Update of last year's report on poverty for the Customer Forum for Water in Scotland

December 2018

DannyPhillips Associates

CONTENTS

You asked for an update of our Report for Customer Forum for Water in Scotland Evidence presented by: Citizens Advice Scotland Child Poverty Action Group in Scotland Danny Phillips Associates, November 2017.

Your request was 'To co-ordinate a brief updating of the work you did for the Customer Forum last year? We would like a read out of whether the matters reported on by you and colleagues remain relevant and whether there has been any notable change in the environment which would make the matters reported on more or less difficult, any new developments of significance'.

INTRODUCTION

The consequences of austerity, cuts in public services and social security, and the 'insecure economy' - as we warned about in previous submissions to the Customer Forum for Water in Scotland - are still relevant. Poverty is increasing across the UK as a consequence of:

- Low pay and underemployment
- Continuing austerity in public finances
- Universal credit and its roll out; and
- Continuing welfare reform

In-work poverty continues to be a key challenge; a decade of austerity continues to cut benefits and services; and universal credit continues to be beset by delays, resets and cuts.

Many charities, including CPAG and Citizens Advice Scotland, have called for Universal Credit introduction to be halted. **652,000 people in Scotland will eventually receive Universal Credit**, because of its significance we concentrate on this benefit and provide further information below.

CPAG say: "While examining the government's record on social security, the Rapporteur found that amongst some good outcomes, great misery has also been inflicted unnecessarily, especially on the working poor, on single mothers struggling against mighty odds, on people with disabilities who are already marginalised, and on millions of children who are being locked into a cycle of poverty from which most will have great difficulty escaping".

The UN Special Rapporteur made particular criticism of the Universal Credit system. Even calling it 'Universal Discredit'. Research indicates that thousands of people will be pushed in to poverty across the UK - as a direct consequence of the introduction of Universal Credit - which we cover in more detail below.[1]

UN Special Rapporteur on extreme poverty and human rights visit
Philip Alston, the UN Special Rapporteur on extreme poverty, visited the UK in November 2018. His report reflects trusted independent UK research, he also spoke to people living in extreme poverty and trusted anti poverty organisations and services including CPAG and CAS.

This paper makes reference to the Statement on Visit to the United Kingdom, of the UN special rapporteur on extreme poverty and human rights, on 27 November, Professor Philip Alston

Professor Alston language was criticised by some for being too strident and overly political.
However it is a useful report. Over 130 independent research organisations, campaign groups and institutions submitted evidence including: Citizens Advice Scotland, Joseph Rowntree Foundation, Institute for public affairs, child poverty action group, shelter Scotland and Inclusion Scotland.

[1] http://www.cpag.org.uk/content/what-does-budget-mean-universal-credit-and-how-much-will-families-benefit-or-not

Evidence also included over 30 significant academics: Prof. Jonathan Bradshaw, Social Policy Research Unit, University of York, Dr. David Webster, University of Glasgow, Prof. Adrian Sinfield, University of Edinburgh

Scottish Cabinet Secretary support for UN special rapporteur

The special rapporteur report's findings were supported by the Scottish Government. The Cabinet Secretary for Communities and Local Government (Aileen Campbell) said in the Scottish Parliament on 27 November 2018: "Professor Alston's report is a damning indictment of the systematic failings of the UK Government, which has overseen the first sustained rises in poverty in recent years. Those sustained rises in poverty threaten to engulf almost four in every 10 children in Scotland by 2030—a prospect that Professor Alston described as "not just a disgrace, but a social calamity and an economic disaster, all rolled into one." I agree with that assessment."

She also said: "Professor Alston's findings are the latest in a long line of reports that evidence the damage that universal credit is inflicting on people and the communities in which they live. When the UN rapporteur, the National Audit Office, the UK Work and Pensions Committee, devolved Governments and countless charities and other stakeholders keep telling us the same thing, we must listen."

General levels and patterns of poverty

The overall analysis of our paper *Report for Customer Forum for Water in Scotland (November 2017)* remains the same. Employment levels remain high, the unemployment rate has risen only slightly from 4% to 4.1%. This is still historically low. However poverty levels are increasing and the patterns of poverty are the same, and levels of poverty are increasing.

According to the Institute for Fiscal Studies: "The number of children living in poverty in the UK is now at 4.1 million and will reach over 5 million by 2021". The Child Poverty Action Group (CPAG) say that in 2018: "Children who are in poverty are now living, on average, further below the poverty line than they did 10 years ago. After making great progress at tackling child poverty, we're now going backwards – at a time when unemployment is at a near historic low. This is cause for great concern."

The CPAG in Scotland report that: "almost one in four (230,000) of Scotland's children are officially recognised as living in poverty. This is higher than in many other European countries. In the absence of significant policy change, this figure is likely to rise in the coming years with independent modelling by the Institute for Fiscal studies (IFS) forecasting that more than a third of children in the UK will be living in poverty by 2021/22. This would reverse the fall in child poverty observed in the UK since the late 1990s."[2]

The chance of children living in poverty increases if they live in households with certain characteristics. For example: children living in households where someone is disabled have a 36% risk of experiencing poverty; children living in lone parent families have a 49% risk of experiencing poverty; children living in households with more than two children have a 42% risk of experiencing poverty. [3]

This was confirmed by Philip Alston, the UN Special Rapporteur on extreme poverty, who arrived in the UK for a twelve-day visit on 5 November 2018. Hie stated that 14 million people, a fifth of the population, live in poverty and 1.5 million are destitute, being unable to afford basic essentials, he said, citing figures from the Institute for Fiscal Studies and the Joseph Rowntree Foundation. He highlighted predictions that child poverty could rise by 7% between 2015 and 2022, possibly up to a rate of 40%. "There is a striking and almost complete disconnect between what I heard from the government and what I consistently heard from many people directly, across the country."

Austerity

New Economic Foundation argue that 'the decade of austerity has been the worst economic policy error in a generation'. As a consequence, living standards have suffered substantially. Austerity has meant cuts to

[2] http://www.cpag.org.uk/scotland/child-poverty-facts-and-figures
[3] http://www.cpag.org.uk/scotland/child-poverty-facts-and-figures

public services which the poorest people rely on, cuts to social security benefits including a benefit freeze. And the longest wage stagnation since victorian times.

Austerity continues. Phillip Hammond's budget provided funding for some areas of the public sector, announcing that the "era of austerity is finally coming to an end." We should note that austerity is not 'at an end'. Cuts to public services will continue. As will welfare benefit cuts.

New Economics Foundation say: "In June, the government announced a further £20.5 billion for the NHS by 2023/ 24. But outside of this increase for the NHS, and despite having endured 10 years of cuts by 2019/ 20, overall spending on services is currently on course to see no average increase at all. Furthermore, if government rolls forward its current protections for areas such as police and science, then in the absence of new money this will have to be funded by further cuts to services elsewhere. As a consequence, budgets for things like prisons and colleges could see an average real terms cut of 2.1%, or 4.1% per capita, during the first half of the 2020s."[4]

Philip Alston, UN Special Rapporteur called the austerity policies 'patently unjust'[5]. He said: "The UK government has inflicted "great misery" on its people with "punitive, mean-spirited, and often callous"
He also said that the levels of child poverty were "not just a disgrace, but a social calamity and an economic disaster".

The fact is that Austerity policies - and its impact particularly for low income families and individuals - continues.

Low pay and underemployment
In-work poverty continues to increase. Our previous analysis that roughly 20% of the population live from pre precariously from week to week, continues to be true and was confirmed by the UN Special Rapporteur.

The challenges for those working but living in poverty remain the same as reported in November 2017: shift patterns, flexible contracts, temporary employment, part-time work, underemployment, lack of progression opportunities, stagnating wages and chronic low pay, the desire for more and more secure hours. As stated in our last report - 6 in 10 of children who live in poverty have at least one parent in work, that remains true.

Since our last report, the Joseph Rowntree Foundation[6] have said that "Despite record employment rates in the UK, the number of people trapped in poverty in working families has risen by over one million in the three years to 2016/17. This means almost three million children are now locked in poverty despite living in a working family. The situation is set to worsen further in future." (UK figures)

The Institute for Financial Studies says[7]: "earnings growth for those in work has been historically weak."

While public sector pay has broken the 1% pay cap for the first time in 10 years. Pay rises are still below the rate of inflation. While the NHS has settled on 3% for the next 3 years, local government has yet to settle and pay elsewhere in the public sector remains mixed. Although pay rises are no longer fixed to 1% per annum, pay rises are still below inflation and there is little prospect of any money to recuperate a decade of losses.

The trade unions representing workers in local government are balloting for industrial action in Scotland - a key reason is that employers, (essentially the scottish government) have "ignored the voices of the lowest paid in local government. [Their offer] does nothing to help staff like home carers, refuse workers and school cleaners. Instead the biggest cash rises will go to the middle and highest earners, and not those on the lowest grades who have suffered the most after 10 years of austerity."[8]

[4] https://neweconomics.org/2018/09/austerity-by-stealth
[5] https://www.theguardian.com/society/2018/nov/16/uk-austerity-has-inflicted-great-misery-on-citizens-un-says
[6] https://www.jrf.org.uk/report/budget-2018-tackling-rising-tide-work-poverty
[7] https://www.ifs.org.uk/publications/11696
[8] https://www.bbc.co.uk/news/uk-scotland-45437495

The New Economics Foundation[9] said: "For the first time in modern records 'economic growth' - has ceased to deliver pay rises for many as a consequence, the past decade of wage stagnation is forecast to continue until deep into the 2020s, making this the longest period in which people have not seen their quality of life improve for more than 150 years."

"The major reason why paid work lifts households above the poverty line less reliably than in the past is simply that earnings growth in the UK has been so low since the early 2000s, and non-existent overall since the recession – linked to our dismal productivity performance. In addition household earnings growth at the bottom end has been even weaker than the average over the past 20 years."

The rising level of in-work poverty during the last five years has also been a concern for Citizens Advice Scotland. According to the latest official figures, 59% of working-age adults in relative poverty after housing costs were living in working households.

Worklessness
Households in which no-one is in paid employment are still most likely to experience poverty, with 73% of children in workless households in the UK experiencing poverty. Common barriers to work include a lack of suitable employment opportunities, a lack of suitable child care, caring responsibilities, ill health, disability and employer discrimination.

Welfare Reform
Welfare reforms underway since 2010 will reduce social security spending by £27 billion a year by 2021, and reach into most aspects of financial support for working-age adults and children. These cuts hit the poorest places hardest, and disproportionately affect lone parents and disabled people and are a major contributing factor to the projected increase in child poverty for Scotland. We deal with universal credit later in paper, other significant areas include:

- **The Benefit Freeze:** refers to the UK Government's policy to not uprate with inflation the main working-age rates of Income Support, Jobseeker's Allowance, Employment and Support Allowance (excluding the support component) and Housing Benefit, as well as most elements of Working Tax Credits and Child Tax Credit (and the corresponding element of Universal Credit) and Child Benefit. The policy is in place for four years from 2016/17 until 2019/20 inclusive.
- **The Benefit Cap:** refers to the UK Government's policy to limit the total benefit entitlement for working age households, with some exemptions. From November 2016, couples with or without children (living outside London) cannot receive more that £20,000 in benefit entitlement per year. The cap is lower for single people without children (£13,400 per year).
- **The Two-Child Limit:** refers to the UK Government's policy to restrict the Child Tax Credits (CTC) and child element of UC to two children per household. The rule applies to new births after 5 April 2017 for Child Tax Credits and new claims to Universal Credit. A number of exceptions apply, in the cases of multiple births and non-consensual conceptions.

Citizens Advice Scotland (CAS) has consistently raised concerns about aspects of the UK Government's welfare reform programme that have caused detriment and hardship to CAB clients.

Citizens Advice Scotland is concerned about the long-term impact of the reduction in the value of the Employment and Support Allowance and its counterpart in Universal Credit, the impact of the lowering of the Benefit Cap, and the freeze on the value of working-age benefits. The Welfare Reform and Work Act 2016 brought changes which have caused increased hardship.

Benefits freeze: centrepiece of austerity
Around 680,000 people are subject to the benefit freeze in Scotland. Uprating is frozen for four years from April 2016 including basic amounts for adults and children. Under current inflation forecasts, the continued

[9] https://neweconomics.org/uploads/files/Economy_by_people_240918.pdf

freeze in most working age benefits until 2020, will reduce the real value of these benefits by 5% between 2017 and 2020.[10]

It has been established that families with dependent children were amongst the biggest losers – in Scotland, couples with children losing an average of more than £1,400 a year, and lone parents around £1,800 a year.[11]

Our point in our November 2017 paper that the benefit freeze "is the centrepiece of the austerity" still applies - while the recent problems with Universal Credit are serious - far more serious is the benefit freeze which will increase poverty more than any other policy.

The Joseph Rowntree Foundation say: "This centrepiece of the austerity measures means there will be half a million more people in poverty in 2021 than there would be if benefits kept pace with inflation." The Joseph Rowntree Foundation found that the policy to freeze working-age benefits for four years from 2016/17, both for those in and out of work, represents the "single biggest policy driver" behind the expected rise in poverty.[12]

Scottish Government social security secretary Shirley-Anne Somerville called for an end to the benefits freeze, because they are forcing more people into poverty she said: "More and more families are finding it hard to make ends meet as prices of essentials go up and the levels of their income and benefits go down. The increased reliance on food banks is a damning indictment."

Peter Kelly, director of the Poverty Alliance, said: "The cost of living hasn't been frozen, so it's right that social security payments should keep up with those costs,"

The Resolution Foundation think tank, published research in March 2018 'exposing the impact of continuing austerity measures on the low paid'. They say that benefit cuts, for this year alone, will save £1.9bn from the public purse and affect almost 11 million families across the UK - the biggest annual benefits cut for six years or the second largest annual cut to the benefits budget since the financial crash."

There is some good news for the low paid, with more than 1.5 million workers set to benefit from a 4.4% pay rise when the national living wage increases from £7.50 to £7.83 at the start of April. However, that measure will be outweighed by the cuts to working-age benefits.

Citizens Advice Scotland, CPAG and others have consistently raised concerns about aspects of the UK Government's welfare reform programme that have caused detriment, and hardship and report an increase in poverty for people who need support from the social security system.

Benefit Cap

Citizens Advice Scotland remains concerned about the impact of the benefit cap and has called for the UK Government to reconsider the policy. From November 2016, couples with or without children (living outside London) cannot receive more than £20,000 in benefit entitlement per year. The cap is lower for single people without children (£13,400 per year).

There are 3,364 households affected by the cap in Scotland, with at least 10,188 children. The largest groups affected are larger families and lone parents – the majority of people (56%) affected are lone parents with 3 or more children. Typically, this is because they require a large home with high rent, and are unable to work. Since the Benefit Cap was lowered in 2016 – 89% of families with capped legacy benefits have children, while 64% are lone parent households. 45% of these households lose out by £2,600 per year or more

Universal Credit maximum award is subject to the 'benefit cap' – this is set at £1,666.67 a month for couples or lone parents and £1,116.67 for single claimants without children. The cap includes other benefits such as child benefit, but is implemented by reducing the amount of Universal Credit you get.

[10] https://www.ifs.org.uk/comms/comm121.pdf
[11] http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/cumulative-impact-welfare-reform-households-scotland.pdf
[12] https://www.holyrood.com/articles/news/scrap-benefits-freeze-or-force-half-million-more-poverty-says-thinktank

The benefit cap has caused a number of issues for CAB clients including: rent arrears, food parcel referrals, relationship problems, exacerbating existing health conditions and preventing people finding settled accommodation.

CAS gave evidence to the Work and Pensions Committee on 31 October. At the session, it was highlighted that only around 1 in 5 of people affected by the benefit cap were otherwise expected to look for work as part of their benefits claim (either because of caring responsibilities or because of ill-health). It was suggested that the policy therefore does not meet its stated intent of creating powerful work incentives. Meaning 4 in 5 of those effected by the benefit cap can not do anything about it.

UNIVERSAL CREDIT

Universal Credit will eventually be received by around 652,500 households in Scotland, and the final full roll out of Universal Credit[13] has been happening in Scotland during 2018. Importantly it is being rolled out to Glasgow, our largest and poorest city, which was completed on 5 December 2018.

Some of the key problems with UC include that the system has been made significantly less generous since it was first introduced. You must claim online (most claimants), It is paid in arrears monthly, and it has also been beset by administrative errors and delays which can add on average an extra three weeks to the formal 35-day wait for an initial benefit payment.

Also the transition from the legacy benefit system to new universal credit system is beset with problems.

Introduction to Universal Credit
Universal credit is replacing six benefits including: income support, working tax credits, housing benefit, employment and support allowance - termed ‘legacy benefits’. It is being introduced in stages across the UK.

Universal credit — like most means tested benefits - has capital limits and your income must be low enough. For UC you calculate an applicable amount which includes standard allowance plus elements; you then deduct unearned income, deduct any earnings over the work allowance subject to a taper, and then apply the benefit cap (if applicable).

A single claimant aged under 25 has an allowance of £251.77 per month. Single claimant aged 25 or over: £317.82 per month. Joint claimants both aged under 25: £395.20 per month. Joint claimants either aged 25 or over: £498.89 per month. You then also apply a child element: £277.08 per child for up to 2 children. And an element for caring, housing costs and eligible childcare costs. This gives you an applicable amount. Unearned and earned income is deducted from the applicable amount and claimants are paid the difference. Earned income has a taper reduction of 63%.

Universal credit is subject to a 2 child cap and to a benefit cap. A maximum amount of benefit that can be paid a month for single person is £1,116.66 a month single person and £1,666.66 a month and for a lone parent or couple.

An example Universal Credit calculation:

Universal Credit
UN Special Rapporteur stated: “No single program embodies the combination of the benefits reforms and the

Maximum UC	Standard Allowance	£498.89
	Limited Capability for Work element	£318.76
	Housing element	£550.00
	Total	**£1367.65**
Income	Employment and Support Allowance	£475.15
	Tariff Income	£26.10
	Total Income	**£501.25**
UC AWARD	£1367.65 - £501.25 =	**£866.40**

[13] http://www.cpag.org.uk/sites/default/files/CPAG-scot-factsheet-UC-Full%20service-date-JCP-Feb-2018.pdf

promotion of austerity programs more than Universal Credit. Although in its initial conception it represented a potentially major improvement in the system, it is fast falling into Universal Discredit."

Universal credit is the biggest change to our social security system in over sixty years. It is replacing many of the current benefits and tax credits for people of working age. With the national roll-out underway, increasing numbers of people will claim universal credit including families with children, those with health conditions and those in work.

Universal Credit will eventually be received by around 652,500 households in Scotland, and the final full roll out of Universal Credit[14] has been happening in Scotland during 2018. Importantly it is being rolled out to the final areas of Glasgow, our largest and poorest city, which is due to be completed on 5 December 2018.

The Trussell Trust say that issues with Universal Credit is a "significant factor" in a significant increase in the use of food banks. The charity published an analysis showing food banks in areas where the system had been in place for at least a year had reported an average increase in demand of 52 per cent. By contrast, food banks located in areas where Universal Credit was not fully established, or had only recently been introduced, reported an increase of just 13 per cent.

In 2017/18, Scotland's CAB network provided advice on 19,047 issues related to Universal Credit (UC), which by the end of the period had only been rolled out to around half of Scotland's local authority areas. Additionally, CAB advised clients on 10,562 working tax credit and 11,499 child tax credit issues, which are the main in-work benefits that will be replaced by Universal Credit.

CAS is concerned about the prospect of 'managed migration', which will see all people currently receiving one of the six 'legacy benefits' moving to or having to make a new claim for Universal Credit.

CAS reports that Universal Credit is a high priority for CAS policy work, as a significant number of early issues have affected CAB clients. In fact CAS have called for the roll out and managed migration of Universal Credit *to be halted* until the many issues affecting Citizens Advice Bureaux (CAB) clients have been fixed. Many other organisations including CPAG have made the same call.

Problems include: There are at least 5 weeks before payment. Verifying identity online is leading to further delays. After the online application is made, the client has to attend the job centre. Where delays in payment happen, claimants can apply for a Budgeting Advance - but the standard recovery rate for this is 15% - which can be a lot on a low income - especially if there are other deductions being taken from the award.

Digital applications are a barrier for many. A Universal Credit claim has to be made and managed online in most cases. This is complicated if the claimant has language issues, mental health issues, learning difficulties or is digitally excluded in some way. These issues are relevant to areas like Govanhill in Glasgow where there is a high percentage of EEA nationals who do not speak English as a first language.

Chancellors measures to mitigate UC problems

The UK Chancellor announced measures in his 2018 budget to mitigate some of the negative impacts of Universal Credit. Most relate to the transition from old 'legacy benefits' to the new Universal Credit system.[15] They were welcomed by anti-poverty groups, and will improve the situation for many families. However these reforms are limited in their impact, and many will not take effect for months or even years:

• From October 2019 The maximum rate of debt deductions will be reduced from the current 40% to 30% of the standard allowance (the money meant for adults' living costs).
• From Oct 2020 advances will be recoverable over 16 months rather than 12 months.
• From July 2020, people moving on to UC will receive two weeks, employment and support allowance or income support during the five-week wait for UC to be paid.
• From September 2020 the Minimum Income Floor will now apply to all gainfully self-employed.

[14] http://www.cpag.org.uk/sites/default/files/CPAG-scot-factsheet-UC-Full%20service-date-JCP-Feb-2018.pdf
[15] http://www.cpag.org.uk/content/what-does-budget-mean-universal-credit-and-how-much-will-families-benefit-or-not

- From January 2019, claimants receiving the Severe Disability Premium will not be able to move on to Universal Credit except through managed migration (when they will receive transitional protection).
- People who move from tax credits to Universal Credit through managed migration, who have capital over £16,000, will be exempt from the capital limit in Universal Credit for a year after they migrate.

CPAG comment on UK Chancellors package to mitigate universal credit [16]
CPAG say: "The biggest Universal Credit news in the Budget was the decision, under the weight of enormous political pressure, to increase work allowances for families with children and disabled people with limited capability for work by £1000 a year from April 2019. That will mean up to £630 a year (just over £50 a month) in the pockets of these families, because an extra £1000 of their earnings will not be subject to a clawback of 63%.

This is a big win - previous analysis showed that renting single parents on the minimum wage would otherwise have had to work almost two extra months each year just to make up for the work allowance cuts, making them a hugely unfair move.

However, when you remember that £37bn is now being cut from social security each year, and that around £3bn was taken in the work allowance cuts alone, the decision to put £1.7bn a year back into UC does not look particularly generous – especially as more than this is being spent to raise the income tax personal allowance and higher rate threshold, overwhelmingly benefitting better-off households. The benefits freeze will continue for a fourth year – the biggest single cut to families' incomes – and there was no relief for families affected by the two-child limit or the benefit cap, or for the disabled children and young parents who will be made systematically worse off in the move to UC. All of these cuts are 'hard-wired' into Universal Credit."

Universal credit and rent arrears problems
Advice organisations like Citizens Advice Scotland and Govan Law Centre have highlighted the issue of the increase in rent arrears, particularly for those on universal credit.

A report by Citizens Advice Scotland released in Sept 2018 says for example that advice in relation to rent arrears has grown by over 40% between 2012 and 2017. They call for further promotion of support to pay the rent, such as Universal Credit Scottish Choices and Discretionary Housing Payments (DHPs). They say that the increase in rent arrears cases coincides closely with changes to the social security system with the advent of welfare reform.

Evidence from Scotland's CAB network and elsewhere indicates the incidence of rent arrears to be far higher amongst tenants receiving Universal Credit. Housing associations across the UK report that 73% of tenants on UC are in arrears, compared to 29% of others

Citizens Advice Scotland's findings include:

- The considerable growth in rent arrears as an area of advice has coincided closely with changes to the social security system, particularly the advent of welfare reform.
- Almost one-quarter of those living in rented accommodation have experienced rent arrears in the past five years.
- CAB clients with rent arrears are more likely to be in part-time employment, unemployed, be a single person or lone parent, be aged 25-44 and live in 20% most deprived areas.
- The most common reasons for rent arrears are: a benefits-related issue, loss of income, or unexpected costs.
- The most common ways of getting out of rent arrears are borrowing money from elsewhere (such as from friends and family, or on a credit card) or cutting back on essentials. Neither of these are particularly sustainable solutions.

[16] http://www.cpag.org.uk/content/what-does-budget-mean-universal-credit-and-how-much-will-families-benefit-or-not

- During the past eighteen months, CAB clients' rent arrears issues have predominantly been caused by them moving onto Universal Credit, and experiencing problems with the delivery of support to pay the rent through the new benefit..

Govan Law Centre have voiced similar concerns:
They call for new resilience strategy to challenge the adverse impact of Universal Credit in Scotland to prevent evictions and reduce the impact of rent arrears.

They say that their casework across Glasgow confirms that Universal Credit 'is causing misery and increasing poverty'. They say: "it's an unworkable social security policy, in its present form. They are calling on the Scottish government to implement reforms to mitigate the worst impact of the policy. These include:

- An urgent updating of the Scottish pre-action court requirements, to intervene before an eviction takes place.
- Prevent landlords deducting more than 5% of a tenant's UC or disposable income for arrears of rent at present it can be as high as 40% of a personal allowance.
- Social landlords to ensure tenants are made aware of the ability for direct payments from UC to rent. In Scotland tenants can apply to have rent paid direct to their landlord, but many do not know about the procedure.
- A national co-ordination of advice and intervention strategies in Scotland to limit damage

Govan Law Centre said: "Much more must be done to tackle the crisis of Universal Credit… The Scottish Government and all stakeholders need to act now, with interim measures, to reduce the misery. We need updated pre-action requirements to provide help and support to prevent evictions, we should restrict the increased deductions from universal credit for rent arrears, ensure tenants are fully aware they can have their UC paid direct to the landlord if this will help them feel safer in their home, and we need national co-ordination of advice and intervention strategies in Scotland."

Govan Law Centre universal credit campaign provide examples
Case 1 – this was not resolved for 6 months. The client's landlord incorrectly stated that he had 2 bedrooms resulting in a 14% deduction for almost 2 years. Client was unaware as he could not understand his award. This has taken an extended period time to resolve as UC would not talk to the landlord. This had to be raised as a complaint and eventually a back payment was made. The client is also subject to a 160 day sanction – his entire standard allowance was taken off of him. He had to apply for hardship every month. This will now be deducted going forward.

Case 2 – client is an NHS employee who is paid weekly. This resulted in some of her assessment periods containing 4 or 5 payments of wages. Her UC payments would therefore fluctuate and she could not budget.

Case 3 – client has an APA. Despite this there are several months where the rent has been paid to the client or not at all. These have now been paid to the rent account.

Case 4 – client had a rent statement which gave her rental amount. She was taking her HC element off of this amount and paying the difference. The rental amount stated was 4 weekly. She was underpaying by £30 per month.

FURTHER ISSUES

Private Rented Sector
As we reported in our first paper, more families on low incomes continue to be pushed into the less regulated private rented sector.

Scottish government data has revealed that 160,000 people in the sector were living in relative poverty during the three year period between 2004 and 2007. However, the three year period, covering 2014 to 2017, reveals that the figure is now 280,000. The number of people in the private rented sector (PRS) who are living in poverty has increased by 75% over the past decade, according to new analysis. All analysis suggests this will continue to rise.

Food Insecurity

Food prices are rising at their fastest rate for more than four years, with ONS data showing that the price of food rose by 4.1% over the last year. Combined with stagnant wage growth, the rising cost of food is impacting on finances and well-being. The impact of rising food prices is likely to affect consumer groups and localities in differing ways. Note that even public sector pay rises are 1.1% below that of food prices.

The full scale of food insecurity in Scotland is unknown, but evidence from across the Citizens Advice Bureaux network demonstrates that it is a real problem for many Scottish citizens. They say that households are worrying about the ability to afford food, the limited choice of food, or feeding their family healthy food on a limited budget. This then leads to people borrowing money, using credit, receiving food bank vouchers as a way of obtaining food, or in many cases, limiting food intake completely. CAS is currently running a national survey exploring public opinion asking: What does food insecurity look like in Scotland? Can Scottish citizens afford to eat healthy and nutritious food? What are the barriers to the public accessing food?

Food Banks

The use of food banks are a good proxy for poverty levels and the inadequacy of safety nets. The Trussell Trust report that use of food banks in Scotland hit a record high increasing by 17 per cent in the past year. Food banks across Scotland distributed 170,625 three-day emergency food packages to people in crisis in the year to April, of which more than 55,000 went to children.

Food bank use in Scotland is growing at a faster rate than across the UK as a whole, which saw a 13 per cent rise over the same period. The highest number of food parcels were delivered to people in Scotland’s two largest cities, with 31,630 emergency packages given away in Glasgow and 17,328 in Edinburgh.

The Trussell Trust, said the ongoing freeze on working-age benefits meant that many people were left unable to feed themselves. The charity reported that current benefit levels were “not covering the costs of essentials” for families.

More than a quarter (28 per cent) of people being referred to food banks across the UK cited low income as their reason for needing emergency handouts, a rise of 6 per cent on the previous year.

Sanctions and Conditionality

Citizens Advice Scotland continues to express concerns about the application of sanctions in the benefits system. Whilst reported issues are not as high as they previously were (and DWP appear to have made changes to practices), CAS continue to recommend that a full independent review of sanctions is carried out, to examine the effectiveness of the policy. They have evidence of some people being left with no income at all.

Universal Credit has introduced ‘in-work conditionality’ – extending work search requirements and potential sanctions to in work claimants. This has been trialled, but despite this, there is still relatively little known about the impact of in-work conditionality. CAS has however, expressed caution that this must be rolled out with great care, to avoid the policy being counter-productive.

CAB clients in crisis

On-going analysis of CAB case evidence has shown that more and more bureaux clients are experiencing periods of no income, and are unable to afford essentials including food, gas and electricity to heat their homes, as well as priority payments such as rent. More worryingly still are the number of clients who present at bureaux having not eaten in a number of days.

CAS research has revealed that there are five main causes of CAB clients experiencing a gap in benefit payments resulting in the need for crisis support:

- Administrative errors
- Transitions between benefits
- Processing times and waiting days
- No benefit during mandatory reconsideration
- Benefit sanctions

In terms of the impact of gaps in income, 63% said money worries impact on their mental health; 71% cut down on food; 65% cut down on gas and electricity; 56% say money worries impact on health; 27% accumulate rent arrears.

Water Charges
Water and sewerage services are essential for life and should be affordable for all consumers. CAS carried out research into the affordability of water and sewerage charges. Their most recent report 'Charting a new course', will inform your ongoing discussions.

This latest research took a closer look at characteristics that may indicate whether or not a household will struggle to pay for water and sewerage charges. It also provides an analysis of various proxies that could be used to determine affordability, and how additional financial support could be targeted towards households that need it most.

CAS is part of the Long Term Charging Group (headed up by the Scottish Government) and they initiated the research in response to recognising a need to offer more targeted support to low income households, rather than assuming that current affordability measures (Water Charges Reduction Scheme, charges based on Council Tax bands) were adequate and accurately identified those requiring additional financial support.

The CAS report 'Charting a new course' found that:

- Income is the most accurate indicator of whether or not a household is likely to find water and sewerage charges affordable.
- 12% of households in Scotland spend more than 3% of their weekly income on their water and sewerage charges although not all receive additional financial support through available affordability mechanisms.
- The current proxy used to provide financial relief, based on households being in receipt of Council Tax Reduction, is the most effective one that exists however, difficulties around more closely linking systems and data sets means that some households in need of additional support do not receive it.
- In the longer term, further research is necessary to identify how support could be more effectively targeted to all households that may struggle to pay.

The Scottish Government budget 2018 response
The Scottish government Budget on 12 December 2018 made welcome announcements:

- They promise to invest £243 million towards the expansion of free early learning and childcare - 1,140 hours of childcare per year.
- They are establishing a £50 million Tackling Child Poverty Fund to trial innovative programmes that address the underlying social and economic causes of poverty. They promise to introduce a new enhanced Best Start Grant to replace the current Sure Start Maternity Grant, to be delivered by summer 2019. And they also provides £8 million to fund the baby box programme.
- The also have the Fair Work strategy which is at the heart of our economic strategy is a commitment to inclusive growth.
- They have a £50 million fund to mitigate the 'bedroom tax' through Discretionary Housing Payments, sustaining funding for the Scottish Welfare Fund and increasing funding for our Fair Food Fund, which we are increasing from £1 million to £1.5 million.
- They are continuing benefit take-up work to ensure people receive all the financial support to which they are entitled.

- They published the Social Security (Scotland) Bill on 21 June 2017 and sets a framework for a new social security system, which will: "allow Scottish Ministers to shape a distinct social security system for social security benefits devolved under the Scotland Act 2016, based on dignity and respect. We will drive forward implementation of these new powers, and the establishment of a new agency, over the term of this parliament."

The difficulty is that while these policies are welcome they do not reverse the over all trends of rising poverty in Scotland.

Conclusion
We have seen an increase in poverty since our last report. And poverty is predicted to increase for years to come, certainly until the early to mid 2020's.

In-work poverty remains a key challenge; the decade of austerity has created stagnant wages and hit the poorest the hardest; universal credit is the biggest change to our benefit system in 60 years and it is beset by delays, resets and incompetence. So much so most charities have called for its introduction to be halted.

We are seeing increases in extreme poverty, in the use of food banks, and increases in arrears for rent and other vital services. And more low income families pushed into the less secure private rented sector and advice services report seeing more of their clients in crisis.

We have seen some welcome policies being introduced such as the UK Chancellors package to mitigate the worst of the problems and the Scottish Government Fair Work strategy and recent welfare packages. However the do not reversing the general trend that poverty is increasing in Scotland and the UK.