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Convener
Social Security Committee
The Scottish Parliament
Edinburgh
EH99 1SP

12 February 2019

Dear Convener,

Many thanks for your letter of 29 January. I am happy to agree to providing quarterly updates on the progress of the Scottish social security benefits and will aim to provide the next update around the end of March as requested.

You also asked for an update on the Scottish Government's policy to split payments of the Universal Credit (UC) award in Scotland and I am able to provide this now.

As you know, the Scottish Government is committed to splitting payments of UC between members of a couple in a household to ensure that everyone has access to an independent income based on their individual circumstances, and to promote equality in the welfare system. It is our view that entitlement to financial independence is a human right, and this aligns with the Scottish Government's rights based approach to social security more broadly.

Although the Scottish Government is responsible for developing the policy for split payments of UC in Scotland, we are entirely dependent on the Department for Work and Pensions (DWP) to deliver split payments on our behalf. I am pleased to say that we have now established two policy options which we think represent the most feasible ways to split payments of UC, and which meet our policy objective, and have taken these to the DWP to carry out a formal impact assessment. This will allow the Scottish Government to progress with refining its split payments policy based on what is technically feasible within the DWP's IT systems, and to get a sense of cost and operational requirements for delivery. I have attached an overview of the Scottish Government's proposals in an **Annex** to this letter, which provides further detail on the two options.

Over the last two years, we have been engaging with a wide range of stakeholders, including women's organisations, local authorities, the third sector and landlords, as well as seeking the views of people in receipt of benefits. We have found that views vary on how split payments of the UC award might work in practice, but there is a clear consensus that any

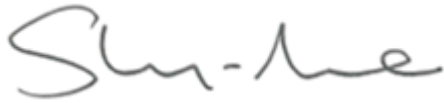
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option chosen should be fair, transparent, be based on robust rationale and should reflect the circumstances of the individual. That is why we are asking that the DWP work with the Scottish Government to deliver split payments that are based on *individual circumstances*, so that people receive the specific part of the UC award to which they are entitled. I have discussed these proposals with the Secretary of State for Work and Pensions and we will be seeking further discussions with the DWP shortly.

I hope you found this update of interest and I am, as ever, happy to provide evidence to the Committee in person at such times that this would be helpful.

Best Wishes,



SHIRLEY-ANNE SOMERVILLE

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SPLIT PAYMENTS FOR JOINT CLAIMS OF UNIVERSAL CREDIT IN SCOTLAND – POLICY OPTIONS

Details of the proposals

Sections 29 and 30 of the Scotland Act 2016 allow Scottish Ministers to introduce flexibilities in relation to UC with regard to the person to whom, and the time when, UC is to be paid. This includes the power to split payments of UC for joint claims.

By default, UC is paid as a single payment to one nominated payee in a household on a monthly basis. The Scottish Government's **objective is to split payments of UC to increase equality within the welfare system and provide access to an independent income which reflects each individual's needs**. There are potentially additional positive effects – e.g. reduced risk of domestic abuse or financial coercion within households.

Following engagement with stakeholders and research carried out with people in receipt of benefits, the Scottish Government has established two options which we think represent the most feasible ways to split payments of UC and meet the policy objectives. However, we do not wish to present a binary choice and we are open to alternatives as long as the policy objective remains met.

In the below descriptions:

- the calculation of the household's maximum award is referred to as the first step;
- the application of a reduction based on household income is referred to as the second step; and
- the application of a reduction for other reasons is referred to as the third step.

For ease, we have described the options with defined steps in the calculation of UC but we recognise that this will likely be applied retroactively – i.e. the single household payment will be calculated as normal then a set of criteria would be applied to determine a split payment which reflects each individual's needs.

Option 1: Individualised maximum award

In this option, only the first step in the UC calculation would be modified and the maximum award for the household is split between the two partners of the household according to their individual circumstances (as below).

Option 2: Fully individualised

As with Option 1, the UC maximum award for the household is split between the two partners of the household according to their individual circumstances. Additionally, the total household income reduction is *initially* applied on an individual basis, as are the other reductions present (as below).

The table shows the differences in the calculation between Option 1 and Option 2.

| | Option 1 | Option 2 |
|--|---|---|
| Maximum award | | |
| <i>Standard Allowance</i> | 50% each | 50% each |
| <i>Child amount</i> | Paid to the main carer of child or children in the household | Paid to the main carer of child or children in the household |
| <i>Disabled child addition</i> | Paid to the main carer of child or children in the household | Paid to the main carer of child or children in the household |
| <i>Childcare costs</i> | Paid to whomever reports the childcare costs | Paid to whomever reports the childcare costs |
| <i>Limited Capability for Work (LCW) / Limited Capability for Work Related Activity (LCWRA) amount</i> | Paid to whomever has been found to have LCW or LCWRA following a Work Capability Assessment | Paid to whomever has been found to have LCW or LCWRA following a Work Capability Assessment |
| <i>Carer amount</i> | Paid to whomever is the carer in the household | Paid to whomever is the carer in the household |
| <i>Housing costs (rented accommodation)</i> | To be determined (see below) | To be determined (see below) |
| <i>Housing costs (Support for Mortgage Interest)</i> | Paid as standard in the UC model (i.e. to the mortgage lender) | Paid as standard in the UC model (i.e. to the mortgage lender) |
| <i>Transitional amount (following managed migration)</i> | 50% each | 50% each |
| Income reduction | | |
| <i>Earned income</i> | 50% each | Initially applied to whomever receives the earned income |
| <i>Unearned income</i> | 50% each | Initially applied to whomever receives the income |

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| Other reductions | | |
|--|--|--|
| <i>Reductions in respect of the overall household (e.g. benefit cap)</i> | 50% each or as standard in current UC model | 50% each or as standard in the current UC model |
| <i>Reductions in respect of an individual (e.g. fines)</i> | 50% each or as standard in current UC model | Initially applied to whomever the deduction refers |
| <i>Conditionality sanctions</i> | Applied as standard (e.g. daily reduction rate at 50% of standard allowance) – i.e. no new arrangements required | Applied as standard (e.g. daily reduction rate at 50% of standard allowance) but to the payment of the individual who is sanctioned (including when both people in receipt of UC are sanctioned) |

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