

Social Policy and Distributional Outcomes

in a Changing Britain

Country level devolution: Scotland

Mark Stephens with Suzanne Fitzpatrick

LSE, 4 July 2018

Overview

- Devolution and inequalities
- Core debate is:
 - Social union (pooling and sharing resources to maintain national standard)
 - Power to diverge from UK policies
- Economy is key



Overview: Exemplar policies

Policy Area	Individual Policies
Taxation	Income Tax
	Land and Buildings Transaction Tax
	Council Tax
Social Security	Social Welfare Fund
	Council Tax Reduction Scheme
	Discretionary Housing Payments
	Use of Devolved benefits
Housing	Social rented housing, including Right to Buy
	Private rented sector
	Homelessness

Context: institutions

- Scotland: a nation but not a nation state
- History of distinctive institutions
- Long-established administrative devolution
- Asymmetric devolution in the UK
- Powers increased with 3 Scotland Acts (1998, 2012, 2016)
- Scottish politics
 - L/R divide
 - Independence
 - EU
- Social values
- Trust in Scottish Government



Evolving powers

- Scotland Act 1998:
 - Main exceptions: social security, employment law, economy
 - Limited tax powers
- Scotland Act 2012 (Calman):
 - Scottish Rate of Income Tax
 - Establishment of Revenue Scotland
- Scotland Act 2016 (Smith):
 - Income tax (all but personal allowance)
 - Establishment of Scottish Fiscal Commission
 - Assignment of half VAT revenue
 - Social security
 - Establishment of Social Security Scotland

Financial resources

- Block grant (DEL) uprated by population-related Barnet Formula

Change to UK Government Department's Budget
X Comparability Percentage
X Population Share

- "Barnet consequentialials"
- "Barnet squeeze"



Resource issues

- Fairness:
Identifiable spending pc (inc. AME) ests: England 97%; Wales 111%; Scotland 116%; Northern Ireland 125% (2012)
- Relative growth of Income Tax and VAT revenues now crucial: these support more than half of spending
- → Growth Commission (2018)

TAXATION: (1) Income Tax (from 2018)

Name of Tax Band	Band of earnings	Tax rate	Marginal rate (income tax + NICs)
Starter rate (Scotland)	£11,850-£13,850	19	31
Basic rate (Scotland)	£13,850-£24,000	20	32
Basic rate (rUK)	£11,850-£46,350	20	32
Intermediate rate (Scotland)	£24,000-£43,430	21	33
Higher rate (Scotland)	£43,430-£46,350	41	53
Higher rate (Scotland)	£46,350-£100,000	41	43
Higher rate (rUK)	£46,350-£100,000	40	42
Top rate (Scotland)	£150,000	46	48
Additional rate (rUK)	>£150,000	45	47

Couched in language of progressivity

If <£24k taxed less; if >£24k taxed more

Additional rate not increased to 50%

Ex. Savings and dividend income

(2) Housing transaction taxes

SDLT (England) Threshold (£)	Rate (value)	(%)	LBTT (Scotland) Threshold (£)	Rate (value)	(%)	LTT (Wales) Threshold (£)	Rate (value)	(%)
<125,000	0		<145,000	0		<180,000	0	
125,001-250,000	2		145,001-250,000	2		180,001-250,000	3.5	
250,001-925,000	5		250,001-325,000	5		250,000-400,000	5	
925,001-1.5m	10		325,001-750,000	10		400,001-750,000	7.5	
>1.5m	12		>750,000	12		750,001-1.5 m	10	
						>1.5 m	12	

Entry threshold =

- 50% of ave price in England
- Ave price in Scotland
- Wales 115% ave price
- >80% transactions at zero or 2% in S'land
- 10% in 5% band
- 8% in 10% band
- 0.5% in 12% band

(3) Council Tax Reform

Band	% all dwellings	Value Range (1991 values)	Percentage of D (old system)	Percentage of D (reformed system)
A	21	Up to £27,000	67	67
B	24	£27,001-35,000	78	78
C	16	£35,001-45,000	89	89
D	13	£45,001-58,000	100	100
E	13	£58,001-80,000	122	131
F	7	£80,001-106,000	144	163
G	5	£106,001-212,000	167	196
H	1	£212,001 or more	200	245

Unreformed since 1993

Affects 26% properties (>50% in some authorities)

Band E rise = £105 pa

Band H rise = £517 pa

Reform includes more generous allowances in rebate, inc protection for lower income households

No revaluation!

SOCIAL SECURITY

- Calman rejected devolving social security: Social Union
- Current package is ad hoc:
 - Localism: Council Tax Reduction Scheme; discretionary Social Fund
 - Political: DHPs devolved (2017)
 - Smith:
 - DLA (43% exp)
 - PIP/ Attendance Allowance (36%)
 - In total 15% of social security spending is devolved

(4) Scottish Welfare Fund

- Replaces discretionary Social Fund
 - Crisis Grants (emergency)
 - Community Care Grants (help vulnerable to maintain home)
- National scheme delivered by LAs
 - Changed distribution formula which now relates to Income Domain of SIMD
- Planned to use SWF to mitigate HB loss for 18-21 yos.



(5) Council Tax Reduction Scheme

- Retained old GB scheme when devolved to LAs in England
- £40 million shortfall funded by SG and LAs
- 2017: increased allowance for dependent children by 25%
 - Ave. £173 to 77,000 hhlds with 140,000 children



(6) Discretionary Housing Payments

- “Bedroom tax” affected 20% social tenants receiving HB, 80% of whom had hhld member with disability
- Opportunity cost?

(7) Universal Credit

- In Scotland, UC claimants can choose between being paid monthly or twice a month.
- Housing cost element can be paid directly to landlord on request
- 45% of UC claimants (5,600) have exercised a choice
 - 1,600 for more frequent payments
 - 500 for rent payments to landlord
 - 500 for both

HOUSING (8) Social Rented Housing

- Right to Buy:
 - Ended for new tenants 2011
 - Abolished altogether 2017
- New supply:
 - Commitment to traditional social rented housing (i.e. no affordable rents, fixed term tenancies)
 - Target of 35,000 social rented units 2016-21
 - Supported by higher grant per unit
 - Delivered by LAs as well as HAs
 - Plus 15,000 units of shared ownership and mid-market rent

(9) Reform of Private Renting

- December 2017: all new tenancies = Private Residential Tenancies
 - Open-ended
 - Limited scope for “no fault” evictions
 - Use of Tribunal in place of courts
- Rent Pressure Zones:
 - LA can apply for Ministers
 - Floor of CPI + 1% for existing tenants
 - Onerous information requirements on LAs
 - New tenancies not controlled

(10) Homelessness

- 2001 Act:
 - new duties on LAs to provide temporary accommodation to non-priority single homeless people
 - Duties on HAs to give reasonable pref to homeless, & to house statutory homeless
- 2003 Act:
 - Abolished “priority need” in 2012
 - Almost universal statutory safety net
 - Much better treatment of single people by LAs
 - Probably reduced rough sleeping

- % social landlord lettings almost doubled to 45% despite introduction of light touch Housing Options approach from 2010
- Rough sleeping
 - FM established Taskforce to end rough sleeping in 2017

CONCLUSIONS

- Progressive politics and conservative values?
- Powers and resources
- Progressive goals (mostly)
- Caution

-
- Institutions of a state being established
 - Tax base/ economic performance will be key for future

