

WEST DUNBARTONSHIRE COUNCIL

Report by the Director of Social Work Services

Social Justice Committee: 17 January 2007

Subject: Social Security Benefits

1. Purpose

- 1.1 To advise Committee on the contents of the Pre Budget Report 2006 and implications and possible affects on Council.

2. Background

- 2.1 The Government's stated economic objective is to build a strong economy and a fair society where there is opportunity for all.

3. Main Issues

- 3.1 The Pre Budget Report describes further steps the Government is taking to reach its long-term goals of providing employment opportunity for all, ensuring fairness and delivering world class public services.

- 3.2 The Employment Opportunity for all is best seen to be achieved through the promotion of a flexible labour market.

- 3.3 The report sets out the further steps being taken to strengthen the labour market, extend support to the inactive, low skilled and those who face barriers to work. In this area, with regard to Welfare Benefits, the following measures were provided:

3.3.1 Jobseekers Allowance

Work search support to be given at new claim stage for all claimants and Job Grant of £100 to 18 - 24 year old job seekers, £250 to claimants with children.

3.3.2 Housing/Council Tax Benefit

Provision of funding to improve the administration of Housing Benefit, to improve data transfer between DWP and local authorities and to raise awareness that Housing Benefit is available to those in work.

Raising earnings disregard to HB/CTB to £15.45 in April 2007, ensuring that claimants gain from increases in the rate of Working Tax Credits.

3.3.3 National Minimum Wage

Provision of 50% more funding to improve enforcement of the National Minimum Wage to tackle non-compliant employers. An increase in the penalty for non-compliant employers.

3.3.4 Ensuring Fairness

By providing security for people when they need it, tackling child and pensioner poverty and delivering security for all in retirement. With this in mind the following Welfare Benefit announcements were made:

3.3.5 Tax Credits

From April 2007 the value of the child element of Child Tax Credit will rise by £80 to £1,845 per year.

The Disabled Child element will rise by £90 to £2,440 per year.

The Severe Disabled Child element will rise by £35 to £980 per year.

The family element and baby addition will remain the same.

The income threshold for Child Tax Credit only rises by £340 to £14,495 per year.

There is no change to eligible child-care costs and the £25,000 disregard in Tax Credits for increases in income between one tax year and the next remains the same.

3.3.6 Child Benefit

From April 2009, there will be additional support for families, with every mother becoming eligible for Child Benefit from week 29 of their pregnancy.

From April 2007 - Child Benefit Rates

Eldest/only child - £18.10 (+ 65p)
Other children - £12.10 (+ 40p)
Lone parent rate - Abolished

3.3.7 Carers Allowance

From 2010 all new claims will not have the adult dependency allowance.

3.3.8 Elderly

From April basic state pensions paid to women at 60 and men at 65 will go up by 3.6%. A single pensioner will receive £87.30 a week up from £84.25, and a pensioner couple will get £139.60 a week up from £134.75.

From April Pension Credit guarantee goes up by 4.4%, taking the amount for a single person up from £114.05 to £119.05. Couples who qualify will see their benefit raised from £174.05 to £181.70

Savings credit maximum award will go up to £19.05 from £17.88 for a single person. For couples this will go up to £25.26 from £23.58.

There will be no increase in the winter fuel payment paid to elderly households

3.4 Delivering World Class Public Services

Through investment and reform and at the same time, making services more efficient. The following announcements were made regarding public services:

3.4.1 Proposed Departmental Budget Cuts

Proposed savings of at least 3% per year across central and local government for the period 2008 - 2011. The 2007 Comprehensive Spending Review will set out the Government's spending plans and identify what investments and reforms are to be made.

3.4.2 Announced Departmental Budget Cuts

An annual reduction of 5% in the administration budgets of DWP and Inland Revenue over the period 2008 - 2011 to be met through efficiency savings and use of new technology.

A reduction of 3.5% to the annual budget of the Department of Constitutional Affairs over the same period which will include reform of the legal aid system and rationalisation of the Tribunals Service.

3.5 The Possible Effects of these Reforms

The Pre Budget Report resulted in minor adjustments to the Tax Credit System and did not provide for the major overhaul that commentators had hoped.

3.5.1 In 2004-5 almost half of all payments were wrong. Of around 6.5 million families receiving payments almost 2 million were overpaid and then were forced to pay the money back. More than 900,000 families were underpaid. The hope was for a more simple scheme which can easily be understood by both administrators and the recipients has not been forthcoming

3.5.2 Separate studies by the Joseph Rowntree Foundation and the Institute of Fiscal Studies have shown that if the government continues with the current system of Tax Credits it's unlikely to meet its aim of reducing child poverty by half in 2010. The Government has seen some success in getting people back to work, especially single parents, but the existence of high tax rates, low wages and loss

of welfare benefits combined with low skill jobs means that it is difficult for people to improve living standards.

3.6 Debt

In addition to this there has also been an alarming rise in the numbers of people getting into debt. It is estimated that the numbers with serious debt problems have doubled over the past eight years and is the single biggest issue presented to advisors with the exception of welfare benefits.

- 3.6.1** This suggests that the Government needs to invest more in financial education and do more to prevent the worst excesses of loan-sharks and aggressive creditors. The Scottish Executive has introduced the new Debtors Act Scotland and also funded financial inclusion, which puts emphasis on education and the use of credit unions. The new Act should place a responsibility on creditors to use all means of recovery before going for sequestration as this can result in the loss of the family home. Within the council area, if homelessness occurs for whatever reason, especially where there are children involved, it could result in added expenditure and social break down. It is therefore important when the Council is pursuing debtors that the social consequences and costs have to be taken into consideration.

3.7 Older People

The budget report has also been criticised for failing to address the issue of older people who are unable to meet fuel bills through inadequate income and excessive increases in fuel charges over the past year. There has been no increase in the £200 Winter Fuel Payment for three years. In 2003 the average energy bill was £580. Three years later the average energy bill has risen to £1,013 but the winter fuel payment remains the same. The Government has failed to meet the expectations of millions of pensioners. Keeping warm this winter will be a bigger financial burden this year than it was last year.

- 3.7.1** When setting increases to the State Pension, the Chancellor has failed to take into account the huge increases in energy prices. State Pensions will increase by only 3.6% from April, in line with the retail price index. This is below the level of national average earnings, which are currently around 4.4%. The link between pensions and rises in average earnings will not be restored until 2012. However, costs for pensioners are rising faster than the retail price index or even the earnings growth. According to figures from independent price comparisons, since 2003 gas prices have risen by 87% and electricity by 56%.

4. Personnel Issues

- 4.1** There are no personnel issues.

5. Financial Implications

5.1 There are no financial implications regarding changes to benefits. However, it is clear that the ongoing efficiency drive by Central Government will continue to place ongoing pressure on local government finance settlements.

6. Recommendations

6.1 It is recommended that Committee takes note of the contents of the report and gives its full support to all activities within West Dunbartonshire to minimise poverty/debt and where possible improve the financial and social well-being of people of West Dunbartonshire.



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Wards Affected: All

Appendix: None

Background Papers: Pre-Budget Report