

Call for evidence into the role of Scottish Social Security in Covid-19 recovery

Report to the Scottish Social Security Committee

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Policy in Practice welcomes the opportunity to provide evidence to the Scottish Social Security Committee on the role of Scottish Social Security in the recovery from Covid-19.

Through our research and data analysis, and our work with frontline advice organisations, we understand the impact that Covid-19 has had on low-income households. We know that many people in Scotland have been placed on furlough or lost their job, and that the number of people claiming out-of-work benefits in Scotland has increased by 105% between March and August 2020.¹ However, the best way for the committee to understand the impact of Covid-19 on low-income households in Scotland would be to work with local authorities to collect administrative benefits data. Access to this data would allow the committee to understand the localised impacts of Covid-19 and make informed decisions about which policy areas should be left to the discretion of local authorities and which should be tackled centrally through Social Security Scotland. We explore the benefits of analysing local authority data, as well as

¹ <https://www.nomisweb.co.uk/sources/cc>

other ways that Social Security Scotland can act to support low-income households, in this submission. Our other three key recommendations to the Scottish government are:

- Prioritise paying the Scottish Child Payment sooner than the 2022 deadline, and consider working with local authorities as a way of doing so.
- Aim to increase the take-up of benefits by identifying, targeting and engaging with households who are eligible for but not receiving benefits. Devolved benefits should have clear eligibility criteria and should be automatically awarded wherever possible.
- Create a network of benefits advisors. The combination of Covid-19 and the rollout of Universal Credit makes personalised benefits advice more important than ever. Investing in benefits advisors is likely to be cost-effective, since most benefit income that Scottish households are eligible for is administered by the UK government.

We would be happy to provide further evidence on the topics mentioned if this would be helpful to the Committee.

About Policy in Practice

Policy in Practice believes the welfare system can work better.

We're a socially-minded software company that works with councils, government, housing and community organisations to target and improve welfare support for people. Combining cutting-edge technology, insightful data and expert analysis, we're the leader in helping organisations to understand what's working, what can be improved, and how.

Our award winning Benefit and Budgeting calculator helps around 10,000 people each day find out what support they may be eligible for. Our data analytics services help organisations find relationships in datasets and visualise the drivers of poverty. We use our policy expertise to drive change via evidence, publications and media.

What will the economic downturn look like for different people in Scotland and how should Scottish social security support them through it? In the context of UK social security and of other ways of providing support, what is the role of Scottish social security in an economic recession?

To fully understand what the economic downturn looks like for different people in Scotland, the Scottish government should collate and analyse administrative benefits data from Scottish local authorities. By doing so, the government would be able to track individual households over time and understand how their financial situation has changed throughout 2020 as a result of Covid-19. It would also allow the government to undertake accurate policy modelling (at the household level) to evaluate the effectiveness of different policy options aimed at supporting low-income households affected by the recession.

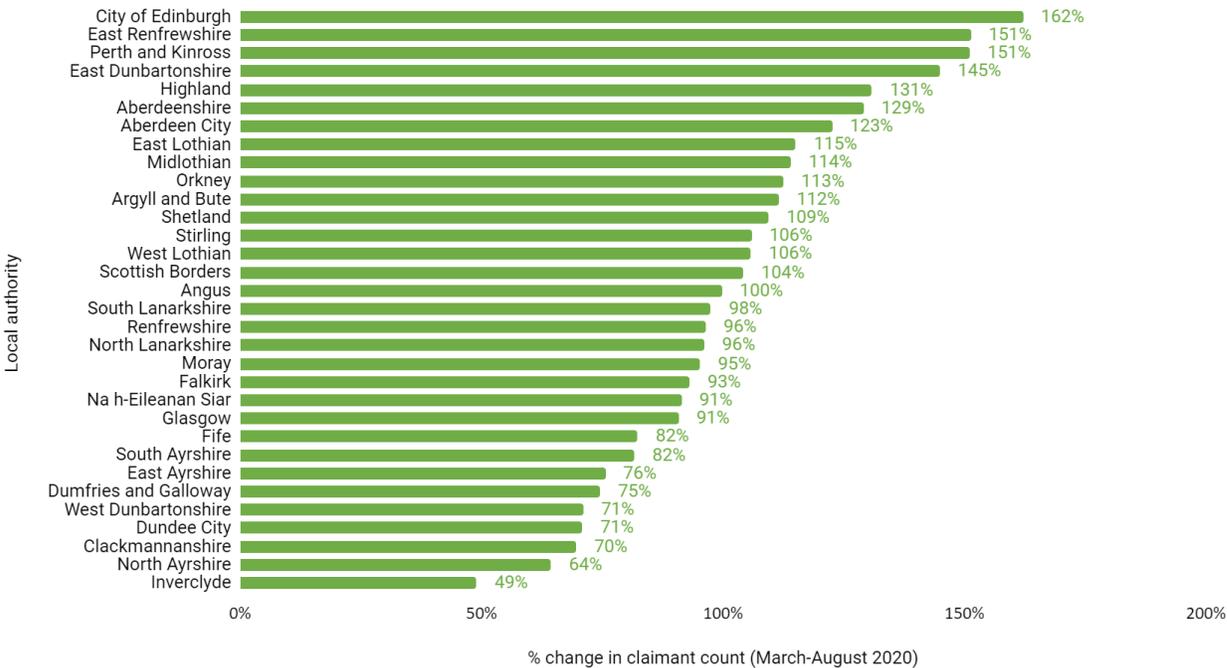
Councils across the UK have successfully used administrative benefits data to undertake similar research. The Welsh Government recently took this approach to analyse the impact of Universal Credit on low-income households in Wales. It worked with Policy in Practice to gather Housing Benefit and Council Tax Reduction data from every Welsh local authority. Policy in Practice then used this data to research the impact of Universal Credit on low-income households' eligibility for Council Tax Reduction. The data was used to model different Council Tax Reduction schemes that could be adopted by Welsh local authorities to support households as they move from legacy benefits onto Universal Credit.² Policy in Practice also matched the data with council tax and rent arrears data to identify the impact of Universal Credit on arrears.

Using household-level administrative data would allow the Scottish government to take regional differences into account when planning how best to support people affected by Covid-19. This is vital, since we know that the impact of the economic downturn differs across Scotland. By analysing data on the number of people claiming jobseeker

² <http://policyinpractice.co.uk/wp-content/uploads/universal-credit-council-tax-reduction-scheme-and-rent-arrears-wales-final-report.pdf>

benefits (both Jobseeker’s Allowance and those claiming Universal Credit who are required to seek work), we can see that in all areas of Scotland, many more people are claiming benefits in August 2020 than in March 2020. However, as shown in the chart below, the percentage change varies considerably between local authorities, from 49% in Inverclyde to 162% in the City of Edinburgh. The Scottish government could analyse administrative benefits data to explore these regional differences in more detail and understand better the demographics of the new benefit claimant cohort.

Percentage change in jobseeker claimant count, March-August 2020



Source: <https://www.nomisweb.co.uk/sources/cc>

As well as collating benefits data and analysing it centrally, we recommend that the Scottish government continues to support local authorities in their response to Covid-19. The additional £750M funding announced in October 2020 is welcomed.³ However, the allocation of funding from the Scottish government to Scottish local authorities should take account of up-to-date evidence of the local impacts of Covid-19. The allocation of the £350M Support to Communities funding (announced in March 2020) did not

³ <https://www.gov.scot/news/supporting-local-government-recovery/>

necessarily benefit local authorities with a historically low number of benefits claimants (such as East Renfrewshire, Perth and Kinross and East Dunbartonshire) even though these local authorities have seen some of the most dramatic increases to their benefit claimant caseload. (For example, East Renfrewshire saw the second biggest increase in benefit claimant caseload, but ranks at number 21 for Support to Communities funding allocation.) The Scottish government should ensure that these local authorities are properly funded to support households who are claiming benefits for the first time after being affected by Covid-19, for example by creating (or expanding) benefits advice teams.

Comparison of caseload increase, caseload and Support to Communities funding allocation for the 10 Scottish local authorities with the highest caseload increase			
Local authority	Ranking: % caseload increase	Ranking: caseload	Ranking: Support to Communities funding allocation
City of Edinburgh	1	2	2
East Renfrewshire	2	28	21
Perth and Kinross	3	18	14
East Dunbartonshire	4	27	20
Highland	5	7	7
Aberdeenshire	6	12	6
Aberdeen City	7	6	8
East Lothian	8	21	22
Midlothian	9	23	27
Orkney	10	32	32

Sources: <https://www.nomisweb.co.uk/sources/cc> and <https://www.gov.scot/publications/foi-202000027950/>

Can, and should, Social Security Scotland do more than meet the expected increased demand for benefits and deliver on existing policy commitments? What should its ambitions be? Within the social security and borrowing powers available to Scottish Ministers what could be achieved and delivered?

If we look to do more, or differently, what are the relatively easier changes that could be made to Scottish benefits that would not require significant additional capacity in Social Security Scotland?

What changes could be made that would not require significant input from the Department for Work and Pensions (UK)?

We believe that Social Security Scotland should have ambitions which go beyond delivering on existing policy commitments.

1. Social Security Scotland should introduce the Scottish Child Payment as soon as possible to support families who are struggling due to Covid-19. By delaying full rollout of the payment to 2022, Social Security Scotland misses out on an important opportunity to support children from low-income families when they need it most. We encourage Social Security Scotland to explore all possible avenues to allow the payment to be paid more quickly. We agree with the Joseph Rowntree Foundation that working with Scottish local authorities would be an effective way for Social Security Scotland to administer the payment before the current 2022 deadline.⁴ Given that local authorities are experienced in administering benefits including Housing Benefit and Council Tax Reduction, they are likely to have the administrative capability to deliver the payment to eligible households more quickly than Social Security Scotland.

We know that Covid-19 has increased child poverty. By analysing administrative data from a South Wales local authority, Policy in Practice analysis found that the number of families with children who are in poverty increased by 10.8% between February and August 2020. This is despite the benefit changes announced by the UK government in April, such as the £20/week uplift to Universal Credit. Introducing the Scottish Child Payment sooner than 2022 would allow Social Security Scotland to reduce child poverty (a goal set by the Scottish government in the Child Poverty Act 2017⁵) and limit the impact of the economic downturn on

⁴ <https://www.jrf.org.uk/report/poverty-scotland-2020>

⁵ <https://www.gov.scot/policies/poverty-and-social-justice/child-poverty/>

low income families.

2. As well as working with charities and advice organisations, we recommend that Social Security Scotland creates its own network of welfare rights advisors to help households maximise their incomes and claim the benefits they are eligible for. Now more than ever, individualised advice is needed for households to know which benefits they should claim. For example, some households currently in receipt of legacy benefits will be better off by choosing to claim Universal Credit since they will benefit from the £20/week uplift; others will be better off staying on legacy benefits and moving to Universal Credit in the future when they will receive transitional protection.

Creating a network of advisors with access to benefit calculator tools is likely to be a cost-effective investment. By encouraging households to claim the benefits they are eligible for, Scottish households will receive more money from UK government departments (DWP and HMRC) and rely less on discretionary support from Scottish local authorities.

Welfare rights advisors can use administrative data to target support to households who are missing out on benefits they are eligible for. For example, advisors at the Royal Borough of Greenwich used administrative data via the LIFT dashboard to identify households who were missing out on free school meals and Healthy Start vouchers.⁶ They reached out to households who were in receipt of a qualifying means-tested benefit such as Universal Credit and were struggling financially. They then encouraged these households to make an application for additional support. Taking a data-led approach allows welfare rights advisors to use their time efficiently and engage with households who they know are in need of support.

3. Social Security Scotland should have an ambition to increase the take-up of benefits. As explored in detail in our 2019 evidence submission⁷, Social Security Scotland can use technology (such as the LIFT dashboard⁸) to target households who are eligible for but not claiming benefits. Importantly, Social Security Scotland should also ensure that eligibility criteria for new devolved benefits maps onto the eligibility criteria for existing benefits. For example, eligibility for

⁶ <https://www.slideshare.net/PolicyInPractice/webinar-data-analytics-whos-missing-out-on-benefits-in-your-area>

⁷ <http://policyinpractice.co.uk/wp-content/uploads/Scottish-Parliament-Social-Security-Committee-benefit-take-up-inquiry-Policy-in-Practice-sub-21Oct19.pdf>

⁸ <http://policyinpractice.co.uk/data-analytics-whos-missing-out-on-benefits/>

the Scottish Child Payment is simply that the household is in receipt of Universal Credit, legacy benefits and/or Pension Credit. This means that by using data shared by the UK government, Scottish Social Security could automatically award this payment rather than relying on households making multiple benefit applications. Automatic award of benefits is currently happening for Carer's Allowance Supplement payments; we encourage Social Security Scotland to commit to making this standard practice. Indeed, it would cause significant confusion if Social Security Scotland was to automatically award some devolved benefits and not others.

4. Scottish Social Security should work with the Local Government and Communities Directorate to ensure that the Scottish Council Tax Reduction Scheme is effective and fair. We recommend that the Scottish government is ambitious in its amendments to the Council Tax Reduction Scheme - whilst recent tweaks to the scheme (such as the removal of the two-child limit in 2019⁹) are welcomed, more radical changes should be considered. Throughout England, many councils have replaced their schemes based on the old Council Tax Benefit regulations with income-banded or discount schemes. These schemes often achieve greater fairness between households on Universal Credit and legacy benefits, and reduce council administration costs. In 2020, 63 of the 343 English local authorities (18%) have adopted income-banded schemes. The Scottish government could follow the approach taken by the Welsh government and collate local authority benefits data to evaluate the impact of potential Council Tax Reduction Scheme changes, including on households who have been hardest hit by Covid-19.

⁹ <https://www.legislation.gov.uk/ssi/2019/325/contents/made>

What are the constraints and barriers to doing more in Scotland?

The lack of data sharing between DWP and Scottish local authorities is a barrier to understanding the impact of Covid-19 on Scottish households receiving Universal Credit. Many local authorities in the UK are innovative in their use of data to identify households in need of support, including recently in response to Covid-19. However, whilst local authorities have access to rich household-level data for their Housing Benefit cohort, under Universal Credit, much of this data is retained by the DWP and not shared with local authorities. This lack of data holds local authorities back from understanding the full impact of Covid-19 on their local cohort and prevents them from using data to inform their plans to support residents. This problem is growing, since as more households make claims for Universal Credit rather than legacy benefits, the proportion of low-income households that local authorities have visibility over is decreasing.

Another key constraint to doing more in Scotland is the narrow policy arena in which Social Security Scotland operates. The vast majority of benefit income received by households in Scotland is administered by the UK government (DWP or HMRC) rather than Social Security Scotland or Scottish local authorities. This means that even if Social Security Scotland increases the generosity of devolved benefits or considers introducing new payments, the overall impact on household incomes will be relatively small. Introducing a network of welfare advisors who can identify and engage with households who are missing out on benefits they are eligible for is therefore likely to be a more effective way for the Scottish government to support households impacted by Covid-19.

Should the main focus be on discretionary funds or on entitlements? In terms of recovery from Covid-19, is it more effective to provide support through discretionary funds allocated to local authorities or through demand led benefits delivered through Social Security Scotland?

Discretionary funds and centralised benefits both have important roles.

Discretionary funds can effectively support people who would otherwise slip through the gaps in the social security net. For example, discretionary payments from local authorities have been vital to supporting students and people with No Recourse to Public Funds, two groups who are rarely eligible for means-tested benefits. The Covid-19 crisis has highlighted how important it is to have some discretionary funds available to help people in the short-term; even if there was the political will to make these groups eligible for means-tested benefits, it would not have been possible to change benefits policy and legislation fast enough to support people when they needed help. Furthermore, giving local authorities the flexibility to allocate discretionary funds how they see best (rather than binding them to centralised rules) allows them to respond to regional differences.

In the context of the rollout of Universal Credit, maintaining some discretionary support is all the more important. Many households struggle with the five-week wait for their first Universal Credit payment, and knowing whether or not a household will cope during the move to Universal Credit is complex. We found that there are seven different factors which play a role in determining whether or not a household can manage the move to Universal Credit.¹⁰ These seven factors can interact and overlap, and seven in ten (71%) of households will face at least one of these challenges. Given that more and more households are claiming Universal Credit for the first time as a result of the economic downturn, and that many of these households will experience hardship when they do so, it is important that they have access to discretionary funds to support them during the transition period.

However, Scottish Social Security should also focus on introducing new centralised benefits. Such benefits can be modelled in advance of their introduction, so Scottish Social Security can be confident that they are objective, fair and will benefit the groups they are intended to help. (In comparison, when allocating discretionary funds, there is an inherent tension between being objective and being discretionary. In discretionary schemes, there must always be the possibility to depart from the norm and offer support

¹⁰ <http://policyinpractice.co.uk/wp-content/uploads/JRF-Universal-Credit-and-Financial-Resilience-Summary-report-3.pdf>

to people who are not eligible for means-tested benefits.)

As discussed earlier in this submission, if the eligibility criteria for new devolved benefits map onto the eligibility criteria for existing benefits, Scottish Social Security can automate benefit payments to ensure that households receive their full entitlement. Indeed, lack of take-up is a major drawback to discretionary benefits; we know that Discretionary Housing Payments (DHPs) often go unclaimed. In the 2018-19 financial year, 14 Scottish local authorities spent less than their total DHP funding allocation.¹¹ In addition, some household types are much more likely than others to know about - and apply for - DHPs. Despite their increased likelihood of being affected by welfare reform, people who are renting privately are significantly less likely to apply for a DHP than those renting from their council or a Housing Association. In one London local authority, just 2.9% of all DHPs were allocated to households in the private rented sector.¹² This highlights that although discretionary support plays an important role, it has problems which are less common for means-tested, rights-based benefits.

¹¹ <https://www2.gov.scot/Topics/Statistics/Browse/Social-Welfare/dhp/31Mar2019>

¹² <https://www.slideshare.net/PolicyInPractice/how-to-target-your-discretionary-housing-payments-well>

Conclusion

It is clear that the economic downturn resulting from Covid-19 has caused financial hardship for many households in Scotland. Whilst there are limitations to how much Scottish Social Security can do to support these households, by acting quickly and using data to inform its policy decisions, there is the potential for Scottish Social Security to have a big impact in the coming months. Our evidence submission has four key recommendations for the Scottish government:

- Collect and analyse administrative benefits data that is held by Scottish local authorities. This data can be used to understand the localised impacts of Covid-19, and allow Social Security Scotland to make policy decisions based on accurate and up-to-date analysis.
- Prioritise paying the Scottish Child Payment sooner than the 2022 deadline, and consider working with local authorities as a way of doing so.
- Aim to increase the take-up of benefits by identifying, targeting and engaging with households who are eligible for but not receiving benefits. Devolved benefits should have clear eligibility criteria and should be automatically awarded wherever possible.
- Create a network of benefits advisors. The combination of Covid-19 and the rollout of Universal Credit makes personalised benefits advice more important than ever. Investing in benefits advisors is likely to be cost-effective, since most benefit income that Scottish households are eligible for is administered by the UK government.