

Briefing for the Public Petitions Committee

Petition Number: [PE01677](#)

Main Petitioner: Dr Sarah Glynn

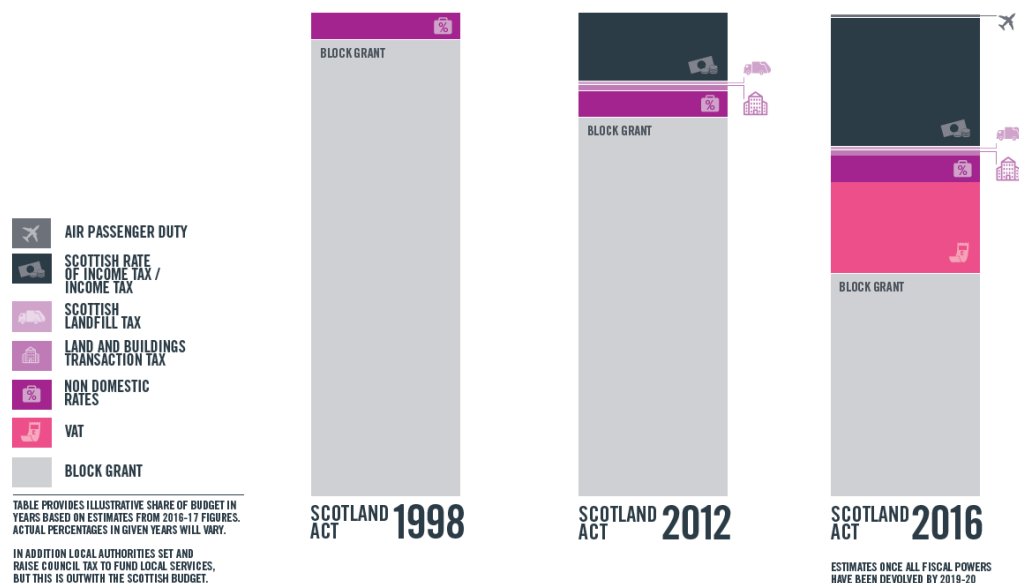
Subject: Make more money available to mitigate welfare cuts

Calls on the Parliament to urge the Scottish Government to make more money available to mitigate the impact of UK Government welfare cuts through reassessing spending priorities and bringing in more progressive taxation.

Background

The background information to this petition lists a number of examples of welfare reforms which the petitioner argues the Scottish Government should mitigate. The petition background mentions as possible solutions making changes to the income tax system and the potential for new taxes on the value of land to replace council tax.

The Scottish Government's December 2016 publication [Scotland's finances: key facts and figures](#) contains the following graphic, highlighting the growing importance of income tax receipts for the Scottish budget (note that council tax is excluded from this graphic).



The following sections give brief background details of some of the specific welfare reforms mentioned in the petition. These changes were largely introduced by two Acts of the Westminster Parliament:

- [Welfare Reform Act 2012 c. 5](#)
- [Welfare Reform and Work Act 2016 c. 7](#)

Universal credit

[Universal credit](#) (UC) replaces the following six working age benefits¹ with a single monthly payment (subject to the “Scottish flexibilities” described below). Entitlement is calculated at the end of a one month “assessment period”, and takes into account the level of earnings received that month. In response to criticism of the implementation of UC and calls for a halt to the rollout, a series of reforms to UC were announced in November 2017. These included:²

- making advance payments more accessible
- increasing the time period over which advance payments are recovered
- removing the seven day waiting period before entitlement begins
- allowing existing housing benefit entitlement to continue for two weeks after a claimant’s UC entitlement begins
- reducing the pace of the rollout of the UC “full service” and ending new claims in areas in which the full service is yet to reach.

The benefit cap

The [benefit cap](#) operates through either housing benefit or universal credit. It limits the total amount of social security benefits that can be claimed by some working-age households. It was introduced in 2013, and from November 2016 was lowered to £20,000 or £13,400 for single claimants without children. New exemptions were added for households in which someone is entitled to carer’s allowance or guardian’s allowance³ at the same time. Claimants affected by the cap may be able to get support through discretionary housing payments.

Transfer from DLA to PIP

[Disability living allowance](#) (DLA) is being replaced by [personal independence payment](#) (PIP) for working-age claimants, a process due to be complete by 2019. Both of these benefits are amongst those to be devolved following the Smith Commission’s recommendations. PIP is paid at the same rates as DLA (although the lowest rate of the personal care component of DLA has no equivalent). The reform was projected to save 20% of expenditure when introduced, but the projected savings have not been realised.⁴

Removal of the work-related activity component

People who claim [employment and support allowance](#) (ESA) after 3 April 2017 and are found to qualify for the benefit, but are not placed in the “support group”⁵ will no longer receive the £30 a week work-related activity component. This reduces the rate of ESA for these claimants to the same rate as

¹ Income support, income-based jobseeker’s allowance, income-related employment and support allowance, child tax credit, working tax credit, housing benefit (for most claimants).

² House of Commons Hansard, [Universal Credit](#) (23 November 2017)

³ Whilst a separate benefit, [guardian’s allowance](#) is effectively an addition to child benefit for people who claim it for orphans, and children whose surviving parent is missing or in prison.

⁴ See for example, data presented in chapter 3 of the Scottish Government report [Impact of UK Welfare Policy on Disabled People](#) (October 2017)

⁵ This group recognises that those with the most serious health problems should not be expected to prepare for a future return to work, and results in a higher rate of benefit being awarded.

jobseeker's allowance (JSA). The same applies to the equivalent assessment of UC claimants.

Limit on the number of children included in means-tested benefit claims

The UK Government has introduced a [two child limit](#) in means-tested benefits. Amounts for third or subsequent children born after 6 April 2017 will only be included if they come within one of a series of exceptions. These include all children except the first in multiple births, children adopted from local authority care and those resulting from non-consensual conception (referred to by opposition parties as the “rape clause”).

Other groups, and freezing of working age benefit rates

The petition background lists other groups including “carers” and “children”. A specific example mentioned is a campaign arguing that the Scottish Government should top-up child benefit by £5 a week. This is one of the social security benefits which have been frozen since April 2016. Changes to uprating policy have been amongst the largest overall savings from the social security budget.⁶

Scottish Government Action

Welfare reform

On 29 June 2017, the Scottish Government laid before Parliament the final annual report on the impact of the Welfare Reform Act 2012 on Scotland required by the [Welfare Reform \(Further Provisions\) \(Scotland\) Act 2012 asp 10](#). The [2017 annual report](#) contains the following table showing:

“measures that either directly mitigate the changes introduced by the Act or are part of wider measures tackling poverty in Scotland.”

Table 1⁷: Scottish Government Funding: Mitigation and Tacking Poverty Measures (£m)

	2015/16	2016/17	2017/18
Council Tax Reduction	343	343	351
Discretionary Housing Payment	35	35	57.9
Scottish Welfare Fund	38	38	38
Fairer Scotland	8	8	6.9
Total	424	424	453.8

Source: Scottish Government (2017) [Annual Report - 2017: Welfare Reform \(Further Provision\) \(Scotland\) Act 2012](#), p.55

⁶ See the House of Commons Library briefing [Welfare savings 2010-11 to 2020-21](#) (July 2016)

⁷ The methodology in Table 1 is different to that previously used by the Scottish Government, in that it includes the total income foregone by local authorities due to the council tax reduction (CTR scheme). Previous figures given for the amount of spending of welfare reform mitigation have only included the amount provided by the Scottish Government towards mitigating the 10% cut in funding when the previous reserved council tax benefit was abolished and devolved. See, for example, [the answer to a Parliamentary question in February 2017](#), putting the investment in CTR at £92m over four years.

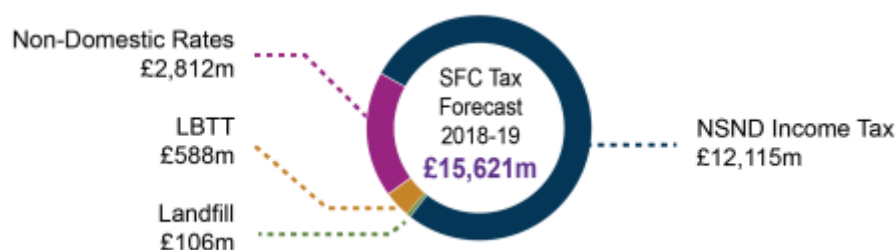
The discretionary housing payment figure above includes fulfilment of the Scottish Government’s commitment to mitigate the impact of the “bedroom tax” (also known as the removal of the spare room subsidy or the under-occupation penalty).

The Scottish Government has consistently stated that it does not plan to simply reverse the effect of all welfare reforms. For example, in answer to a question about whether benefit cuts will be reversed on devolution, during [a session with the Social Security Committee in March 2017](#), the Minister for Social security said that:

“That is an understandable approach to take, but it must be balanced against the reality of what is possible from the financial resources that the Scottish Government has and the fact that not all of the benefits system is being devolved to the Scottish Parliament. There are cuts in benefits that will remain reserved, and it is not in the power of the Scottish Parliament to overturn those cuts, even should it wish to do so.”

Use of tax-raising powers

Non-domestic rates, Land and Buildings Transaction Tax (LBTT), Scottish Landfill Tax and non-savings, non-dividend income tax are set to raise £15,621m in 2018-19. The only other “Scottish” tax is council tax which is set, collected and kept by local authorities.



Revenues from LBTT, Landfill Tax and NSND income tax flow to the Scottish Government. However, the block grant is reduced to account for the loss of this revenue to HM Treasury. The mechanism for this is set out in the [Fiscal Framework](#). The reduction to the block grant is calculated by looking at the growth of comparable tax receipts (for instance Stamp Duty) in the rest of the UK and adding on a population element to account for different demographic growth in Scotland and the rest of the UK.

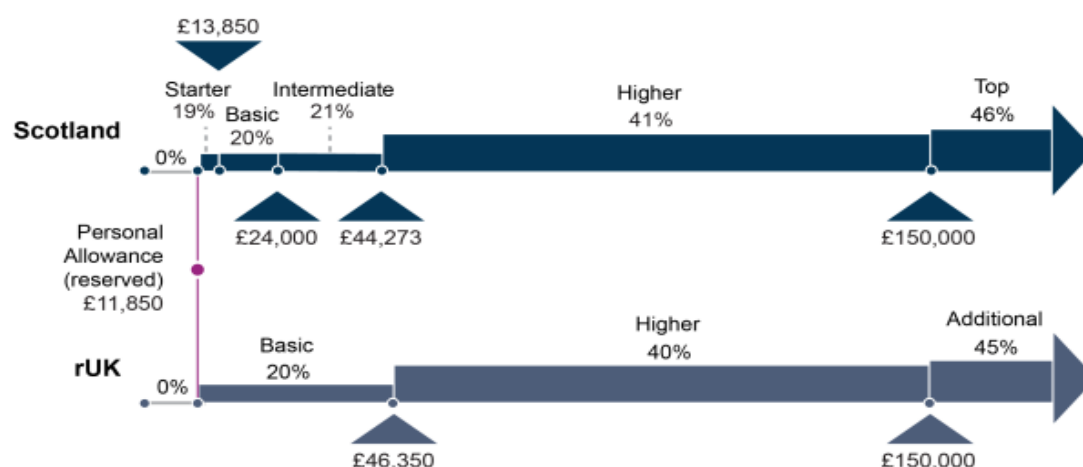
Impact of tax devolution on the Scottish budget in 2018-19:

£m	Reduction to the block grant	Tax revenue forecast	Difference
Income Tax	11,749	12,115	366
LBTT	600	588	-12
Landfill Tax	94	106	12
Total	12,443	12,809	366

Therefore, in 2018-19, the net effect of these taxes on public finances is £366 million.

Income Tax

The Scottish Government draft budget 2018-19, published on 14 December 2017, set out the Government’s income tax proposals for 2018-19. These are expected to raise an additional £164 million (once behavioural responses are included) relative to a baseline where personal allowance and the higher rate threshold were increased in line with inflation. The proposals include raising the higher rate threshold by inflation. Last year the Green Party reached an agreement whereby the Scottish Government froze the higher rate threshold at 2016-17 levels rather than increase it by inflation. If the same were to happen this year and the Scottish Government kept the higher rate threshold at £43,000, more revenue would be raised. In 2018-19 income tax is set to raise £12,115m.



Prior to the budget, the Scottish Government published a discussion paper on [The Role of Income Tax in Scotland's Budget](#). This analysed the income tax proposals of the political parties represented at Holyrood, and some alternative proposals. SPICe briefing [SB 17-84 Income tax in Scotland: 2017 update](#) gives further information on the current income tax devolution settlement, and potential issues with changes to the rate of income tax in Scotland.

In Session 4, the Scottish Government and COSLA set up a [Commission on Local Tax Reform](#). The Commission published its [final report](#) in December 2015, arguing that:

“the current system of Council Tax must end, with any replacement designed to be fairer, more progressive and locally empowering.”

In March 2016, the Scottish Government [announced a package of council tax reforms](#), described as building on the Commission’s proposals. From April 2017, the ratio between different council tax bands changed to make the tax more progressive. Also since April, local authorities would have the discretion to raise council tax by up to 3%. A new type of council tax reduction has been introduced to protect lower-income households in higher value properties from the impact of the banding change.

In its [Programme for Government 2017-18](#), the Scottish Government committed to task the Scottish Land Commission with “reviewing tax and fiscal arrangements, including the potential for introducing some form of land value based tax in Scotland.” The Scottish Land Commission’s [Programme of Work September 2017](#) estimates that this work will be complete by the end of 2018-19.

The [Social Security \(Scotland\) Bill](#) as introduced contains a broad power to top up reserved social security benefits, using secondary legislation. Giving [evidence to the Delegated Powers and Law Reform Committee on 3 October 2017](#), the Minister for Social Security stated that:

“The bill does not specify existing reserved benefits that Scottish ministers seek to top up because at present there are no plans to top up such benefits.”

Scottish Parliament Action

The Social Security Committee commissioned research, published in November 2016 on [The Impact of the new Welfare Reforms on Scotland](#). Building on [a previous report for the Session 4 Welfare Reform Committee](#), the research estimated that the greatest loss to the Scottish economy would result from freezing the rates of social security benefits, and that this was the reform that would affect most people. However, other reforms will have a greater impact on the individuals affected.

Amendments made at Stage 2 to the bill now enacted as the [Child Poverty \(Scotland\) Act](#) require the Scottish Government to consider topping up reserved benefits, and particularly child benefit when preparing child poverty delivery plans.

Anouk Berthier and Jon Shaw

Researchers

11 January 2018

SPICe research specialists are not able to discuss the content of petition briefings with petitioners or other members of the public. However if you have any comments on any petition briefing you can email us at spice@parliament.scot

Every effort is made to ensure that the information contained in petition briefings is correct at the time of publication. Readers should be aware however that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

Published by the Scottish Parliament Information Centre (SPICe), an office of the Scottish Parliamentary Corporate Body, The Scottish Parliament, Edinburgh, EH99 1SP