

About SCoWR

The Scottish Campaign on Welfare Reform (SCoWR) is a coalition of over forty leading organisations¹ including Action for Children, Capability Scotland, Citizens Advice Scotland, Child Poverty Action Group in Scotland, Inclusion Scotland, One Parent Families Scotland, Oxfam, Poverty Alliance, the Scottish Association for Mental Health and the Scottish Council of Voluntary Organisations. Members work with people experiencing exclusion and poverty across Scotland. We support the need for reform of welfare provision to increase support for those trying to get into the labour market and protect those unable to do so.

Summary

This response draws on the SCoWR manifesto (available from <http://www.cpag.org.uk/scotland/SCOWR-Manifesto.pdf>) to link the consultation questions to the five key principles for welfare reform agreed by our diverse membership:

- 1. Increase benefit rates to a level where no one is left in poverty and all have sufficient income to lead a dignified life**
- 2. Make respect for human rights and dignity the cornerstone of welfare reform**
- 3. Radically simplify the welfare system**
- 4. Invest in the support needed to enable everyone to participate fully in society**
- 5. Make welfare benefits in Scotland, suitable for Scotland**

SCoWR suggest any universal credit entitlement should give access to all passported benefits. As a Scottish campaign we hope that this is the approach that the Scottish Government will choose to take to passported benefits under universal credit, given that responsibility for them is devolved. However, our concern is with how the welfare state impacts on citizens, and we see this as an opportunity to reduce administrative costs for government; and complexity from the perspective of claimants and thus boost take up, wherever they may live. Furthermore, passported benefits play an important role in enabling government at every level to meet wider education, health and anti-poverty objectives and targets. In considering how passported benefits fit with the new universal credit such considerations and outcomes need to be given as much, if not more, weight than an arbitrary limit on the amount which such entitlements cost.

Question 1 – the main passported benefits

Within Annex A, the responsibility of the Scottish Government for passported benefits is not acknowledged. It is vital that the committee identifies clearly the difference in devolved provision and any impact that universal credit may have on this.

For example, the Energy Assistance Package – which broadly speaking incorporates the Scottish equivalent of the Warm Front – is currently available to many tax credits

recipients who will not qualify for universal credit. Similarly, those in receipt of maximum working tax credit in Scotland qualify for free school meals.

Our greatest concern is for how the passported benefit system under universal credit improves the experience of claimants and maximises take up by those eligible. We hope that the DWP will work closely with the Scottish Government to ensure that this drives forward the reform of passported benefits.

Question 2b – claimants we represent

SCoWR is composed of organisations representing citizens eligible for the whole range of passported benefits across Scotland. Which is seen as the most important may vary between our members, but all are part of a package that can have a huge impact on the lives and incomes of those eligible.

The value of a particular passported benefit can depend upon a family's or an individual's circumstances and could reduce their income dramatically if lost. For example, hospital transport costs can vary hugely and may be less important to those living in urban areas, but represent the only way that families from rural areas can manage to visit a child receiving specialist treatment far from home. Legal aid is not a regular cost, but is hugely important in terms of citizens' access of justice.

Question 3b – impact of passported benefits

(i) How passported benefits influence the decisions people take about moving into work

Any replacement system which creates cliff edges as entitlements are removed will have a serious impact on work incentives. For example, a lone parent has 3 children in a school which charges £1.20 for lunch (a below average figure nationally), and qualifies for free school meals, saving £18.00 a week. If s/he is offered a job at the national minimum wage and the free school meals entitlement is removed at the point at which universal credit is first tapered away, s/he would need to work an extra 5 hours a week to offset this loss of entitlement.

If the threshold for free school meals was set at a point where tax and national insurance were also being deducted from wages (for instance someone working 25 hours a week at the national minimum wage in 2011/12), it would require almost 6 hours work a week to offset the loss. These examples do not consider the potential cumulative effect of an increased expenditure on childcare as a result of increased working hours, as government plans for this element of universal credit are not yet clear.

These examples also illustrate only one of the range of passports which may be lost. For households affected by illness or disability particularly there may be extra costs associated with taking a job, and the loss of financial assistance with hospital fares and health services may combine with this to make employment unsustainable.

Any system that loses clarity about when entitlements are withdrawn will undermine public confidence in the message of universal credit that work always pays, and risks the converse being the case. A complex system will lead to an increased need for independent specialist advice on the impacts of moving into work, an outcome which the government has sought to avoid.

(ii) How passported benefits affect the decisions people take about staying in work.

All of the examples above apply equally to decisions about staying in work. Only a transparent and comprehensible system that protects work incentives and can be easily shown to do so will ensure that families under financial pressure don't feel that the pressures of financial vulnerability would in fact be reduced by giving up work.

(iii) How passported benefits affect people's quality of life

The various passported benefits affect peoples' lives in different positive ways. Those around education have been shown to promote better outcomes for children in the long term and other passported benefits provide vital support in times of crisis (refs?). International human rights standards and instruments are relevant to the range of passported benefits. For example, the UN Convention on the Rights of Persons with Disabilities explicitly reaffirms the human rights of disabled people. The Convention encompasses civil and political, as well as economic, social and cultural rights. These rights cover all areas of life including: personal mobility; health; education; work; recreation; and provision for equal recognition of disabled people before the law. SCoWR believes that the passported benefits listed in Appendix A are all essential to ensure that these standards are met, and that Scotland and the UK facilitate citizens' rights to social security which supports an adequate standard of living.

Question 4 – key issues for designed of passported benefits

The most important issues in designing the new system are preserving – if not enhancing – current levels of entitlement to, and maximising take up of, passported benefits. The best way to achieve this is a combination of a simple structure without complicated rules, and timely and accessible information to claimants of universal credit about other entitlements. For those passported benefits that are appropriate, the ideal solution is that no further action is required from the claimant to trigger entitlement. This could be easily achieved in the case of benefits linked to education, and also extended without difficulty to entitlement to Healthy Start, as data about number and age of dependent children will have to be collected as part of an application for universal credit.

It is vital that for all passported benefits there are safeguards in place to allow access to them for people whose universal credit entitlement is yet to be decided or is under appeal, or where systems of communication between DWP and those delivering passported benefits break down. In some cases it may be necessary to continue to maintain an alternative gateway.

For example, this may also apply in Scotland where the Energy Assistance Package is accessible to many claimants who would not qualify for universal credit at all. To give a UK-wide example, mothers under 18 are entitled to Healthy Start vouchers with no qualifying benefit requirement.

The vital thing from the claimant's perspective is that the system is accessible and information is available at the right time. To return to Healthy Start, it is vital that health professionals are aware of the entitlement criteria, and support expectant

mothers to advise either the DWP or the body delivering the scheme of this at the earliest stage to ensure that entitlement is secured.

Question 5 – advantages and disadvantages of changes to eligibility criteria

The potential advantages for all concerned are that both entitlement and delivery could be streamlined and simplified under universal credit. The potential disadvantages are that (as with the childcare element of universal credit) the refusal to countenance adequate funding of entitlements will lead to either a more complicated and difficult to understand system, or one which is even less generous in order to promote simplicity.

In terms of delivery, considering widening the use of automatic passporting through universal credit has the potential to reduce the administrative costs of delivery agents, which would allow extra funds to be diverted to broadening eligibility. As highlighted above, in such a scenario the provision of safeguards for those not eligible for UC (such as asylum seekers who currently qualify for some passported benefits) would be vital.

It is not clear whether in England responsibility for passported benefits will transfer to DWP (or may do so depending on the Committee's recommendations). If this is the case, we reiterate that the focus of discussions about replicating this in Scotland should be on the outcomes and experiences of those entitled.

Question 6 – passported benefits and work incentives

SCoWR does not believe that work incentives can be enhanced using passported benefits without adequate investment. To ensure entitlement reaches those in low paid work involves funding. SCoWR is opposed to measures that take money away from the poorest and most vulnerable households.

If the universal credit IT system can be designed to automate notification and delivery of entitlement to passported benefits to claimants then this may give greater clarity about entitlements. This in turn may make people more likely to understand what they will be able to receive in work and make an informed decision. However, any failure in the provision of information or delivery of passported benefits to claimants will undermine this.

Question 7 – simplification of passported benefits

A simplification from the claimant's perspective would be to remove the need for a separate claim for passported benefits where data gathered for a universal credit application demonstrates an entitlement to them. This is most relevant to those entitlements that arise for children. It should not be forgotten that pregnant women will also be entitled to Healthy Start vouchers, and so if the above method is chosen adequate information and support will need to be provided to promote take up. There are also other gaps which must be filled, such as free school meal entitlement for those in receipt of asylum support.

This would potentially save administrative costs for those departments currently responsible for assessing claims, and transfer them to the universal credit delivery

agency. If the processing of claims is automated, then this will presumably generate a significant saving, however it is vital that the IT systems be adequate to achieve accuracy and consistency.

Question 8 – implications of a move to cash benefits

Two types of passported benefit can be distinguished here: those that provide support with fixed and variable costs. For fixed costs the implications relate to how the purpose of the benefit matches the reality of household spending. Evidence shows that payments clearly labelled as made for a particular purpose is more likely to be spent for that purpose.ⁱⁱ The need to take account of local circumstances and entitlements would create a complex system which would place an administrative burden on the DWP.

An alternative to this would be to set a national cash value for each in kind passported benefit at the point of transfer to universal credit, but this would cause three serious problems. Firstly, it would not take account of local variations.ⁱⁱⁱ Further, it would cause further complexity as existing passported benefits existed alongside universal credit amounts through the migration period; potentially leading to confusion, duplicated entitlement for some and other families missing out entirely. Lastly, the value of entitlements would need to be protected over time to ensure that it continued to reflect the actual costs incurred. A policy of simply uprating entitlements by the consumer price index (as is planned for other elements of universal credit) would risk cash equivalents of passported benefits becoming hopelessly inadequate over time. Furthermore, in kind benefits such as FSM help to mitigate the impact of poverty created by inadequate levels of cash benefit entitlements that are set to be replicated in universal credit. A cash amount within a benefit that is inadequate to protect people from poverty risks worsening hardship and material deprivation.

In terms of variable and one-off costs, for example support with court fees, legal aid and dental treatment, the difficulty is with having a simple and clear system which adequately supports the actual costs incurred by a particular household. This can only happen if a separate application process is maintained. The key issues are that people are aware of potential entitlement, that the application process is simple, and that the entitlement criteria recognise that these sorts of costs can be unaffordable for families whose income or capital may take them out of universal credit entitlement. Assessing applications and processing cash payments will be an additional administrative cost, when compared to assessing entitlement based solely on universal credit receipt and the actual costs incurred by those entitled.

Cash payments of passported benefits may also pose specific problems for particular groups. Research by the Scottish Association of Mental Health in 2009 explored the barriers to better physical health faced by those with a mental health problem. It found that people with a current mental health problem were half as likely to eat the recommended amount of fruit and vegetables, and faced barriers to accessing healthy leisure activities.^{iv} To convert Healthy Start vouchers or benefits in kind relating to leisure activities into cash equivalents would provide a particular risk for this group.

Question 9 – withdrawing passported benefits

We can identify at least five options for withdrawing passported benefits. They are:

- to have a separate taper of entitlement to passported benefits alongside the universal credit taper;
- to introduce a series of thresholds at which entitlements are withdrawn (for example at which a different percentage of eligible transport costs or court fees are met);
- to adjust the earnings disregards to recognise the value of passported benefits for those in work, with automatic entitlement for those out of work ;
- to withdraw all passported benefits at the point entitlement to any universal credit is lost due to income; or
- to taper entitlement to passported benefits after universal credit entitlement has been lost

The first two would both damage work incentives and thus undermine the concept of universal credit. But for transitional protection for those whose circumstances do not change, 1.7 million people already face reduced entitlement under universal credit.^v With this and the continuing uncertainty over what support for council tax and childcare costs will look like, the Government simply cannot afford to allow further damage to work incentives.

The third option, a dual system of automatic entitlement for those out of work and an earnings disregard for those in work would potentially cost more than allowing all universal credit recipients to access passported benefits, as it would do this whilst simultaneously increasing complexity in the system. The alternative, of just an adjusted earnings disregard for those in work, is untenable since it would simply leave those who are not in paid employment without access to passported benefits at all, impacting on the very poorest.

In addition to this, SCoWR considers that the first three options are likely to cost so much to administer that there is a need for consideration of an alternative approach. One of the key selling points of universal credit is its ability to respond quickly and accurately to changes in claimants' earnings. The first two options would result in a constantly shifting entitlement which would put pressure on family budgets and increase the scope for error and missed entitlements. It is not clear how the third option would work in relation to costs which are not a fixed regular sum, unless the unmanageable complexity of a constantly varying earnings disregard was introduced.

The fourth option above will lead to a cliff edge in entitlement, but one which affects claimants who already have a level of income that tapers away their entitlement to universal credit. It is simpler than the final option below, but if the key aim is that work incentives are maintained at every point, it will not achieve this for everyone.

The final option would truly maintain work incentives at every point, but would do so at the cost of greater administrative complexity and the need to additionally assess entitlement for passported benefits independently of the universal credit infrastructure. This would be similar to the low income scheme for NHS services, and would have to be introduced to some extent to replace this and the entitlements to the Energy Assistance Package for those who will not qualify for universal credit.

This kind of option could logically fit with the devolved replacements for council tax benefit and parts of the discretionary social fund. There will be an opportunity in Scotland for the government to ensure that the system as a whole works for all of our

citizens, if there is the will to invest in it. However, tapering in-kind benefits after universal credit entitlement has been extinguished will be particularly complicated to achieve, and requires careful consideration before it can be recommended.

The Scottish Government's move towards universal benefits such as free prescriptions and the aspiration of free school meals for all children in primary 1-3 will mean that these groups will not be impacted on to the same extent by the loss of passported benefits when universal credit is tapered away. This is an example of why universal entitlements are preferable to any form of means-test when seeking to improve work incentives, and they also serve to maximise take up.

Question 10 – research and evidence relevant to the enquiry

The Scottish Government publishes a wide range of statistics about passported benefits, which may assist the committee in appreciating the different context from other areas of the UK. For a very detailed example of the complexity of the factors influencing reform of passported benefits, we would refer the committee to the report on the options for free school meals entitlement under universal credit submitted by Child Poverty Action Group in response to this consultation.

In Glasgow a pilot income maximisation project to improve health outcomes for low income families reports 'seeing an increasing number of families that have given up on their Healthy Start Vouchers quest'^{vi}. In the case in question a claimant in receipt of a qualifying benefit had missed out on this entitlement for three years due to administrative problems with the application process. Issuing vouchers automatically to universal credit claimants would save administrative costs, whilst dramatically improving take-up. In remote areas of Scotland, take up of this entitlement is as low as 62.5 per cent under the current system, and in only one health board region of the country does take-up reach 80 per cent.^{vii} Increasing these figures should be the first priority.

Research conducted by SAMH, in partnership with Capability Scotland, found that attitudinal barriers, and institutional failure to recognise mental health problems, were highly problematic for people when interacting with the Police, the Courts, Solicitors and Prison staff. It was also felt that there were not enough advocacy services and support services for people experiencing mental ill health to effectively exercise their rights. This demonstrates the importance of justice related benefits such as free legal advice, help with prison visiting costs, and legal aid, to people with mental health problems.^{viii}

Question 11 – other issues relating to passported benefits

Whilst the terms of the consultation exclude devolved support with the cost of council tax and the discretionary social fund, this is likely to fall to be set (initially at least) by the Scottish Government. The ability to design an adequate system will depend on the ability to acknowledge clearly the interaction between all of these entitlements and universal credit itself. It is to be hoped that Scotland will provide an example to the rest of the UK of how investment in a system which supports work incentives across the board repays the extra investment required, with a resulting reduction in the number of households living in poverty.

Further information

For further information about this consultation response, please contact Jon Shaw at (CPG in Scotland) on 0141 552 3545 or at jshaw@cpagscotland.org.uk.

If you are interested in learning more about SCoWR's work, or in joining the campaign, please contact:

Maggie Kelly
The Poverty Alliance
162 Buchanan Street
Glasgow
G1 2LL
0141 353 0440
maggie.kelly@povertyalliance.org

John Dickie
CPAG in Scotland
Unit 9 Ladywell Business Centre
84 Duke Street
Glasgow
G4 0UW
0141 552 3656
jdickie@cpagscotland.org.uk

Matt Lancashire
Citizens Advice Scotland
1st Floor
Spectrum House
2 Powderhall Road
Edinburgh
EH7 4GB
0131 550 1062
matthew.lancashire@cas.org.uk

ⁱ **SCoWR** members include: Action for Children Scotland, Afreshe, Archibald Foundation, Barnardos in Scotland, Bipolar Scotland, Capability Scotland, Carr-Gomm Scotland, Children 1st, Child Poverty Action Group, Choices - One Parent Families West of Scotland, Church and Society Council of the Church of Scotland, Church Action on Poverty, Citizens Advice Scotland, Ecas, Edinburgh Coalition Against Poverty, Energy Action Scotland, Faith in Community (Scotland), Glasgow Council for the Voluntary Sector, Glasgow Disability Alliance, Glasgow University Students' Representative Council, Headway UK, Hillcrest Housing Association, Inclusion Scotland, Iona Community, Leonard Cheshire Scotland, Margaret Blackwood Housing Association, Momentum, National Autistic Society, One Parent Families Scotland, Oxfam in Scotland, Poverty Alliance, Public and Commercial Services Union, Quarriers, RNID Scotland, Salvation Army, SAMH, Save the Children in Scotland, Scotland's Commissioner for Children and Young People, Scottish Council for Single Homeless, Scottish Drugs Forum, Scottish Federation of Housing Associations, Scottish Homelessness & Employability Network, Scottish Out of School Care Association, Scottish Poverty Information Unit, Scottish Womens Convention, SCVO, Sense Scotland, The Action Group, Turning Point Scotland.

ⁱⁱ Institute for Fiscal Studies, 'Cash by any other name? Evidence on labelling from the Winter Fuel Payment' <http://www.ifs.org.uk/wps/wp1110.pdf>

ⁱⁱⁱ Child Poverty Action Group, 'Free School Meal Entitlement under universal credit' (submitted as a response to this consultation)

^{iv} Scottish Association for Mental Health, 'Get Active: a SAMH report on mental and physical health' http://www.samh.org.uk/media/78143/get_active_research_report.pdf

^v DWP 'Universal Credit Impact Assessment' <http://www.dwp.gov.uk/docs/universal-credit-wr2011-ia.pdf>

^{vi} Enquiry to CPAG in Scotland Advice line for advisers, March 2011

^{vii} Department of Health 'Healthy Start Management Information Reports' (figures to 8 May 2011)

^{viii} SAMH and Capability Scotland Involvement Event Friday 18 September 2009, Justice Disability Steering Group 2009

http://www.capability-scotland.org.uk/media/97020/samh_report_18.09.09_final.pdf