

Report To: Health and Social Care Committee **Date:** 11 January 2018

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Partnership (HSCP) **Report No:** SW/07/2018/HW

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Subject: IMPACT OF WELFARE REFORM ON CHILDREN

1.0 PURPOSE

- 1.1 To update the Committee on the recent and ongoing impact of welfare reforms on Inverclyde children and families.

2.0 SUMMARY

- 2.1 During the 2010-15 and 2015-17 parliaments, the UK Government implemented a programme of significant change in the welfare system which has impacted across the whole population, with many policies already having, or are estimated to have, a particular impact on families with children.
- 2.2 It is difficult to fully directly correlate the introduction of welfare reforms to all families experiencing hardship, however local information relating to some benefits changes, and uptake of other services, indicate the impacts on local families.
- 2.3 The case studies included in the report highlight the very real application of current and future welfare reforms on families and the need to ensure vulnerable families are supported with good quality advice and support.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the on-going impacts of welfare reforms on families with children.

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4.0 SCOTTISH CONTEXT

4.1 During 2010-15, the UK Government implemented a programme of significant change in the welfare system which resulted in the loss to Scottish claimants of around £1.1bn a year, somewhat less than first forecast mainly due to the difficulty of bringing down spending on incapacity benefits, and also the Scottish Government's mitigation of the "bedroom tax". Since the 2015 general election, the Westminster Government has initiated a further round of welfare reform policies which will continue to impact families in Scotland to 2020/21 and beyond. In total, policies passed in the 2015-17 parliaments are expected to reduce welfare spending in Scotland by around £0.9 billion by 2020/21.

4.2 Impacts on Children and families

These latest reforms cover a range of welfare benefits which affect the whole population; however there are some specific policies that have a particular impact on families with children.

- The 2 child limit for tax credits and Universal Credit elements: from April 2017, child tax credit has been restricted to two children for new births after 6 April 2017. This change also applies to child elements in Universal Credit for new claims.
- The removal of the 'family element' for Child Tax Credits (CTC) and Universal Credit (UC): the 'family element' is paid to all households with children and worth around £545 per year as of 2016/17. New families who make a CTC claim from April 2017 will not be entitled to a family element. An equivalent change was also introduced to new claims under UC, where the first child is not entitled to a higher child element from April 2017.
- Lower Benefit Cap: the Benefit Cap was first introduced in April 2013. This restricted the total benefit income of a family with children to around £26,000 per year. From November 2016 a new lower cap was introduced of £20,000 per year.
- The four year freeze to working-age benefits: the main working-age rates of Income Support, Jobseeker's Allowance, Employment and Support Allowance, Housing Benefit, Tax Credits (Child and Working) and Universal Credit have been frozen at their 2016/17 level until 2019/20. Previously these rates would have been uprated by the Consumer Price Index (CPI) measure of inflation. The impact of this policy is highly dependent on the future path of inflation.
- The reduction in the Universal Credit work allowance: under Universal Credit, some households can earn up to a given amount each month before their benefit is tapered (i.e. partly or fully withdrawn depending on income). This amount is called the work allowance. From April 2016, lower work allowances were introduced. For example, a lone parent family on UC can earn around £2,300 per year before some of their UC award is withdrawn. Previously, this level was around £3,150 per year.
- Change in the Universal Credit taper rate: the taper rate is the rate at which a UC award is reduced as the claimants net incomes rise. From April 2017, this rate was cut from 65% to 63%, which means in-work families keep more of their UC award as their incomes increase. Unlike the other measures listed, this change makes UC more rather than less generous for some families and is set to increase welfare spending by £45 million per year by 2020/21.

4.3 It is important to note that many of these welfare policies changes will not create immediate losses of benefit income because of current protections for existing claimants. For the policy changes listed above, the first two will only affect families with children and 3 will affect mostly families with children. Other measures will affect a range of different household types including those with children, however what is clear is that families already at risk of poverty lose most: not just lone parents but families already on low incomes, larger families, families with young children, families where someone is disabled, and families living in deprived areas.

5.0 INVERCLYDE

5.1 Impact of all Reforms on Inverclyde residents

In terms of overall impact of welfare reform policies, information taken from *The Uneven Impact of Welfare Reform 2016; Sheffield Hallam University*, shows Inverclyde is in the top 5 of Scottish local authorities affected. **Appendix 1** shows the number of Inverclyde people/households estimated to be affected by all pre and post 2015 reforms.

5.2 Child Poverty

According to the Child Poverty Action Group (CPAG), more than 1 in 4 children (27.94%) are living in poverty (after housing costs) in Inverclyde. Between 2012 and 2016, child poverty increased by 3.9% locally. The ward with the highest percentage of children living in poverty is Inverclyde East Central (33.76% after housing costs) whilst the ward with the lowest percentage is Inverclyde West, (15.98% after housing costs). As part of the Scottish Government's commitment to tackling child poverty, the Child Poverty Act will require from April 2018, each local authority, in conjunction with its health board, to produce a yearly Local Child Poverty Action Report.

5.3 Impact on Children and Families

Whilst it is difficult to directly fully relate the impact of changes in welfare reforms to all families experiencing hardship, information relating to the numbers of families affected by some of the policy areas is available. In addition information related to uptake of other services can indicate impacts on families of welfare reforms.

5.4 Benefit Cap

From an Inverclyde perspective, as at October 2017, there were 21 households in receipt of Housing Benefit affected by the Benefit Cap and 3 Universal Credit households are known to be affected. All households include children. There are 16 single parents and 8 couples with the majority (17) having 3 children in the household, 4 households have 4 children; 2 households have 5 children and 1 household has 2 children. Eighteen of the 24 households affected by the Benefit Cap have a child/children aged less than 5 years, with 1 household having all children aged less than 5 years. The average weekly reduction to HB entitlement due to the cap being applied: is £40.22. This ranges from the highest reduction of £124.92 to the lowest reduction of £1.22.

In mitigating circumstances, Discretionary Housing Payment (DHP) can assist with the shortfall and in Inverclyde, up to 50% of the difference between the amount received in Housing Benefit and the tenant's rent charge. Currently 8 cases have DHP in payment with £44.79 being the average weekly shortfall between the rent liability, capped HB and DHP.

5.5 Uptake of Discretionary Housing Payment (DHP) under financial hardship

Within the current DHP policy there is consideration for assistance towards rent for households under financial hardship. DHP can be awarded at 50% of the shortfall between the applicants housing benefit entitlement and weekly rent charge (or in the private rented sector the households Local Housing Allowance Rate). Any awards are dependent on financial assessment where there is deemed to be less than £20 excess income per week after essential expenditure. This priority group can benefit families and/or lone parents who may be in low paid or part time work who require further assistance towards their rent costs. 37 awards have been made for discretionary housing payments under financial hardship for the current financial year 2017/2018.

Ten of these awards (27%) have been made to families/lone parents and it is worth noting that 80% of these are private rented sector tenants. All 15 awards of Discretionary Housing Payment to help mitigate the effect of the Benefits Cap have been made to families, with 60% being in private sector.

5.6 Scottish Welfare Fund

For the period 1st April 2017 to 30th September 2017, the Scottish Welfare Fund awarded 547 grants amounting to £160,708.08 to Inverclyde households with children, representing 30% of all awards and 40% of expenditure for this period. 294 of these were crisis grants to lone parents. This is in comparison to the same period last year (1/4/16-30/9/16) when 490 grants amounting to £125,649.21 were made to households with children, representing 31% of all awards and 37% of expenditure for the period. This increase is due to the introduction of Universal Credit since November 2016.

5.7 Impact of Universal Credit on Kinship Carers

Prior to the introduction of Universal Credit, carers of looked after and accommodated children could claim the appropriate tax credits and child benefit which is then topped up by a kinship allowance from the local authority. The level of this allowance is set at the age of the child/ren or young person. As Universal Credit has been rolled out locally, tax credits can no longer be claimed and have been replaced with the "child element" of UC, which results in a reduction in funding for a looked after and accommodated child.

To date five Inverclyde carers have been affected by the above reform which in turn has led to an annual loss of tax credits totalling £16,625.00. This figure will increase over time as those for which tax credits continue to be paid will leave the scheme and new kinship care orders will be granted for those to whom UC will not be paid. At this time it is impossible to quantify future loss, however currently the kinship allowance is paid in respect of 45 children (30 families) whose status is looked after (S.83).

5.8 School Meal/Clothing Grant Take Up

The prevalence of children claiming Free School Meals and Clothing Grants in Inverclyde schools also provides an indication of how many children in Inverclyde schools come from households experiencing hardship. Currently, 2109 children receive free meals and clothing grants from Inverclyde Council, however this number is only indicative of those who apply, as the numbers of those who may be entitled to these grants is unavailable.

5.9 Inverclyde Foodbank Presentations

3,574 three-day emergency food supplies were provided to local people in crisis by Inverclyde foodbank during 2016-17, compared to 3,107 in 2015-16. Of this number, 935 went to children compared to 730 in 2015-16.

5.10 Starterpacks Support

People who are in the initial stages of setting up home after a period of homelessness can be provided with a Starter Pack of essential household items. For 2016/17, 591 clients were supported with starter packs which included support to 203 children.

6.0 CASE STUDIES

6.1 Case studies are an effective way of showing some of the current and future impacts of welfare reforms. Case studies 1 and 2 are clients who have been supported by HSCP Advice Services whilst case study 3 is a projection which shows the ongoing impact for families by 2021 once all current welfare reform changes have been implemented.

6.2 Case Study 1

As part of the Benefit Cap Project an Advice Worker had identified a lone parent with 4 dependant children. The client was unaware that the cap was going to affect them and was going to be worse off by £144.04 per week. The client was in a private tenancy as it was a much more suitable property for the family's needs. There was a shortfall in the Housing Benefit therefore the client was successfully assisted to apply for Discretionary Housing Payment, which was awarded at £54 per week. In addition, one of the children had a disability and a successful application for Personal Independence Payments (PIP) was made, allowing the client to claim Carers Allowance for the care which was already being provided. Due to the successful claim for PIP, the household is now exempt from the Benefit Cap and the household is better off by £5798 per annum. Without this support the family would have been at very serious risk of severe poverty, which could also negatively impact on the child's disability.

6.3 Case Study 2

A European Economic Area (EEA) national with 3 young children presented to Inverclyde Advice Services having had their claim for Income Support rejected as DWP did not believe they had Genuine Prospect for Work or meet the Habitual Residency Test. This also impacted their eligibility for Housing Benefit and Council Tax Reduction. In addition to this the client's Child Tax Credits had stopped and the client was destitute. The client had sufficient National Insurance Contributions and was in ill health therefore we made a claim for Contribution Based Employment Support Allowance and renewed the Tax Credits. A mandatory reconsideration was submitted for the Income Support, which was subsequently rejected. The client was then represented at a first tier tribunal by the Welfare Rights team and it was found in the client's favour meaning that the client was eligible for Housing Benefit and Council Tax Reduction, both of which were backdated. The annual financial gain for the client was £23,067. This case highlights the complexity of the current system, which is increasingly difficult for clients to navigate on their own, however without support may be at greater risk of poverty.

6.4 Case Study 3 This case study is taken from the *Scottish Government Report Impact of UK Welfare Policy on Families with Children September 2017* and shows the potential impact of welfare reforms by 2021.

Ms P lives with her three children in a 3 bedroom house. Her rent is £125 per week. Ms P claims Universal Credit and Child Benefit and does not work due to childcare duties. As a result of welfare changes she would not be entitled to an additional UC child element for her youngest child, as her youngest child was born after April 2017. Once all current welfare reforms have been implemented in 2020/21, the family's income, through benefits, will be decreased by £78 per week (£4,080 per year). The most significant impact of the welfare changes comes from the removal of the UC child element which equates to a loss of £2,836 per year. A further £1,245 will be lost due to the freeze of the rates of UC and £205 by the freeze to the rate of Child Benefit. Ms P's income will be 28% below the relevant poverty threshold of £17,600.

7.0 CONCLUSIONS

Families already experiencing or at risk of poverty will be the most affected by current and future reforms. Whilst lone parents are heavily impacted, families already on low incomes, larger families, families with young children, families where someone is disabled, and families living in deprived areas will all be at risk of hardship. As shown in Appendix 1, the impact on households on Inverclyde will be considerable.

8.0 IMPLICATIONS

Finance

- 8.1 There are no specific financial implications from this report. All activity will be contained within existing budgets.

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

Legal

- 8.2 There are no legal implications of this report.

Human Resources

- 8.3 There are no HR implications of this report

Equalities

- 8.4 Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
√	NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

9.0 REPOPULATION

- 9.1 There are no repopulation issues

10.0 CONSULTATION

- 10.1 N/A

11.0 BACKGROUND PAPERS

- 11.1 N/A

Appendix 1

Pre and Post 2015 Reform Impact on Inverclyde Residents

Pre and post 2015 Reform Impact on Inverclyde residents	No. affected	Estimated loss £m per year	Financial loss per working age adult £ per year
Housing Benefit: - Local Housing Allowance – as at March 2016	1,900 households	2	31
Housing Benefit: 'bedroom tax' – as at March 2016	0	0.0	0
Non-independent deductions – as at March 2016	600 households	0.4	8
Benefit Cap – As at March 2016	10 households	0.0	0
Council Tax Support – As at March 2016	0	0.0	0
Personal Independence Payment – Anticipated impact by 2020 – 21	2,500 individuals	6	124
Employment & Support Allowance – As at 2016	800 individuals	1.6	32
Child Benefit – As at March 2016	10,100 households	4	72
Tax Credits – As at March 2016	6,400 households	6	122
1 per cent uprating – As at March 2016	13,000 households	5	90
Universal Credit tapers and thresholds – Anticipated impact to 2020-21	4,100 households	4	86
Tax Credits (new reforms) – Anticipated impact 2020-21	2,500 households	2	43
Mortgage Interest Support – Anticipated impact to 2020-21	400 households	0.6	11
'Pay to Stay' – Anticipated impact to 2020-21	0	0.0	0
LHA Cap in Social rented sector – Anticipated impact to 2020-21	600 households	0.5	9

Employment and Support Allowance (new reforms) – Anticipated impact to 2020-21	1,200 individuals	1.6	31
Benefit Cap (extension) – Anticipated impact to 2020-21	330 individuals	0.8	15
Benefit Freeze – Anticipated impact to 2020-21	13,000 households	*6.5	*298

Reference: <http://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/welfare-reform-2016.pdf>

* Reference: <http://www.gov.scot/Resource/0052/00521895.pdf>