

CPAG in Scotland evidence to the Social Security Committee – Passport Benefits



CPAG has responded to a request for evidence from the Committee in the following specific areas:

1) Whether the link between social security benefits and passported benefits should be maintained

1. Using entitlement to one or more social security benefit to ‘passport’ an individual or family to another entitlement helps to identify those who might benefit from assistance and can simplify their access to it, often without the need for an application or complex decision process. This approach clearly has the potential to reduce administrative costs, boost take-up of entitlements and improve the individual’s experience of the social security system.

2. In many cases it is therefore desirable that a link between social security benefits and some passported benefits is maintained. It should be noted, however, that changes to passporting arrangements due to changes to the social security system, have resulted in complexity for claimants and – in some cases – the loss of passported benefits to which they were previously entitled (such as the loss of a mobility vehicle on transfer from DLA to PIP – see below) . CPAG in Scotland’s Early Warning System has also identified that administrative issues with new benefits which could lead to households missing out on passported benefits. This is particularly prevalent in relation to the administration of UC. Issues include:

Evidencing entitlement

There are no decision letters for UC, which makes it difficult for individuals to establish that they are in receipt of UC and/or show proof of their income. This information about entitlement to UC is contained in the UC journal which is online rather than on paper, and shows the amount of UC, earnings and other income received in the last complete monthly assessment period, and claim history for previous assessment period.

Fluctuating entitlement

Each payment of UC is based on the client’s income in the monthly assessment period and payments of UC fluctuate accordingly. This is particularly problematic for people who are paid weekly or four weekly as they may receive a higher income in some assessment periods that in others affecting their eligibility for UC.

Delays

One in five households claiming universal credit wait more than five weeks for their first payment of universal credit.¹ Delays of this kind could clearly result in families who ought to be eligible for passported benefits such as free school meals and Best Start Grants being unable to access them.

Incorrect refusal of UC

As with other benefits we have a number of example of individuals being incorrectly refused UC where the rules of entitlement are particularly complex, for example students and people from abroad.

Income calculated incorrectly

There are also a number of cases highlighting income for UC being calculated incorrectly, either because of decision maker error or employer error reporting earnings through real

¹ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-questions-answers/?page=1&max=20&questiontype=AllQuestions&house=commons,lords&uin=4898>

time information. This is particularly relevant if there is an income threshold applied to the passporting criteria.

3. For the reasons listed above, in addition to maintaining some link between social security benefits and passported benefits we would recommend a 'safety net' – an alternative route to access passported benefits - to ensure that individuals do not lose out on passported benefits because of issues with administration of the passporting benefit. In particular, alternative ways of identifying households on low incomes where they are not entitled to UC (such as council tax reduction or housing benefit) should be considered.

4. The Scottish Government has taken a flexible approach to this issue in other areas. For example, in relation to council tax reduction (CTR) the Scottish Government introduced regulation that allow a local authority to estimate an applicant's income and universal credit payable where the income is subject to frequent fluctuations which would otherwise require their entitlement to a council tax reduction to be recalculated repeatedly.²

5. Similarly, in relation to access to funded early learning and childcare places for two year olds (based on entitlement to UC and an income threshold) it is the case that when a child has taken up that place, they will remain eligible for it regardless of whether their parents circumstance change (and they no longer meet the eligibility criteria).

6. There are also examples of local good practice that might be shared more widely. In Highland for example, steps have been taken to ensure families awaiting the outcome of a UC application are not precluded from accessing free school meals. The approach taken in Highland is to award FSMs for a period of 8 weeks pending a decision on the UC claim.

2) The income thresholds for passporting from UC

7. Currently, there are different income thresholds for different passported benefits: For example

- Healthy Start: the UK scheme has an earnings limit of £408 a month. The current consultation for use of devolved powers proposes increasing this to £610 a month, to be aligned with the free childcare place and free school meals.
- Sure Start Maternity Grant, Funeral Payment and Cold Weather Payments, any UC is sufficient to qualify. The plans for the devolved replacements, Best Start Grant and Funeral Expenses Assistance, maintain UC with no income or earnings threshold.
- Education Maintenance Allowance is available where household earnings are £24,421 per year or less, and households with more than one dependent child must be earning £26,884 or less, before tax. Individual Training Accounts are available if unemployed and looking to get back into work, or employed and earning less than £22,000 per year. For these purposes, UC is not included as income but does not appear to be a passport to entitlement.

Free School Meal entitlement

8. Before the introduction of universal credit, free school meals were available to children in Primary 4 and above where their parent or carer was in receipt of:

- Income Support (IS)
- Income-based Job Seeker's Allowance (JSA)
- Any income related element of Employment and Support Allowance
- Child Tax Credit (CTC), but not Working Tax Credit, and your income is less than £16,105

² Council Tax Reduction (Scotland) Amendment Regulations 2018 (SSI.No.69/2018) amend the Council Tax Reduction (Scotland) Regulations 2012

Commented [MH1]: I've taken out Mark's full list here (HS costs, legal aid etc) as we don't make reference to it anywhere. Happy to put it back.

- Both maximum Child Tax Credit and maximum Working Tax Credit and your income is under £6,420
- Support under Part VI of the Immigration and Asylum Act 1999

9. As UC began to be rolled out across the UK, the Scottish Government extended the eligibility criteria to ensure that children in a family receiving any universal credit would be passported to free school meals³. Most recently, regulations have been passed which mean that universal credit can only passport to free school meal entitlement where the household earnings are below £610 per month. According to the Scottish Government, the income threshold selected is aimed at *"maintaining the number of children entitled to free school lunches before the introduction of Universal Credit. This helps maintain the status quo and provide for the most disadvantaged children, while avoiding new financial burdens for local authorities"*⁴.

10. The threshold will lead to many fewer children receiving free school meals than if the transitional arrangements were maintained (under which all children in families claiming Universal Credit were eligible). According to calculations by The Children's Society the introduction of a similar income threshold in England and Wales will result in around a million school-aged children living below the poverty line being excluded from free school meals⁵.

11. While CPAG do not have access to information allowing us to draw conclusions as to the number of children who will lose out as a result of this change *when compared to entitlement under the legacy benefits*, it is clear that certain groups that will lose out. This includes households in receipt of the full rate of Statutory Maternity Pay/Adoption Pay/Shared Parental Pay. For the purposes of universal credit, these income streams are counted as earnings. Given that they are worth £629.11 a month their receipt would put claimant just over the level for free school meals. Setting and uprating the FSM threshold in UC above the level of these payments would benefit these claimants (numbers not available).

12. The earnings limit for free school meals also creates a serious cliff edge, creating a potential poverty trap as families face being worse off overall if their earnings increase and they lose FSMs. For example calculations from CPAG UK find that if a family is earning just under the monthly limit (£616.67 in England and Wales), taking on extra hours or getting a pay rise could make you worse off as you lose free school meals currently worth over £400 per child per year.

13. The introduction of an income threshold for free school meals will also result in a lack of clarity, making it harder for families to work out the effect of increasing their earnings or hours on their eventual effective income, and harder to plan and budget their finances.

14. The level of earnings at which families lose entitlement to Universal Credit is linked to the number of children they have, because families with more children have a larger total Universal Credit award. A fixed income threshold does not take account of family size in this way.

Universal credit as an indicator of low income more generally

15. There are some problems relying solely on UC as an indicator of low income, because of the way it affects certain claimants:

- Students are excluded from UC unless they are responsible for children, disabled and have limited capability for work, or under 22 and without parental support. Even those who are eligible may find their student income, including maximum available loan, means they are not entitled to UC. For example a student with one child may not be entitled to UC during the

³ Policy note to The Education (School Lunches) (Scotland) Amendment Regulations 2013 SSI 2013/64

⁴ Policy note to the Welfare Reform (Consequential Amendments) (Scotland) Regulations 2017 SSI 2017/182

⁵ <http://www.cpag.org.uk/sites/default/files/uploads/fsm-poverty-trap-tcs-cpag-20180312.pdf>

academic year, whereas would previously have been entitled to child tax credit. If the Students Award Agency Scotland has already undertaken an income test to establish eligibility for discretionary or other assistance, receipt of young student's bursary/independent student's bursary/dependant's grant/bursary maintenance allowance could be an alternative indicator.

- People with unearned income just above their UC maximum amount. This is likely to include people on contributory benefits, maternity allowance or occupational pensions, who are single and not liable for rent. If they are liable for council tax, then entitlement to the means-tested council tax reduction from the local authority would be an alternative indicator of low income. For people not liable for council tax, receipt of specified benefits such as carer's allowance, contributory ESA, contribution-based JSA, or maternity allowance, as a single person, and a declaration that they have no other income or capital over a certain level, should be considered.

Under a devolved Scottish social security benefits we would wish to see:

- A flexible approach to passported benefits to ensure administrative problems with universal credit do not preclude families accessing other entitlement.
- Universal credit with no income threshold used to passport entitlement to free school meals.
- Strong consideration given to whether any entitlement to universal credit might be accepted as an indicator of low income for other passported benefits. This would be simple for claimants and administrators, avoiding the need to look at earnings or income in each assessment period.
- If income/earnings thresholds are to be maintained for some of the passported benefits, this should be set at a higher level to ensure people in work on low wages and on statutory payments are not excluded.
- For low income groups that are not entitled to universal credit, alternative ways of identifying households on low incomes where they are not entitled to UC (such as council tax reduction or housing benefit) should be considered. This might also allow for increased automation of delivery at local level. Glasgow City Council, for example, has been using their housing benefit data to identify entitlement to free school meals and school clothing grants, which have been granted without the need for a further application. The council anticipate difficulties continuing this model if they are unable to obtain the relevant data in future as a result of the roll-out of universal credit.

3) Whether local delivery, without local discretion on eligibility, is preferred or whether more flexible criteria or centralised delivery is sought

16. Generally speaking there is a concern that local discretion risks creating a postcode lottery of entitlement that could be confusing and unhelpful. There may be situations however, particularly where there is concern about the criteria or processes used to determine entitlement for the passporting benefit, where a minimum 'safety net' of entitlement might be introduced. This is the approach taken by the Scottish Government in relation to Blue Badges.

17. Blue badges are automatically awarded to claimants in receipt of certain benefits (see below). However, if a person is not entitled to those benefits s/he may ask to be assessed by the local authority who can then make a decision as to whether a blue badge should be awarded (by applying criteria established at Scottish level). This kind of approach could provide a model to ensure individuals wrongly refused or excluded from passporting benefits (such as universal credit) could still access other related entitlements.

3) Whether any changes to the Motability scheme are needed

18. CPAG in Scotland's experience of the Motability scheme is limited to the relationship between the passported benefits and the scheme. You can access the Motability scheme if you are awarded the high rate mobility component of DLA or the enhanced rate mobility component of PIP. The award must have twelve months or more still to run.

19. Historically, problems have arisen for people when they have lost entitlement to the passporting benefit and lost their entitlement to a Motability vehicle as a result. This has proved massively disruptive and upsetting to people who rely on their cars for essential day to day journeys, including travelling to work or attending hospital. Because there was different eligibility criteria a number of people did not transfer from the high rate mobility component of DLA to the enhanced rate mobility component of PIP and lost their Motability vehicle as a result.

20. After concerns were raised with the UK government, transitional arrangements were put in place to provide a degree of protection from people having to return their cars immediately. In some cases people were paid a lump sum of up to £2000 or were allowed to keep their Motability vehicle from 8 weeks to 6 months, including pending reconsideration or appeal.⁶

4) Under a devolved Scottish social security benefits we would wish to see:

- Motability continuing indefinitely pending redetermination or appeal in line with short-term assistance, and
- All Motability customers being allowed to keep their cars for a period of time following loss of entitlement to allow time to make alternative arrangements

5) Whether the devolution of disability benefits could reduce barriers to accessing passported benefits

21. The devolution of disability benefits could also provide an opportunity to increase the automation of passported benefit entitlement if the IT system were set up in such a way that allowed information sharing. For example people entitled to the relevant disability assistance could automatically be sent a winter heating assistance payment (depending on whatever eligibility criteria is set) or a Blue Badge without having to apply for it.

For more information please contact Hanna McCulloch, Policy and Parliamentary Officer, Child Poverty Action Group (CPAG) in Scotland

⁶ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2017-04-20/HCWS603/>