

# Scottish passported benefits: Consultation on changes required as a result of the introduction of Universal Credit and Personal Independence Payment

- **Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres. Citizen advice bureaux are the key frontline service that hundreds of thousands of people turn to and they deal with over half a million new issues every year.**
- **CAB dealt with around 190,000 new benefit issues in 2011/12 – around a third of all issues brought to bureaux. We expect welfare reform changes will put exceptional pressure on advice services across the country. Our experience is that changes to benefit entitlement are the number one driver of advice need at citizens advice bureaux. Problems with welfare will also lead to increased need for debt, housing, consumer, relationship and many other areas of advice.**

## CONSULTATION QUESTIONS

**Q1 The principles identified by the Social Security Advisory Committee to underpin the reform of passported benefits are: simplification, auto-entitlement, information transfer and making work pay. Do you think that these principles are helpful in the Scottish context?**

Yes  No  To an extent

Simplification is essential if the system is to work at its optimum, address equality issues, and ensure people become aware of the passported benefits that they are entitled to and aim for maximum take-up. Auto-entitlement and information transfer are wrapped up in ensuring the system is simpler and more efficient (more at Q2 below).

Auto entitlement and information transfer could help reduce bureaucracy and increase uptake as it would reduce further paperwork and assessment for many and ensure entitlements are automatic. We would also hope both auto entitlement and information transfer would help local authorities be more efficient and reduce the administrative burden on them. This may also help councils who also have a role in establishing local eligibility criteria for any passported benefits they have under their discretion such as grants or concessions for school uniforms and school trips or access/reduced costs to local facilities such as leisure centres.

The SSAC also stated this principle in connection for those moving on to Universal Credit (UC) and the UC IT system. Citizens Advice Scotland (CAS) would want to ensure there was a similar auto enrolment system for those moving on to PIP.

CAS agrees with the principle of simplifying the benefits system into one Universal Credit and to improve work incentives by allowing individuals to keep more of their income as they move into work - this is part of ensuring that work pays. CAS notes that the SSAC also stated that “the loss of out-of-work passported benefits when people take a job can create an unhelpful cliff-edge and reduce the apparent gains to work”. For the people who currently access PBs, they are a necessary and a vital means of support.

PBs are often an important part of a household’s overall income or budgeting and removal would cause hardship for those both in and out of work. They are vital in helping to tackle educational, health and other socio-economic inequalities and need to be available to those both in and out of work.

CAS note the SSAC review found that PBs “make a significant contribution to: Children’s health and wellbeing and their educational and emotional development [and] The health, wellbeing and quality of life for adults and families who are out of work or living on a low income”.

That is why we must continue to recognise – as at present - the value of passported benefits (PBs) being available to those in and out of work. CAS does not want to see families or individuals financially worse off because they have moved into work or increased working hours.

For someone moving into work that pays minimum wage or a low income, then finding the extra money when some PBs are removed could be very onerous. A parent of two children who loses free school meals could be faced with additional costs of £10-20 per week to ensure their child still has access to a school meal. If they also have to pay for additional childcare due to their work this becomes a major cost that may not be covered by the increase in income from employment.

CAS would therefore like to see more work being done to assess the benefit of a run-on scheme for some passported benefits that would ensure that cliff-edges (that many organisations are concerned about) for people moving into work are not so steep. This would protect those who benefit from PBs most, for example but not exclusively children with free school meals or in receipt of the EMA.

## **Q2 What other principles would you like to see underpin any reform of passported benefits in Scotland?**

What is vital is that the person and their needs and that of their family is at the heart of the claims system. CAS would like to see the principles of fairness and equality be principles that guide any passported benefits system.

We believe the resources available must be maximised to their best effect by ensuring they go to people and not paperwork. If means testing becomes inevitable, then we must ensure that the money saved by means testing is not outweighed by administering a means-testing system, which cuts a small section of society out of the system at personal cost to them and adds considerable costs in administrative burdens. Passported benefits can be used to help people out of poverty, and be used to create a more equal and socially just society.

A simpler and fairer system should also be easy to access and be more efficient which can then ensure that funding available is directed to the maximum amount of people possible. The focus for any system must be on efficiency which targets people, increases awareness of benefits available and makes passported benefits help those who need it most. CAS would like to see a system that ensures the resources available be aimed at increasing eligibility at the frontline not used to pay for backroom processes.

We would also like to see more equality for those who can access PBs. At present a kinship carer who is in receipt of Pension Credit cannot claim school meals for the child in their charge yet if they were under pensionable age and in receipt of other means-tested benefits they would be entitled to this PB. This is an anomaly that must be addressed.

**Q3 Do you feel that it would be desirable to replace benefits in kind (i.e. providing the goods or services directly) with a cash alternative for some passported benefits?**

Yes  No  To an extent

We not think there is an appetite for any form of 'cashing-up' at present. Some PBs such as legal aid and court exemption fees, which are important to ensure people have access to justice, would not be suitable for replacement. Other non-regular payments such as dental / optical costs which are paid at time of need would also not be entirely suitable for cashing up.

CAS also has other concerns that cashing up could cause including: it could become an administrative burden due to the complexity that providing a fair and equitable system would require; it has the potential to create problems in areas where there is a difference in costs – ie school meals from local authority to local authority; it could create a system of caps eg dental treatment/optical vouchers; and it could reduce in value if not be uprated in line with inflation.

Some PBs go direct to those that benefit from it directly, for example free school meals and the EMA are of direct benefit to children and young people but based on parents income. CAS believes these should be protected to ensure they reach those they should and deliver the benefit expected.

CAS also notes that the SSAC review found that PBs "fulfil important needs, are highly valued by those who receive them, and make a significant contribution to... Reducing child poverty, health inequalities and social exclusion benefits-in-kind are generally regarded as particularly beneficial in helping low-income families and there was little support from review respondents for cashing these up within UC".

**Q4 Do you feel that it would be desirable to roll existing cash payments for passported benefits into the Universal Credit payment, to create a single income stream?**

Yes  No  To an extent

As stated above CAS believe this would require a complex administrative system that would not be efficient or effective. We are also unsure how this would be possible at present when Universal Credit payments will be administered by the DWP and PBs are administered at local authority or Scottish Government level.

As Universal Credit will also be paid monthly in arrears, if this was to happen for PBs then this could cause hardship for many who had to pay for services up-front such as free school meals, hospital travel costs, or dental/optical costs. This could also lead to people not taking up these benefits if they felt there had to be an up-front payment and therefore cause more inequality and disadvantage in health and education. For example someone may not seek dental treatment if they thought there was a major cost to them at time of treatment which they would not get back till a later date. This would appear to undermine the principles of prevention that the Scottish Government are pursuing.

We would also like to point out that for those on varying incomes due to their nature of their work – changing or variable hours or temporary, seasonal or agency work - then PBs and their consistency is even more important.

**Q5 Do you think that the welfare system (i.e. receipt of Universal Credit or Personal Independence Payment) should form the basis for access to passported benefits?**

Yes  No  for some entitlements only (please specify which)

**Universal Credit**

We want all citizens who currently access PBs to remain franchised in the new system and UC /PIP alone will not be enough but could be a good start.

As stated above, CAS is keen that resources for PBs are used to target those most in need, ensure take-up, and increase eligibility rather than be spent on the cost-heavy administrative burdens that means-testing PBs would lead to. We would hope that creating a simpler more efficient system that includes information transfer and auto-entitlement could help those resources do just that.

CAS also wants to ensure that the replacement eligibility criteria first do not impact on work incentives or impoverish people who want to move into work from welfare; and secondly will iron out anomalies and increase equality by ensuring that PBs reach those who need them but may not receive UC such as asylum seekers or kinship carers on pension credit.

Therefore, as new eligibility criteria is developed, we would argue that a big picture view be taken. CAS suggests that establishing eligibility be done in conjunction with other policy areas – or at least have a role in recommendations for other policy areas. For example, if local authorities were to roll out free school meals for P1-3 as a minimum, then what is currently a PB for those children with parents who meet the current criteria, would be an entitlement for all (also reducing the perceived stigma of such benefits).

We can see already how this would work as Scotland now has free prescriptions. Unlike in English local authorities, there is no need to establish the criteria for eligibility for prescriptions, therefore also no need to see if anyone would be disenfranchised through new eligibility rules under the new Universal Credit.

However as stated, although receipt of UC / PIP may be a good start as the basis for access to PBs, it cannot be the only factor.

PBs play an important role in meeting education, health and anti-poverty objectives and targets and plays a role in the preventative agenda. It could be argued that these PBs are important in preventing long term problems which will incur a greater cost to society. Although we have universal access to health care and education there are anomalies in the system. Dental and optical care is not universal but incurs costs to those who need it. Yet we know that catching problems early can save costs in the long term and was one of the reasons free dental check-ups and eye examinations were introduced. However further treatment needed after those initial checks can incur a cost. Anyone no longer entitled to receive free treatment in these areas but unable to afford up-front costs will be put at a health disadvantage and this could lead to people not receiving the treatment they need.

It is the same with education. The six years of secondary school education is free to all. However when research showed that young people in low income households were not staying on for the final two optional years of education, the EMA was introduced as an incentive. The principles behind introducing it must be maintained by ensuring that it continues to reach those who need it most. However changes in the system mean that new systems of verifying income are needed. This must be done in the most efficient manner possible so again resources are not being spent on administering the system of assessment across 32 local authorities at the expense of families on low incomes.

We will say more on PIP below but again this is an area where receipt of PIP is a start for assessing those eligible for Blue Badges and the National Concessionary Travel Scheme but cannot be the only means open to people and the continuing eligibility systems must remain.

Court exemption fees and legal aid are vital in ensuring everyone in society has access to justice. Income cannot be a barrier to being treated equally in the law and accessing services and receipt of UC will not be enough to assess eligibility.

However it must be noted that in these cases there will be more people seeking to use these alternative entitlement systems which will put an extra burden on Scotland's councils and health and social services and this must be resourced. Equally we would question whether those systems and services are ready to cope with what could be a huge additional demand on their services.

#### PIP

CAS is very concerned that those in receipt of Disability Living Allowance (DLA) that will be migrated to Personal Independence Payments (PIP) could be hard hit by both losing out on PIP and therefore be at risk of also losing out on the Blue Badge Scheme (BB) and National Concessionary Travel Scheme (NCTS) which are currently accessed through DLA Mobility and Care components. Whilst we would argue that again no-one should lose out on these schemes if they received

them previously, this could be problematic due the numbers expected to lose DLA and therefore their entitlement to these schemes.

The UK Government has already determined that they will cut the budget for disability benefits by 20%. The change from DLA to PIP could disenfranchise up to 75,000 people of the 225,000 current recipients in Scotland. Therefore as well as losing out on vital DLA, disabled people will also be unable to access these schemes, limiting further access to independent travel.

There are other means of accessing both these schemes – they are not totally reliant on DLA - however with so many losing out on DLA, we believe there will be many more people seeking to access their entitlement to these schemes through these other means which will have a major impact on local authorities who administer them.

CAS believes that the Scottish Government should also look at using other disability benefits as a way of assessing eligibility (see question 6).

#### Further research and modelling

CAS believes that as the Scottish Government is looking to develop eligibility for PBs in the medium term they must look at more research, analysis, and modelling of the impact of using UC as the basis for access to passported benefits to understand how many people it would encompass, if it is the right means of targeting PBs at those who need it most, and what the costs would be.

Such analysis for Scotland would help the Scottish Government, councils, the third sector and also the public understand the impact on Scotland's people that the welfare changes ahead will bring and help assess where PBs will be most effective in mitigating the impact of welfare changes.

Modelling could help assess where the gaps are in using UC, for example kinship carers on pension credit as mentioned above; assess different income thresholds being used as basis for PBs; and could look to assess what any possible future changes imposed by the UK Government would mean for PBs. For example a change in child tax credits and working tax credits in April 2012 (through policy not legislative change) took up to 85,000 low income Scottish families out of the tax credit system. If this had happened under the new system (and assuming they were not receiving any other benefits that will be within the new UC) the families could also have lost their entitlement to PBs creating a double whammy on many low income families. That is why household income thresholds – and family size - are also important when it comes to PBs. If this particular policy was changed back to previous, would having an additional 85,000 families entitled to some PBs be affordable?

As stated above modelling should also encompass what cost and benefits there are to having a 'run-on' system for PBs for those who have moved into work to ensure those cliff-edges that people will face will be reduced and that the advantages of PBs reaches those who need it most.

**Q6 If yes, what existing alternative mechanisms can you suggest to identify recipients and verify claims?**

Again modelling and analysis of the costs of automatic entitlement to the Blue Badge scheme and NCTS for all those on PIP rather than on specific components should be done. It could be that automatic entitlement increases take-up but is more than made up for in reduced administration and costs on councils and NHS services.

Other disability benefits should also be assessed as whether they are suitable for ensuring auto entitlement such as ESA (Support Group) and War and Industrial Injuries Disability benefits.

## **Q7 What could be done to make it easier for people to find out what benefits they are entitled to?**

As the Scottish Government are now in the position of introducing a new eligibility system for PBs, there is a major opportunity to join-up the process of applying for PBs and setting out for people what they are entitled to. This should also be done along with other benefits that will be under the Scottish Government such as the successor social fund and council tax benefit, and housing benefit. We would also welcome benefit take up campaigns and for the DWP to take steps to promote benefits.

This could be done through frontline agencies such as councils and Citizen Advice Bureaux. CAB are uniquely placed to provide information and assistance to people and are a trusted method for thousands of people who are in need of benefits advice. Information and advice needs to be in place to ensure people can navigate through the new benefits system and how they can access PBs.

What is needed most is a system that can be accessed and navigated by the majority so advice and support can be targeted at those who are most vulnerable and need most help in navigating the system and finding out what they are entitled to.

Therefore the claims system needs to be simple, fair, easy to understand, and easy to access. Consistency in accessing PBs across Scotland is also important. Setting targets for increasing and maximising take-up is vital.

Many people miss out on benefits because they are not aware they are available or miss timeframes for application. The more complex it is to make a claim, the lower the take-up. This means there are many who are not taking up benefits they are entitled to and those in need of support are not getting it.

Unifying the process of applying for PBs would help increase take-up. Ensuring that when someone is in receipt of UC they are also told about what other PBs are available to them and how to apply would be helpful, through providing information with UC award notifications. Simplifying the system and departments working together and taking advantage of IT systems and improved technology could help increase take-up and reduce administration.

If the Scottish Government could work with the DWP and HMRC to ensure that information is passed direct to them or local authorities and then the subsequent awarding/delivery agency then some PBs could be automatic. This could either be in form of a certificate of eligibility for various PBs which could be used as and

when needed. So for example one certificate shows all you are entitled to so you can start some PBs straight away if you need them eg school meals, or as and when you need them eg dental voucher. Or it could mean the awarding agency automatically implement the PB you are entitled to.

**Q8 Do you wish to highlight any of the groups protected under the Equality Act as being particularly at risk in the reform of passported benefits?**

As stated above CAS is very concerned that there will be a major impact on disabled people in accessing passported benefits as DLA migrates into PIP. DLA is already within the top ten most common problems clients present to Scottish bureaux. In 2010/11, DLA (Care) was the third most common problem with 20,222 issues and DLA (Mobility) was the seventh most common with 18,216 issues dealt with by bureaux. We expect to see an increase in demand for advice during the migration of DLA to PIP.

Older people are also currently at a disadvantage with PBs. Those in receipt of pension credit are not automatically entitled to legal aid, and, as stated previously, cannot access free school meals for children in their care.

We would be concerned that children and young people would be at risk of not receiving PBs that advantage them if 'cashing-up' was introduced and taking away the direct advantage that free school meals and the EMA gives them.

**Q9 What robust sources of evidence with regards to impact on protected equality groups should we draw on when considering the impact of future proposals?**

The SSAC has produced Equality Impact Assessments in regards to the impact of UC and passported benefits. The DWP has also produced equality assessments on changes it is introducing.

As a frontline service, CAB across Scotland are also seeing real time impact of welfare changes. CAS will continue to highlight the impact of all welfare changes on Scotland's people and this can be used in future policy making.

And as stated above, we also believe the Scottish Government should carry out its own research and modelling to assess the impact of welfare changes.

**Q10 Over the longer term, should the Scottish Government aspire to a move to a more coherent system of eligibility criteria for low-income benefits, such as linking income thresholds to one of the measures of poverty?**

Yes  No  To an extent



A better more coherent system of eligibility that would ensure all those on a low income – whether in or out of work are entitled to PBs would be a much better system for all citizens. These criteria should not only assess income (after housing costs) but also family size, disabilities within the household, and childcare costs. CAS supports a measure of poverty that is ‘after housing costs’.

It has been acknowledged by the DWP that some people moving to UC will be worse off and as we have stated above there will be a reduction in those entitled to PIP in comparison to DLA. Therefore passported benefits are at risk of not reaching those who need it most.

Introducing coherent eligibility criteria would also hopefully extend eligibility for PBs. The aims of the NCTS for ensuring older people or those with disabilities have improved access to services could also be said for other groups in society. Arguments have already been made for young unemployed people to have access to free travel to ensure they are able to afford the costs of attending job interviews, looking for work, or attending JCP appointments or work programmes.

A longer term view could also look at the eligibility criteria and how a new system can be used to help reach the Scottish Government’s ‘Solidarity’ National Indicator and to target child poverty.

The Solidarity Indicator: ‘To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017’. Whilst this indicator shows that between 2009-10 and 2010-11 total income received by Scottish households increased slightly from 13% to 14%, it will be hard for it to be achieved because of welfare changes ahead.

The £2.5billion expected to be lost to the Scottish economy through the reduction in benefits will serve to, at best maintain, or at worst reduce the income of people within the lowest income deciles. Increasing eligibility of passported benefits to ensure it targets those on low incomes could help this National Indicator and the Indicator to ‘Reduce children’s deprivation’.

Performance in 2010-11 shows the indicator being steady with 13% of Scottish children covered by this measure compared with 15-16% since 2006-07. As above benefit cuts - including those to Working Tax Credits and Child Tax Credits which impacted on 100,000 families in April this year -will not help low income households and could help push families into poverty.

The map of child poverty in Scotland published by the Campaign to End Child Poverty earlier in 2012 showed that overall 20% of children are living in poverty (on their measure which classed children as living in poverty if they are in families on out of work benefits or working tax credits where income is less than 60% of median - before housing costs) with 13 Scottish councils having wards where more than 30% of children live in poverty.

PBs could be used to address these levels of child poverty in families where parents are both in and out of work.

## **Q11 Should the Scottish Government assess income:**

At household level

At individual level

It should vary according to the entitlement being applied for X

Household income would be appropriate as Universal Credit is going to be assessed at household level so this would make the system simpler. Using DWP data under UC where appropriate could help a joined up simpler approach. However we caution this may be problematic as claimants will no longer be reporting annual income and monthly income will instead be used which could vary from month to month for some.

Individual levels may be more appropriate for PBs that are based on need rather than income such as NTCS and BB.

**Q12 Should the Scottish Government adopt a savings limit for some or all benefits?**

All  None  Some (please specify which)

In principle, people who have saved money should not be penalised for being responsible before their change in personal circumstances eg family breakdown, redundancy, health related conditions. However this may not be practical and lead to benefits not reaching those who need it most so we believe this is an area that needs further research.

CAS would also like to note that under UC, for those with savings between £6000 and £16,000 there will be a tariff income based on £1 per £250. For someone on just under £16,000 this will mean they are considered to have income of £40 per week; for someone with £12,000 savings it is £24 per week; and for £8000 in savings it will mean £8 per week. As this is well over any interest you would receive, there is an automatic assumption that savings will have to be spent before you are entitled to benefits.

**Q13 If you answered None, please suggest how we could identify those who do not qualify for Universal Credit because they have more than £16,000 savings.**

**Q14 Should the Scottish Government adopt the same savings limit as the Department for Work and Pensions – i.e. that no one with savings (excluding equity in your home) of more than £16,000 should receive any passported benefit?**

Yes  No

## Q15 Do you have any other comments within scope?

CAS has a number of additional comments to make:

1. We cannot underestimate the damaging impact that some welfare changes will have on the people and services of Scotland in the years ahead. This is not just because of the introduction of UC and how that will impact on people, but also because of various other changes in the system that will negatively impact on people such as the increase in sanctions (as above), cuts in council tax benefit and the social fund, and changes in housing benefit.

The Citizens Advice service across Scotland has already seen a major increase in new benefit issues over the past five years and we expect demand to continue to increase hugely over the next few years. CAB dealt with around 190,000 new benefit issues in 2011/12 and also saw an increase in repeat issues. Over the past five years we have seen a 9% increase in all new issues. Over the same period of time new benefit and welfare issues increased by a massive 39%. That is over 50,000 additional issues every year. The complexity of cases has also increased which means more time and expertise is needed to help those who come to us for advice. CAB will be ready to help people access and apply for PBs which could be used to help mitigate many of the damaging aspects of welfare changes by targeting resources, increasing eligibility, and increasing equality in services.

However CAB are already working to full capacity, in the majority of cases on a reduced budget. It is clear that we cannot take on any more work or see more clients without additional funding which would allow us to train more staff to be specialists, train more volunteers, open for longer hours, and increase our presence in the areas in which we work.

2. CAS remains concerned that a Scottish eligibility system must be flexible enough to cope with changes that are made at Westminster level and will have an impact on those entitled to PBs. Whatever system is developed for the future must be able to assess how people are impacted by changes that can happen at just a few months' notice and how that may either reduce or increase the numbers of people eligible for PBs. For example the change in tax credits earlier this year discussed above.

3. CAS is very concerned that stricter sanctions and conditionality which could lead people to losing out on aspects of the Universal Credit for a period of time which will be a minimum of four weeks and could be up to thirteen weeks for 'serious' failures eg attending mandatory meetings / applying for jobs as set out by the JCP. We are concerned that these sanctions will have a major negative impact on people's income and therefore their ability to buy basic and essential goods and services such as food and heating. CAS has already seen a major rise in people seeking advice due to being sanctioned and has illustrated the increase in need for food parcels which is often as a result of sanctions. We therefore believe that PBs will be even more essential to these families.

Equally during the 2013-17 migration process, we are concerned that any delays or appeals could also lead to delays or missing out on vital passported benefits. As

well as being of detriment to adults, CAS would not want to see situations where children were missing out on passported benefits due to parental migration problems or sanctions imposed at the very time they were needed the most.

4. CAS would like to see a guarantee that the PBs for all those currently entitled will be kept until 2017 whilst the migration to UC is introduced. Bringing in even more changes could add even more to the confusion and worry people will have as they are migrated to UC and/or PIP. One of the reasons CAS want to ensure that all those currently entitled to PBs remain franchised is that from 2014-17 there will be two tiers of people – those moved on to UC/new to UC and those at end of migration system – or PIP. We do not want to see a system that means that two families with same circumstances do not have same access to PBs as each other because one has been moved to UC and one has not. This is the same for PIP.

5. Eligibility systems for passported benefits need to be clear and made available to others. Local authorities use passported benefits, or the eligibility for them, to passport to other benefits within their discretion such as grants for school uniforms or discounts to other facilities such as leisure facilities. National guidance to prevent a 'postcode lottery' operating across Scotland – especially as cuts start to bite - in relation to such other benefits would be of use. Utility companies also target those in need for discounted services using benefit entitlement.

6. Applying for PBs needs to be as simple and accessible as possible and CAS is concerned that any move to an online application could stop some people applying. We have already made this point to the DWP whose focus on online applications we believe could leave a significant minority of claimants behind. A number of sources suggest that claimants in Scotland are less likely to have access to the internet to make an application. The Scottish Household Survey found that around a third of households in Scotland do not have access to the internet, with less than half of households with an income of less than £15,000 having access to the internet.

Ofcom recently found that only one in three Scottish households earning less than £17.5k per year had broadband compared to 56% of equivalent households in the rest of the UK. Glasgow has particularly low access to broadband (60%) compared to other UK cities such as Liverpool (77%) and Leeds (86%). OFCOM found that the 45-64 age group in Glasgow had a particularly low level of broadband take-up (35% compared to 79% GB average) as well as the DE socio-economic group (36% compared to 56% average). Claimants in Scotland, and Glasgow in particular, are likely to face greater barriers to making an online application for Universal Credit. We do not want to see similar problems for PBs.