Scottish Affairs Committee: Welfare in Scotland Inquiry

Citizens Advice Scotland response: November 2020

Scotland's Citizens Advice Network empowers people in every corner of Scotland through our 59 local bureaux (CAB) and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Introduction

In 2018-19, the Citizens Advice network helped over 270,000 clients in Scotland with almost 750,000 advice issues. With support from the network, clients had financial gains of over £131 million and our self-help website Advice in Scotland received approximately 3.7 million views.

The Citizens Advice network issued 311,714 pieces of advice on benefit issues, the single largest area of advice for the network in 2018-19. Since February this year the network has provided over 85,000 pieces of advice on Universal Credit alone.

Citizens Advice Scotland (CAS) welcome the opportunity to respond to the Committee's important inquiry into Welfare in Scotland.

Summary of Recommendations

Citizens Advice Scotland recommends:

- **The removal of the Two-Child Limit.**
- **The Benefit Cap is reviewed enabling those in receipt of benefits to receive their full entitlement without this being capped.**
- **The £20 a week increase to Universal Credit is made permanent.**
- **Universal Credit Advance Payments are replaced with a non-repayable assessment period payment.**
- **Alternative, suitably supported offline options to make and maintain claims (such as telephony, and where possible due to current COVID-19 restrictions face-to-face support and home visits) to be available and actively promoted to all claimants.**
- **A review of the Minimum Income Floor used to estimate earnings for the self-employed with a move towards using actual earnings to calculate entitlement.**
- **The extension of Work Allowances to everyone on Universal Credit**
- **The Department for Work and Pensions (DWP) review debt recovery process and introduce a revised system for managing debt that**

better reflects people's ability to pay without experiencing hardship, based on a robust holistic affordability check procedure.

- **The DWP and Scottish Government continue to work together to develop a solution to enable direct payments to landlords to be made in a more suitable manner.**
- **The Scottish Government and UK Government work together to implement the two outstanding Scottish flexibilities as a priority.**
- **The next Scottish Government initiate a fundamental review of disability assistance with reference to six principles for a new rights based disability assistance system.**

Question 1: What impact has UK welfare reform had on poverty & inequality in Scotland?

Rates of poverty and inequality remain unacceptably high in Scotland. Official figures show that in Scotland 1 in 5 working age people and 1 in 4 children are in poverty, with the majority (65%) being in households where at least one person works. Disabled people, lone parents, and minority ethnic people are particularly at risk of poverty, with high levels of wealth, income, health and educational inequality in Scotland.[1][2]

Whilst sharing a number of common social security needs and issues as the rest of the UK, there are some areas where Scotland has distinctive needs. Proportionally, the amount of people who receive disability or ill-health benefits in Scotland is higher than the rest of the UK, which is thought to be as a result of a heritage of heavy industry in many parts of Scotland, together with higher historic rates of poverty and long-term unemployment.[3] Additionally, a higher proportion of people in Scotland live in social housing compared to the rest of the UK[4], which has led to changes to social security support for housing having distinctive impacts in Scotland.[5]

There are also a number of specific challenges related to rurality in Scotland increasing the cost of living, such as an increased need for public transport, digital access and rural fuel poverty – all of which interlink with social security payments.

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[1] Scottish Government, Poverty and Income Inequality in Scotland, March 2020
[2] Poverty and Inequality Commission, Key Facts
[3] Sheffield Hallam University, The Impact on Scotland of the New Welfare Reforms, October 2016
[4] *23% of housing stock in Scotland is social rented housing, compared with 17% in England and 16% in Wales -* Scottish Government, Social tenants in Scotland 2017, April 2019
[5] *The underoccupancy charge had a greater impact in Scotland than other parts of the UK; and as it is more common for temporary homeless accommodation to be provided by private landlords in Scotland compared with the rest of the UK, homeless people are more likely to see a shortfall between their rent and the amount of Housing Benefit they receive*. For more, see page 21, Rent Arrears: Causes and Consequences for CAB Clients, October 2018

CAS believes that social security should be a safety-net people can access when needed – providing the means to afford an adequate standard of living. However, statistics show that currently the social security is not functioning as an adequate safety net, with many of the reforms in the Welfare Reform Act 2012 contributing to this. In a 2011 briefing, CAS foreshadowed likely consequences of the then Welfare Reform Bill, noting the potential issues caused by: the proposed monthly payment schedule – CAS emphasised the need for weekly payments to avoid debt; and the introduction of the Benefit Cap. At the time, CAS noted concern that 'the changes announced in the Welfare Reform Bill will be problematic for new and current benefit recipients and will increase the number of benefit issues brought to bureaux in Scotland'.[6]

In 2018-19, Scotland's Citizens Advice network provided 311,714 pieces of advice on benefit issues, in comparison to 189,000 benefit issues in 2009-10 (prior to the introduction of the Welfare Reform Act 2012), a 65% increase. Trussell Trust figures that pre-date the current COVID-19 crisis show that every week in Scotland, in 2018/19, over 4,000 emergency three-day food parcels were distributed to people in crisis.[7]

Under Questions Two and Three the impact of Universal Credit in Scotland is discussed, below we detail two other areas of UK welfare reform that have had a detrimental impact on CAB clients.

Two-Child Limit

CAS is deeply concerned by the impact the Two-Child Limit is having on low-income families and urges the UK Government to scrap the policy in its entirety.

Evidence from Scotland's CAB network shows that Child Tax Credits can be essential to prevent families from facing hardship and destitution, this decision particularly impacts lone parents, the majority of whom are women, and also makes no account for families whose circumstances may change after having children.[8] Since the introduction of the policy, CAB have advised clients affected by the two-child limit who have been left struggling to pay for essentials as a result of being affected by the two-child limit, including taking out loans, and accruing unmanageable rent and council tax arrears.

A number of CAB clients, particularly lone parents with three or more children have faced a 'double whammy' of being affected by both the two-child limit and the Benefit Cap which has left them in financial hardship.

- **CAS recommends the removal of the Two-Child Limit**

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[6] CAS, Welfare Reform Briefing, June 2011
[7] Trussell Trust, End of Year Stats, 2019
[8] Citizens Advice Scotland written evidence to Scottish Parliament Social Security Committee inquiry : The impact and consequences of the two child policy in Child Tax Credits – May 2017

Benefit Cap

CAS remains concerned about the impact of the Benefit Cap, and recommends the UK Government reconsiders the policy, with particular regard to the impact on lone parents with large families who will be unable to find paid work or move into a smaller house due to caring responsibilities for multiple young children.

Official statistics for the number of households in Scotland affected by the Benefit Cap show that from just before the level of the Cap was lowered in November 2016, the number of families actually affected has increased from 745 to 6,382 an increase of 893%. This includes at least 5,943 children (384 prior to the lowering) an increase of 1548%.[9]

The groups most likely to be affected by the Benefit Cap are larger families and lone parents, as well as the children who live in those households. 93% of capped households in Scotland had children.

Two-thirds (66%) of all capped households in Scotland constituted a lone parent with children (the majority of lone parents being women). These households were affected principally through a combination of high rents due to the size of the household requiring a larger home, as well as their entitlement to children's benefits which are not exempted from the cap. In Scotland relative poverty rates are highest for single women with children.[10]

Some people can qualify for a nine-month grace period where the Benefit Cap does not impact UC payments, however there is a stringent criterion that must be met to be granted this grace period. CAS notes that given the upsurge in UC claims in March and April, it is likely that many people who qualified for the grace period will shortly see this coming to an end. Potentially, leaving families with a sizeable drop in income to manage during the ongoing economic and health emergency.

Additionally, as the Work and Pensions Committee has noted, around 80% of families affected by the Cap are not expected to look for work as part of their benefit conditionality.[11]
CAS continues to receive reports from bureaux of clients attending due to Benefit Cap issues. These include cases where the Benefit Cap has caused rent arrears, relationship problems, exacerbated existing health conditions or prevented people finding permanent housing.[12]

- **CAS recommends the Benefit Cap is reviewed enabling those in receipt of benefits to receive their full entitlement without this being capped**

[9] DWP, October 2016 and August 2020 figures, Stat Xplore
[10] Scottish Government, Poverty and Income Inequality in Scotland, March 2020
[11] House of Commons Work and Pensions Committee, The Benefit Cap Report, March 2019
[12] CAS, The Impact of Reducing the Benefit Cap, 2017

Question Two: How well is Universal Credit working in Scotland? Are there issues with Universal Credit that are specific to Scotland compared to the rest of the UK?

Question Three: What has been the effect of the introduction of full Universal Credit services in Scotland for claimants who previously received legacy benefits?

Citizens Advice Scotland (CAS) believes the Universal Credit (UC) system must change if the benefit is to work for all citizens across Scotland, and the rest of the UK. By 'work' CAS means the UC system should not cause financial destitution or debt, should be accessible to everyone and should support people who are in and out of work.

Since the rollout of UC began in 2013, CAS has raised concerns about fundamental elements of its design and delivery causing detriment to citizens. These have always been based directly on the frontline evidence gathered by bureaux supporting clients navigating the system.

Social security should be a safety-net people can access when needed – providing the means to afford an adequate standard of living. A social security system that works for citizens is a hallmark of civilised society, protecting people - who are in low-paid or part-time work, cannot work due to disability or ill health or are unemployed - from destitution.

The COVID-19 pandemic has resulted in an 85% increase in the number of people claiming UC in Scotland.[13] This has resulted in a broadening of the demographics of UC claimants as well as bringing a renewed focus to the crucial role UC plays in the social security system.

The three charts that follow show the widening demographic of CAB clients who have sought Universal Credit advice between April and August 2020.

Chart 1 shows UC clients by Scottish Index of Multiple Deprevation (SIMD). While we still see that almost a third of all CAB clients seeking UC advice live in the most deprived parts of Scotland, CAB are seeing a greater proportion of new clients from quintiles 4 and 5 (the least deprived).

[13] DWP, Stat Xplore

Chart 1: SIMD

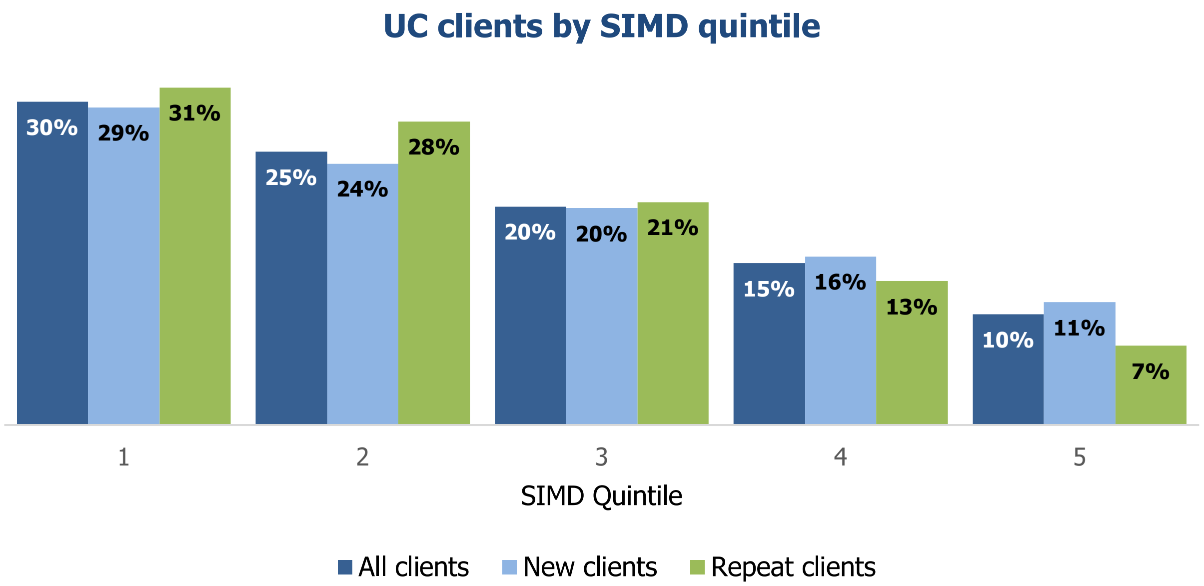


Chart 2 shows that Citizens Advice Bureau have seen a notable proportion of new UC clients who are in full-time employment or self-employed seeking advice on Universal Credit for the first time.

Chart 2 also demonstrates that those in part-time or full-time work make up around a third of CAB UC clients – highlighting that UC is a critical in-work benefit for those on low-pay. Over 6 in 10 (62%) of the clients seeking Universal Credit advice for the first time since April do not have children nor a limiting health condition/disability – therefore will not be entitled to any Work Allowance.

Chart 2: Employment Status

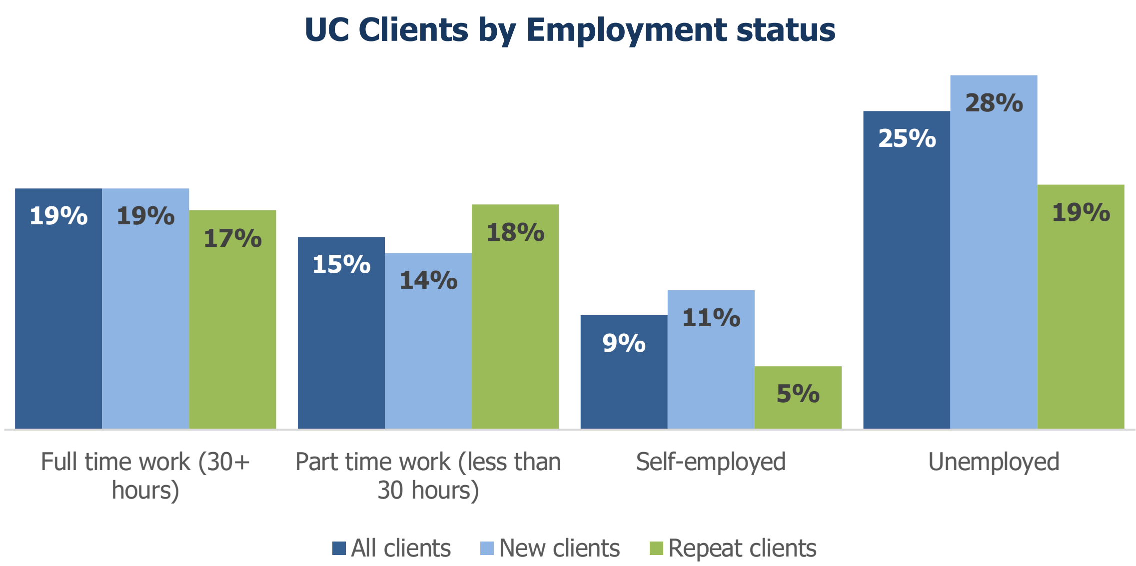
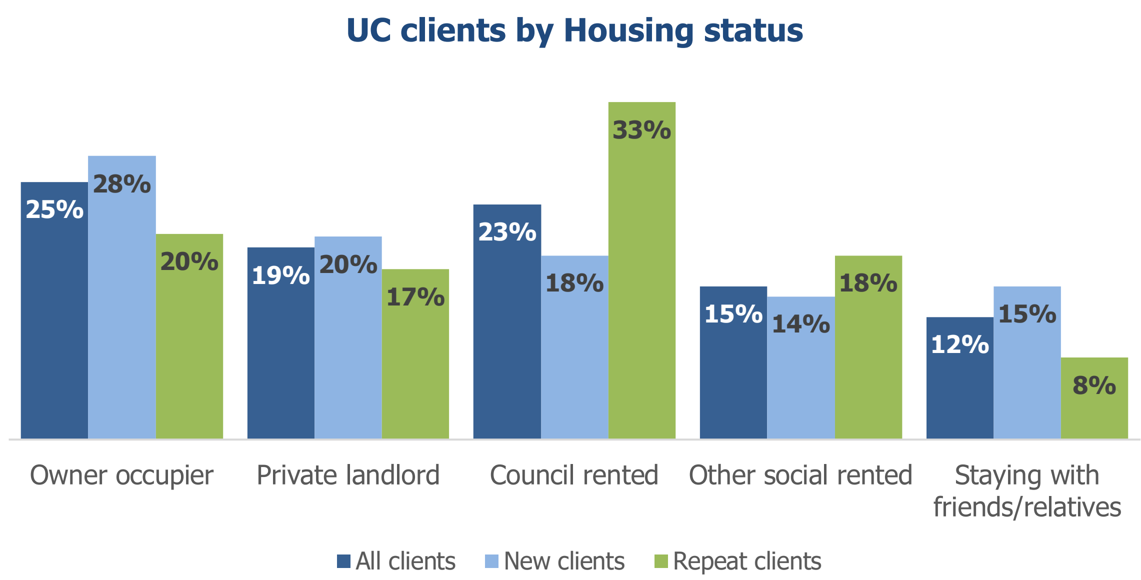


Chart 3 shows an increase in the proportion of new clients who are owner occupiers or renting from a private landlord. Both groups are likely to expereince difficulty with UC covering housing costs. Mortage payers are not entitled to any support with housing costs until 39 weeks of claiming UC – for this group the current additional £20 a week (£1040 a year) will be making a much needed contribution to covering housing costs. For private renters, LHA rates of 30% will leave a shortfall when covering rent in the majority of PRS properties.

Chart 3: Housing Status



Citizens Advice Bureaux (CAB) data, including Citizen Alerts (cases from local CAB), have shown the key issues with the design and delivery of UC are: the payment level of UC, the five week wait for first payment, the digital by default system, high deductions and issues for people who are in-work or self-employed.

Keeping the £20 a week UC uplift

There has been a longstanding need for the level of Universal Credit payments to be lifted to a more adequate level. Now, many people are finding themeselves claiming Universal Credit for the first time and are experiencing a sudden and severe income shock compared to their previous earnings.

CAS welcomed the £20 a week increase introduced in response to COVID-19, as a positive first step to making Universal Credit a more adequate safety-net.

The £20 a week uplift has been a lifeline to many people and families.[14] However the extra £20 a week is due to end in April; no commitment has yet been made on extending the increase

[14] JRF, Keeping the Lifeline, 2020

beyond the end of the current financial year. The consequences of removing the uplift are demonstrated in Citizens Advice network evidence; risking an income crisis, a rise in poverty levels through exacerbating financial hardship, along with the knock-on wider health and economic impacts.

Analysis by the Scottish Government has shown that removing the increase will cut over £450m to people receiving UC in Scotland; pushing 60,000 Scots into relative poverty, including 20,000 children.[15]

Evidence shows that the economic recovery from COVID-19 hinges on households and their ability to continue to consume.[16] Removing the £20 a week increase will not only result in increased poverty and financial hardship but a reduction in consumption; evidence shows that those with lower incomes have a higher marginal propensity to spend with the majority of their income going back into the primarily local economy.

Even as an "emergency measure", forecasts from the Bank of England clearly show that our economic emergency will not be over by March.[17] In fact, the Bank expects that unemployment will not even peak until Q2 of 2021 at almost 8%, meaning the £20 a week uplift will continue to be a lifeline not just to individuals, but to the economy as a whole well beyond March next year.

CAB advisers report many clients have financial commitments that outstrip the level of their Universal Credit payments. After meeting mortgages and other credit commitments, people are finding themselves with no money to cover basic living expenses such as food and utility bills. Research, from the Resolution Foundation in May of this year, found that 36% were having trouble keeping up with bill payments and 42% already had to cut back on spending to prioritise housing costs.[18]

Any roll-back on the £20 a week increase could have profound financial implications for people relying on Universal Credit to be the safety net it should be.

Impact of Removing the £20 a week on CAB Debt Clients

A recent analysis of CAB clients on Universal Credit who have been in contact with CAB between April-August and are in what is considered 'complex debt'[19] reveals the income crisis removing the £20 a week uplift could create.

- Without the additional £20 a week, **8 in 10 CAB complex debt clients will be unable to meet their living costs** (in a negative budget).[20]

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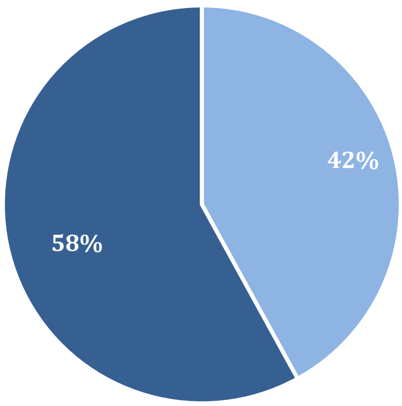
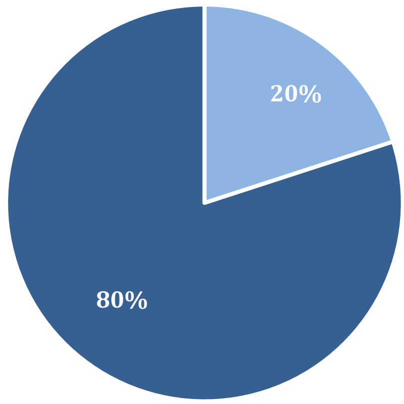
15 Scottish Government, Impact of withdrawing emergency benefit measures, October 2020
16 IFS, UK economic outlook: the long road to recovery, October 2020
17 Bank of England, Monetary Policy Report, November 2020
18 Resolution Foundation, This Time is Different: Universal Credits First Recession, May 2020
19 *Complex debt rrefers to the level of support someone needs, whether that is due to the size of their debts in comparison to their income, or the number of separate debts they have.*
20 *A negative budget is where a debt adviser assesses someone cannot meet their living costs.*

- The £20 a week uplift **increases by 22% (1 in 5)** the number of clients who are in a positive budget, supporting them to meet their living costs

With additional £20 a week



Without additional £20 a week



Impact of £20 a week on CAB clients seeking complex debt advice (between Apr-Aug).

	With additional £20 a week	Without additional £20 a week
Cases in positive budgets	(42%)	(20%)
Cases in negative budgets	(58%)	(80%)

- **CAS recommends the UK Government make the £20 a week increase to Universal Credit permanent.**

Ending the Five Week Wait

After completing an application for UC a person must wait a minimum of five weeks before receiving their first payment. This is meant to mimic the world of work by paying people, monthly, in arrears.

However, those in low-paid work are likely to be paid on a much more frequent basis. Around half of people who earn less than £10,000 a year are paid weekly.[21] A significant number of people do not have a financial buffer in the form of a final month's salary to rely on during the five week waiting period.

CAS has repeatedly raised concerns that the five week wait causes severe detriment to the most vulnerable; people without savings and without family or friends to borrow from. Consistently, CAB across Scotland report the hardship caused by the excessive five week

[21] Millar, J., & Bennett, F. Universal Credit: Assumptions, Contradictions and Virtual Reality Social Policy and Society (2017)

waiting period: it forces people to use foodbanks; accumulate debt; and, causes detriment to their physical and mental health.

The Citizens Alert below details how the five week wait impacted one CAB client.

Citizens Alert: A south of Scotland CAB reports of a client who was recently made redundant. He was earning minimum wage, has no savings and was not entitled to redundancy pay so has no money to support him until his first payment. The emergency credit on his prepayment gas and electricity metres are about to run out and he has also run out of food. He has no idea how he will heat his home, cook food or pay his rent and has had to request a food parcel and apply for a Crisis Grant.

Advance payments are not the solution to the five week wait. Social security entitlement should not involve getting into debt, which is then recouped through deductions from 12 subsequent UC payments. Placing people into a cycle of debt should not be a tenet of the UC system. People on low incomes (who are more likely to be on UC) are often unable to build up substantial savings.[22] 1 in 4 people living in Scotland have less than £500 in savings.[23]

- **CAS recommends that Advance Payments are replaced with a non-repayable assessment period payment.**

End digital by default claim application and maintenance

Claims for UC are made and maintained online. Alternative offline options are meant to be available, although only in exceptional circumstances. The only part of the UC system not primarily delivered through a digital system is the appeals process, which is paper-based and made more difficult by all previous stages being digital.

CAB evidence shows a significant minority of people do not have the internet access or digital skills required to make and maintain their claims online.[24] The DWP's own study found that only just over half of people (54%) could register their claim online without help; meaning that almost half needed some form of assistance to make a claim online.[25]

People with disabilities, mental or physical health problems, learning difficulties, poor literacy skills or who don't have English as a first language often face the most significant barriers to online claim maintenance.

The same DWP research uncovered that 1 in 3 people (31%) needed on-going support to maintain their online Universal Credit account.[26] The consequences of not maintaining a UC claim are stark, resulting in sanction and even claim closure.

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[22] Scottish Government, Poverty in Perspective: A typology of Poverty in Scotland (2017)
[23] Resolution Foundation, The £1 trillion pie: how wealth is shared across Scotland (2018)
[24] CAS, Disconnected: Understanding digital inclusion and improving access (2018)
[25] DWP, Full Service Survey (2018)
[26] DWP, Full Service Survey (2018)

People living in rural internet black spots face unique difficulties and are being penalised for living in areas that lack digital infrastructure. 1 in 25 premises in Scotland cannot access a decent fixed broadband connection, with only 42% of Scotland's landmass having good 4G coverage from all operators.[27] There are clear digital infrastructure barriers that prevent someone – even with a high level of digital literacy – from making and maintaining a UC claim online.

DWP funds the CAS network to provide the Help to Claim service across Scotland. Whilst Help to Claim supports a person to make their initial UC claim, it cannot support a person with claim maintenance. CAB across Scotland experience numerous cases of people seeking support to maintain their claim, as they face barriers to doing this on their own.

Maintaining a claim includes all activities required to fulfil the UC Claimant Commitment such as updating the online journal and job searching, with sanctions a possible consequence for any breach. Work coaches communicate essential information through the online journal, including changes to Jobcentre Plus appointments and requesting that a person complete additional tasks.

From the DWP's own research and evidence from CAB across Scotland, it is clear that having a primarily digital system does not work for a significant minority of vulnerable people.

The UK Government must act to ensure access to UC through other means.

- **CAS recommends alternative, suitably supported offline options to make and maintain claims (such as telephony, and where possible due to current COVID-19 restrictions face-to-face support and home visits) to be available and actively promoted to all claimants.**

UC and Employment

CAS welcomed the suspension of the Minimum Income Floor and further extension of the suspension until the end of this financial year announced at the start of November. Prior to COVID-19 CAS raised concern that the Minimum Income Floor was causing detriment to CAB clients.[28]

CAS remain concerned that the method of calculating the minimum income floor for the self-employed causes hardship among some self-employed people.

One CAB case involved a self-employed veteran who approached a CAB for advice on claiming UC. A benefit check revealed that moving from legacy benefits to UC would reduce the veteran's guaranteed income by just over £5000. This person was worried they would have to give up their seasonal business when they moved to UC as they would struggle to make enough money to live on over winter.

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[27] Ofcom, Connected Nations (2019)
[28] CAS, Making Universal Credit Work, January 2020

The UK Government should use the time between now and the end of March to revisit how the Minimum Income Floor functions and make changes so that payments are based on actual, rather than the predicted minimum, earnings.

- **CAS recommends a review of the Minimum Income Floor used to estimate earnings for the self-employed with a move towards using actual earnings to calculate entitlement.**

Cuts to the original Work Allowance in 2015 significantly undermined the aim of making work pay. Work Allowances allow a person to earn a certain amount without affecting their UC payment.

At present, only people with limited capability for work, or, people with a child or children are entitled to a Work Allowance. The Work Allowance allows a person to earn up to a certain amount of money without any financial impact on their overall UC entitlement. Current Work Allowance rates are set at £292 for someone receiving housing costs and £512 if a person does not receive housing costs.

Originally, all UC claimants had a Work Allowance. Those without a Work Allowance lose 63p of their UC for every £1 they earn, from the first pound they earn. CAB report of clients who are not entitled to any UC but who would have been entitled to other payments under the legacy system.

Citizens Alert: A West of Scotland CAB reports of a client currently working 25 hours per week as a child minder. The client is struggling to meet the cost of living and has used up her savings over the last two years. The client is not entitled to UC as they do not qualify for a Work Allowance and their relatively low earnings outstrip their potential UC entitlement when the taper rate is applied. The client is nearing retirement age and unable to work more hours in a physically demanding job. If the client had been able to claim Working Tax Credits they would be better off by £38 per week.

In order to support low paid workers the government should introduce a Work Allowance for all Universal Credit claimants. Particularly in the current uncertain economic climate, the ability to take on what could be precarious work, safe in the knowledge that a person's UC entitlement will be unaffected until they earn over the Work Allowance threshold would help bring more financial certainty to many people.

- **CAS recommends Work Allowances are extended to everyone on Universal Credit**

Deductions from Universal Credit

CAS raise concern regarding the collection of debt by the Department for Work and Pensions (DWP). The vast experience of the Citizens Advice network in Scotland demonstrates significant issues with the DWP debt collection process through deductions of benefit. Specifically, the management of deductions for those claiming Universal Credit is a sizeable cause of hardship for CAB clients.

A major contributing factor behind this hardship is the significantly higher level of deduction that can be taken from Universal Credit payments, in comparison to legacy benefit payments. Currently, the maximum rate of deduction for Universal Credit is 30% of a person's standard allowance, this effective from October 2019 – prior to this the maximum rate was 40%.[29] In October 2021 the maximum rate will reduce further to 25%.

The gradual reduction in the maximum rate of deduction suggests there is recognition that the current deductions system is creating financial hardship. Our evidence and expertise on debt recovery suggests that a wholesale review and new process is required. We are pleased to be able to contribute to this consultation process and provide an insight into the current issues and potential solutions to enable a fairer debt recovery process within the DWP.

Currently, maximum deductions from Universal Credit are capped at a percentage of a person's standard allowance. This blanket maximum rate does not consider the financial situation of the individual affected by the debt deduction. It is the experience of CAB advisers that the maximum deduction rate of 30% is considered the default rate and applied automatically where a person has multiple deductions, rather than a true maximum with lower rates more often applied.

Those on Universal Credit are already living on a low income. It is our experience that deductions from Universal Credit are largely unaffordable for CAB clients. If a standard debt instrument such as the Standard Financial Statement (SFS) was used to calculate what is reasonable for a person receiving Universal Credit to repay to their debts, it is likely that only the smallest number of Universal Credit recipients would be considered in a position to make any repayments and that none would have 30% available income to spare in repayments. However currently, there is no affordability check before deductions are applied to a person's Universal Credit.

The impact of this high rate of maximum deduction coupled with a lack of affordability assessment results in significant hardship for CAB clients:

Citizens Alert: A West of Scotland CAB reports of a client who has four deductions coming off their Universal Credit for advance payments and overpayments. This is leaving them with £250 for the month which is not enough for the client to meet essential living costs.

- **CAS recommends the Department for Work and Pensions (DWP) review debt recovery process and introduce a revised system for managing debt that better reflects people's ability to pay without experiencing hardship, based on a robust holistic affordability check procedure.**

Additional issues for UC claims in rural and remote areas

[29] UK Govt Guidance - https://www.gov.uk/guidance/universal-credit-debt-and-deductions-that-can-be-taken-from-payments#how-much-can-be-taken-from-universal-credit-payments

People living in more rural and remote areas of Scotland may face additional disadvantage when claiming UC simply due to their geographic location. Broadband connection, mobile data coverage and signal can be poor (or non-existent), and many smaller towns and villages do not have public internet access points, with the nearest sometimes long, infrequent and expensive (an average of £9 return in rural and remote areas[30]) bus rides away sometimes vast distances (in excess of one hundred miles) that their clients must travel when they need to access the Jobcentre, public computers and more.[31] This can be a significant expense for someone on a low income and a significant strain on someone who has health conditions.

Legacy Claims and UC

Prior to the introduction of the £20 a week uplift to UC, the IFS in April 2019 found that transferring to UC from the old system would mean a loss of at least £1,000 a year for 1.9 million adults, and a gain of at least £1,000 a year for 1.6 million adults.[32] The £20 a week uplift to UC has gone some way to mitigating this for those people who have transferred to UC. This has created a divide, where some CAB clients have found themselves in the position where they would be better off transferring to Universal Credit with the £20 a week uplift – however some are choosing not to due to the uncertainty over whether the £20 uplift will be made permanent and also the process of claiming UC.

Citizens Alert: *A South of Scotland CAB reports of a client, nearing retirement age, who is on Job Seeker's Allowance (JSA). The client contacted CAB to enquire about the £20 a week increase to Universal Credit and was disappointed to hear that this did not include JSA. The five week wait for Universal Credit is too much for the client to cope with financially at the moment and the client decided to instead wait on becoming eligible for their pension and pension credit, due within the next 12 months.*

CAS is also concerned that despite transitional protection for those who go through managed rather than natural migration, the long list of conditions that are considered to reflect a change in circumstance, therefore ending transitional protection, is likely to result in people missing out on the required levels of transitional protection.

Question Four: Do people in Scotland benefit from the flexibility of having Universal Credit paid at a different frequency or to their landlord directly via the Scottish Choices system?

CAS strongly supported the introduction of the UC Scottish Choices and were influential in the decision to offer them as a choice, rather than a default option.

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30 CAS, Round the Bend: A review of local bus provision by Scottish Citizens Advice Bureaux, June 2016
31 CAS, Your Bus, Your Say: Creating Better Journeys March 2018
32 IFS https://www.ifs.org.uk/publications/14085

As a part of the devolution of additional powers following the Scottish independence referendum, the Scottish Government acquired four administrative flexibilities over Universal Credit. Two of them have been implemented since October 2017:

- More Frequent Payments – this gives people the ability to choose to have their UC payments made twice-monthly, rather than monthly. [N.B. These are sometimes incorrectly referred to as 'fortnightly' payments – in months with five weeks they can be further apart]
- Managed Payments to Landlords – this gives people the ability to choose to have their housing payments made directly to their landlord.

The choices are offered as a 'To Do' in the UC Journal, after the first assessment period. They are administered by the DWP and managed through the Universal Credit system. The Scottish Government pays the administrative costs of doing so.

There is an intention to introduce two other flexibilities – to split the UC household payment between members of a couple; and to remove the underoccupancy charge (Bedroom Tax) at source in UC.

The introduction of the two Scottish Choices implemented thus far have had a mainly positive impact on CAB clients, although there are various outstanding issues as discussed below.

More Frequent Payments

The recommendation for more frequent payment was based on research with CAB clients which indicated that similar numbers of people budgeted on a weekly, fortnightly or a monthly basis; and that almost half felt that they would often or sometimes run out of money before the end of the month if they received their benefits in one monthly payment. Just 16% would prefer a monthly payment given the choice, compared with 28% preferring fortnightly, and 52% preferring weekly payments.[33]

CAS recommended that the Scottish Government also offer the option of weekly UC payments, but they have never acted on this suggestion (largely due to increasing the administrative complexity and cost).

As of March 2020, a total of 121,750 new UC claimants had chosen the option of More Frequent Payments in Scotland – 37% of those who had been offered the option. An additional 4,580 requested to switch to More Frequent Payments at a later stage, with just under 2,000 existing claimants (i.e. prior to the launch of the UC Choices) receiving them by request.

In 2018-19, CAB in Scotland advised clients about 1,466 issues related to More Frequent Payments.

[33] CAS, Designing a Social Security System for Scotland: Universal Credit flexibilities, December 2015

- Whilst, More Frequent Payments appear to be relatively well-received by people who take up the option, recurring issues for CAB clients have included:
- Clients in hardship due to twice-monthly payment starting a month after their first monthly payment (and only being for half the amount at that stage).
- Due to the varying lengths of months, and the design of the UC Assessment Period, some twice- monthly payments (of the same amount) having to last three weeks rather than two. This has caused clients to run out of money. [This is similar to a wider issue with Monthly Assessment Periods generally]
- Clients who were receiving twice-monthly payments but still experiencing budgeting difficulties and would prefer a weekly payment.
- Issues related to rent and housing, mainly due to receiving payments twice-monthly but being responsible for monthly rent.
- Various administrative issues with the payment (incorrectly having monthly rent arrears deducted from each twice-monthly payment, given incorrect information about the option).

Despite the positive features of More Frequent Payments, they are not a solution to the five week wait for a first Universal Credit payment. This is because they do not get implemented, or offered, until after the first monthly assessment period.

This is mainly due to the design of Universal Credit – as technically people don't have an award of UC until the first assessment period is complete. There is also a desire on the Scottish Government's part to not offer the Scottish Choices until it is established whether someone is eligible for Alternative Payment Arrangements, although this tends to apply more commonly to Direct Payments to Landlords.

Scottish CAB report that the Five Week Wait is one of the most common issues faced by our clients and is therefore one of CAS' top advocacy priorities as a result.

Managed Payments to Landlords

The most common issue experienced by CAB clients with manged payments to landlords are 'false' rent arrears. This is due to the payment cycles for the managed payments from DWP to the landlord not matching when the tenant's rent is due. This has led to the tenant's rent account having 'false' arrears and the tenant receiving alarming letters from their landlord to inform them of this.

CAS welcomed DWP's recent commitment to develop a solution to the payment schedule problem. Indeed, if a new system allowed for synchronous payments of the individual's Universal Credit and their housing costs to their landlord, the results could be transformative.

We also remain concerned that Scottish Choices are not available until the second assessment period, by which point a claimant may already be in arrears, especially if they are used to having Housing Benefit paid directly to their landlord. This problem could be addressed in part if the Choices could be offered at the very start of a UC claim and would be particularly helpful for claimants transferring from legacy benefits, as they would have a run-on of HB, JSA, ESA and/or IS in place, too.

- **CAS recommends that the DWP and Scottish Government continue to work together to develop a solution to enable direct payments to landlords to be made in a more suitable manner as a priority.**

CAS supports the implementation of the two remaining flexibilities – to allow the single household payment to be split between members of a couple, and to remove the underoccupancy charge at source rather than requiring mitigation through Discretionary Housing Payments. Both of these will require close collaboration between the Scottish Government and DWP to implement.

We understand that the barrier to removing the underoccupancy change at source is a requirement for IT changes from DWP to ensure that if the charge is removed then people are not then affected by the Benefit Cap. In the case of split payments, the Scottish Government has been consulting with stakeholders on how the payment could be split and are liaising with DWP on the feasibility of their preferred models.

- **CAS recommends that the two governments should work together to undertake this work and implement the two flexibilities as a priority.**

Question Five: How effective has cooperation been between the UK & Scottish Governments on the devolution of new welfare powers to Scotland?

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Question Six: Why have there been delays in the administration of benefits, which has been devolved to Scotland via the Scotland Act of 2016? What have been the impacts of delays in the devolution of benefits administration?

Delays in the implementation of social security powers devolved under the Scotland Act 2016 have been disappointing, however delays due to COVID-19 are understandable in these unprecedented times. Notwithstanding COVID, there have been other reported delays due to issues such as data sharing arrangements.

For example, data sharing between the DWP and Social Security Scotland is required for the rollout of the Scottish Child Payment to children over six years old due to the qualifying criteria of being in receipt of certain benefits that are administered by the DWP. The Cabinet Secretary for Social Security recently emphasised this point to the Scottish Parliament noting that clarity from the DWP around data sharing on this issue could impact upon the Scottish Government's ambition of rolling out Scottish Child Payment to 6- to 16-year-old children by the end of 2022.

CAS welcomed the recent clarity from the Cabinet Secretary for Social Security setting out the revised timetable for the delivery of the forthcoming disability payments in a statement to the Scottish Parliament.

The impact of the delays to disability assistance both for children and young people, and adults, should not be underestimated.

Thus far, the Scottish Government has prioritised a 'safe and secure transition' from existing DWP benefits to prevent people falling out of the system or under-going re-assessment during transfer to the Scottish system; CAS has supported this approach.

A number of encouraging changes to disability assistance have been committed to by the current Scottish Government: including a system based on the principles of dignity, fairness and respect, reductions in face- to-face assessments, recognition of the importance of independent advice and right to access independent advocacy services for those who identify as a disabled person.

However, the need to ensure the safe and secure transfer of people on existing disability benefits to the new Scottish assistance means that large parts of the current system are left intact.

Currently, 1 in 10 disabled people[34] in Scotland receive an additional costs' social security payment (533,000 people) – through Personal Independence Payment (PIP), Disability Living Allowance (DLA) or Attendance Allowance (AA) – worth a total value of £2.56 billion per year.[35]

By the end of 2025, the full transfer of people currently receiving DWP disability benefits to the new Scottish social security system will have taken place.

Over the next Scottish Parliament, a fundamental rethink of disability assistance – fully incorporating the recommendations from Beyond a Safe and Secure Transition – A Long Term Vision for Disability Assistance in Scotland – is essential if Scotland is to create a world-leading rights based system of support for disabled people. The delays that have been caused so far should not deter the Scottish Government to having a long-term plan for the future of what disability assistance should look like in Scotland and working towards this vision.

[34] *Note on definition of 'disabled people': In this briefing we use the term 'disabled people' to refer to people who are disabled by barriers that arise because society is not being designed to accommodate people who have physical or mental impairments. There are many people who are disabled by these barriers who do not regard themselves as disabled or identify as a disabled person. Others choose to identify in a different way, for example people may identify as a member of the Deaf community, or as having a mental health condition. For the purposes of this briefing, we intend the term to refer to people who are disabled by society's barriers, even if they choose not to identify themselves in this way.*

[35] May 2019 figures, DWP StatXplore – Department for Work and Pensions https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml

CAS recommends the next Scottish Government initiate a fundamental review of disability assistance with reference to six principles for a new rights based disability assistance system, which:

- **Has a clear purpose.**
- **Is human rights based**
- **Supports equal participation in society and the right to independent living.**
- **Is paid at an adequate level.**
- **Provides whole-of-life support.**
- **Interacts well with future social security developments and is well connected to other services.**

Question Seven: What changes might be necessary to help manage the transfer of claimants and data from the Department for Work & Pensions to Social Security Scotland?

CAS encourages the UK and Scottish Governments to work together to ensure that the devolution of social security powers is smooth and leads to a system that is fair, equal and responsive. There are areas where close working between the two governments is necessary to prevent people who receive benefits being disadvantaged. Particularly key areas include information-sharing, ensuring systems are in place to facilitate the delivery of benefits, and ensuring individuals experience no detriment as a result of changes to Scottish benefits.

Information sharing

Sharing of information between the DWP and Social Security Scotland will be crucial to allow some of the devolved benefits to operate smoothly, and allow people to claim and receive all the benefits they are entitled to.

Where it is feasible to do so, CAS supports using existing information to automatically make payments, or to simplify the application process by not repeatedly asking for information already held by public agencies. The process by which Carers Allowance Supplement is made is an excellent example of this – existing information already held by the DWP (details of who was in receipt of Carers Allowance on a particular date) is used by Social Security Scotland to make payments to eligible recipients without requiring an additional application. We are also encouraged by early indications of data sharing to process Best Start Grant applications (where Social Security Scotland uses DWP data to check whether a person is in receipt of a qualifying reserved benefit), which appears to have led to applications being correctly processed in a timely manner.

CAS would encourage this process to continue, and to move towards automated payments if possible. For instance, it may be possible, using existing UK Government data to establish who is eligible for the forthcoming Scottish Child Payment and make payments automatically, rather than requiring a separate application, as is currently proposed.

CAS also supports the controlled sharing of information between public sector agencies to make the process for applying for benefits easier, and to enhance the user experience. One common complaint of CAB advisers and clients alike is that benefit agency staff are not always able to access all the information relevant to that person's case. For example, it is sometimes not possible for DWP staff to see if a client has sent additional evidence or has communicated a change in circumstances

Ideally, there should be a 'tell us once' system in which information on changes of circumstances gets shared between different agencies, as claimants will often inform one agency of a change in circumstances, which they assume will be shared with all agencies involved. It is unclear to what extent any discussions between the governments on future information sharing in this area have progressed to.

No detriment

One concern for CAB clients and advisers ahead of the devolution of social security powers is that despite the commitments in the Smith Agreement and the Fiscal Framework that any new benefits introduced by the Scottish Parliament must provide additional income for a recipient and not result in an automatic offsetting reduction in their entitlement to other benefits,[36] [37] that this may not be fulfilled in practice. Encouragingly however, relevant regulations to achieve this have been made for the devolved social security payments that have been made so far, and CAB clients do not appear to have experienced issues with reserved benefits due to receiving the Carers Allowance Supplement or Best Start Grant.

However, CAS would encourage this joint working between the UK and Scottish Governments to continue to ensure people do not lose entitlement to reserved benefits as a result of devolved ones. The Scottish Government's recent consultation on Disability Assistance acknowledged issues that may arise due to Scottish disability assistance acting as a passport to other DWP benefits and premiums.[38]

Additionally, part of the reason for the delay in the Scottish Government's Universal Credit flexibility to remove the underoccupancy charge has been due to discussions over how it might affect application of the Benefit Cap. It is important that people receive the full benefit of any change in policy, and that these issues do not excessively delay, nor restrict the development or implementation of a devolved social security power.

Question Eight: What impact could diverging welfare policies in Scotland and the rest on the UK have on welfare claimants in Scotland?

On the whole, the devolution of social security powers and establishment of a Scottish social security system should have a long-term positive impact on people who use the system.

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[36] Report of the Smith Commission, para. 55 – November 2014

[37] The agreement between the Scottish Government and United Kingdom Government on the Scottish Government's fiscal framework – February 2016

[38] Scottish Government, A consultation on Disability Assistance in Scotland March 2019

Citizens Advice Scotland has advocated for, and supported a number of positive changes that have been introduced, including a rights-based system founded on dignity, fairness and respect, together with significant improvements to the disability benefits assessment process, the redeterminations and appeals process, use of inclusive communications, and an increased recognition of the role independent advice plays in a well-functioning social security system.

Additionally, the new system has provided opportunities to reduce poverty in Scotland. Widening the eligibility criteria for the Best Start Grant, compared with the Sure Start Maternity Grant led to payments to 7,300 additional families in the first three months of its existence,[39] and the Scottish Child Payment (SCP)of £10 per week is projected to reach 194,000 children in the next financial year.[40] CAS is currently recommending that the Scottish Government increase SCP at least in line with inflation from when it was announced to when it goes into payment, in the next Scottish Budget, at an approximate cost of £4m.

One consequence of the devolution process is that it is possible for people to be eligible for social security payments from four different agencies (Social Security Scotland, DWP, HMRC and local authorities) and potentially be dealing with interactions with several of them. This will require efforts to ensure that people receive information about other benefits they might be entitled to that are delivered by a different agency – for instance if someone is unable to work due to a health condition or disability, when making an application for Universal Credit, they should be notified by DWP that they may also be eligible for Scottish disability assistance, and vice versa by Social Security Scotland.

Additionally, there is also a risk of the exacerbation of an existing issue, where people often assume that if they inform one agency of a change in circumstances, other relevant agencies will also be informed. This can cause overpayments due to a change of circumstances being recorded by one agency but not another. Ideally, there should be a 'tell us once' system in which information on changes of circumstances gets shared between different agencies, as participants in CAB adviser consultation events on the development of the new social security system emphasised as a key consideration

Question Nine: What are the likely long-term impacts of coronavirus on the devolution of welfare?

It is difficult to predict the likely long-term impacts of coronavirus on the devolution of social security. CAS believes that all possible steps should be taken to prevent any further delays.

Potential staffing issues at both agencies – Social Security Scotland and the Department for Work and Pensions – must be adequately planned for. The potential for a further spike in unemployment and claims to Universal Credit, as seen in March/April, may well occur again depending on economic circumstances whenever the furlough scheme comes to an end. Contingency planning must take into account the importance of ensuring that work such as the

[39] Scottish Government, New benefit pays out £3.5 million in first three months, April 2019
[40] Scottish Government, Scottish Child Payment Applications to open, November 2020

extension of the Scottish Child Payment to the over 6 year olds and the introduction of Scottish disability payments can happen as soon as possible and without further delay.

There is also the need to recognise the important role social security will and should play in the longer-term economic and social recovery from COVID-19, through preventing destitution and enabling continued consumption.

For more information please contact:

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