



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

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The Scottish Government has produced a consultation document on proposals for the **Scottish passported benefits and changes required as a result of the introduction of Universal Credit and Personal Independence Payment**. Scottish Drugs Forum (SDF) has prepared this briefing paper to give a summary of the Government document and some comment on areas of particular interest for stakeholders in the drugs field.

**SDF invites members and other stakeholders to respond and comment on these proposals and to contribute to SDF's final response.**

**The deadline for submitting responses to SDF is 21 September 2012.**

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## Background

The UK Government is responsible for welfare and is currently undertaking radical reform of the UK benefit system. This process involves the development of two distinct benefits which will replace:

- Income Support
- income-based Jobseeker's Allowance
- income-related Employment and Support Allowance
- Housing Benefit
- Child Tax Credit
- Working Tax Credit
- Disability Living Allowance

in a phased programme. The new benefits will be Universal Credit (UC) and Personal Independence Payment (PIP). These benefits will be available to some people whether they work or not.

In Scotland, the Scottish Government is responsible for a number of benefits schemes access to which is determined by one's status as a recipient of certain of the existing benefits. These are called 'passported benefits'. The disappearance of UK benefits under welfare reform means that eligibility criteria for the passported benefits will have to be independently defined for the first time.

## Which benefits are 'passported benefits'?

The Scottish Government is responsible for the regulations on a number of 'passported benefits', eligibility for which is determined by eligibility for the benefits listed above as being abolished due to welfare reform.

## Education and training

- Free School Lunches (for pupils whose parents are in receipt of Income Support (IS), income-based Job Seekers' Allowance (ib-JSA), an income-related element of Employment and Support Allowance (ir-ESA); some recipients of Child Tax Credit with income less than c. £16k; some with both max. child tax credit and max working tax credit and some asylum seekers.) 119 000 beneficiaries in Scotland (17.9% of all pupils)
- Education Maintenance Allowance (16-19 year olds in non-advanced education with a household income of less than c£21k). 34780 beneficiaries in 2010-11
- Student loans – exemption from repayment (for student loan recipients who are in receipt of any disability benefit and are considered to be permanently incapable of paid work) 50 beneficiaries in 2011-12
- Individual Learning Accounts (for Scottish resident adults with an income less than £22k or are in receipt of JSA, IS, Carer's Allowance (CA), Incapacity Benefit (IB) max. child tax credit, State Pension credit (SP) and ESA)). 110 000 beneficiaries in Scotland in 2010-11.

## Healthcare

- Free NHS dental treatment (for IS, ib-JSA, ir-ESA, Pensions Credit Guarantee Credit (PCGC), some working tax credit recipients and child tax credit recipients) Unknown number of beneficiaries as not counted as individuals but as treatment episodes
- NHS Optical vouchers (for those meeting eligibility criteria for free dental care) 322 116 beneficiaries in Scotland in 2010-11)
- NHS patient travel costs (for those meeting eligibility criteria for free dental care) number of beneficiaries not calculated centrally.

## Transport

- National Concessionary Bus Travel Scheme for older and disabled people (for people with higher rate of mobility component of disability living allowance (DLA) 16% of all beneficiaries for the scheme qualify through passported benefits – the rest through the age qualification
- Blue Badge Scheme (for people meeting the eligibility criteria for National Concessionary Bus Travel Scheme ie - higher rate of mobility component of disability living allowance (DLA) 274 083 beneficiaries in 2009-10

## Justice

- Legal Aid (for people in receipt of IS, ir-ESA or ib-JSA) 136 400 beneficiaries in 2010-11
- Court Exemption Fees Education Maintenance Allowance (for people meeting legal aid eligibility criteria) 33 500 beneficiaries in 2010-11

**Note:** The Scottish Government is developing successor arrangements for both Council Tax Benefit and aspects of the Social Fund, neither of these is directly included within the scope of this consultation.

## The issues

Entitlement to Scottish-controlled benefits is determined by receipt of various welfare benefits as a proxy measure for low-income or disability. Universal Credit (UC) will encompass both in-work and out-of-work claimants, so the document suggests that eligibility of passported benefits cannot be extended to all those on UC. There will have to be new eligibility criteria developed for passported benefits.

**SDF comment:** *The document implies, but does not state, that more people will be eligible for UC than for the present benefits i.e. that some of the in-work UC benefits will not simply be people who are on low incomes who would normally receive tax credits. If this is not the case, then eligibility for UC would be as suitable measure of low income as the present indicators ie eligibility for UK welfare/tax credits. This point may need clarification.*

The document states the Government's desire to "continue to support low-income or disabled people" as intended. It states that it is seeking to maintain similar access to passported benefits under the new arrangements. It states that it does not intend to restrict access by narrowing the eligibility criteria or to cut budgets.

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**SDF comment:** *It may be regarded as important to ensure that the Government's intention to continue to support current beneficiaries i.e. low income and disabled people is delivered by means of monitoring developments in this area. Where statistics are not available nationally a satisfactory means to do this would need to be developed.*

## The proposed process for changes

The document proposes that change be made in two stages:

- To introduce revised eligibility criteria for April 2013 once the UK Government provides full details on how UC and PIP will operate
- To consider from April 2013 onwards a) what the ramifications of UC and PIP are once actual impact is clearer, and b) whether to create a more coherent system of passported benefits, while maintaining access to those groups who currently benefit.

The document promises consultation with stakeholders on the first stage as soon as the UK Government publishes the detailed regulations on UC and PIP in a more focused way through a series of meetings and policy events during the autumn to understand the impact of the regulations and how to "best maintain" eligibility for passported benefits in Scotland from next April.

The UK Government Department for Work and Pensions (DWP) commissioned the Social Security Advisory Committee (SSAC) to scope the nature and extent of passported benefits linked to Universal Credit across the UK and to offer advice on potential ways forward. This was published on 27 March 2012 and can be found at:

[www.dwp.gov.uk/docs/ssac-rev-of-pass-bens.pdf](http://www.dwp.gov.uk/docs/ssac-rev-of-pass-bens.pdf)

SSAC identified guiding principles to underpin the revision of passported benefit eligibility criteria:

- Simplification – to align eligibility thresholds and combine similar benefits where possible, making eligibility easier for claimants to understand. They also recommend the establishment of an oversight role within Government to ensure coherence
- Auto-entitlement - eligibility for passported benefits could be identified automatically by the Universal Credit IT system. This would require a simpler system of eligibility criteria across entitlements. It could potentially enable auto-enrolment, where people receive relevant entitlements automatically
- Information transfer – the need for data from the welfare IT systems to be shared across government departments and others responsible for delivering linked entitlements
- Making work pay – passported benefits should not create barriers or disincentives to work. In particular, it is important to think through how to withdraw an entitlement when someone ceases to be eligible. This might include using a cash equivalent and tapering off the payment, or having a run-on period of access to the entitlement.

The document suggests that these principles may add helpful dimensions to that aim and in considering whether Scotland wishes to create a more coherent system of passported benefits.

## Cashing up

The SSAC report suggests that “One of the simplest ways forward under UC would be to cash up the passported benefits and add more elements to the UC award in much the same way as childcare costs are being added in to the gross award.” (p99)

This means that, for example, the amount of Universal Credit a family receives could be increased to meet the cost of school lunches, rather than a child receiving free meals.

The document states that it is not the Scottish Government’s intention to implement cashing up in the immediate future. However the document seeks views on the desirability of exploring this approach in the longer term.

**SDF Comment:** *There are well rehearsed arguments against ‘cashing up’ and these may be worth repeating here. It may be felt that this is particularly problematic or disadvantageous to certain beneficiary groups more than others.*

## Using UK welfare benefits as part of Scottish eligibility criteria

The advantage of using the welfare system to identify those on a low income or with disabilities has been that information is verified centrally and there has been no need to develop parallel processes to prove income or disability. If the welfare system no longer is able to identify such people reliably, there may be a need to develop processes that do so but the document states that these “would be expensive to create and administer if they do not already exist, and would be likely to place an additional burden of proof on the individual.” The consultation document asks if there are any existing mechanisms which might help to target benefits on low-income or disabled individuals/ households.

**SDF comment:** *If there are no means by which to identify all individuals / households with low income and people with disabilities and the creation of such a system is to be discounted on cost grounds then it is hard to imagine how existing passported benefits can be fairly administered. This may be a concern but seems the obvious conclusion from this section of the consultation document.*

## Making it easier to find out what you are entitled to

Uptake of passported benefits varies. It is not always easy for people to identify what they might be entitled to. The current system is not easy to navigate and many people require substantial help in identifying what they are eligible for and applying successfully.

The document proposes that information on all passported benefits is gathered in one place and presented in a coherent way. The DirectScot website ([www.directscot.org](http://www.directscot.org)) may provide a suitable place for this information.

The Scottish Government and the DWP have discussed inserting information into the UC award notification alerting claimants when they are potentially entitled to passported benefits. This would not in most cases be an automatic entitlement, but would, “for example, encourage someone with children of the correct age and whose family is under the income threshold to consider applying for Education Maintenance Allowance. The family would still need to meet any other criteria to be awarded the Allowance.”

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**SDF comment:** *It may be felt that the use of the directscot website is useful but an inadequate response to the issues around communicating benefits and eligibility – particularly for some beneficiary groups. It may be felt that, likewise, highlighting possible eligibility in UC award notification is a partial answer but that there may still be issues for some beneficiary groups.*

## Simplifying the system of passported benefits

Passported benefits were developed in an unco-ordinated manner. It may be possible now to develop more coherent links between the eligibility criteria for different benefits and thus develop a coherent and transparent system.

There are a number of examples of the complexity of the present system – for example:

- the amount of income you are allowed before you cease to be eligible for an entitlement varies across different benefit e.g., from £6,420 for free school lunches to £22,403 for Educational Maintenance Allowance
- There are additional variables. For example, to qualify for free school lunches you must be a single parent working more than 16 hours a week but to qualify for EMA the household will have more than one dependent child
- Some passported benefits are assessed on household income and others on individual income
- Some passported benefits are assessed on earnings and others on all income, including benefit income.

Universal Credit will be paid at household level, and will include calculations on a range of income. If the Scottish Government chooses not to adopt a household limit, then alternative means of verifying individual income must be found, with all the possible attendant costs.

It would be possible to develop a group of income thresholds based upon a logical measure, for example one of the accepted ways of measuring poverty. The document asks for views on the desirability of exploring this approach in the medium to long term.

**SDF comment:** *Simplification of the system of eligibility criteria may be welcomed. There may be concerns about household level eligibility being extended to all passported benefits. The link with poverty measures may be welcomed as it would offer a more co-ordinated government approach on this issue.*

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## Should Scotland adopt the savings limits being proposed for Universal Credit?

The DWP plans to set an upper savings limit of £16,000 for UC. If a recipient household has between £6,000 and £16,000 in savings, capital in excess of £6,000 will be treated as yielding an income (known as “tariff income”) of £1 per week for each complete £250 over £6,000. Capital under £6,000 will be disregarded.

The document argues that passported benefits are designed to help the most vulnerable and budget pressures means that they must be carefully targeted. It therefore concludes that it does not seem unreasonable to set an upper savings limit, although currently none is set for any entitlement other than Legal Aid.

If receipt of Universal Credit is a key eligibility criterion for any passported benefit, then only those with savings under this level will qualify to receive it.

If a Scottish Government savings limit is not set, then a system would have to be developed to identify those people who do not qualify for Universal Credit purely because of their level of savings.

The document seeks ideas on how to avoid creating an administrative burden in evidencing these people’s eligibility, and in avoiding an expensive system which impacts on the amount of money available for the passported benefit itself.

**SDF comment:** *Savings limits may seem attractive but may cause problems and disincentives for some beneficiaries. A system to augment the list of UC beneficiaries with those meeting UC eligibility criteria except for the savings is perhaps hard to implement and presumably many people would not apply for UC because their savings would bar them.*

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## The questions on which the Scottish Government is seeking a response

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

Yes/ no/ to an extent

Please explain your answer.

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

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

Yes/ no/ to an extent

Please explain your answer.

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

Yes/ no/ to an extent

Please explain your answer.

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

Yes/ no/ for some entitlements only (please specify which below)

Please explain your answer.

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

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

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

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

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

Yes/ no

Please explain your answer

**Q11.** Should the Scottish Government assess income: At household level/ at individual level/ it should vary according to the entitlement being applied for

Please explain your answer.

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

All/ None/ Some (please specify which)

Please explain your answer.

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

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

Yes/ No

Please explain your answer.

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