



Citizens Advice Scotland written evidence House of Commons Public Bill Committee on the Welfare Reform and Work Bill October 2015

1. Citizens Advice Scotland (CAS), our 61 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Adviceguide provides information on rights and helps people solve their problems.
2. In 2014-15 the Citizens Advice Service network helped over 323,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £124 million and the Scottish zone of our self-help website Adviceguide received approximately 5.4 million unique page views.

Summary

3. **Citizens Advice Scotland recommends that the Bill is amended to remove Sections 7 to 15 (Welfare benefits) and Sections 16 to 18 (Loans for mortgage interest). We are extremely concerned that the proposals would have a detrimental impact on CAB clients who have already been negatively affected by changes to the social security system in the last Parliament. These negative consequences include a rise in rent arrears; pressure on homeless services; and an increase in the number of people who are unable to make ends meet, who accrue priority debt or who require a referral to a food bank.**

Benefit cap (sections 7 and 8)

4. The Bill proposes lowering the existing household Benefit Cap from £26,000 to £20,000 per year for families, and £18,200 to £13,400 for single people.
5. According to the latest figures from May 2015, only 769 households in Scotland were subject to the Benefit Cap and who had their Housing Benefit reduced by the equivalent amount - in Scotland up to £250 per week.¹
6. However, given the large reduction of the Cap, we can expect this number to increase significantly, and CAS would expect an increase in advice given in this area, because of the reduction in support from the social security system. The precise numbers who will be affected at the moment in Scotland are uncertain, but we can say for certain that unless their circumstances change, 769 households in Scotland will be worse off by £6,000 per year – a significant reduction.

¹ Stat Xplore - Department for Work and Pensions <https://stat-xplore.dwp.gov.uk/>

7. Beyond that, the only estimates the Department for Work and Pensions (DWP) have produced estimate that 92,000 households in Great Britain will be affected by the reduced Benefit Cap². Given that around 9.6% of Housing Benefit claims are made in Scotland³, and that part of the rationale for a higher Cap in London is to 'even out' the effects of the Benefit Cap, that would equate to roughly 8,500 to 9,000 households affected by the reduction.
8. The groups most likely to be affected at the moment are larger families and lone parents, as well as the children who live in the households. At the moment 60% of capped households had between one and four children and 35% had five or more children. 64% of capped households constituted a lone parent with children.⁴ This is mainly a combination need for large houses with high rents, as well as claiming children's benefits which are not exempted from the cap.
9. From the Government's Impact Assessment, it is forecast that 64% of those affected by the lowering of the Cap will be single women, compared with 18% being single men, and the majority will be aged 25-44. However, it does not give a regional breakdown, nor full details of the groups of claimants that will be most affected. This makes it very difficult for local authorities and voluntary organisations to prepare to support individuals and families affected, and makes the Government's ambition of provoking behavioural change difficult, as most claimants will currently be unaware they will be affected and cannot plan accordingly.
10. From evaluation of the Benefit Cap's effects to date⁵ very few people moved to cheaper accommodation to avoid it. With some of the larger families affected, their options can often be somewhat limited in that regard. Neither was there a great deal of evidence that it caused a significant number of people to move into work. For lone parents with large families, their options can also be limited.
11. Most often, people hit by the Benefit Cap just absorbed the loss, so we may see more of that if this section of the Bill. We can expect to see further pressures on Discretionary Housing Payments, and large families, lone parents and children being entitled to less support, although with the scale of the reduction, it is possible that other groups will be drawn in. Given that Housing Benefit is reduced, CAS is concerned that we may see a rise in rent arrears and pressures on homeless services as a result.

12. CAS recommends that the Bill is amended to remove Sections 7 and 8

² Impact Assessment – Benefit Cap <http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf>

³ Housing Benefit caseload statistics: data to May 2015 - Department for Work and Pensions <https://www.gov.uk/government/statistics/housing-benefit-caseload-statistics>

⁴ Benefit Cap Quarterly Statistics: GB Households capped to May 2015 – Department for Work and Pensions https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/452971/benefit-cap-statistics-to-may-2015.pdf

⁵ Benefit cap evaluation – Department for Work and Pensions, December 2014 <https://www.gov.uk/government/publications/benefit-cap-evaluation>

Freeze of certain benefits and tax credits for four tax years (Sections 9 and 10)

13. The Bill proposes a freeze in the value of working-age benefits and tax credits for four years. This follows on from previous changes to the way benefits are uprated, including a switch from being uprated by inflation as measured by the Retail Prices Index to the Consumer Prices Index, then being capped at a 1% uprating, lower than inflation, since 2013.
14. The effects of previous changes have been subtle, but can have a significant impact on the ability of benefits to provide for basic essentials for claimants. Sheffield Hallam University calculates that the estimated loss of the 1% uprating policy to the Scottish economy was £230 million per year or £65 for every working age adult in Scotland.⁶
15. If these Sections remain in the Bill, we can expect the impact to be even more severe over the next four years, particularly if there is any significant rise in inflation before 2020, which could lead to a rapid increase in benefit claimants being unable to afford to pay for essentials. CAS is concerned that this may increase the number of CAB clients who are unable to make ends meet, who accrue priority debt or require a referral to a food bank.
- 16. CAS recommends that the Bill is amended to remove Sections 9 and 10.**

Changes to child tax credit and child element of Universal Credit (Sections 11 to 12)

17. The Bill proposes a number of changes to tax credits, which will reduce the support available to low-earning in-work families. They will limit tax credit support to the first two children only; and remove the family element from tax credits, currently worth £545 per year from April 2017. This is in addition to regulations already passed by Parliament⁷ which will reduce the income threshold for tax credits; and increase the rate at which tax credits are withdrawn (the 'taper rate') from April 2016.
18. The sum total of this would be a substantial cut to the income of low-earning families, which make up a significant share of Scotland's population. As at April 2015 there were 349,900 households in Scotland in receipt of tax credits, around 14% of all households in Scotland.⁸
19. Whilst estimates from a range of sources vary, they all concur that the scale of the cut on families that receive tax credit support will be substantial. The House of Commons Library briefing on the changes calculates an average loss across

⁶ The Cumulative Impact of Welfare Reform on Households in Scotland – Scottish Parliament Welfare Reform Committee, March 2015

http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Reports/wrr-15-01w.pdf

⁷ Tax Credits (Income Thresholds and Determination of Rates) (Amendment) Regulations 2015

⁸ In 2014 (the most recently available figures) there were 2.42 million households in Scotland. Estimates of Households and Dwellings in Scotland, 2014 – National Records of Scotland, July 2015. <http://www.nrscotland.gov.uk/files/statistics/household-estimates/2014/household-est-2014.pdf>

all in-work families in the region of £1,300 in 2016-17, although this will be higher for a number of families.⁹

20. The Scottish Parliament Information Centre calculates that 197,200 families in Scotland will be affected by the changes, with UNISON producing a similar estimate which also forecasts the losses as being up to £3,000 per year.¹⁰
21. According to calculations by the GMB union, 80% of in-work families in receipt of tax credits face a minimum cut of £23.72 per week, a substantial amount when the average tax credit recipient in Scotland receives £113.46 per week.¹¹
22. The summer Budget also brought increases to the personal tax allowance and introduction of a new higher National Minimum Wage rate, but according to analysis from the Institute of Fiscal Studies this would only make up for 26% of the tax credit losses on average, a net loss of around £550 per year.¹² The Joseph Rowntree Foundation calculates that a range of in-work household types would fall short of the minimum income standard in 2020, despite rises in the National Minimum Wage.¹³
23. The Resolution Foundation estimates the cumulative effect of the changes announced in the summer Budget will result in an extra 200,000 children across the UK being dropped into poverty in 2016, the majority from in-work households.¹⁴
24. In April 2012, the eligibility rules for Working Tax Credit and Child Tax Credit changed, negatively impacting on tens of thousands of Scottish families.¹⁵ By April 2014, the number of in work families in Scotland receiving in work tax credit support had reduced by 97,300 compared to two years previously (a reduction of 27% in the number of families).¹⁶ As a result of these changes, and others to

⁹ Tax Credit changes from April 2016 – House of Commons Library, September 2015
<http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7300>

¹⁰ Government's tax credit snatch and grab will hit more than 2.7m working households across the UK – UNISON, October 2015 <https://www.unison.org.uk/news/press-release/2015/10/governments-tax-credit-snatch-and-grab-will-hit-more-than-2-7m-working-households-across-the-uk/>

¹¹ GMB Congress call on Government to rule out cuts to £113.46 average weekly tax credits for 250,300 in-work families in Scotland – GMB union, June 2015
<http://www.gmb.org.uk/assets/media/documents/pressreleases/workingfamilytaxcongress2015/SCOWFTC.pdf>

¹² An assessment of the potential compensation provided by the new 'National Living Wage' for the personal tax and benefit measures announced for implementation in the current parliament – Institute for Fiscal Studies, September 2015 <http://www.ifs.org.uk/publications/7975>

¹³ Will the 2015 Summer Budget improve living standards in 2020? – Joseph Rowntree Foundation, September 2015 <https://www.jrf.org.uk/report/will-2015-summer-budget-improve-living-standards-2020>

¹⁴ A poverty of information – Resolution Foundation, October 2015
<http://www.resolutionfoundation.org/wp-content/uploads/2015/10/Child-poverty-briefing.pdf>

¹⁵ Up to that date, families were eligible for Child Tax Credits if their income was below £41,300. This changed to £32,000 for families with two children and £26,000 for lone parents. Families were also able to claim Working Tax Credit if they were responsible for at least one child and worked at least 16 hours per week, but this was increased to 24 hours per week (with one parent having to work at least 16 hours).

¹⁶ There were 258,500 in-work families in receipt of tax credits in Scotland in April 2014, compared with 355,800 in April 2012. Personal tax credits: provisional statistics: 2014 to 2009, HM Revenue &

come, the contribution of state support to family incomes has declined and will decline further. Citizens advice bureaux have advised clients who have lost their entitlement to tax credits and subsequently fallen into financial difficulties.

- An East of Scotland CAB reports of a client who wanted to know how to access a food bank as she and her partner simply could not make ends meet, The client had fallen into financial difficulties following the change in the rules for Working Tax Credit. The bureau referred the client to a local church for a food parcel. The client is going to try to increase her employment hours in order to receive tax credits again.
- A West of Scotland CAB reports of a client who is struggling financially after being unable to get an increase in work from his current part-time employment. The client is struggling with food and fuel bills and cannot afford to provide support to his two children who live with their mother. The bureau advised that the client would be entitled to Working Tax Credit if he could get employment of 30 hours per week. The client will try to increase his hours again, but will need a food parcel if he cannot.

25. Citizens Advice Scotland have been increasingly concerned by the high level of in-work poverty in Scotland, and the increasing number of CAB clients who are struggling to pay for essentials despite being in work. Common problems have included low pay, childcare costs and availability¹⁷, misuse of zero hours contracts¹⁸ as well as lack of support from the in-work benefits system.

26. CAS is concerned that these changes risk undermining one of the positive features of the introduction of Universal Credit and the Government's ambitions to 'make work pay'. Most importantly, we are concerned that the worrying rise in CAB clients who are in work but struggling to pay for essentials will increase.

27. CAS recommends that the Bill is amended to remove Sections 11 and 12.

ESA (Work-Related Activity component) and Universal Credit (Limited Capability for Work component) (Sections 13 and 14)

28. The Bill proposes to reduce the value of the Work Related Activity Group (WRAG) component of Employment and Support Allowance (ESA) to the same rate as Jobseeker's Allowance (JSA). Currently work-related activity ESA is £29.05 per week higher per week than JSA¹⁹.

29. ESA claimants – those that undergo a Work Capability Assessment and are found unfit for work – are placed into one of two groups: the 'Support Group' for people who are not currently capable of any sort of work-related activity, and the WRAG for people who are not currently able to work but are deemed to be

Customs - <https://www.gov.uk/government/statistics/personal-tax-credits-provisional-statistics-2013-to-2009>

¹⁷ Working at the Edge: Childcare – Citizens Advice Scotland, December 2014

¹⁸ Working at the Edge: Zero hours contracts – Citizens Advice Scotland, July 2014

¹⁹ ESA with the Work-Related component is worth £102.15 per week, compared with £73.10 per week JSA.

capable of work-related activity, such as attending training programmes or CV workshops.

30. CAS is concerned about the proposals in the Bill for a number of reasons. Firstly, people in the WRAG are suffering from ill-health or disability. They have greater needs and may incur additional costs as a result, as unlike JSA claimants they are not expected to be ready to start a job and are more likely to be long-term unemployed. However, CAS has also been concerned about cases related to the Work Related Activity Group (WRAG) for some time where CAB clients have been inappropriately placed in the WRAG, as it is clear they are not capable of carrying out work-related activity and should really be in the Support Group.

- An East of Scotland CAB reports of a client who had received a letter regarding a sanction, but the letter did not say how long this was for. The client suffers epileptic fits and had not attended a Triage interview as when he comes around he cannot remember the previous 24 hours. When he phoned to explain why he had not attended he was told that he was not allowed to use same excuse twice. He would like to appeal.

31. These claimants, who can be extremely vulnerable, are often sanctioned and lose part of their entitlement for long periods of time, which has a damaging effect in itself. However, this change would mean that if they are unable to complete the mandatory work-related activity and are sanctioned they lose all of their income rather than just a portion. Citizens Advice Scotland is already concerned about the cases where loss of income from benefit claimants has made their health deteriorate and we are concerned that this move will worsen that.

- An East of Scotland CAB reports of a client who is in the WRAG who is unable to attend the Work Related Activity sessions because of mental health issues. Since late November 2014 she has received at least 13 requests to attend WRA sessions, and has managed to comply with the last four sessions from 9 April 2015, as she can only attend if accompanied by her very disabled sister. The client has received nine sanction decision letters because of her failure to take part in WRA. Despite her compliance almost two months ago, she has received no decision letter to pay her the due amount of ESA from that date.
- An East of Scotland CAB reports of a client who lives alone and claims ESA due to his addiction issues as well as mental health problems. The client had had issues with previous Fit Notes that he needed to provide for his ESA claim (need to provide to keep claim in payment until told otherwise) and this had resulted in delayed and stopped payments. This had caused client to become unwell and also start to use drugs again.

32. CAS recommends that the Bill is amended to remove Sections 13 and 14.

Universal Credit: work-related requirements (Section 15)

33. The Bill proposes that the work-related requirements for parents who claim benefits are increased. Currently lone parents need only attend work-focused

interviews or work-related activity until their child is five. The changes mean that all parents will be expected to be available for, and actively seek work from the time their youngest child turns three.

34. This however assumes that childcare is both available when parents need it, and is affordable. CAS has previously reported of CAB clients who have had to give up work because of a lack of suitable childcare that they can afford²⁰. The costs of childcare in Scotland can vary considerably between local authorities with part-time nursery care in the most expensive local authority being £3,341 per year more than in the neighbouring local authority²¹. In many places, particularly rural areas, there is no suitable childcare available.

- A West of Scotland CAB reports of a client who is a single parent with a two year old child. She is keen to return to work and has been offered a job. Whilst her childcare costs would partially be met by tax credits, she would be unable to take on the job as there are no childcare facilities in the local area, she is unable to drive and there is a lack of regular public transport.

35. CAS is concerned that without significant improvements parents will be unable to take up job offers due to a lack of available or affordable childcare and would be at risk of a benefit sanction. This is particularly the case for lone parents.

36. CAS recommends that the Bill is amended to remove Section 15.

Loans for mortgage interest (Sections 16 to 18)

37. The Bill proposes changing the current Support for Mortgage Interest (SMI) scheme into a loan rather than a payment from April 2018.

38. At present, citizens advice bureaux in Scotland do not see a great deal of cases relating to the SMI scheme, but CAS would be concerned that this would increasingly become a problem if the system were changed, as people who are already in mortgage arrears would accrue even more debt. This would lead to the risk of repossessions and serious multiple debt being increased, and would restrict the support available to prevent homelessness.

39. CAS recommends that the Bill is amended to remove Sections 16 to 18.

²⁰ Working at the Edge: Childcare – Citizens Advice Scotland, December 2014

<http://www.cas.org.uk/publications/working-edge-childcare>

²¹ 2014 Scottish Childcare Report – Family and Childcare Trust