CPAG in Scotland

Welfare Reform Bill (UK Parliament legislation)

1.0 CPAG in Scotland and welfare reform

CPAG’s mission is to promote action to prevent and end poverty among children and families with children. Our evidence in relation to the Scottish Parliament’s scrutiny of the UK Welfare Reform Bill is focussed on understanding the impact the Bill will have on child poverty, and on Scottish commitments, strategies and policy to reduce that poverty.

Maximizing family incomes is key to our work and as the leading provider of second tier information, training and advice on social security and its interaction with devolved sources of financial support we are working hard to raise frontline services providers’ awareness and understanding of the implications of welfare reform for the families that they work with. We have produced a range of information materials, are soon to publish a Universal Credit Handbook and are delivering a series of oversubscribed training courses across Scotland on universal credit and wider welfare reforms.

We have also taken a lead role in the Scottish Campaign on Welfare Reform (SCoWR), a coalition of over sixty campaign groups, voluntary organizations, trade unions, faith groups and academics, identifying and raising common areas of concern and developing shared principles for genuine welfare reform appropriate to the needs of all Scotland’s people.

2.0 Introduction

CPAG in Scotland welcomes the Scottish Parliament’s scrutiny of the UK Bill. We believe such scrutiny provides an important opportunity to:

- seek further detail on, and amendment to, the Bill;
- assess the impact on devolved policy;
- identify opportunities for mitigating the devastating impacts of this UK Bill on Scotland (whilst recognizing limits to what can be done to protect families in Scotland).

The social security system, welfare benefits and tax credits have proven essential in alleviating poverty and supporting the wellbeing of children in Scotland and across the UK. A fair and efficiently functioning social security system is essential to preventing poverty and making progress toward eradicating child poverty in Scotland.

The UK coalition government is making an unprecedented £18 billion of cuts to social security, both to in and out of work benefits and tax credits. A disproportionate share of these cuts will be borne by children and families. The Institute of Fiscal Studies’ analysis of the distributional impact of tax and benefit measures to be in place by 2014–15 concludes that “families with children are the biggest losers”.
These cuts both precede and will be built into the fundamental reforms set out in the UK Welfare Reform Bill. Whilst CPAG, along with other members of the Scottish Campaign on Welfare Reform, has welcomed much of the principle behind the new Universal Credit - the intention of simplifying the system and allowing people to hold onto more of their earnings as they enter and increase their hours of work - we believe these principles have been undermined by:

- A failure to address the inadequacy of benefit levels. Universal Credit (UC) currently does nothing to bridge the gap between benefit rates and Minimum Income Standards (as calculated on the basis of what the public think is enough money to live on\textsuperscript{vi}), whilst the £2.1 billion cut in disability benefits associated with the introduction of Personal Independence Payment risks greater poverty for disabled adults. Most disabled children will be worse off as a result of the proposal to introduce a disability addition within Universal Credit worth less than half the current disability element within child tax credit.
- An increase in conditionality and threat of sanction that risks undermining the dignity of those seeking financial support and that will create greater complexity without any evidence of efficacy in increasing employment rates.
- Proposed taper rates at which benefits will be withdrawn as earnings increase that will make many households worse off (promises to protect potential losers through transitional arrangements mean little when benefits and tax credits have already been so drastically cut).
- A failure to balance increased conditions with statutory entitlement to the high quality personalised support for those seeking employment.
- Cuts to the proportion of childcare costs provided for that look set to be carried into the new UC.

Further recent analysis by the Institute for Fiscal Studies (IFS)\textsuperscript{vii} suggests that the introduction of the new Universal Credit should, when considered in isolation, reduce the number of children in poverty across the UK by 450 000, but that this reduction is “more than offset” by the impact of the UK government’s wider changes to tax and benefits (with the switch from using RPI to CPI inflation measures as the basis for uprating benefits being the “most important” of these “poverty-increasing” changes). The IFS go on to forecast that the overall impact of UK tax and benefit changes will be to increase the number of children living in poverty across the UK by 800 000 by 2020, a trend that would wipe out the progress made on child poverty in Scotland and across the UK since 1998/99.

Given these forecasts it is clear that UK welfare reforms pose a substantial threat, not just to the Scottish Governments child poverty strategy and its commitment to do all within its power to eradicate child poverty by 2020, but to the wellbeing of tens of thousands of children across Scotland.

This evidence paper highlights CPAG in Scotland’s views on the specific issues raised by the Scottish Government’s legislative consent memorandum.
but also sets out key challenges and opportunities we believe face government in Scotland if that threat to our children is to be mitigated.

3.0 CPAG in Scotland’s views on key issues raised for consideration by the LCM

3.1 Subordinate legislation

Given the skeletal nature of the Bill and the significant implications of the proposed changes for devolved policy CPAG would agree that the Bill should include a requirement that further consent should be sought from Scottish Ministers as subordinate legislation is brought forward. Particular areas where such scrutiny and consent will be vital would include regulation relating to childcare, kinship care and the treatment of students.

In relation to support for students, for example, we do not as yet know to whether vulnerable young people will have any access to UC and if so to what extent, or whether full-time students will have access to the equivalent of child tax credit (CTC) under universal credit (all student parents are eligible for CTC at present). The way such issues are dealt with will have major implications for student financial support provided by Scottish Government if it has to make up for the loss.

3.2 Kinship carers

CPAG in Scotland supports the proposal to have Scottish kinship carers of looked after children able to claim benefits (child benefit and amounts under UC) for the child or children, particularly given the variable nature of local authority support for kinship carers and the complex interaction between local authority support and the social security system.

We would emphasise, however, the continuing importance of these kinship carers being properly supported by local authorities, in addition to having an entitlement to state benefits. Local authority kinship care allowances should, ideally, be supplementary in nature rather than for basic income maintenance. In this we would distinguish between formal foster carers and kinship carers. Kinship care is an arrangement that arises because family or close friends have a pre-existing relationship with a child and/or the child’s family. However, unlike foster carers, kinship carers have not sought the opportunity to care for a child, rather, they are ‘stepping in’ to meet the need that arises within their family or immediate social network. Kinship care households often have to make significant adjustments in order to provide successful care for the children involved. It is not untypical, for example, for a member of the household to need to give up work / reduce working hours to provide care. The kinship care arrangement is more akin to a child being ‘looked after’ at home than it is to a formal ‘foster care’ arrangement. As such, the kinship care families should have access to benefits as any other family would, with supplementary support from local authorities in acknowledgement of the additional expenditure these unplanned circumstances generate. This
additional support should be disregarded under any means-tested aspect of the benefits system.

CPAG in Scotland believes that it is better that a kinship care family has support from a source to which they have an actual entitlement (i.e. state benefits) rather than wholly relying on one which is discretionary in nature (i.e. local authority payments).

CPAG in Scotland also notes that ensuring kinship carers of ‘looked after’ children are able to claim UK benefits is not the only possible solution to the issue of guaranteeing adequate support. If the approach suggested in the LCM is not successful it is vital that government in Scotland continue to seek ways to ensure adequate support within the powers it has.

3.3 Housing component of Universal Credit

CPAG in Scotland agrees that greater flexibility is required in the payment of the housing component of universal credit. Given the difficulties low income families face managing inadequate household budgets it is important that they have a choice as to whether housing support is paid direct to them or to their landlord.

In relation to the proposal to limit payments in respect of housing support to social sector tenants who are deemed to be “under-occupying”, we again agree that the UK Bill should allow greater flexibility. The current proposal to introduce, through regulations, cuts to the amount of benefit that working-age tenants can receive if they are deemed to have a spare bedroom in their council or housing association home will have significant impact on devolved housing policy, the provision of adaptations in the tenancies of families affected by disability and risks discouraging foster and kinship care arrangements unless specific arrangements are made to exempt them.

3.4 DLA and replacement with PIP

Disability Living Allowance (DLA) is the main current benefit that supports independent living for disabled people. The bill enables replacement with a personal independence payment (PIP) and the Government has stated its intent to make 20% of savings on the overall cost compared to current DLA expenditure. Whilst DLA for children is not affected this represents a major cut to support for independent living for disabled parents, with children inevitably affected by the loss of financial support to the family and the increased barriers their parent will face accessing and sustaining paid work.

CPAG is also seriously concerned about the proposed approach to disability additions for disabled children within the new universal credit. These will change to align with the additions for disabled adults. This will result in the parents of many disabled children across the UK receiving only half the amount of disability addition that they would do under the current system. This could total a loss of £22,000 by the time a child reaches the age of 16. Yet children living in families affected by disability already face a particularly high
risk of poverty with over a third of such children officially recognised as living in poverty.

4.0 Further devolution

4.1 Council Tax Benefit

CPAG welcomes the commitment by the Scottish Government to consult on council tax benefit (CTB) replacement in Scotland if it is abolished as proposed in the UK Bill. We believe that any scheme developed to replace CTB must be adequately funded within the Scottish budget. It is vital that adequate resources are transferred to the Scottish government to support the new responsibility.

However it is also vital that Scottish Government should not automatically pass the UK governments 10% cut in funding on to families and other claimants. Whilst CPAG recognises the severe pressure the Scottish budget is under there are important choices for Scottish Government as to whether to invest in any additional scheme to ensure adequate support for families.

As well as ensuring that any replacement scheme does not reduce the level of support on which low income families depend, CPAG urges government in Scotland to ensure that any replacement does not introduce a myriad of differing taper rates at which benefit is withdrawn that could provide further work disincentives.

4.2 Social Fund

If responsibility for the replacement of social fund community care grant and crisis loans is to be devolved, CPAG in Scotland agree that successor arrangements should address similar needs.

As set out in our response to the Scottish Government’s consultation on devolution of Community Care Grants and Crisis Loans, any replacement scheme must set out a national framework that protects the conditions of eligibility in law and allows for a right to independent review of adverse decisions.

Furthermore, Scottish budget decisions must ensure that funding for any replacement scheme is maintained, if not enhanced, to recognise the vital support that it provides to families in need. We would argue eligibility should be linked to need. Decision makers should never be forced to reject a valid claim due to lack of a budget to meet the genuine need.

Development of, and investment in, an improved replacement to community care grants and crisis loans would play an important role in helping meet the national solidarity outcome, and would fit well with the early intervention agenda.
The Scottish Government also has the opportunity to work more closely with DWP in order to ensure that the scheme has access to relevant information about claimants’ circumstances. This would allow decisions to be made without requiring duplication of information and evidence in most cases, thus reducing costs. It would also realize the aspiration to make the scheme client-focused. It is vital that provision is made for those who are not receiving DWP benefits at time of application, as they may be those in the greatest financial need.

5.0 Passported benefits

The introduction of universal credit is an opportunity for the Scottish Government to improve the protection offered by passported benefits such as free school meals, school clothing grants and the energy assistance package. Such support can and does play an important part in helping meet Scottish child poverty objectives.

We do not agree with the proposition in the LCM that the fact that universal credit is to be paid to those in work means it is “not, in itself, reliable proof of sufficiently low income” for establishing entitlement to passported benefits. Most children in poverty live in working families. CPAG in Scotland would argue that any universal credit entitlement should generally be enough to establish eligibility, due to the importance of entitlement for those in low paid work. Work will not be a viable option for many if a cliff-edge is created at which passported benefits are lost. Furthermore, passported benefits play an important role in enabling government at every level to meet wider education, health and anti-poverty objectives and targets. In considering how devolved passported benefits fit with the new universal credit such considerations and outcomes need to be given as much, if not more, weight than an arbitrary limit on the amount which such entitlements cost.

All of the alternative options to passporting on the basis of entitlement to any universal credit are problematic. Separate tapers for each passported benefit or a series of thresholds within the new system would both undermine work incentives, and the principle of simplification. A dual system of automatic entitlement for those out of work and an earnings disregard for those in work would potentially cost more than allowing all universal credit recipients to access passported benefit. An adjusted earnings disregard for those in work to account for passported benefits would leave those who are not in paid employment without access to passported benefits at all.

6.0 Wider impact on devolved child poverty strategy

Along with many others CPAG in Scotland is concerned that current UK welfare reforms and cuts will have significant, and too often very negative, impacts on individuals across Scotland, and on devolved housing, childcare, health, social care, equalities and anti-poverty policy. Below we focus on childcare and income maximization, two core elements of the Scottish child poverty strategy.
6.1 Childcare

We are concerned that parents will face increased risk of sanction if they are unable to work or participate in work related activity as a result of a lack of suitable childcare, even though childcare provision, and the statutory framework underpinning that provision, is devolved. We are supporting amendments to the UK Bill that remove increased conditionality or mitigate its effects, for example to ensure that where a claimant cannot access childcare they judge suitable sanctions may not be imposed. Although safeguards should be in place to ensure that suitable childcare is available before any sanction is made, there is currently a clear pressure and risk that parents may be sanctioned unfairly.

It is also vital that Scottish childcare provision responds to changes proposed in the UK Bill. It is proposed that under universal credit childcare support will become available for those working less than 16 hours, with increased opportunity, and requirement, for parents to take up ‘mini-jobs’ that will require childcare provision for less than 16 hours a week. Childcare providers may need support to ensure places are available and viable. Furthermore claimants may be required to increase their hours if available, so childcare will need to be flexible.

6.2 Advice and information services

Income maximization is rightly a core element of the Scottish Government’s child poverty strategy. Welfare rights advice and information services prevent unnecessary poverty and maximize the resources parents have at their disposal to give their children the best start in life. Research shows welfare rights services “improve take up and deliver significant financial gains for clients”; that the “extra resources acquired by clients tends to be directed toward extra spending on fuel, food, education, recreation and transport”; and that the “local economy gains”. Furthermore evidence suggests welfare rights advice is cost effective. RNIB estimate that for every £1 of funding £44 worth of unclaimed benefit is raised, whilst CAB estimate every £1 spent on take up campaigns nets up to £85 for local areas.1

The complexity inevitably associated with means testing will be a significant feature of Universal Credit, which will continue to be based on hundreds of detailed rules relating to a claimant's income, capital, family composition, housing costs, capacity and availability for work, disabilities and immigration status – all of which are subject to frequent change. Furthermore the major extension of conditionality inherent in the new Universal Credit, running in tandem with a harsher sanctions regime, also presents new areas of complexity and potential dispute, creating demands on advice services.

The devolution of elements of social security provision to Scotland including council tax benefit, community care grants and crisis loans are further

significant changes. It is therefore more important than ever that families in Scotland have access to high quality information and advice to ensure they receive the combination of reserved and devolved financial supports to which they are entitled.

The Scottish budget, if it is to be consistent with national anti-poverty and solidarity objectives, needs to prioritise spending on supporting the capacity of frontline agencies across Scotland to provide that high quality advice and information. It is also vital that Scottish Government continues to support the provision of second tier advice, information, training and casework support to ensure frontline agencies have the skills, knowledge and support needed to ensure families receive the complex interaction of devolved and reserved financial supports to which they are entitled.

Adequate resources must also be put in place to support and hold local authorities and community planning partnerships to account in delivering the income maximization services highlighted as a priority in the jointly agreed *Achieving our Potential* anti-poverty framework.\(^viii\)

### 7.0 Social Mobility and Child Poverty Commission

CPAG, along with other members of the End Child Poverty (ECP) coalition, has serious concerns in relation to the UK government’s amendments to the Welfare Reform Bill providing for the establishment of the Social Mobility and Child Poverty Commission.

The UK government’s amendments have left out an important condition for the membership of the Commission – that it should be an expert body and the appointment of individual Commissioners should be conducted such that, taken as a whole, the Commission has expertise in policy, research and direct work with children and families.

The amendments also remove the requirement that Scottish Ministers, along with their Welsh and Northern Ireland counterparts, are consulted by the Secretary of State in making appointments to the Commission. Although the devolved administrations can directly appoint a commissioner each, this alone is not sufficient to ensure that, taken as a whole, the Commission can reflect the full factors that may be particular to Scotland, or the other UK nations and regions. We welcome the statement in the LCM that UK Ministers “appear to have recognized the need for each Administration to consult each other before making appointments” but agree there is a need for further clarification.

The UK government’s new Schedule also removes the Child Poverty Act’s requirement for the government to report annually on progress towards the targets. Whilst we welcome the new provisions requiring the Commission to report annually on government’s progress towards the targets, we do not believe this negates the need for UK government itself to produce annual reports on progress as was originally required under the Child Poverty Act.
Moreover, the removal of the Child Poverty Act’s requirement that the government produce annual reports also removes the requirement that each year the UK government consult with the Scottish (and Welsh and Northern Irish) administrations before the reports are made to Parliament. This provision was important in ensuring the UK government consulted regularly with the Scottish and other devolved governments to discuss progress towards the targets and the implementation of their respective strategies. The new Schedule requires the government only to produce a statement after the target year has been reached, and the devolved governments must be consulted before this final statement is produced. Along with other members of ECP, CPAG believes this is not sufficient – as part of an effective monitoring process we expect the UK government to produce annual reports, having consulted with the devolved administrations, which set out clearly how it is meeting its obligations under the Child Poverty Act.

8.0 Child Maintenance

The UK Welfare Reform Bill also legislates for changes to child maintenance with a view to providing more help to make private agreements, a greater emphasis on the use of relationship and family support services, a gateway to the proposed new statutory maintenance scheme intended to encourage more parents to try to agree their own private voluntary child maintenance and restrictions on the use of a statutory collection service.

CPAG in Scotland shares concerns with One Parent Families Scotland and others that family support services required to support voluntary agreements operate on a different basis in Scotland, and little account appears to have been taken of this in the UK legislation. We are further concerned with proposals for charging for access to the new statutory maintenance service. Imposing a fee on low income families is likely to pose a significant barrier to accessing child maintenance services, given their already low disposable incomes. It makes little sense to limit financially vulnerable families’ access to the future service, as for these families, maintenance payments are arguably most critical.

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\[1\] See [http://www.cpag.org.uk/scotland/](http://www.cpag.org.uk/scotland/)
\[2\] [http://www.cpag.org.uk/universalcredit/index.htm](http://www.cpag.org.uk/universalcredit/index.htm)
\[3\] [http://www.cpag.org.uk/scotland/training/welfaretowork/default.htm#uc](http://www.cpag.org.uk/scotland/training/welfaretowork/default.htm#uc)
\[4\] for details see [http://www.cpag.org.uk/CPAG_The_Cuts_what_they_%20mean_300311.pdf](http://www.cpag.org.uk/CPAG_The_Cuts_what_they_%20mean_300311.pdf)
\[6\] [http://www.jrf.org.uk/focus-issue/minimum-income-standards](http://www.jrf.org.uk/focus-issue/minimum-income-standards)
\[7\] [http://www.ifs.org.uk/comms/comm121.pdf](http://www.ifs.org.uk/comms/comm121.pdf)