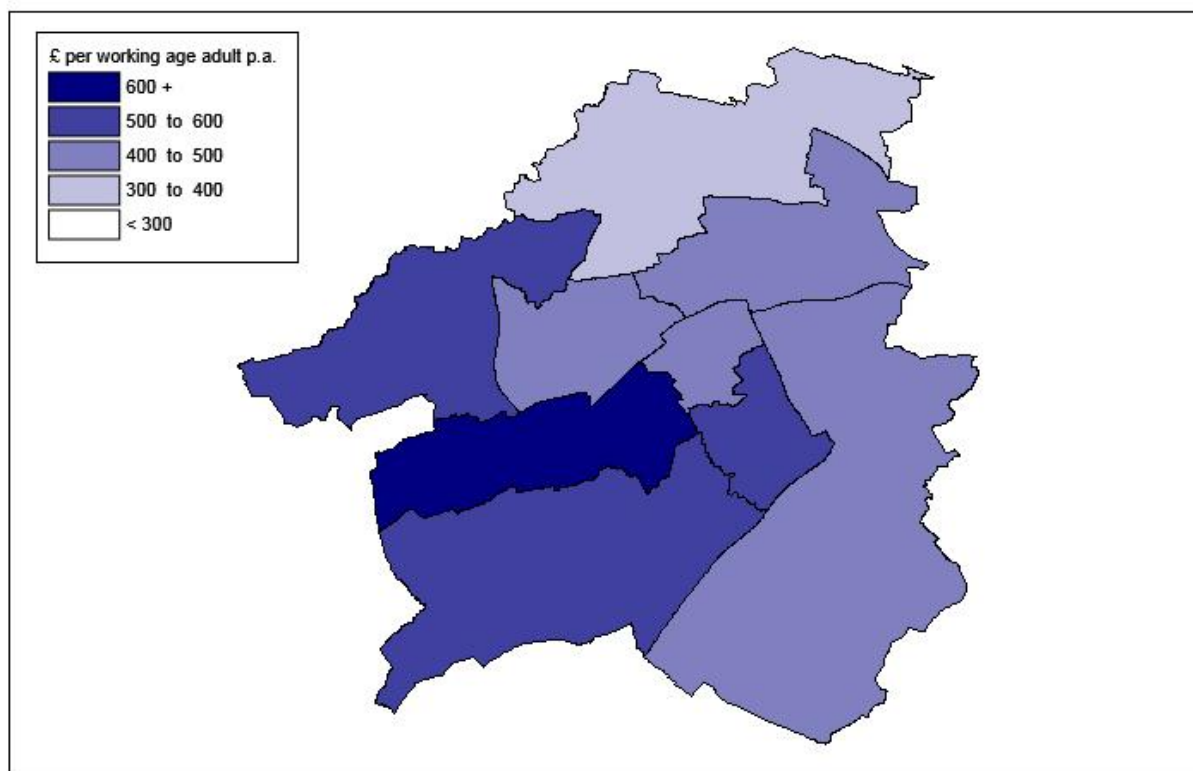
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Ward	Loss per working age adult £ p.a.
Clydebank Central	660
Clydebank Waterfront	610
Dumbarton	520
Kilpatrick	580
Leven	540
Lomond	570

Source: Sheffield Hallam estimates based on official data

## West Lothian



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Ward	Loss per working age adult £ p.a.
Armadale and Blackridge	570
Bathgate	430
Broxburn, Uphall and Winchburgh	430
East Livingston and East Calder	440
Fauldhouse and the Breich Valley	550
Linlithgow	350
Livingston North	410
Livingston South	500
Whitburn and Blackburn	610

Source: Sheffield Hallam estimates based on official data

## 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 30<sup>th</sup> percentile of local rents, rather than 50<sup>th</sup> 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 30<sup>th</sup> percentile rents to CPI indexation for LHA, from 2013-14

#### Total estimated loss (GB)

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

#### Methods and data sources

##### (1) Allocation to local authorities

- Total loss arising from 30<sup>th</sup> 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.

*(2) Allocation to wards*

- Financial loss allocated to wards on the basis of the number of LHA claimants in April 2011 (Source: DWP)

**HOUSING BENEFIT: (2) UNDER-OCCUPATION ('BEDROOM TAX')**

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 (GB)**

£400m a year by 2014-15

(Source: HM Treasury, revised down from £490m on basis of ratio between number of households affected in June 2013 and number originally anticipated to be affected)

**Methods and data sources**

*(1) Allocation to local authorities (areas outside Scotland)*

- Number of households affected in each local authority from outturn statistics for June 2013 (Source: DWP)
- Financial loss in each local authority estimated on the basis of the outturn number of affected households (see above) and the estimated average loss per claimant in each GB region (Source: DWP Impact Assessment, *Housing Benefit: under-occupation of social housing, June 2012 update*)

*(2) Allocation to wards*

- No longer relevant in Scotland owing to measures to avert the impact on claimants.

**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 (GB)**

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

### **Methods and data sources**

#### *(1) Allocation to local authorities*

- 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)

#### *(2) Allocation to wards*

- Financial loss allocated to wards on the basis of Housing Benefit claimant numbers in April 2012

### **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 (GB)**

£185m a year by 2014-15  
(Source: HM Treasury, revised down from £270m on basis of the ratio between the number of households affected in February 2013 and the number originally anticipated to be affected)



## Methods and data sources

### *(1) Allocation to local authorities*

- Financial loss allocated to local authorities on the basis of the outturn statistics on the number of households in each authority in February 2013 expected to be affected by the benefit cap (Source: DWP)

### *(2) Allocation to wards*

- Financial loss allocated to wards on the basis of the number on out-of-work benefits in February 2013 (Source: DWP)

## 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 (GB)

£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

### *(1) Allocation to local authorities (areas outside Scotland)*

- Number of households affected and average weekly loss, by authority, from statistics assembled by the New Policy Institute, as updated on 7<sup>th</sup> February 2013 at [www.npi.org.uk](http://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.

(2) *Allocation to wards*

- Not relevant in Scotland

## **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 (GB)**

£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**

(1) *Allocation to local authorities*

- 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 the basis of the reduction in claimant numbers (see above)

(2) *Allocation to wards*

- Financial loss allocated by ward on the basis of the numbers aged 16-59 claiming DLA in February 2013 (Source: DWP)

## 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 (GB)

£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

#### (1) Allocation to local authorities

- 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*).
- 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.

(2) Allocation to wards

- Financial loss allocated by ward on the basis of the numbers claiming incapacity benefits in February 2011 (Source: DWP)

## **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 (GB)**

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

### **Methods and data sources**

(1) *Allocation to local authorities*

- 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.

*(2) Allocation to wards*

- Financial loss arising from three-year freeze allocated to wards on the basis of numbers of Child Benefit claimants in August 2012 (Source: HMRC)
- Financial loss arising from withdrawal from higher earners allocated to wards in proportion to the distribution of professional and managerial workers within the local authority in 2011 (Source: Census of Population)

## **TAX CREDITS**

Payments through the tax system of Child Tax Credit (CTC) and Working Tax Credit (WTC) 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 WTC, from 2011-12
- Increase in working hours requirement for WTC, from 2012-13

### **Total estimated loss (GB)**

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

### **Methods and data sources**

*(1) Allocation to local authorities*

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

*(2) Allocation to wards*

- Financial loss allocated to wards on the basis of the numbers claiming Tax Credits in August 2011 (Source: HMRC)

## 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 (GB)

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

### Methods and data sources

#### (1) *Allocation to local authorities*

- Total loss divided equally between DWP-administrated benefits and HMRC-administrated benefits (Child Benefit, CTC, WTC), 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 WTC 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)

#### (2) *Allocation to wards*

- Financial loss allocated to wards according to claimant numbers, with weightings of 37.5% for out-of-work benefit numbers, 12.5% for Housing Benefit claimant numbers and 50% for Tax Credit claimant numbers (see above for sources of weightings) (Sources: DWP, HMRC)

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