

WELFARE REFORM COMMITTEE

THE FUTURE DELIVERY OF SOCIAL SECURITY IN SCOTLAND

ADDITIONAL WRITTEN SUBMISSION FROM AGE SCOTLAND

Introduction

Age Scotland welcomes the opportunity to give oral evidence, building on our earlier written submission. This note accentuates our previous evidence and is focused largely on payments within the Regulated Social Fund.

We have no comments to make to the Committee on Sure Start Maternity Grants, which lie outwith our areas of interest and expertise.

Funeral payments

People are reluctant to consider or discuss death except when confronted directly by either the reality or the pressing prospect of it. Almost everyone wants their loved ones to be given a “fitting send-off” but people generally underestimate how expensive it will be, and perceive the typical costs of funerals to be lower than they actually are. Marking or honouring the loss of a loved one properly is a natural instinct, and an important method of coping and dealing with the psychology of grief. This sits uneasily with financial constraints which would make someone feel that they are behaving parsimoniously. People also feel pressurised by their perception of other people’s expectations of appropriateness, or even the deceased person’s own wishes for their funeral.

The Scottish Government have acknowledged that the system of arranging funerals and cremations is ripe for reform, which prompted them to introduce the Burial and Cremation (Scotland) Bill. The existing legislation is outdated, somewhat confusing, and inadequate. The proposed reforms are laudable and have been considered at length,¹ yet they cannot overcome all of the difficulties which people experience when a loved one dies, especially the financial aspects. A Funeral Poverty Working Group has been established and is due to report shortly.

The cost of funerals and cremations

The *typical* non-discretionary costs of arranging a funeral are now £3,693, and are expected to rise to almost £4,500 by 2019.² These include fees for the funeral director; for the celebrant conducting the funeral; for the doctor completing cremation forms; and the burial or cremation charges, which include costs of internment and the burial lair. N.B. in England and Wales, certifying death is considered part of a doctor’s normal duties for the NHS, but investigating and certifying suitability for cremation is not, and so charges apply.³ In Scotland, fees for medical cremation certification (£170) were abolished earlier this year.

Discretionary but typical additional costs include death and funeral notices; flowers; printing orders of ceremony; funeral cars; organist’s fees; catering and venue hire for a wake; and any memorial such as a headstone – these often run to around £2,000.

¹ See Scottish Law Commission report and Burial and Cremation Review Group (citation)

² SunLife “Cost of Dying” report 2015: see www.sunlifedirect.co.uk/press-office/cost-of-dying-2015/

³ See www.bma.org.uk/support-at-work/pay-fees-allowances/fees/fee-finder/fee-finder-why-gps-charge-fees

Typical fees for professional services in winding up the deceased's estate run to over £2,400, making an overall cost of dying of £8,126, with a burial costing on average £800 more than a cremation.

These costs have risen drastically in recent years. Citizens' Advice Scotland revealed that burial charges have increased by an average of 10% in a single year across Scotland in 2015 and cremation charged by 5%.⁴ There is also an enormous disparity between different local authorities, with a burial in East Dunbartonshire costing four times as much as one in the Western Isles. Personal finance journalist Ruth Jackson noted in 2013, "[t]he basic cost of a funeral has risen by 61% over the past eight years – vastly outpacing inflation, which has risen by 24.4% over the same period."⁵ She also called this "blatant profiteering ... as councils look to increase profits following budget cuts", although it should be noted that councils are not unique and fees have increased across the board.

Age Scotland has called for the introduction of a **standard charge for burial and cremation**, which would go a good way towards levelling out the disparity in costs. The Burial and Cremation (Scotland) Bill offers an opportunity to provide for this; it would also allow for a form of government intervention to control cost increases.

Paying for funeral and cremation costs

The person who instructs the holding of a funeral becomes in effect the funeral director's client, and thereby the person who bears the financial burden, at least upfront. They will often be the deceased's nearest relative (though not always, and this issue is addressed within the Bill). However, they will not necessarily be the executor of the deceased's estate; where the deceased dies intestate the executor's identity will not even be known until confirmation takes place several months afterwards. Therefore, these costs will either not practically be chargeable against the deceased's estate or not until many months or even years later.

The most common form of financial assistance is where the deceased him/herself made financial arrangements in advance to cover some or all of the anticipated costs. However, many people do not do so, and others do so only for it to be discovered later that the provision made is inadequate. This usually takes one of two forms: a pre-paid funeral plan, which may be purchased either as a lump-sum or in instalments, or an insurance policy.

It should be noted that Age Scotland are joint owners, along with Age UK Enterprises, of a charity called Age Scotland Enterprises (ASE). ASE is a trading social enterprise which offers and arranges a number of financial products, including funeral plans, and is regulated by the Financial Conduct Authority. Any profits they make are invested back into Age Scotland's and Age UK's charitable activities. ASE also used to offer insurance for funeral costs but ceased to do so some years ago. This connection informs our evidence on paying for funeral costs but we also feel is important to disclose to the Committee in the interests of transparency.

⁴ *The Cost of Saying Goodbye: burial and cremation charges in Scotland 2015*, Citizens Advice Scotland. See <http://j.mp/TCOSG2015>.

⁵ "Death – the final rip-off", *MoneyWise* magazine, 16 May 2013. See www.moneywise.co.uk/scams-rip-offs/rip-offs/death-the-final-rip.

Funeral plans are exempted from regulation by the Financial Conduct Authority.⁶ Instead, there is a voluntary code of self-regulation administered by an industry body, the Funeral Planning Authority Ltd,⁷ to which a number of providers have signed up. Advice on funeral plans is available from the Money Advice Service.⁸

As with any insurance policy, these involve a calculation of risk versus cover, but some of the implications may not be readily appreciated by prospective or actual policyholders. Policies will either last for a specified term or be a whole-of-life policy (sometimes marketed as an “over-50 plan”). The former means that if the insured party dies after the term ends, or any grace period, then they will receive nothing. The latter means the insured party may end up paying for several decades. In both instances, if a payment is missed, the cover could be cancelled by the insurer and the individual left exposed; if the insured person cancels the cover there will often be (typically high) penalty charges.⁹

Policies will almost certainly pay out a defined amount of money (the insured sum). This will typically not rise in line with inflation, meaning its effective value decreases over time. If the insured sum is protected against inflation, the insured person will probably pay higher premiums during the life of the policy; however, even then it may not keep pace with the rate of increase of funeral costs we have seen in recent years (see above). The effect would be that relatives may still face a hefty bill for the balance. These limitations are different to the reassurances typically given or implied in the marketing of such policies, which imply that they will “take care of matters when you’ve gone.”

Funeral poverty and state support for funeral costs

There are more economical options following death, but neither of them are palatable to most people. Local authorities have the ultimate responsibility to bury the dead as a public health measure,¹⁰ and it would be an interesting comparison to know how much local authorities spend on so-called “paupers’ funerals”. Similarly, a body donated to medical research will be disposed of by the university or research institution themselves, but even in this circumstance there will typically be a desire to mark the deceased’s departure ceremonially.

We welcome any possibility of state financial support for funeral costs, especially for those in most need. However, the specified limit for some fees which funeral payments cover is £700. We understand that this has not changed for 12 years, in which time its effective value has fallen by almost a third against inflation, and by considerably more against average funeral costs (£700 amounts to just 19% of the average non-discretionary cost).

Given the mindset of those arranging funerals, it seems unlikely that clients would ask or realistically be able to obtain a basic funeral for that cost or indeed anything like it. We understand that funeral directors tend to offer mid-range funeral options first during discussions with clients rather than less expensive ones, but clients will

⁶ Chapter XIV of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544). See www.legislation.gov.uk/ukxi/2001/544/part/II/chapter/XIV/made.

⁷ See www.funeralplanningauthority.co.uk.

⁸ See www.moneyadvice.org.uk/en/articles/funeral-plans

⁹ See, for example, www.moneyadvice.org.uk/en/articles/whole-of-life-policies

¹⁰ Public Health (Control of Disease) Act 1984, Part III. See www.legislation.gov.uk/ukpga/1984/22/part/III.

not necessarily appreciate this. It also seems highly unlikely that clients, having taken on the responsibility of arranging a funeral, would or could seek to cancel one if they subsequently became aware of the cost and its unaffordability. This would leave a considerable financial balance due to be paid by the client. The upshot, even for those who receive funeral payments, may be that they fall into debt to the tune of several thousands of pounds. We understand that 38% of successful claimants for funeral payments are in receipt of Pension Credit. For people who are living on the State Pension and Pension Credit as their only forms of income, this will likely generate a substantial debt in relation to their income, which would take several years to pay off, if at all. It is also worth noting that there is a considerable rate of underclaiming of Pension Credit by those older people who would be entitled to it.

As the claim form notes, the DWP does not make a decision on an award of funeral payment until it has received the “final funeral bill”, so in many instances the funeral director will expect or require their client to pay the full cost before the client knows whether or to what extent the claim will be successful. This essentially means that clients/claimants are expected to take on a level of financial risk and uncertainty, even where the funeral director knows that a claim for funeral payment has been made. The client is essentially required to do this because of the uncertainty of the process and the pressure of time – funerals are almost always held within seven or at most ten days of the death unless there is a legal process which delays matters (e.g. if a post-mortem examination is being carried out following a death which requires investigation).

As noted above, the Funeral Poverty Working Group is considering the nature and extent of financial need in relation to funerals and related expenditures. We understand that they are considering those for whom the cost impact of funerals has an adverse impact on their quality of life, the accrual of debt (often placed on credit cards) as a result of funeral costs, especially where this compounds existing personal debts, the accrual of debts to funeral directors and the methods of recovery which they employ. We look forward to their report and encourage the Committee to consider it to inform any recommendations they make.

Funeral payments also operate as a loan rather than a grant if the deceased’s estate is able to repay the cost, and these serve as a priority claim on the estate, but of course these are recoverable potentially much later, and the cost of recovery might be disproportionate to any recompense gained. If recovery were dispensed with, this would make the process simpler and easier.

Funeral payments are also not available for memorial services and/or permanent memorials where a person has gone missing, is presumed and then declared legally dead.¹¹

Related issues

We have numerous concerns with the SF200 claim form for funeral payments.¹² In the form, the DWP makes a number of inquiries about the financial means not only of the deceased and the claimant, but of a wide range of other people who may be

¹¹ In terms of the Presumption of Death (Scotland) Act 1977: see www.legislation.gov.uk/ukpga/1977/27/contents.

¹² See www.gov.uk/government/publications/funeral-payment-claim-form.

related to or connected to the deceased. The philosophy which underpins the application process seems to be that the State is as reluctant as possible to make a funeral payment, and therefore seeks to cast the net as wide as possible to encompass others who might be expected to pay for funeral costs instead. Some of the language adopted seems to us to be deeply unsympathetic, patronising and even quite antagonistic, which is hardly satisfactory for someone who is likely to be emotionally affected by bereavement.

The claimant is expected to provide evidence about their own financial means, those of the deceased, and those of numerous other people who were relatives of the deceased, some of whom may be completely unknown to the claimant. For example, the claimant is asked if they could obtain money from a charity or from their own relatives in the first instance. The claimant may be unaware of the existence of other relatives of the deceased, let alone able to give information about their finances. Similarly, information about the deceased person's savings or bank accounts may not be readily available. The claimant is then asked to certify that the information given is accurate and complete, subject to the risk of penalties in the event that it is not. Even although the undertaking is "as far as I know and believe" and the penalty is said to be if the claimant "knowingly" provides inaccurate, misleading or incomplete information, the threat of sanctions alone may be enough to dissuade legitimate claimants from applying. This position may have intensified because of the recent intensification in the application of conditionalities and sanctions to other DWP benefits such as Jobseekers' Allowance and Employment Support Allowance.

Cold Weather Payments

Age Scotland believes that the system of Cold Weather Payments (CWPs) is broadly successful and popular. Heating costs increase when ambient temperatures fall. The criteria applied are directly related to prolonged low temperatures and are clear and fair. We strongly support the availability of cash payments rather than discounts from energy bills, because cash payments are particularly suited to rural areas or residences where different methods are used to heat homes (e.g. coal, bottled gas, oil or peat), and Scotland has more "off-grid" residences per head than elsewhere in the UK.

Scotland benefits disproportionately from CWPs within the UK because Scotland is typically colder, and more people in Scotland per head of population tend to be affected when a cold snap occurs. This makes it important to consider the basis on which the Scottish allocation of UK funds is determined. In the past couple of years, expenditure on CWPs in Scotland has been extremely small because we have enjoyed milder winters. To get a true and fair picture of the typical expenditure on CWPs, it would be necessary to take an average of spend in Scotland across several years which encompasses both colder and milder winters. It is probably not straightforward to take account of likely future incidence of cold periods, though there are scientific models which predict that these may be more likely in future as a result of climate change.

Winter Fuel Payments

We make no apology for claiming that state financial support for older people's general heating costs is justified. There is considerable evidence that older people are more affected by colder weather in winter and thus have a greater need for

heating and home energy, with attendant higher costs. Older people's bodies retain heat less well, and are more likely to be in their own home during the day. Warmth may be even more important for people who live with particular chronic health conditions, which are more prevalent among older people.

Indeed, the need for such support has increased since Winter Fuel Payments (WFPs) were introduced in 1997. Between 2002 and 2012, average earnings remained almost static in real terms, but heating costs doubled.¹³ Pensioners are almost all on fixed incomes and heating costs are swallowing up an increasing proportion of their household budgets. There is greater demand for energy advice as people increasingly look for ways to cope with the squeeze.

Fuel poverty remains a considerable challenge, with two in five households in Scotland experiencing fuel poverty, and one in five experiencing extreme fuel poverty. There is no likelihood that the Scottish Government's target of eradicating fuel poverty by 2016 – enshrined in legislation – will be met. The Scottish Fuel Poverty Forum has shown that rates of fuel poverty have actually been increasing in recent years. Rates of fuel poverty are higher among older people, with the highest levels seen among households with one older person living alone (two-thirds of them). Older people are also the least likely to complain if their heating system is not keeping them warm.¹⁴

Scottish housing stock is also comparatively older and less energy efficient. Many households in areas of high socio-economic inequalities rely on electricity as their only source of power and pay for this through the costly form of pre-payment meters.

As a universal benefit, take-up rates of WFPs are high, and the sums are paid automatically to around 96% of those who are eligible, with the remainder able to claim. Universal benefits like WFPs are often better than means-tested ones for a variety of reasons: people tend not to claim benefits if they do not know about them, if they perceive that a benefit does not apply to them or a claim would be unsuccessful; or if they do not wish to disclose their financial details to a public authority. Over a third of those entitled to Pension Credit do not claim, for example.

However, we are also aware that there has been some criticism of the universal nature of WFPs, which provide between £100 and £300 to every recipient. These are the third-highest social security spend in Scotland which is proposed to be devolved, amounting to £186 million this year. Not all older people are financially needy and we would not be surprised if the Scottish Government was contemplating how to deliver greater effect for this level of investment. Undoubtedly some of the costs would be alleviated if homes were more energy efficient. Using some resources to upgrade heating systems or improve home insulation would also have a positive effect on household finances and wellbeing: this would also incidentally reduce heat leakage and thereby contribute towards achieving Scotland's climate change targets. Age Scotland and Age UK advise older people to take steps to improve their home energy efficiency, as well as to claim social security benefits to which they are entitled.

¹³ Energy Advice 2014/15, Citizens Advice Scotland: www.cas.org.uk/system/files/publications/cas_energy_advice_stats.pdf

¹⁴ Scottish House Conditions Survey (2013): see www.gov.scot/Resource/0046/00465627.pdf.

However, any proposal to shift some resources from WFPs to energy efficiency measures, or to address other needs, would in our view have to be sanctioned by older people themselves, among whom WFPs have proved popular and successful. Though a new boiler or insulation would be beneficial to older people, it would only serve as a direct replacement for WFPs if (a) every potential recipient of WFP would have ready access to those efficiency measures, and also if (b) the savings made were equivalent or superior to the current effect of the cash payments. Our expectation is that older people would be looking for assurances of these types, especially those who are most vulnerable. National schemes such as the Warm Deal and the Green Deal have shown that take-up rates are not always as high as would be hoped.

One other point about administration is worth making. The vast majority of WFP recipients qualify because of their receipt of other benefits, which are for the most part not being devolved. The DWP and the Pension Service therefore remain in control of the recipient data. The Scottish Government would not necessarily have ready access to it unless an arrangement is made to that effect between the Scottish and UK Governments and implemented effectively and efficiently, which is not always the case with government data management projects. This framework also marks a cautionary note about the DWP acting as a delivery agent for benefits for which the Scottish Government is due to acquire responsibility. In terms of the Smith Commission agreement, the Scottish Government would have to reimburse the UK Government for any additional administration costs which a policy change in Scotland would necessitate. Many of the UK benefit recipient datasets do not currently indicate whether or not the recipient lives in Scotland or not (for the State Pension and Pension Credit, for example, no eligibility factor turns on that fact). Requiring the UK institutions to amend their datasets and data processes to include this and to allow payments of different amounts, or upon different criteria, to WFP recipients in Scotland would be a considerable administrative task and one which could make any proposed change financially unviable. This could point to several solutions, including having a Scottish social security agency in the medium term, but any such agency would still require ongoing access to the recipient data.

Carers' Allowance

Since we submitted our written evidence to the Committee, the First Minister announced at her party's annual conference a new policy proposal in relation to Carers' Allowance, which would bring the rate to the equivalent of Jobseekers' Allowance. This was also subsequent to the Committee's hearing evidence on the welfare provisions of the Scotland Bill relating to carers. Although the evidence session on 10 November relates directly to the regulated Social Fund, we hope it will be possible for the Committee to consider the possible impact of this proposal within its report. We draw attention to the section of our written submission on Carers' Allowance, and note that no announcement has been made in relation to the carers' premium (or additional sum) which supplements Pension Credit, and which is claimed by many older carers.