

# Expected Impact of Welfare Reform Changes for Fife by 2020

**Fife Council Research Team**

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## **Summary**

Significant amounts of money have been, and are being, lost to local people and the local economy each year as a result of welfare benefit changes. The expected loss to the Fife economy is estimated at around £153 million, per year, by 2020. That means that, on average, each adult of working age will have around £655 less in their pocket each year. The geographical impact of the changes is uneven, with poorer communities more likely to be affected. The full impact of welfare reform changes has yet to be fully seen in Fife with some reforms yet to be implemented.

## **Background**

The UK government has been making major changes to the welfare system in the UK since 2010. Research by Christina Beatty and Steve Fothergill of the Centre for Regional and Economic Social Research at Sheffield Hallam University highlights that the reforms have an uneven impact across the UK, with the poorest areas often hit hardest.

In 2014, the Scottish Parliament commissioned Beatty and Fothergill to look at the local impact of welfare reform in Scotland, at ward level. In 2016, estimates were updated to reflect what did go ahead from pre-2015 reform changes, and to take account of new reforms proposed post-2015. This briefing highlights the expected impact for Fife.

## **Fife Impact**

Fife, like other areas across Scotland and the UK will see less money available to local people, and less money available to spend in the local economy, each year, as a result of welfare benefit changes. The full impact of this will not be seen until 2020.

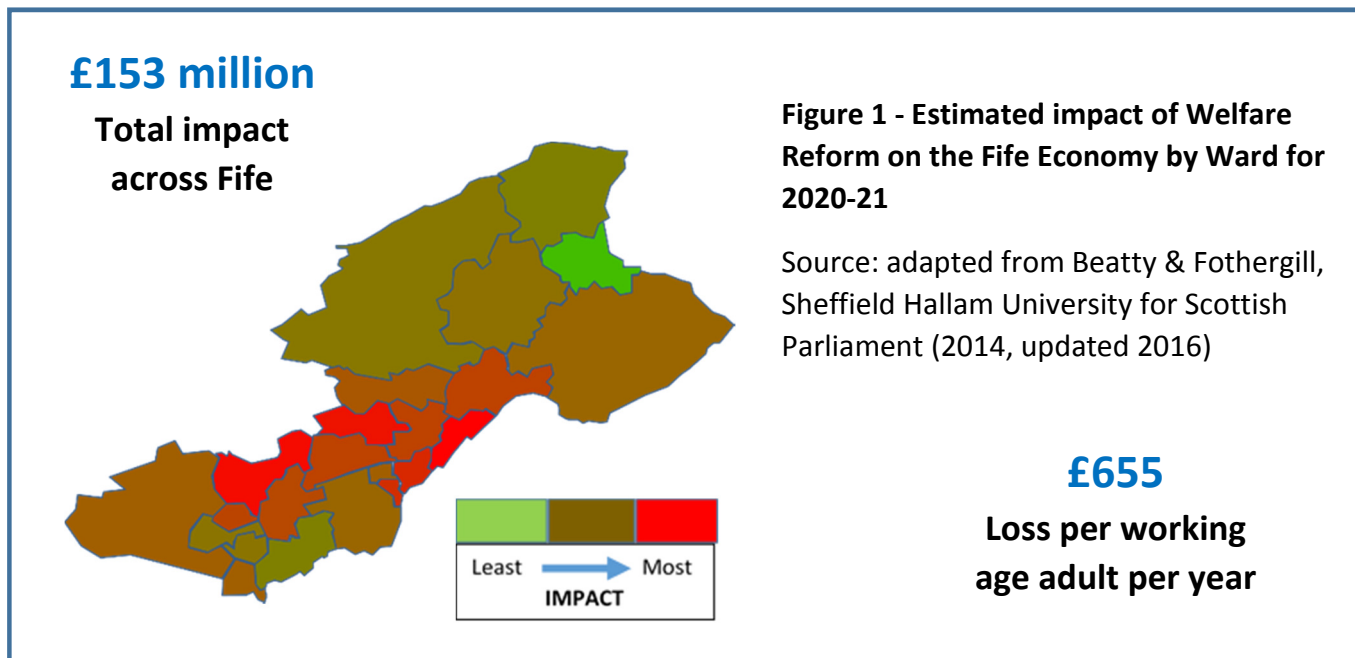
The initial estimate (pre-2015 reforms) was a loss of £107m per year for Fife. This was subsequently revised downwards as some of the proposed reforms proposed did not go ahead, initially to £78m, and then back up to £96m to take account of changes to benefits uprating. Further reforms (post-2015) estimate financial losses of an additional £56m per year. Taken together the expected impact is around £153m. This figure is expected to be an underestimate as inflation remains higher than forecast.

Changes to the uprating of benefits results in a financial loss to Fife of £41.6m. Of this, £25.3m relates to the decision to use the Consumer Price Index (CPI) instead of the Retail Price Index (RPI) to set the value of benefits relative to inflation. There has also been a freeze on the uprating of benefits between 2016/17 and 2019/20, known as the 'Benefits freeze', which in itself means £21.6m less per year for Fife. This means that the value of benefits is falling short of what is needed to meet the cost of living.

Other changes to tax credits (pre 2015) and child benefit, estimate losses of £25.5m and £16.8m respectively. In addition, changes expected through Universal Credit Childcare Costs and Tax Credit Income disregards are expected to result in a loss of £13.3m. See **Appendix 1** for a breakdown of the losses expected from pre and post-2015 reforms.

## Local Impact

The local impact of welfare reform changes is very uneven across Fife, with poorer areas being hit hardest. Mid Fife is most affected, particularly Buckhaven, Methil and Wemyss Villages, The Lochs, and Lochgelly and Cardenden wards. St Andrews is the least affected ward in both Fife and Scotland. See **Appendix 2** for a breakdown by Ward and Area.



## References

Beatty, C, and Fothergill. S (2014) *'The local impact of welfare reform: A report for the Scottish Parliament'* Sheffield Hallam University, Centre for Regional Economic and Social Research (report available online accessed 8 August 2018

[http://www.parliament.scot/S4\\_Welfare\\_Reform\\_Committee/Reports/wrR-14-05w.pdf](http://www.parliament.scot/S4_Welfare_Reform_Committee/Reports/wrR-14-05w.pdf) )

Beatty, C, and Fothergill. S (2016) *'The uneven impact of welfare reform: the financial losses to places and people'* Sheffield Hallam University, Centre for Regional Economic and Social Research (report available online accessed 8 August 2018

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Beatty, C, and Fothergill. S (2016) *'The impact on Scotland of the new welfare reforms.'* Sheffield Hallam University, Centre for Regional Economic and Social Research (report available online accessed 8 August 2018

<https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/impact-scotland-new-welfare-reform.pdf> )

Beatty, C (2017) *'Fife Revised figures for Welfare Reform – December 2017'* Spreadsheet

## Briefing by

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**Appendix 1 – Fife revised figures for welfare reform changes (based on updated estimates accounting for pre and post 2015 reforms, Beatty (2017))**

Pre 2015 reforms	No. of households affected	Loss per working age adult £ p.a.	Estimated loss £m per year
Housing Benefit: 'Bedroom Tax'	0	0	0.0
Benefit cap (pre 2016)	70	1	0.2
Council Tax Support	0	0	0.0
Non-dependant deductions	1,800	5	1.3
Child Benefit	44,000	72	16.8
Tax Credits, PRE 2016	26,300	110	25.5
Housing Benefit: Local Housing Allowance	5,700	18	4.3
Personal Independence Payment, PRE 2016	800	3	0.7
Employment and Support Allowance, PRE 2016	2,800	26	5.9
1% uprating	49,000	70	16.3
CPI Uprating	49,000	109	25.3
<b>Total Impact By March 2016</b>		<b>415</b>	<b>96.3</b>
Post 2015 reforms	No. of households affected	Loss per working age adult £ p.a.	Estimated loss £m per year
Benefit Cap (New Lower Cap)	380	5	1.3
Housing Support: Remove HB from 18-21 year olds	70	1	0.3
Housing Support: Support for Mortgage Interest	1,280	8	1.9
UC (Work Allowances, Taper, Update of Schedule, Minimum Income Floor) Childcare costs + Tax Credit Income disregards 2020/21	18,100	57	13.3
Tax Credits 2+ Children and Family elements	11,300	47	11
Personal Independence Payment - 2020/21	N/A	18	4.1
Employment and Support Allowance - Remove WRAG Payment 2020/21	N/A	9	2
Freeze Benefits 2020/21	49,000	93	21.6
<b>Total Impact from April 2016 to 2020/21</b>		<b>238</b>	<b>55.5</b>
<b>Total Impact from April 2010 to 2020/21</b>		<b>653</b>	<b>151.8</b>

**Technical Note:** Revised figures take on board updates to Budgets or subsequent budget announcements since the work was first done, and OBR 2016 Welfare Trends report. The figures include an estimate for the change in uprating over to the Consumer Price Index (CPI) and take into account revised estimates based on outturns for the pre-2015 reforms, changing the composition while the overall figure changes little. Estimated savings from ESA and PIP have been downgraded significantly.

**Appendix 2 – Expected local impact of welfare reforms (adapted from Beatty and Fothergill (2014), updated 2016 (taking account of pre and post 2015 reforms))**

	<b>Loss per working age adult £ p.a.</b>	<b>Total loss to local economy</b>
Fife	£655	£153,000,000
<b>By Area</b>	<b>Loss per working age adult £ p.a.</b>	<b>Total loss to local economy</b>
Cowdenbeath Area	£858	£22,009,799
Dunfermline Area	£586	£20,798,270
Kirkcaldy Area	£712	£26,626,504
Glenrothes Area	£708	£22,741,967
Levenmouth Area	£865	£20,325,220
South West Fife Area	£583	£18,645,332
North East Fife Area	£460	£21,852,907
<b>By Ward</b>	<b>Loss per working age adult £ p.a.</b>	<b>Total loss to local economy</b>
Buckhaven, Methil and Wemyss Villages	£995	£11,532,666
Burntisland, Kinghorn and Western Kirkcaldy	£597	£5,671,911
Cowdenbeath	£711	£6,404,036
Cupar	£554	£4,731,837
Dunfermline Central	£540	£6,535,514
Dunfermline North	£725	£6,340,742
Dunfermline South	£540	£7,922,015
East Neuk and Landward	£597	£4,217,666
Glenrothes Central and Thornton	£739	£6,326,116
Glenrothes North, Leslie and Markinch	£654	£7,745,991
Glenrothes West and Kinglassie	£739	£8,669,861
Howe of Fife and Tay Coast	£526	£4,825,762
Inverkeithing and Dalgety Bay	£497	£5,311,633
Kirkcaldy Central	£810	£7,317,615
Kirkcaldy East	£839	£7,187,772
Kirkcaldy North	£625	£6,449,207
Leven, Kennoway and Largo	£739	£8,792,554
Lochgelly and Cardenden	£924	£7,551,944
Rosyth	£625	£6,145,885
St Andrews	£256	£3,420,698
Tay Bridgehead	£497	£4,656,944
The Lochs	£952	£8,053,820
West Fife and Coastal Villages	£625	£7,187,814