

EXPLORING THE SOCIAL SECURITY IMPLICATIONS OF A CITIZEN'S BASIC INCOME PILOT

This report looks at the powers that could be used to pilot a citizen's basic income in Scotland and the implications of this choice on social security entitlements. It considers some of the options and consequences for participants of a pilot scheme of seeking to change current social security entitlements.

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EXECUTIVE SUMMARY

This report is intended to inform a wider study into the feasibility of piloting a citizen's basic income (CBI) in Scotland. The report focuses on understanding whether interactions with the social security system could potentially result in loss or disadvantage to people through participation in a CBI pilot.

CBI is defined as regular income in cash, paid on an individual basis, universally without means testing and with no conditions to look for work. There are many potential models of a pilot CBI including models which involve some or all social security benefits being unavailable to participants and those which involve participants continuing to claim benefits. These options have very different implications for participants. The choice of which powers are used to deliver a CBI also has a bearing on how it interacts with the benefits system.

Powers to pay a citizen's basic income

Both national and local government have existing powers that could be used to deliver a pilot CBI in Scotland.

If a CBI is regarded as another form of social security, those powers are generally reserved to the UK parliament. The UK government could either pilot a CBI itself or agree to do so on behalf of the Scottish parliament. It would have full power to legislate for any changes to benefits during the pilot. However, there is no indication that this is a practicable option for a CBI pilot in Scotland.

The Scottish government has powers to top up any UK benefit and to create new benefits. Using top-up powers to deliver a pilot CBI would necessarily restrict the pilot to those receiving a UK benefit. Using powers to create a new benefit would allow a CBI to be paid to anyone, although if paid to people over pension age it could not effectively create a new pension without breaching the explicit bar in the Scotland Act 1998 against creating new pensions.

There are broad powers allowing local government to take action to enhance the wellbeing of people in their area including by providing financial support. While there are issues to explore about the extent to which this would require consent of national governments, these powers are a potential vehicle to deliver a CBI.

Other national and local powers exist to provide financial support to people in particular circumstances eg, to care leavers or to young people in education. These powers could be used to deliver a CBI pilot aimed exclusively at a particular group.

Each option has different implications for social security entitlement. Under current benefit rules, broadly a CBI in the form of a new Scottish benefit or using local government wellbeing powers would be disregarded as income for universal credit and tax credits but would be taken into account for other working-age benefits. Thus to run a pilot CBI where participants on benefit were treated equally would require either a change in the benefit rules or a particular pilot design eg, excluding participants on working-age benefits other than universal credit. The situation is different again for people over pension age.

The picture is more straightforward if a pilot CBI is delivered through a charitable trust and accepted as being a charitable payment. In this case it would be ignored as income for means-tested benefits, although the treatment for universal credit would need clarifying with the Department for Work and Pensions.

A pilot CBI that seeks to model a permanent CBI to some extent may seek to change the way it interacts with social security benefits, for example by replacing some or all benefits. The report goes on to explore these options.

Replacing some or all benefits with a citizen's basic income during the pilot

People are currently able to claim a range of means-tested benefits and non-means-tested benefits. Models for a permanent CBI scheme may involve the complete or partial replacement of benefits with a CBI payment. However, for a pilot scheme, there are considerable practical difficulties in setting up such a scheme and may be adverse consequences for pilot participants. A pilot involving carefully selected groups may be able to avoid these difficulties to some extent.

Setting up a benefit-replacement CBI could only be achieved through time consuming and complex changes to a range of Acts and regulations which are mainly the responsibility of the Department for Work and Pensions and other UK government departments.

To ensure a pilot CBI left participants overall with no less support than they would get from existing social security benefits would mean considering how to provide for variable costs, in particular housing, childcare and disability-related costs. These are currently provided for through a mix of means-tested and non-means-tested benefits and passported entitlements. Because of the wide variation in costs, it is difficult to identify a level of CBI that would provide enough income to cover the highest costs, should benefits be replaced by a CBI. In particular, a pilot which sought to replace all means-tested benefits with a CBI would either involve paying a high level of CBI to all or leaving some significantly worse off, principally those on the lowest incomes and with the greatest needs.

Even if a level were to be found that left no-one worse off in cash terms that could nonetheless leave some groups worse off relative to others. For example someone with no extra costs would be relatively better off under such a CBI scheme compared to someone who had to pay disability-related costs out of the same amount of income. The same would apply to pilot participants with different housing and childcare costs.

Furthermore, removing particular benefits brings a range of impacts for participants some of which extend beyond the lifetime of a pilot CBI scheme. For example, many benefits provide national insurance credits required for future entitlement to state pension and other contributory benefits. Some benefits could be reclaimed but starting at a lower rate or with extra conditionality pending a new assessment of the effects of a health condition or disability. Some people still receive benefits or payments that have been abolished for new claims, which if removed during a pilot could not be reclaimed.

Leaving all benefits in place during the pilot

To account for variable costs, a scheme could be designed that would pay a CBI while at the same time leaving people free to claim all current benefit entitlements.

How much income participants would have overall would depend on whether a CBI was taken into account as income or disregarded for means-tested benefits. There are six different working-age means-tested benefits and tax credits being replaced by universal credit, and there are two different pension-age means-tested benefits. Details of the means test differs for each. Without changing social security legislation, the default would be a mix of the two outcomes, depending on which benefit was claimed. This would leave some participants in similar circumstances having very different levels of income.

Whether a pilot CBI was to be taken into account as income or disregarded, some means-tested benefit regulations would need amending to ensure consistency of treatment

If a pilot CBI was counted as income it would see means-tested benefit entitlement reduce pound for pound for those in receipt. Whatever the level of CBI chosen – eg, a basic jobseeker's allowance level or a higher minimum income standard level – some participants would lose benefit entitlement. Even if a pilot CBI was set at a level to compensate for reduction in benefits, this would still mean a cash loss for some participants eg, through losing access to passported entitlements. In common with a CBI model that replaced benefits, this option brings similar impacts lasting beyond the lifetime of the pilot. For example, participants might lose future entitlement to benefits for which national insurance contributions are required.

Disregarding a CBI as income means no loss of means-tested benefit entitlement for CBI participants and therefore none of the knock-on effects with regard to loss of passporting benefits or future entitlements. Although this option would reduce the risk of detrimental effects from participation in a pilot, there are other forms of financial support beyond social security some of which also involve a means test eg, bursaries for students. Finally, there may be consequences to consider depending on how participants' behaviour changed. For example, someone with the protection of a CBI who chose to ignore conditionality requirements for universal credit could be sanctioned for up to three years, which could extend beyond the lifetime of a pilot.

Citizen's basic income and benefit conditionality

'Conditionality' refers to a requirement to take action towards moving into paid work, usually accompanied by the possibility of a sanction (a reduction in the amount of benefit) if the action is not completed. Conditionality is a feature of working-age means-tested benefits. By definition, a CBI is not conditional.

This adds to the challenge of designing a pilot CBI that both avoids direct detrimental impacts due to participation but also produces a scheme in which conditionality is minimised. The most straightforward option would be for the UK government to agree to lift conditionality requirements for working-age participants. Alternatively, paying a CBI which is disregarded for means-tested benefits would give some measure of protection from sanctions. Participants would also still have the CBI to

rely on during the period of the sanction. The same protection does not come with a CBI which is taken into account for means-tested benefits. For example, a universal credit sanction reduces the award as a whole not just the standard allowance for individual needs, meaning a CBI cannot be tailored to protect a particular part of the award.

Without the full agreement of the UK government, any CBI pilot that sought to effectively remove conditionality while allowing participants to remain within the current social security system may well raise questions about whether its operation was within the devolved competence of the Scottish parliament. In devolving certain social security powers, the Scotland Act 1998 expresses the clear intention that conditionality should remain reserved to the UK.

Other impacts of participation in a citizen's basic income pilot

Participants may also be entitled to wider forms of support outside the social security system. Some of these involve a means test which may be underpinned by law or guidance. Decisions about how to treat a CBI payment and in some cases changes to the law would be needed to ensure a consistent approach and avoid detriment to participants. For example, a change in the regulations governing civil legal aid to disregard a CBI as income would protect those on the lowest incomes. Local government is responsible for much of this wider support, such as care services for disabled people, kinship care payments, fostering and adoption allowances, support for care leavers and 'continuing care'. This is often delivered under national guidance, but in some cases with considerable local discretion. Some wider support is the responsibility of the UK government eg, the Child Maintenance Service.

Potential behavioural impacts of receipt of a CBI are largely beyond the scope of this report.

1. INTRODUCTION

Four local authorities, City of Edinburgh Council, Fife Council, Glasgow City Council and North Ayrshire Council, together with NHS Health Scotland and the Improvement Service established a steering group in 2017 to assess the feasibility of a pilot citizen's basic income (CBI). In January 2019, the steering group commissioned this analysis of the potential implications of running a pilot CBI for participants' social security entitlements. The steering group's priorities for this analysis were to consider a pilot rather than a full-scheme CBI, to consider powers that could be used to deliver a pilot CBI, and to focus on understanding aspects of participation in a CBI that could potentially disadvantage participants.

This report considers four modes of delivery of a pilot CBI: by the UK government; by the Scottish government; by local government and outside government - for example by a charitable trust. This report analyses differences in how a CBI delivered in these ways would be treated in the assessments for social security benefits and wider support. It also considers some of the social security impacts of changing benefit assessment rules in a pilot CBI scheme.

2. POWERS TO PAY A CITIZEN'S BASIC INCOME

The social security system in Scotland is currently administered at three different levels of government. Most benefits are reserved to Westminster, and administered by either the DWP or HMRC. The Scottish government has set up Social Security Scotland, which pays Best Start grants and a carer's allowance supplement, and will deliver some of the other benefits devolved to the Scottish parliament following the Smith Commission agreement and the passage of the Scotland Act 2016. Local authorities deliver social security payments under rules set by both the UK parliament (housing benefit) and the Scottish parliament (the Scottish welfare fund and discretionary housing payments, amongst others). Other kinds of financial support are given at the discretion of the local authority.

2.1 Definition of citizen's basic income

As agreed with the project steering group, this analysis focuses on a citizen's basic income (CBI) pilot that is based on the definition used by the Basic Income Earth Network - BIEN.¹ This is a CBI paid:

- at regular intervals
- in cash
- on an individual basis
- universally (not means-tested)
- unconditionally (without any requirement to look for paid work).

The logistical issues of a CBI's interactions with the current household-based and largely conditional means-tested benefits system are discussed in chapters 3 and 4 below. The remainder of this chapter considers the ability of the different levels of

¹ See <https://basicincome.org/basic-income/>

government to introduce a CBI as defined. The implications of different possible decisions about who would be considered a ‘citizen’ are discussed in section 6.9.

Other possible design features of a citizen’s basic income pilot

As benefit entitlement in the current social security system depends solely on the circumstances of an individual or household, some aspects of pilot design are not discussed further in this report. These include whether the pilot is a saturation pilot for a small area or a randomised control trial. No consideration is given to a possible need to boost sample sizes to ensure sufficient participants with particular characteristics (such as age, disability or gender). However, where there are circumstances which might make it more likely that participation adversely affected certain groups of people, this is indicated.

2.2 UK government delivery

Save the UK’s international treaty obligations, there are broadly no constraints on the ability of the UK parliament to legislate. Conventionally it will not normally legislate in devolved areas without the consent of the Scottish parliament, but social security is in general an area of law that is reserved to the UK parliament. The UK government would be able to pilot a CBI itself, or agree to do so on behalf of the Scottish government. However, it is not clear whether recent UK governments would be willing to do this. In 2016, the then Minister for Employment argued that:

‘although a universal basic income may appear to be desirable at first glance, any practical implementation would, I am afraid, be unaffordable. Because UBI does not properly take into account individual needs, it would markedly increase inequality. Universal credit is the right system for the United Kingdom.’²

In response to parliamentary questions in early 2018, the DWP reiterated this view, and confirmed that it is currently undertaking no research into the idea of a CBI.³

2.3 Scottish government delivery

Non-social security powers

The current devolution settlement gives the Scottish parliament the power to legislate in a wide range of areas. This includes powers to provide financial support to particular groups. For example, the education maintenance allowance is an allowance payable to some young people in education.⁴ Local authorities have duties to provide financial support to care leavers who cannot access mainstream social security benefits.⁵ While these powers might be considered as a vehicle to deliver a CBI pilot targeted at particular groups of the population (in these cases care leavers and people in education), it is not clear that they could be used for a pilot of a ‘universal’ CBI. As such they are not considered further in this analysis.

² House of Commons, [Hansard](#), 14 September 2016, col 434WH

³ [Social Security: Personal Income: Written question - 127719](#) and [Automation: Written question - 127830](#)

⁴ s73(f) Education (Scotland) Act 1980; The Education Maintenance Allowances (Scotland) Regulations 2007

⁵ s29 Children (Scotland) Act 1995; The Support and Assistance of Young People Leaving Care (Scotland) Regulations 2003

The Scotland Act 2016 and devolution of social security powers

A package of new social security powers has been devolved to the Scottish parliament. Legally, the change takes the form of extending the list of exceptions to the general reservation of responsibility for social security to the UK parliament in the Scotland Act 1998.⁶ Most of the 10 exceptions now set out there relate to specific types of benefits for disabled people and carers, powers to provide help with maternity, funeral and heating expenses, and payments to people in need.

Exception 5 allows for any payment of a reserved benefit to be ‘topped up’ in Scotland. The Social Security (Scotland) Act 2018 in turn allows Scottish Ministers to top up any reserved benefit by regulations.⁷ However, there is an obvious practical difficulty with the use of this power to pilot a CBI by making regulations to top up current benefits. Large numbers of working-age adults in particular do not receive any social security benefits to top up. Even if a pilot was restricted to those receiving such benefits when it began, a later change in circumstances might end entitlement to benefits, and so force an early exit from any such pilot.

This leaves exception 10 as appearing to be the most likely option for a CBI payment made by the Scottish government as a social security benefit (whether as a pilot or permanent scheme). While often described as a power to create benefits in areas of devolved responsibility, it can also be understood as the power to create benefits funded from the Scottish budget that do not stray into areas of reserved law, other than social security itself. However, there is an explicit bar on creating new pensions, which might arguably create difficulties if a pilot provided an increased CBI for older people and based eligibility for the higher amount on having reached pension age.

The Scottish government argued in early 2018 that new benefits should only be created by primary legislation, to allow an enhanced level of parliamentary scrutiny.⁸ Unless a different view was taken of a temporary pilot scheme, this suggests that creating a new benefit under this power might require time to pass the required legislation.

It is not an explicit requirement of exception 10 that benefits are created using new primary legislation. Should the Scottish government agree, a pilot CBI could perhaps be administered and funded without any new legislation underpinning it. However, the complexity of social security legislation means that this risks a lack of clarity about how a CBI payment should be treated.

Another potential difficulty with both exceptions 5 and 10 is the explicit restriction on the ability to use them to offset the effects of conditionality in reserved benefits (discussed further in chapter 5). However, this question would arise for any pilot arrangements which were delivered by the Scottish government.

2.4 Local government delivery

As noted above, local authorities administer national schemes of financial support under rules set by the Scottish and UK governments. Establishing such rules via

⁶ See Section F1 in Part 2, Schedule 5 Scotland Act 1998

⁷ See ss79-80 Social Security (Scotland) Act 2018

⁸ See comments by the then Minister for Social Security in Scottish parliament Social Security Committee, [Official Report](#), 8 February 2018

legislation would require parliamentary scrutiny, with the attendant potential for delay.

However, local authorities already have a broad statutory power to take action to enhance the wellbeing of some or all people in their area, including by providing financial support.⁹ This power was used in 2013 to establish the interim Scottish welfare fund, without any further legislation being required in Scotland. It should be noted that an amendment to the Scotland Act 1998 had devolved the power to create such a scheme, following the abolition of parts of the DWP social fund. As such, it appears unlikely that local authorities would be able to unilaterally pilot a CBI using these powers without negotiation with both the Scottish and UK governments.

In particular, local authorities cannot use this power in a way that

‘unreasonably duplicates anything which may or must be done in pursuance of a function, under any enactment.’

The restriction does not apply if they have the consent of the legal person whose function it is.¹⁰ This provision could be interpreted as requiring the consent of both the Scottish and UK governments to initiate a pilot CBI scheme. However, the effect of the restriction has never been tested in practice.

The Scottish government can issue guidance about how this power is to be exercised.¹¹ Depending on the structure of a pilot, this might be helpful to ensure that participants who moved to a different local authority area during the pilot could continue to participate, for example.

A number of powers to make discretionary payments to people in various kinds of need are also administered by local authorities. These include the Scottish welfare fund and provision of financial support to children and adults in financial need by social work departments. Legislation is already in place to allow the exercise of these powers.¹² However, the terms of the exceptions devolving these powers restrict their use to cases of defined need.¹³

To amend the terms of the devolved legislation governing the use of these powers by local authorities would also require primary legislation to be passed by the Scottish parliament. For example, at present the Scottish welfare fund can only be used to make ‘occasional’ payments in cases of immediate short-term need, or to allow qualifying individuals to establish or maintain a settled home.¹⁴

2.5 Delivery outside government

The final possibility would be for a pilot to be administered outside government, for example by a charitable trust or private company. This would not necessarily require

⁹ s20 Local Government in Scotland Act 2003 (‘LGISA 2003’ below)

¹⁰ s22 (4) and (5) LGISA 2003

¹¹ s21 LGISA 2003

¹² See for example Welfare Funds (Scotland) Act 2015, s12 Social Work (Scotland) Act 1968, s22 Children (Scotland) Act 1995

¹³ Exceptions 3 and 5, Section F1 in part 2 of Schedule 5 Scotland Act 1998

¹⁴ s2 Welfare Funds (Scotland) Act 2015 defines a qualifying individual as someone who has or, without the assistance, might otherwise be in prison, hospital or residential care, or homeless or otherwise living an unsettled way of life.

any legislation to achieve. However, if the funding for such a pilot were to come from Scottish or local government, this might raise questions about whether the delivery mechanism had been chosen to avoid possible questions about whether the pilot was in fact within devolved competence. So even this option would appear likely to require the same level of engagement with the Scottish and UK governments as any other.

The treatment of payments made by charitable trusts in the benefit rules is not always clear (see chapter 4 below). Payments from some charitable trusts (for example people affected by terrorist attacks or transfusions of infected blood) have been specifically disregarded in the benefit rules to give clarity that they should be ignored.¹⁵ Not making any regulations to clarify the status of CBI payments would risk inconsistency of treatment by decision makers administering the different areas of the social security system.

With any form of delivery, a right to appeal or complain about decisions will be a consideration. Delivery by government would already have some of these mechanisms in place.

2.6 Suitability for a pilot scheme

Given the overarching requirement to collaborate with all levels of government, it might be assumed that there is little to choose between the options above. However, if delivery by either the Scottish or UK government would require legislation to underpin the pilot, the options of local or non-governmental delivery might be seen as more suitable for a pilot scheme.

In the longer term, it would be a significant shift in approach to social security legislation to roll out any permanent Scottish CBI scheme without using primary legislation.

The question of whether control over the design of either a pilot or a permanent CBI scheme should sit at local, Scottish or UK level is beyond the scope of this report. However, whichever level of government controlled the rules about the design and amount of a CBI scheme, it seems likely that it would need to involve all other levels to avoid unintended consequences. These potential consequences, in relation to other kinds of financial support, are the focus of most of this report.

3. WHICH SOCIAL SECURITY BENEFITS COULD POTENTIALLY BE REPLACED BY A CITIZEN'S BASIC INCOME

This chapter considers the consequences of a pilot scheme replacing all or some benefits with a citizen's basic income (CBI). The consequences of replacing means-tested benefits are considered in 3.2 below and of replacing non-means-tested benefits in 3.3 below. It concludes that leaving all benefits in place is the surest way to avoid detrimental effects of participation in a pilot.

¹⁵ See for example Sch 9 para 39 of The Income Support (General) Regulations 1987

Scotland has a complex and developed social security system (responsibility for which is largely reserved to the UK parliament). One of the first decisions when designing a CBI scheme, whether permanent or pilot, would be which other benefits should remain alongside a CBI.

If participants in a pilot could not access some or all current benefits, it would be important to consider which other entitlements might be affected by withdrawing from all or part of the social security system for a period of years. Pragmatically, removing any current benefits for the purposes of a pilot would require the agreement of the UK and Scottish governments, and would be likely to require legislation.

3.1 Options for a citizen's basic income scheme

Even the restrictions of the BIEN definition (see section 2.1 above) leave a range of possibilities for the amount of a CBI payment. Some CBI proposals advocate a complete re-design of the tax and social security system, sweeping away most existing benefits.¹⁶ Others suggest a more modest change (at least initially), introducing a small CBI payment in addition to all of the current social security benefits.¹⁷

In theory, both a pilot scheme and a permanent CBI could replace all of the current benefits system, some of it, or none of it.

Replacing all benefits with a citizen's basic income

The total amount an individual or household receives in benefits depends on many factors such as how much rent they pay, whether they work and have childcare costs and whether they have a disability or health condition. A CBI that replaced all benefits and which sought to avoid making any households worse off would need to be set above the maximum amount available through the benefits system. Because of the wide range of possible benefit entitlements, a CBI at the top of the range would be very high. Rather than replace all benefits, several proposals for a permanent CBI scheme in the UK suggest that separate disability benefits and some support with housing costs would need to remain alongside it.¹⁸

The case studies in Annex 4 indicate the levels of CBI pilot that would be needed to avoid making participants worse off if they could not access any benefits.

This risk could perhaps be mitigated by restricting participation in the pilot to certain groups, as has happened with some other recent CBI experiments. That approach would then require a decision about what should happen if pilot participants had a

¹⁶ See for example the RSA's proposal for a CBI system in *Creative citizen, creative state : the principled and pragmatic case for a Universal Basic Income*, (December 2015) available from <https://www.thersa.org/discover/publications-and-articles/reports/basic-income>

¹⁷ See for example Malcolm Torry's work using EUROMOD, published as *EM12/17 A variety of indicators evaluated for two implementation methods for a Citizen's Basic Income* (May 2017) and *EM 12-17a An update, a correction, and an extension, of an evaluation of an illustrative Citizen's Basic Income scheme* (March 2018). Both papers are available from <https://www.iser.essex.ac.uk/research/publications/working-papers/euromod>

¹⁸ See for example Howard Reed and Stuart Lansley, *Universal Basic Income: An idea whose time has come?* (May 2016), available from: <https://www.compassonline.org.uk/publications/universal-basic-income-an-idea-whose-time-has-come/>

change of circumstances that would increase their benefit entitlement in the current system.

Replacing some benefits

A permanent CBI scheme might replace some of the current non-means-tested benefits. Section 3.3 below categorises these benefits into distinct groups. When designing any eventual permanent CBI scheme it would be possible to fully consider the implications of removal of some of these benefits, and legislate to mitigate any adverse consequences that were considered sufficiently important to require it.

The situation for a pilot scheme is very different. Perhaps the biggest practical difficulty with removing some (or all) of current benefits during a CBI pilot is that this could only be done through complex changes to the legislation that underpins them. In the majority of cases, these changes would need to be made by the UK government.¹⁹

If this were feasible, and agreed by the UK government, there would still be potential adverse effects for pilot participants who could no longer access current benefits. These are discussed in section 3.3 below in relation to non-means-tested benefits. Means-tested benefits are more complex, as they could either be removed, or left in place with a pilot CBI payment either counted as income or ignored. This issue is the focus of chapter 4.

Leaving all current benefits in place

The simplest and surest way to avoid detrimental effects of participation in a CBI pilot appears to be to both leave all current benefits in place, and to ensure that CBI payments do not affect entitlement to them. As set out in section 3.3 below, this is relatively straightforward in terms of non-means-tested benefits (as they would not be affected by receiving a CBI). The situation for means-tested benefits is more complicated, given that the various means-tested benefits have different approaches to how income is taken into account. This is explored further in chapter 4.

A difficulty with this approach is that it might be seen as being of limited value in learning about the potential effects of a permanent CBI scheme that was designed to replace part or all of the current benefits system. This could be addressed by attempting to mimic an eventual permanent CBI scheme (with any attendant reforms to the tax and benefits system) by a pilot's administrators calculating on a weekly or monthly basis what a household would get under the eventual permanent CBI scheme, and ensuring that the total of CBI and current benefit entitlement equalled what someone would get in that system. However, this would make the administration of the pilot significantly complicated. It would also not do anything to remove conditionality requirements in the current system. This issue is discussed further in chapter 5 below.

Ways of considering what is a detriment due to pilot participation

The project steering group are clear that there should be no detriment to participants from taking part in a CBI pilot. This might be thought straightforward - involving

¹⁹ Depending on the benefits, this might include the Department for Work and Pensions, HM Revenue and Customs and the Ministry of Defence (for war pensions).

simply a comparison between the total income under the current system and the amount of a CBI. However, even a CBI that ensured that no-one was worse off in cash terms would not prevent some groups from being *relatively* worse off.

For example, it would be theoretically possible to calculate an amount of CBI that was greater than maximum current benefit entitlement, including all of the earnings-replacement benefits, bereavement benefits, industrial injuries benefits, disability benefits, means-tested benefits and passported benefits discussed below. However, to simply replace all of these with a universal CBI would mean that there was no *additional* support available in these situations for participants. Given that disability benefits in particular are intended to recognise extra costs, there could be considered a relative detriment compared to the current social security system, even if absolute entitlement was the same as it is at present.

The same would apply if a CBI scheme ensured that the highest possible current amounts for support with rent and childcare costs were covered by a CBI that replaced all current benefits. Those people who do not have to meet these costs would be relatively better off under a CBI scheme, as they could use that money for other purposes.

3.2 Means-tested benefits and citizen's basic income

Any CBI as defined for the purpose of this report (see section 2.1) will broadly account for household composition (by paying each individual a CBI). Most models proposed for the UK have suggested a different level of CBI for different age groups. An individual's income and savings would be irrelevant to the amount of a pilot CBI.

As noted above, a pilot which sought to replace all means-tested benefits with a CBI would either involve paying a high level of CBI or leave some participants significantly worse off (principally those on the lowest incomes and with the greatest needs). Beyond means-tested benefits, there are a number of passported entitlements that can only be accessed through being eligible for means-tested benefits. These rules could be changed, but that would require engagement with local authorities, and the Scottish and UK governments, and would be likely to introduce administrative complexity.

The additional costs of disability could be partially (but not completely)²⁰ addressed by allowing participants to continue to claim non-means-tested disability benefits. However, support with housing and childcare costs currently creates significant differences in means-tested benefit entitlement between households with the same composition.

Chapter 4 of this report focuses on how means-tested benefits would treat a CBI payment, if they were left in place and absent any changes to their rules. It also considers a range of passported benefits that use entitlement to a means-tested benefit as a proxy for low household income without a further financial assessment.

²⁰ All means-tested benefits are higher for people with a health condition or disability, assessed through receipt of a disability benefit or an assessment of capacity for work.

3.3 Non-means-tested benefits and citizen's basic income

The different kinds of non-means-tested benefit are described in Annex 1. Non-means-tested benefits are only affected by specific types of income received by the individual claimant eg, earnings and pensions. As only a narrow range of income affects these benefits, a CBI pilot payment would not affect any current non-means-tested benefits (unless it was in the form of earnings). The effect of a CBI payment on benefit entitlement would thus depend on whether it counted as income for means-tested benefits (see section 4.4 below).

3.4 Potential issues if non-means-tested benefits were removed during a pilot

The following issues would still arise in designing a permanent CBI scheme. However, the designers of a permanent scheme might be better placed to find long-term solutions to them.

National insurance records

Were the removal of some non-means-tested benefits considered practicable, a further difficulty would be the effect on participants' NI contribution records. Claimants of most earnings-replacement benefits are credited with NI contributions.²¹ Similar rules allow those getting child benefit for young children to receive NI credits.

If people could not claim these benefits during the pilot, they would risk a reduced entitlement to state pension, and not being eligible for other benefits after the pilot finishes. Carer's allowance, while it has no test of NI contribution itself, can relax the test for jobseeker's allowance and employment and support allowance - meaning that the claimant's work history does not have to be recent to qualify.

Responsibility for children

Child benefit is the nearest thing that the current UK social security system has to a CBI. However, removing it during a pilot might present particular issues. It is frequently used as a proxy for deciding which parent is a child's main carer, such as in cases of doubt for housing benefit, or as a passport to other entitlements such as more generous bereavement benefits. Should child benefit be removed, the pilot organisers would need to use an alternative mechanism to decide who to pay a child CBI too, and changes would be required to reserved legislation which mentions child benefit for pilot participants.

It would be possible to use a different proxy for some participants, such as getting tax credits or universal credit for the child (should these be left in place). However, this would not work for pilot participants with higher incomes (who would not get these benefits). The pilot organisers could choose to establish an administrative mechanism for assessing which parent should get a child CBI. This would be administratively complicated, and potentially require a dispute resolution mechanism to be created.

It is important to note that child benefit is an entitlement of the parent, and not the child's. So, an alternative approach might be to make CBI the child's entitlement. An

²¹ The routes to NI credits contributions for people not entitled to jobseeker's allowance and employment and support allowance depend on meeting conditionality requirements even though no payment is received. These conditionality requirements are discussed in chapter 6

analogy would be disability living allowance (which is the only current UK-wide social security entitlement in a child's own name). A parent who lives with the child is normally given legal responsibility for managing the claim of a child under 16, and receives the payment.

A child having an entitlement to CBI would create obvious issues for all younger children, in terms of their capacity to manage payments. As soon as one parent took over management of the child's payment this would create the same problem, in terms of which of two parents sharing care should have control of the CBI. A further issue with a child having the entitlement to CBI is that it would change how CBI in respect of a child was treated in the means-tested benefits system (see section 4.4).

Loss of passported benefits

Disability benefits in particular are often used as a 'passport' to eligibility, particularly if no alternative route to entitlement exists. The effect of this in terms of means-tested benefits is perhaps even greater, and is discussed in section 4.7 below.

This might be a particular issue in relation to extra-costs disability benefits. For example, if someone could not claim personal independence payment due to their pilot participation, they would lose access to:

- someone being able to claim carer's benefits for looking after them.
- additional amounts of any means-tested benefits that existed during the pilot
- the Motability scheme
- reductions to vehicle excise duty
- exemption from deductions from housing costs in means-tested benefits for any non-dependants living with them (see section 4.6).

In addition, while some people might qualify for them through an alternative route, others would lose access to:

- exemption from the household benefit cap (assuming that means-tested benefits still existed for participants)
- eligibility for any student loan debt to be written off if permanently unfit for work
- a 'severe mental impairment' exemption from council tax liability
- the blue badge scheme
- concessionary bus travel
- the disabled person's railcard.

In the first three cases above, the alternative routes to eligibility all depend on entitlement to other benefits (so they could potentially be completely inaccessible, depending on the other changes made to the current system for pilot participants).

Even in the case of entitlements with an alternative route not connected to entitlement to benefit, the practicalities of accessing these entitlements may be very different. For example, people applying for a blue badge are automatically eligible if

entitled to personal independence payment due to certain needs, but might need to be assessed by a medical professional in the course of applying if they are not.²²

Loss of historic entitlements

Dependants' allowances in most earnings-replacement benefits have now been abolished for new claimants. Any loss of a dependant's allowance due to participating in a pilot would be permanent, unless the UK government choose to allow participants to re-claim them at the end of the pilot. This might be difficult to negotiate, given the current focus on simplification of the system, and the fact that the abolition of them is already almost complete.

Similarly, the loss of historic industrial injuries benefits for which claims can no longer be made would raise issues. Given that some have been abolished unless the entitlement conditions were met by the 1970s, it would appear likely that an administrative burden would be placed on the UK government to process any claims post-pilot.

A particular issue with pensions

Pilot participants over pension age (or reaching that age during the pilot) would actually accrue a higher rate of state pension if they chose not to claim their pension due to having a CBI, or agreed not to while participating in order to model a system that replaced the state pension. But entitlement can only be deferred once in an individual's lifetime, so participants would lose the opportunity to choose to defer their pension entitlement at a later date.

Statutory payments and possible burdens on employers

As some employers can reclaim part of the cost of statutory payments from HM Revenue and Customs, removing these payments might impose additional costs on employers who give their employees more generous contractual entitlements.

3.5 Impact of a pilot citizen's basic income on take-up of other benefits

It is widely agreed that not everyone who would be entitled to a social security benefit actually claims that entitlement.²³ Scottish government research with recipients of social security benefits suggested that the process of applying for benefits was seen as a significant barrier.²⁴ Qualitative evidence provided to CPAG by advisers contacting our advice line highlights instances in which clients are uncertain it is worth applying for particular benefits, given the perceived difficulties with the process.

The expectation would presumably be that pilot participants would claim any benefits that continued to exist as normal. However, some people may prefer to survive without some benefits, rather than submit to a process perceived as stressful and uncertain. The most stable, generous and stress-free the CBI payment is for

²² See <https://www.citizensadvice.org.uk/benefits/sick-or-disabled-people-and-carers/help-for-disabled-travellers/1/blue-badge-scheme/applying-for-a-blue-badge/>

²³ In relation to means-tested benefits, see <https://www.gov.uk/government/collections/income-related-benefits-estimates-of-take-up--2>

²⁴ <https://www.gov.scot/publications/social-security-experience-panels-benefits-qualitative-research-findings/pages/3/>

participants, the greater the possibility of an effect on take-up of other benefits causing unintended harm.

3.6 Changes during the pilot

A pilot CBI that compensated for every possible need currently provided for by some aspect of the social security system would need to be paid at a very high rate. One response to this might be to restrict participation to people in certain groups, who would be less likely to be left worse off due to their participation.

However, people do not remain in the same situation throughout their lives. It might be damaging to the pilot study to allow people to leave it at any point. But if someone who initially qualified for the pilot as a single person without children (for example) were to suffer a life-changing injury, this would have a significant impact on their potential benefit entitlements in the current system. This can be seen by comparing cases 1 and 5 in Annex 3.

Another difficulty might arise due to changes of household composition. This would be a particular issue if means-tested benefits were removed and a pilot participant formed a couple with someone who was not in the pilot, and was also getting benefits that had been removed for the pilot. A decision would be required as to which system the new household would then be a part of.

Some changes attract transitional protection if someone is moved to a new benefit. The known issues likely to arise are largely those discussed in chapter 4, in relation to means-tested benefits. However, any other changes to the system that take place during the pilot might need to be accounted for.

3.7 The end of the pilot

Given the intention to investigate the potential of a CBI to reduce poverty rates, it seems likely that some participants will be better off as a result of taking part in the pilot. It is a common feature of benefit changes at a system level that transitional support is offered to some or all claimants who are forced to move into a system that treats new claimants differently, if they would otherwise be worse off.²⁵ This is often dependent on an individual's relevant circumstances remaining the same.

It should perhaps be considered what kinds of support might be offered to participants to prepare for a return to the current benefits system. This is arguably an analogous situation, as it would involve someone whose circumstances have not changed in a relevant way losing a proportion of their income.

3.8 Some issues for the design of a permanent citizen's basic income scheme

A national CBI scheme, if implemented, might provide all adults with an unconditional income at a similar level to earnings-replacement benefits, regardless of personal circumstances, work history or contribution. If such a system were to be introduced, they might be considered possible candidates for abolition to help meet

²⁵ See for example the provisions of The Employment and Support Allowance (Transitional Provisions, Housing Benefit and Council Tax Benefit) (Existing Awards) (No. 2) Regulations 2010 for claimants of previous incapacity benefits transferred to employment and support allowance, and The Universal Credit (Managed Migration Pilot and Miscellaneous Amendments) Regulations 2019 (in draft form at the time of writing) in relation to the forthcoming transfer of claimants to universal credit.

the costs. Similarly, it is not difficult to see the arguments for replacing or building on child benefit as the foundation of a child CBI.

Other non-means-tested benefits are designed to compensate for disablement caused by labour market participation or military service. If a full CBI scheme were introduced, those designing it would need to decide whether to provide more generous entitlements to these groups or not.

A number of solutions might be considered for other groups of benefits. For example, if designing a national CBI scheme, it might be considered that all bereavement benefits could be replaced by simply allowing a spouse (or cohabiting partner - that would again be a policy decision) to receive the CBI of someone who had died for a fixed period.²⁶ However, bereavement support payment includes a higher initial payment, which would not be replicated by this approach. It would of course add complexity to the scheme. For example, if someone was still legally married but cohabiting with a new partner when they died, a decision would be required about how should receive a 'run-on' CBI payment.

4. IMPACT OF CITIZEN'S BASIC INCOME ON MEANS-TESTED BENEFITS

This chapter considers the consequences of leaving means-tested benefits in place, with a pilot citizen's basic income (CBI) either counted as income or ignored. The alternative of paying a CBI instead of means-tested benefits is discussed in chapter 3.

A number of CBI proposals assume that some additional forms of support will remain that are currently delivered through means-tested social security benefits. Whichever of the non-means-tested benefits discussed in chapter 3 were retained or removed during a pilot, the question of what should happen to the means-tested benefit system cannot be avoided. The choices made appear likely to have an impact on the effects of a pilot on poverty rates, and also how close the pilot will be to a 'true' CBI.

4.1 How a citizen's basic income would interact with means-tested benefits

Assuming that a pilot chose to implement a CBI alongside the current means-tested benefits system, two further questions arise. Firstly, should CBI be taken into account as income or not. Secondly, should the amount of CBI be constant, or seek to model a particular proposal for a permanent CBI scheme (including any consequent changes to taxation) by varying to take account of any changes in other current entitlements during the pilot.

If a citizen's basic income counted as income

If CBI did count in full as income when working out the amount of means-tested benefits, it would make no difference to the incomes of some of the poorest households, unless paid at a high enough level. This would be the case whether it was a flat rate payment or varied to mimic an eventual reformed tax and benefits

²⁶ Any pilot that secured agreement from the UK government that a CBI should replace bereavement support payment could consider a similar approach.

system. Any means-tested benefit entitlement would simply be replaced by a CBI topped up by existing benefits, giving the same total income. A CBI that counted as income would need to be paid at a particularly high rate to increase the income of those with the highest level of additional needs, whose means-tested benefit entitlement is correspondingly higher. See for example case study 6 in Annex 3.

A CBI which counted as income would lift other participants out of means-tested benefit entitlement (particularly those with some earnings, or getting one of those non-means-tested benefits discussed in chapter 3 that count as income). This in turn could lead to the loss of a number of 'passported' benefits, unless alternative arrangements were made.

If a citizen's basic income was ignored

If CBI did not count as income or capital for any benefits, it would of course not affect entitlement to existing benefits at all. As such it could be assumed that any passported benefits would also remain unaffected. The organisers of the pilot would have to decide whether to provide a flat rate CBI payment, or vary the CBI payment to model the financial effects of a hypothetical future tax and benefits system, once a CBI had been fully introduced.

A flat rate payment would be simpler to administer. If means-tested benefits are left in place then it appears impossible to remove conditionality requirements without agreement from the UK government (see chapter 5). It would also retain all of a fundamentally household-based means-testing system alongside a CBI.

A variable payment would appear to require significant intervention on a weekly or monthly basis to compare participants' current income to what they would get under the hypothetical national CBI scheme, and adjust CBI payments accordingly. Agreement with the UK government would still be likely to be needed, should the organisers wish to mitigate the effects of benefit sanctions by increasing the amount of a CBI, for example.

The remainder of this chapter gives a very brief introduction to the various means-tested benefits, and then considers the current ways in which a pilot CBI paid by local government might be treated by various parts of the system. The picture that emerges is as complex as the system itself, particularly in light of the ongoing transfer of claimants to universal credit from a range of other benefits.

4.2 Universal credit - very brief introduction

Universal credit will eventually replace the following working-age means-tested benefits ('legacy benefits'):

- income support;
- income-based jobseeker's allowance;
- income-related employment and support allowance;
- working tax credit;
- child tax credit;
- housing benefit (for most claimants – see below).

Universal credit only takes into account as income specific kinds of payment. All other income is disregarded. For the effect of savings on universal credit entitlement, see section 4.5 below.

One important change made by universal credit is that there is no longer a separate system of in-work and out-of-work means-testing. More claimants can be subject to conditionality requirements if they are in low paid work.

While most new claims are now for universal credit (including where a change of circumstances would mean a new claim for one of the benefits replaced), the transfer of those claimants whose circumstances have not changed is not due to be complete until the end of 2023. This timetable has also been repeatedly delayed, since 2013.²⁷

4.3 Other means-tested benefits and tax credits

It should be noted that eventually universal credit will almost completely replace the legacy benefits for working-age people. For the effect of savings on these benefits, see section 4.5 below.

Department for Work and Pensions means-tested benefits

The following four means-tested benefits are mutually exclusive – only one can be received by a household:

- income support
- income-based jobseeker's allowance
- income-related employment and support allowance
- pension credit.

The first three benefits are collectively referred to as 'DWP legacy benefits' below, as their rules are effectively identical.

Households getting one of these four benefits are passported to their maximum housing benefit and council tax reduction entitlement, so no further means test is needed.

The means test for pension credit takes into account only specific types of income. In contrast the DWP legacy benefits take into account all income unless it is specifically disregarded.

Pension credit

Pension credit will continue to exist alongside universal credit. Additional amounts will be included for those with children (to replace child tax credit) and rent to pay (replacing housing benefit for most pension-age claimants). From May 2019, couples will not be able to claim pension credit until they have *both* reached pension age.

The amounts of pension credit are more generous for many households than working-age benefits.

²⁷ See for example Office for Budget responsibility, *Welfare Trends Report* Cm 9562, January 2018, Chart 6.1

Tax credits

Tax credits are the responsibility of HM Revenue and Customs. They will eventually be completely replaced by universal credit or new amounts of pension credit (see above). The means-test is very different, as it is carried out at the end of a tax year and normally uses taxable income to assess entitlement.

Housing benefit and council tax reduction

These are administered by local government. The DWP sets the rules for housing benefit and the Scottish government does so for council tax reduction.²⁸

Housing benefit

As noted above, housing benefit will be almost completely replaced by universal credit and pension credit. The exception is that, at the time of writing the UK government had no plans to replace housing benefit for people in some kinds of supported and temporary accommodation.²⁹ This group of claimants can currently get housing benefit alongside universal credit, and if they get universal credit they are passported to their maximum housing benefit entitlement.

Other housing benefit claimants who are not passported due to getting a DWP benefit (see above) have their income and capital resources assessed by the local authority. The rules are different for working-age and pension-age people. For working-age people all income counts unless disregarded. For pension-age people only specified income affects entitlement.

Council tax reduction

Council tax reduction has replaced council tax benefit, which was abolished and the funding for it devolved in 2013. The rules largely mirror the housing benefit scheme, so are different for working-age and pension-age claimants (see the differences discussed above). As housing benefit will eventually be replaced by universal credit for most claimants, the rules are different once again for universal credit claimants who are also entitled to council tax reduction. Notably, they are also different to the housing benefit rules for this specific group.

For universal credit claimants, the means test for universal credit is almost entirely imported into council tax reduction, so no legislative change would necessarily be needed. For other claimants, changes would be needed if the treatment of a CBI payment were to be aligned for working-age and pension-age claimants.

The impact of the transition to universal credit on pilot participants

Given the ongoing transfer of claimants to the universal credit system, participants might later have to rejoin a very different system, losing out on transitional protection of their previous entitlements. This would not just affect working-age claimants, as mixed-age couples getting pension credit would not be able to return to it if they lost it during the pilot.

²⁸ The Scottish government's view is that, legally speaking, council tax reduction is not a social security benefit, but a reduced liability for council tax (the power in primary legislation to create the scheme is s80 of the Local Government Finance Act 1992). This report includes it in the list of means-tested benefits as the means test used is so close to that for other means-tested benefits

²⁹ [Supported Housing: Housing Benefit: Written question - 182812](#)

Transitional protection for those transferring to universal credit does not yet exist, although it is expected to be introduced from July 2019.³⁰ It will protect entitlement at the point of transfer to universal credit for those who are proactively moved to the new benefit by the DWP (as opposed to having to make a claim due to a change of circumstances).

Assuming that transitional protection is introduced, any that was received by participants would be lost if universal credit entitlement ended during the pilot. Similarly, any legacy benefit claimants who lost them due to taking part in the pilot would not get any transitional protection if they later claimed universal credit.

4.4 Which means-tested benefits would currently treat a citizen's basic income payment as income

Table 1 below summarises whether CBI payments by the Scottish government (in the form of a new social security benefit), local government (in the form of a payment made using the power to enhance wellbeing) and a charitable trust would be treated as income by the different means-tested benefits, if the rules were not changed. It indicates which level of government would be able to change their treatment, should this be considered desirable.

Table 1: Summary of whether a CBI pilot payment would be treated as income by means-tested benefits

Benefit	Scottish government payment	Local government payment	Charitable trust payment	Control of rules
Universal credit	No (unless taxable under specific provisions)		Unclear at present	DWP
DWP legacy benefits (see section 4.3 above for definition)	Yes (except a child's own CBI would almost always be disregarded)		No	DWP
Housing benefit (working age, not on universal credit or a DWP legacy benefit)	Yes (except a child's own CBI would always be disregarded)		No	DWP
Pension credit	Perhaps (definition of 'social security benefit')		No	DWP
Housing benefit (pension age)	Perhaps (definition of 'social security benefit')		No	DWP
Working tax credit and child tax credit	No (unless taxable under specific provisions)			HM Revenue and Customs

³⁰ See The Universal Credit (Managed Migration Pilot and Miscellaneous Amendments) Regulations 2019. These are in draft form, and cannot be made unless approved by parliament.

Benefit	Scottish government payment	Local government payment	Charitable trust payment	Control of rules
Council tax reduction (working age, not on universal credit)	Yes (except a child's own CBI would always be disregarded)		No	Scottish government
Council tax reduction (working age, on universal credit)	No (unless taken into account for universal credit - see above)			Scottish government
Council tax reduction (pension age)	Perhaps (definition of 'social security benefit')		No	Scottish government

The remainder of this section explains the analysis in table 1 in more detail.

Pilot citizen's basic income paid by the UK government

This option is not included in table 1 for the reason that if the UK government was designing and legislating for a CBI pilot scheme, it could change the rules about how a CBI was treated. While the Scottish government would have to actually amend the council tax reduction legislation, the current approach is to mirror the housing benefit rules set by the DWP, unless the council tax reduction claimant also gets universal credit. In the latter case, the universal credit means test is normally used instead.³¹ Assuming that this practice continued, there would be no difference in treatment.

Pilot citizen's basic income in the form of a charitable payment

As can be seen from table 1 above, the treatment of a pilot CBI paid by a charitable trust would also be relatively straightforward. It would be ignored as income in the calculation of most means-tested benefits provided it was paid regularly and accepted as being a 'charitable' or 'voluntary' payment.³²

The exceptions are universal credit and council tax reduction for universal credit claimants. The universal credit regulations take into account 'income from a trust', while other benefits do not.³³ It is not clear if this is intended only to apply if the claimant is a named beneficiary in a trust deed or not. This would also affect council tax reduction as it uses the universal credit means test if claimants get both benefits.

Pilot citizen's basic income paid by the Scottish government

The means-tested benefits system can broadly be divided into three different groups, by how they treat other sources of income in the means test. The groups are:

- tax credits
- working-age housing benefit and the out-of-work benefits replaced by universal credit ('legacy benefits' below)
- universal credit, pension credit and housing benefit for older people.

A further complication is that the means test (if not amended) would potentially treat CBI payments to an adult and a child differently. The difference in treatment would

³¹ See Reg 26 of The Council Tax Reduction (Scotland) Regulations 2012

³² See for example Sch 9 para 15 of The Income Support (General) Regulations 1987

³³ See Reg 66(1)(j) of The Universal Credit Regulations 2013

depend on whether the parent with care was entitled to a CBI on the child's behalf, or the child was entitled, with the payment being administered by the parent on their behalf.

Universal credit and council tax reduction for universal credit claimants

Unless a pilot CBI fell into one of the categories of income that affects an award, it would be ignored. This does leave a grey area, resulting from the possibility that a CBI might be deemed taxable. If HM Revenue and Customs decided that a CBI payment was taxable as miscellaneous income not otherwise exempt from income tax, it would count as income for universal credit.³⁴

A CBI that was a child's own entitlement (as opposed to an entitlement of a parent or carer) would be ignored as income in any event.

DWP legacy benefits, working-age housing benefit and council tax reduction

For legacy benefits, all forms of income of the claimant and any partner are taken into account, unless specifically disregarded in the calculation of entitlement. An adult CBI payment would thus affect these benefits unless provision was added to disregard it, or it already fell into an existing disregard.

Generally, any income of a dependent child is ignored. However, a small group of income support and income-based jobseeker's allowance claimants are still receiving amounts for dependent children, having been continuously entitled to these benefits since before 6 April 2004.³⁵ For this group, a child's income is taken into account unless specifically disregarded, so even a pilot CBI that was legally the child's could affect an award.

Pension credit, pension-age housing benefit and council tax reduction

For these groups only specified types of income affect an award. However, the structure of the regulations is such that social security benefits affect an award unless they are included in a list of benefits that would be ignored.³⁶ For pension credit, the definition of 'social security benefits' is:

'benefits payable under the enactments relating to social security in any part of the United Kingdom.'³⁷

For housing benefit and council tax reduction there is no equivalent statutory definition in primary legislation.

The effect of this provision is that whether a CBI pilot payment affected pension credit entitlement or not would depend on whether the UK and Scottish governments decided that it was a social security benefit or not. The best current example of the use of the power to create new benefits is the forthcoming Best Start grant payments

³⁴ See s687 Income Tax (Trading and Other Income) Act 2005. Reg 66(1)(m) of The Universal Credit Regulations 2013 takes into account income taxable under s687. Note that Reg 15 of The State Pension Credit Regulations 2002 contains no equivalent provision.

³⁵ This transitional protection is provided by The Social Security (Working Tax Credit and Child Tax Credit) (Consequential Amendments) Regulations 2003

³⁶ See for example Reg 15(1) of the State Pension Credit Regulations 2002. Note that in contrast for universal credit only listed social security benefits count as income

³⁷ s17(1) State Pension Credit Act 2002

due to be introduced in summer 2019.³⁸ Both the UK and Scottish UK governments have legislated to disregard these as income.³⁹ This may either suggest that the new benefits would otherwise have counted as income, or may simply have been done for the avoidance of doubt.⁴⁰ This action was taken in spite of the Fiscal Framework stating that:

‘any new benefits or discretionary payments introduced by the Scottish government must provide additional income for a recipient and not result in an automatic offsetting reduction by the UK government in their entitlement elsewhere in the UK benefits system.’⁴¹

Tax credits

With limited exceptions, only taxable income affects tax credits entitlement. As such, the likely treatment of a CBI would depend on whether it was taxable or not, although the tax credits rules can be amended to depart from the position in tax law if this is considered to be necessary. For example, statutory maternity pay is taxable in full, but the first £100 a week is ignored in calculating tax credits entitlement. The Scottish government’s carer’s allowance supplement is taxable, but completely ignored as income by the tax credits system.

See section 6.1 for discussion of whether a CBI would be taxable or not. Even if it was, tax credits legislation could be amended to ignore it as income for tax credits purposes.

Pilot citizen’s basic income paid by local government

With the exception of pension credit, and pension-age housing benefit and council tax reduction, the treatment of a pilot CBI paid by local authorities would be identical to the treatment if it was paid by the Scottish government (see above). For this reason, the analysis above is not repeated here.

The difference for pension credit and other benefits for older people is solely due to the fact that the power to enhance wellbeing has already been used to make cash payments, in the context of the Scottish welfare fund.

The Scottish government legislated to disregard payments under the interim Scottish welfare fund in the calculation of council tax reduction as a social security benefit. This reference was updated when the statutory Scottish welfare fund scheme came

³⁸ See The Early Years Assistance (Best Start Grants) (Scotland) Amendment (No. 2) Regulations 2019 (draft at the time of writing). The Scottish government’s view at the time it introduced the bill that later became the Social Security (Scotland) Act 2018 was that this is a use of the power to create new benefits – see para 7 of the explanatory notes to the bill as introduced, which can be accessed here: <https://www.parliament.scot/parliamentarybusiness/Bills/105267.aspx>

³⁹ See for example Reg 15(1)(rb) of the State Pension Credit Regulations 2002 and Reg 27(1)(j)(xxii) of The Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012

⁴⁰ The explanatory memorandum to the reserved amending regulations and the policy note to the amending Scottish regulations both state that their intention is to ‘ensure’ that the payments are disregarded, leaving the situation if the changes had not been made unclear. See <http://www.legislation.gov.uk/ukxi/2018/1138/memorandum/contents> (para 2.2) and <http://www.legislation.gov.uk/ssi/2018/295/policy-note/contents> (para 7)

⁴¹ *The agreement between the Scottish government and the United Kingdom government on the Scottish government’s fiscal framework*, February 2016, para 89

into force in April 2016.⁴² In contrast, the UK government amended the pension credit and housing benefit regulations to disregard 'local welfare provision' in the calculation of capital, with the definition including the Scottish welfare fund.⁴³ However the UK government did not decide that it was necessary to include it in the list of social security benefits that did not affect an award.

This suggests a possible future difference of opinion between the Scottish and UK governments regarding whether a pilot CBI paid by local authorities would be treated as income if the regulations were not amended.

4.5 Which means-tested benefits would currently treat a citizen's basic income payment as capital

As noted above, means-tested benefits are affected by savings and investments, including the value of property. These are collectively referred to as 'capital'. The value of the claimant's normal home is an important disregard in the calculation of a claimant's capital.

Capital belonging to the claimant and any partner is aggregated, but capital belonging to children is generally ignored. The exception is those few income support and income-based jobseeker's allowance claimants who have never claimed tax credits and still receive amounts for dependent children. These amounts cannot be included if the child has capital over £3,000.

Benefits

An unspent CBI payment (including a child CBI that was the entitlement of an adult) would eventually be treated as capital belonging to the claimant. If that took the claimant's total capital over a threshold (set at £6,000 for universal credit and most other means-tested benefits, and £10,000 for pension credit and pension-age housing benefit) it would have an effect on the award of means-tested benefits, being treated as generating a weekly income.

With the exception of pension credit, an upper limit also prevents any entitlement at all where a household has over £16,000 capital. A range of specific types of capital are disregarded. This effect on pilot participants could be avoided by making specific provision to disregard CBI payments as capital, as well as income.

Tax credits

While tax credits are not affected by the value of household savings, if CBI payments were invested in a way that produced taxable interest by pilot participants, then tax credit entitlement would potentially be affected, subject to an annual disregard of £300 for income from savings and investments.

4.6 Deductions from support with housing costs for adults not included in a means-tested benefit claim

Any amount for housing costs included within a means-tested benefit (or a loan for mortgage interest) can be reduced based on a notional contribution to those costs

⁴² See Reg 27(1)(j)(xi) of The Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012, before and after amendments made by Reg 17(4) of The Council Tax Reduction (Scotland) Amendment Regulations 2016

⁴³ See for example Reg 1(2) and Sch 5 para 20 of The State Pension Credit Regulations 2002

from an adult who shares the accommodation but is not part of the claimant's household⁴⁴ (a 'non-dependant'). No deductions are made if the claimant or their partner gets a certain rate of disability benefit. Similarly, deductions are not made for some groups of non-dependants, including full-time students and young people.

The rules are different for universal credit and other means-tested benefits, both in terms of when deductions are made and the amount of the deductions. In particular, universal credit always has a flat-rate deduction. In contrast, housing benefit and council tax reduction deductions for non-dependants are a flat rate for people not in 'remunerative work'.⁴⁵ For working non-dependants the amount of the deduction depends on gross income (which would include a CBI unless it was specifically disregarded).⁴⁶

The effects of a CBI payment might be to increase the amount of deductions for working people, or to remove an exemption, if a benefit which meant that no deductions were made stopped.

Finally, it should be noted that the deductions are for a notional contribution. There would be no obligation for a non-dependant to increase their contribution to the household costs, even if they got a CBI and this reduced the amount of help given to someone that they lived with.

4.7 Passported entitlements

One attraction of the idea of using receipt of a social security benefit as a proxy for low income is that it removes the need to do another test of financial need for a 'passported' benefit. This mechanism is in fact used widely within the social security system itself. Most people must receive a means-tested benefit to be eligible for a Best Start grant, and income support entitlement gives entitlement to maximum housing benefit and council tax reduction without a further means test, for example.

Outside the social security system, this allows for administrative efficiency, at the cost of the possibility that those who either cannot or do not access means-tested benefits will be unable to access passported benefits, unless there is an alternative route to entitlement.

Some passported benefits already have an alternative route to entitlement. This raises questions about the treatment of CBI payments in the direct means-test for them, should means-tested benefit entitlement end during the pilot. Others do not, and so either an alternative route to entitlement would be required, or it would have to be accepted that pilot participants should use their CBI to meet these costs.

Annex 2 lists those entitlements that are passported from receipt of a means-tested social security benefit for some or all people, whether or not there is an alternative route to entitlement and which level of government has responsibility for setting the rules.

⁴⁴ 'Household' is used here in the sense that means-tested benefits define it - a claimant and any partner (some benefits also recognise polygamous marriages, while others do not), and their dependant children.

⁴⁵ Defined as 16 hours or more a week

⁴⁶ See for example Reg 74(2) and (9) of The Housing Benefit Regulations 2006

Practicalities of accessing passported benefits during a pilot

A CBI pilot could conceptually provide enough income to replace both means-tested benefits and any of these passports which a household would have qualified for. However, given the different times at which people may qualify for these kinds of support, this could be challenging to implement.

While, notionally at least, needs such as childcare and school meals could be rolled into a child's basic income at a given age, this might be considered inefficient in the case of those children who do not need childcare or attend school. Other needs (for example legal aid) appear not to be so easily accountable for across someone's lifetime.

One approach would be to legislate for an alternative route to these entitlements for those taking part in the pilot. It is not clear what this should be. A means-test undermines the simplicity of a CBI and potentially creates 'cliff edges', where a small increase in income means a substantial increase in costs that must be met.

The situation is less difficult for those passported benefits which have an alternative route to entitlement based on having a low income. The question would then become whether a CBI would be treated as income if participants did not receive means-tested benefits. Whether a pilot CBI would currently be counted as income or ignored is listed in Annex 2, as well as the level of government (local, Scottish or UK) at which any changes to the rules to accommodate the pilot would have to be made.

If all pilot participants were given access to passported benefits

Should agreement be reached that all pilot participants could access some or all passported benefits, this either suggests that a national basic income system would also make these entitlements universal, or that the pilot would not be creating the same wider system that would exist with a permanent CBI. Any extension of current means-tested passported benefits raises questions about how much additional investment would be required to ensure access to these services.

This report does not attempt to conclude whether it is desirable or practicable that some or all passported benefits should be universal (avoiding the means-test entirely), separately means tested or paid for by all citizens under a CBI system.

4.8 Mitigation

Given the current differences in approach to assessing income set out above, if a pilot is to be carried out before the completion of the transfer of claimants to universal credit, it appears likely that one of three options will need to be chosen. Firstly, it would be possible to legislate for equal treatment of CBI payments, whichever system participants fall within. Secondly, the organisers could choose to restrict participation in the pilot. Restricting it to universal credit claimants would seem the most obvious choice, given the other groups may be transferred to universal credit at any point during the pilot, absent any agreement with the UK government to prevent this from happening.

Finally, the organisers could simply be prepared to vary CBI payments as people move to the universal credit system, so as to prevent a sudden change in income.

Comparing the total income of case studies 2 and 3 in Annex 3 illustrates the possible magnitude of such a change.

Someone transferred as part of the 'managed migration' will receive transitional protection once this is introduced. However, others will be effectively forced to claim universal credit due to a change of circumstances and not being able to claim one or more of the benefits replaced by universal credit. This could be as simple as moving to a different local authority and being unable to make a new housing benefit claim (even though the amount of housing benefit would have been the same).

5. CITIZEN'S BASIC INCOME AND BENEFIT CONDITIONALITY

This chapter looks at the possibility of removing conditionality within the current benefits system for participants in a citizen's basic income (CBI) pilot.

'Conditionality' is used here in the sense that refers to a requirement to take action in relation to moving towards paid work. It is accompanied by the possibility of a sanction (a reduction in the amount of benefit) if the action is not completed. In a broader sense, receipt of any benefits is conditional on meeting its specific entitlement conditions - for example a carer must normally spend 35 hours a week or more caring and not be in full-time education (amongst other conditions) to be eligible for carer's allowance.

Unless the UK government agrees to lift all conditionality requirements for participants, the most obvious way to remove conditionality appears to be for CBI to replace those benefits which have conditionality requirements. The alternative option of varying CBI payments to mitigate any sanctions would both add significant administrative complexity to the pilot, and raise questions about whether the Scottish government has the power to run such a pilot in the form of a social security benefit.

Consideration of the possible behavioural effects of any lifting of conditionality requirements for pilot participants is beyond the scope of this report.

5.1 Conditionality if the means-tested benefit system continues

Universal credit, jobseeker's allowance and (to a lesser extent) employment and support allowance or income support can feature some form of conditionality, depending on the claimant and any partner's circumstances. Pension-age benefits, tax credits, housing benefit and council tax reduction have no conditionality requirements.

The most straightforward (although perhaps unlikely) option would be for the UK government to agree to lift conditionality requirements for working-age pilot participants. However, this would potentially require legislation to achieve. For example, a basic condition of entitlement to jobseeker's allowance is that the claimant is 'available for work' and 'actively seeking work'.⁴⁷ Universal credit claimants must have 'work search' and 'work availability' requirements placed on

⁴⁷ s1 Jobseeker's Act 1995

them unless a prescribed exemption applies.⁴⁸ The universal credit exemptions set out in the regulations do include ‘temporary circumstances’, if it would be considered unreasonable to require these activities.⁴⁹ That definition might be stretched by treating it as applying to participation in a CBI pilot lasting a number of years.

The exceptions to the reservation of social security in the Scotland Act 1998 (discussed in chapter 2) have been drafted with a clear intention of ensuring that conditionality remains reserved to the UK parliament. Both exceptions 5 (the power to top up benefits) and 10 (the power to create new benefits) are amongst the exceptions including a clause preventing the exercise of the power to provide:

‘assistance where the requirement for it arises from reduction, non-payability or suspension of a reserved benefit as a result of an individual’s conduct (for example, non-compliance with work-related requirements relating to the benefit) unless—

- (a) the requirement for it also arises from some exceptional event or exceptional circumstances, and
- (b) the requirement for it is immediate.’⁵⁰

A pilot CBI which was not set at a fixed level could perhaps be varied to compensate participants for any sanction incurred during the pilot. However, with the maximum universal credit and jobseeker’s allowance sanction period currently set at three years, this might leave participants with an extended period of hardship when the pilot ended (for example if sanctioned a few weeks before the end of the pilot).

Another particular issue in relation to universal credit is that it is a single benefit, including amounts to support children, rent and childcare costs. Even if a CBI which was taken into account as income effectively protected the amount payable for the participant’s own needs, a sanction would simply reduce the whole UC payment remaining once any other income had been taken into account. This is because the UC calculation only distinguishes between amounts for different purposes when calculating the maximum award – the income taper and any reductions for sanctions are taken from the whole award.

Absent the full agreement of the UK government, any pilot that sought to effectively remove conditionality while allowing participants to remain within the current social security system would seem likely to raise questions about whether its operation was within devolved competence. If a CBI was paid but conditionality left in place, for universal credit claimants in particular, amounts for rent could be affected by any sanctions imposed during the pilot.

5.2 Hardship payments

Some sanctioned claimants are able to access hardship payments, if they are accepted as being in financial need. For universal credit these payments are

⁴⁸ s22 Welfare Reform Act 2012

⁴⁹ Reg 99 of the Universal Credit Regulations 2013. In the regulations the reasonableness of not requiring a claimant to look for work, be available for work or attend a job interview must be considered separately.

⁵⁰ Section F1 Part 2, Schedule 5 Scotland Act 1998

normally recoverable, so effectively a loan. The assessment of hardship can consider benefits that do not count as income in the normal calculation of entitlement. So even a CBI that was disregarded as income for the purposes of calculating entitlement would potentially reduce the likelihood of hardship being accepted.

5.3 Conditionality if means-tested benefits cease to exist

Even if pilot participants were unable to claim any means-tested benefits, there might still be conditionality in jobseeker's allowance and employment and support allowance. These benefits can be paid based on an individual's national insurance contribution record, without being affected by the income of any partner or household savings.

Both benefits provide a (conditional) minimum income for people who are outside the labour market for particular reasons. Maintaining entitlement to one of these benefits (or for people expected to look for work 'signing on' at a Jobcentre, even if the benefit itself is not paid) maintains an individual's NI contribution record.

Should participants be able to claim these benefits, then any attempt to mitigate the impact of a sanction received during the pilot by increasing the amount of CBI paid would raise the same issue of competence set out above in relation to means-tested benefits.

6. OTHER IMPACTS OF PARTICIPATION IN A CITIZEN'S BASIC INCOME PILOT

Other circumstances beyond entitlement to the social security benefits and passported benefits discussed above could be affected by an individual's participation in a citizen's basic income (CBI) pilot. This chapter looks at a range of other kinds of financial support and liabilities. All of these would need to be considered in the design of a pilot.

6.1 Income tax

An important question is whether a pilot CBI itself should be taxable or exempt from income tax. Of the options for delivery described in chapter 2, the income tax status would be as follows, absent any changes to the law.

UK government

It is impossible to tell whether a pilot CBI created at the UK level would be taxable or not. This would be a policy decision for those designing the pilot, were it to be delivered by the UK government. The Treasury has the power to make any pilot benefit payment introduced by the Department for Work and Pensions taxable (or exempt from tax) by order.⁵¹

⁵¹ s151 Finance Act 1996

Scottish government

If a new benefit was created by legislation, then amendments to income tax law would be needed to give clarity about whether it was taxable or not. Should this not happen, it would appear that a pilot CBI could perhaps be caught by the ‘sweep-up’ provisions set out in Part 5 of the Income Tax (Trading and Other Income) Act 2005. These are designed to make income taxable if it is not exempted under any specific provision.⁵²

The Treasury has recently used legislation to make some benefits paid by Social Security Scotland non-taxable.⁵³ Legislation was considered necessary to make the position absolutely clear, in spite of the inter-governmental agreement that:

‘Any new benefits or discretionary payments introduced by the Scottish government will not be deemed to be income for tax purposes, unless topping up a benefit which is deemed taxable such as Carer’s Allowance.’⁵⁴

This agreement would suggest an intention that a pilot CBI delivered by the Scottish government would probably not be taxable, were it to take the form of a new benefit. However, unless this was clarified in the law an uncertainty would remain.

Local government

As discussed in chapter 2 the statutory power to enhance wellbeing (including by making payments) has previously been used to introduce the Scottish welfare fund. It is not clear that the status of Scottish welfare fund payments has ever been clarified in income tax law. However, they replaced elements of the social fund which were previously exempt from income tax.⁵⁵ This would perhaps mean that HM Revenue and Customs would consider them not to be taxable.

However, if a CBI pilot were to replace any existing benefits that are taxable (such as the majority of the ‘earnings-replacement’ benefits - see Annex 1) then these payments might be considered to be taxable, unless legislation clarified the matter beyond doubt.

Charitable or private payments

Payments of a pilot CBI delivered outside government might not be taxable for the pilot participants, but it is not clear how the tax system might view these payments. In addition, depending on the mechanism chosen to deliver such a pilot (via a charitable trust or a private company), there may be tax implications for the body delivering it, which would potentially increase the costs of providing a given level of payment to participants.

Implications if basic income payments were taxable

It would be very complex to put in place a pilot that modelled any amendments to income tax which might eventually be introduced alongside a permanent CBI

⁵² s687 Income Tax (Trading and Other Income) Act 2005

⁵³ Amendments made by s12 Finance Act 2019 exempt Best start grants, funeral expense assistance and young carer grants from tax, and clarify that the carer’s allowance supplement is taxable.

⁵⁴ *The agreement between the Scottish government and the United Kingdom government on the Scottish government’s fiscal framework*, February 2016, para 89

⁵⁵ s677 Income Tax (Earnings and Pensions) Act 2003

scheme. However, should the organisers wish to achieve this, the impacts of a taxable CBI on income tax liability in the current system should be considered.

A taxable CBI payment would increase a participant's liability for income tax, unless their income was still below the existing income tax personal allowance. How much impact this would have on income tax liability would depend on whether any taxable benefits were replaced by it. Whether participants were pushed into paying a higher rate of income tax would depend on their income level and the thresholds set by the Scottish parliament for the years in question.

For participants with higher incomes, tax reliefs might be lost or new tax charges made as a result of receiving a taxable CBI payment. For example, participants getting child benefit would have some or all of the value of it clawed back through the high-income child benefit tax charge if their 'adjusted net income'⁵⁶ (or that of their partner) was pushed above £50,000. This would not affect participants in households where an individual's or their partner's adjusted net income was already above £60,000 without a CBI payment (as child benefit is fully clawed back at that point).

Other tax reliefs which might be affected include:

- the income tax marriage allowance (participants who were pushed from intermediate rate tax into higher rate tax)
- the tax-free personal savings allowance (participants whose 'taxable income' was increased so that they had to pay higher rate tax on some of their income)⁵⁷
- loss of access to tax-free childcare and tapering away of the income tax personal allowance (participants whose adjusted net income was pushed above £100,000 a year)
- tapering away of income tax relief for private pension contributions (participants whose 'adjusted income' was pushed over £150,000).⁵⁸

6.2 National insurance

A pilot CBI would not create or increase a liability to pay national insurance contributions, unless this was legislated for.⁵⁹ The potential impact of participation on someone's national insurance contribution record is set out in chapter 3, as this would essentially depend on what other benefits they could continue to access during the pilot (and whether they chose to do so).

⁵⁶ 'Adjusted net income' is total taxable income before any personal allowances but taking into account some tax reliefs, including donations to a charity under Gift Aid and pension contributions. For details see s58 Income Tax Act 2007

⁵⁷ 'Taxable income' is simply the sum total of an individual's different types of income that are taxable, such as employment income, taxable state benefits and savings interest. This is the total before taking into account any personal allowances or tax reliefs. Eligibility for the personal savings allowance is calculated according to the UK rates and bands. If taxable income exceeds £150,000 the personal savings allowance is not available.

⁵⁸ There are separate rules for how to calculate an individual's 'adjusted income' for this purpose. See s228ZA Finance Act 2004 and www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance

⁵⁹ s4 Social Security Contributions and Benefits Act 1992

6.3 Student support

Higher education students are able to get a loan for tuition fees and maintenance (and grants in some circumstances). The maximum loan depends on household income. Further education students can get discretionary maintenance bursaries, although those students who can continue to get social security benefits while studying tend not to be awarded a bursary (or awarded a lower amount if they can get universal credit). Young people still in school or college can get an education maintenance allowance if they have a low household income.

As the detail of the means test for student support is not set out in legislation,⁶⁰ how a pilot CBI payment would be treated in assessing eligibility for student support would essentially be a policy choice for the Scottish government.

If no changes were made, the income assessment for education maintenance allowance is normally based on the income used by HM Revenue and Customs for tax credits (see section 4.4 above).⁶¹ A pilot CBI payment would count as income when assessing eligibility for a further education bursary or a student loan, unless it was added to the guidance as a payment to be disregarded.⁶²

Whether a pilot (or permanent) CBI scheme should replace various kinds of student support is also a policy decision. The impact on students' income would depend on the level of the pilot CBI payment, and what other benefits remained alongside the pilot.

If a CBI payment counted as income for means-tested benefits, then it might result in higher education students losing entitlement to them, and to any passported benefits. This would be an issue even if pilot participants chose not to take out a student loan once getting a CBI, because the benefit rules treat students who are eligible for student support as receiving their maximum loan, even if they choose not to apply for it.⁶³

While generally further education students able to claim means-tested benefits while studying will not get a maintenance bursary, for those that do (particularly students on universal credit) the bursary received counts as income (subject to a monthly disregarded amount).⁶⁴

In contrast, education maintenance allowance is ignored when calculating entitlement to social security benefits.

⁶⁰ See The Education Maintenance Allowances (Scotland) Regulations 2007 and The Education (Student Loans) (Scotland) Regulations 2007

⁶¹ See http://www.sfc.ac.uk/web/FILES/guidance_sfcgd092018/SFCGD092018-ema-2018-19-guidance-processes.pdf

⁶² http://www.sfc.ac.uk/web/FILES/guidance_sfcgd042018/SFCGD042018_Award_Assessment.pdf and <https://www.saas.gov.uk/forms/sas4.pdf>

⁶³ See for example Reg 68(5) of The Universal Credit Regulations 2013

⁶⁴ See for example Regs 68 and 71 of The Universal Credit Regulations 2013. Note that the calculation is very different for other benefits, and is set out in CPAG's *Benefits for students in Scotland handbook* available online at <https://www.onlinepublications.cpag.org.uk>

Mitigation of risks

If a policy decision was made that pilot participants were no longer eligible for loans or bursaries for maintenance, then these should no longer be taken into account in the calculation of means-tested benefits. However, it is not unknown for benefits decision makers to assume that discretionary bursaries for further education students in Scotland are treated as an entitlement available to all students on application, and wrongly reduce means-tested benefits by taking them into account.

Early engagement with the UK government would be needed to ensure that the interaction between student support and a CBI pilot was absolutely clear.

6.4 Kinship care payments, fostering and adoption allowances

Local authorities can provide financial support to people who are fostering or adopting children, and also in similar, sometimes less formal situations. The latter is often referred to as 'kinship care'. The interaction between these payments and social security benefits is complex in the current system, particularly for kinship carers, where the impact on benefit entitlement can depend on whether a child is looked after by the local authority, and what power the local authority uses to make any payments to the carer.

How a CBI payment would affect these payments

A foster carer cannot normally claim social security benefits for a foster child (unless it is a private fostering arrangement).⁶⁵ A policy decision would be required about whether a CBI should be paid to or for foster children, and if so, what the impact would be on fostering allowances (which are set by local authorities).

Adoption allowances are again largely set at the discretion of local authorities, and normally take into account any benefits that the adopter receives once the child lives with them. A decision would be required about the treatment of CBI payments.

National guidance suggests that certain kinship carers should receive an allowance from the local authority which is equivalent to the fostering allowance paid by that local authority. This can be reduced to take account of any additional social security benefits that the kinship carer can receive for the child which a foster carer would not receive (except additional benefits or amounts for disability).⁶⁶

Interactions with impact on social security benefits

In cases where no-one can get child benefit for a looked-after child, there might be a need to create a mechanism to decide who should be eligible for a child CBI, if it was an entitlement of a parent or carer. Similar questions would arise about who should administer a CBI that was the child's own entitlement.

Local government spending on adoption, fostering and kinship care allowances might be affected. This would depend on the amount of a pilot CBI, which existing benefits it replaced and whether it was taken into account in calculating means-tested benefits or not.

⁶⁵ See for example Reg 4 of the Universal Credit Regulations 2013 - the exclusion is as a foster child will be 'looked after' by the local authority.

⁶⁶ See <https://www.gov.scot/publications/national-guidance-part-13-children-young-people-scotland-act-2014/>

Mitigation of risks

In any of the areas above, the Scottish government could choose to introduce legislation to provide for how a CBI would be treated. This seems unlikely given the largely discretionary system which currently exists in relation to fostering, adoption and kinship care allowances. Maintaining the status quo would give local authorities discretion about how they would treat a CBI payment.

6.5 Support for care leavers and ‘continuing care’

Local authorities have duties to provide support to certain young people who were formerly in their care, including financial support for those who are excluded from means-tested benefits.⁶⁷ Once the duty to support ends, there is a power to continue to provide support.

Local authorities would have the discretion to either ignore or take into account a CBI payment when assessing the amount of financial support they give to care leavers.

Some 16 and 17-year-old care leavers cannot claim some social security benefits (notably including universal credit), with limited exceptions, such as those care leavers who are responsible for a child. Local authorities must ensure that the income of care leavers is at least the amount of means-tested benefits that they would qualify for if they were not excluded.⁶⁸ They can choose to provide more than this amount. If a pilot CBI was paid to 16 and 17 year-old care leavers at a higher level than universal credit, local authorities would no longer be required to provide financial support to them, although they could still choose to do so.

Mitigation of risks

Agreement with local authorities could ensure consistency of treatment of a CBI pilot payment. Particular attention might be needed to support care leavers whose income would drop at the end of the pilot. Continuing the same level of support beyond the pilot would be likely to have financial implications for the local authorities involved, depending on the level of CBI payment piloted.

6.6 Child maintenance

Child maintenance is payable by a ‘non-resident parent’ – who does not live with their child (or lives with the child the minority of the time) – to a ‘parent with care’. Maintenance is not affected by the income of the parent with care or the child, so payment of a pilot CBI to them should not affect the calculation. A CBI payment would not count as income in the calculation of how much child maintenance the non-resident parent must pay, unless it was either added to the rules as a type of income, or taxable under a ‘sweep up’ provision (see section 6.1 above).⁶⁹

If a pilot CBI counted as income, a parent with care could ask for a new calculation of maintenance payments if CBI was over £2,500 a year, or if getting a CBI stopped any of a non-resident parent’s benefit entitlements. However, a CBI payment which

⁶⁷ See Section 29 Children (Scotland) Act 1995

⁶⁸ See Reg 13 of The Support and Assistance of Young People Leaving Care (Scotland) Regulations 2003

⁶⁹ The rules for calculating child maintenance are set out in The Child Support Maintenance Calculation Regulations 2012

left someone with a total assessable income of under £100 a week, or still getting one of the benefits mentioned below would not affect the child maintenance calculation.

A number of different social security benefits change the child maintenance calculation. Those non-resident parents getting one of these benefits must only pay a flat rate of £7 a week. Any CBI payment that meant one of these benefits stopped could affect the calculation, depending on the person's other financial circumstances. The means-tested benefits that qualify for the flat rate are:

- income support
- income-based jobseeker's allowance
- income-related employment and support allowance
- pension credit
- universal credit (but not if any *earned* income is included in the calculation).

In addition to some largely historic entitlements and foreign benefits, getting one of the 'earnings replacement' benefits (see Annex 1), an industrial injuries benefit or a war pension also qualifies a non-resident parent to pay the flat rate.

Mitigation of risks

If pilot participants ceased to qualify for a benefit above, that might affect the maintenance calculation, depending on their other income. One option would be for the UK government to make a CBI payment a qualifying benefit for the flat-rate payment. However, this would be likely to *reduce* child maintenance liability for higher income pilot participants, at the same time as their income potentially increased due to getting a CBI.

A CBI could also be specifically disregarded in the income calculation. Once again, this might simultaneously increase the income of some pilot participants while reducing their child maintenance liability.

Depending on the treatment of CBI payments during the pilot, these may be further issues at the end of the pilot, if participants lost income which was being taken into account in their child maintenance calculation at that point.

6.7 Disabled people and care

In addition to the various social security benefits discussed in chapters 3 and 4, disabled people may receive support from a local authority (whether in the form of residential care or non-residential support), to which they may be required to make a financial contribution. The same process applies if someone chooses to procure their own services through self-directed support. At a Scottish level, the Independent Living Fund provides additional support to some disabled people, and a contribution to that support package may also be required.

How a CBI payment would affect it

Local authority care services

Local authorities have a broad discretion about what income to take into account, particularly for non-residential care services, where most types of income can be

counted in the means test.⁷⁰ A CBI payment would potentially be at least partially clawed back through an increased contribution to the costs of care, absent an agreement by local authorities to disregard it.

Independent Living Fund

Access to the Independent Living Fund depends on both the level of support received from the local authority and entitlement to disability benefits. The assessed contribution is based on the income support means test, and generally takes into account all income that is not specifically disregarded. As for income support (see section 4.4 above, charitable and voluntary payments are disregarded.⁷¹ So, unless the policy was changed to disregard the level of contribution required, a CBI payment might be partially clawed back. However, the contribution to the care package is presently capped at £83 a week, so anyone already contributing this much would not need to make any additional contribution as a result of getting a CBI.

Interactions with impact on social security benefits

An individual may be expected to contribute some of their disability benefits towards the cost of local authority care services. If pilot participants could not claim disability benefits while taking part in a CBI pilot, that might put pressure on local authority care services as participants' contribution would potentially be lower. This would be a particular issue were local authorities to agree to ignore a CBI payment in the assessment of resources.

Mitigation of risks

While it would be possible for the Scottish government to make legislation to require a CBI to be taken into account or ignored, for pilot purposes it would seem to be possible to agree with local authorities and the Independent Living Fund about how a CBI payment was treated. Modification of national guidance documents to give details of the pilot and its effect on other entitlements would help to ensure consistency of treatment.

6.8 Civil legal aid

Civil legal aid is available to help people meet legal costs. The eligibility criteria are different to 'advice and assistance', which is a passported benefit for people getting some social security benefits (see Annex 2).

A CBI payment would count as income in the civil legal aid eligibility calculation unless the rules were amended to disregard it.⁷² If a CBI was counted as income, it would make it likely that those on the lowest incomes would have to pay a contribution towards their legal costs - if it lifted their income above £3,521 a year. At present means-tested benefit payments are disregarded as income, so if participants were not able to get means-tested benefits during the pilot they would be left worse off unless a CBI was also disregarded.

⁷⁰ See http://www.cosla.gov.uk/sites/default/files/documents/non-residential_social_care_charging_guidance_2018_19_0.doc and http://www.sehd.scot.nhs.uk/publications/cc2018_02.pdf

⁷¹ The full Independent Living Fund policy on income assessments is no longer publicly available

⁷² See The Civil Legal Aid (Scotland) Regulations 2002

On the other hand, if CBI payments were disregarded as income this would protect the eligibility of the lowest income participants. For higher income participants they would see an increased income without a corresponding increase to any legal costs incurred during the pilot.

Mitigation of risks

Disregarding a CBI payment as income would protect those on the lowest incomes. There is also an assessment of disposable capital which disregards some benefits. To clearly disregard a CBI payment in all circumstances would require regulations to be made by the Scottish government. There is a discretionary power to disregard such income as is considered reasonable in the circumstances of the case, which could perhaps allow a pilot CBI to be ignored in some or all cases if agreed with the Scottish Legal Aid Board.

6.9 People from abroad

An important question to answer in the design of a CBI pilot scheme (as for a permanent scheme) is who exactly is a 'citizen'. All of the issues discussed below, with the exception of the question of how pilot participants should be treated if they move during a pilot, are matters reserved to the UK government. Immigration law is so fast-moving, and breaches potentially have such serious consequences that immigration advice is closely regulated.⁷³ The information below should not be considered anything more than a range of the factors that would need to be considered in designing a pilot CBI scheme.

UK citizens

While a UK citizen's right to live in the UK would not be affected by receiving a CBI, it would be necessary to decide whether absences from the UK would affect payment of it, and if so, how long a participant could spend abroad before no longer being eligible for payment. Means-tested benefits are generally affected by absences abroad of four weeks (one month for universal credit) or more, with exceptions in limited circumstances.⁷⁴ Some other benefits have more generous rules. It would also be necessary to decide whether there was a minimum qualifying period of residence to be eligible for the pilot.

Similar decisions would need to be made about what would happen if someone moved within Scotland or the UK during the pilot, particularly if a saturation pilot was being run in a small geographical area. Some aspects of the social security system are now different in other parts of the UK. If a pilot participant was ineligible for some or all current benefits, arrangements might need to be made to assist them to return to the current benefits system.

European Economic Area nationals

Presently, European Economic Area (EEA) nationals may be eligible for or excluded from means-tested benefits, tax credits and child benefit, depending on their length of stay in the UK and whether they are exercising EU treaty rights.⁷⁵ By the time any

⁷³ See <https://www.gov.uk/government/organisations/office-of-the-immigration-services-commissioner>

⁷⁴ See for example Reg 11 of The Universal Credit Regulations 2013

⁷⁵ See (at a European level) Directive 2004/38/EC. This is largely incorporated into UK law by The Immigration (EEA) Regulations 2016

pilot begins, whether EEA nationals are treated as they are at present or like other non-UK nationals will depend on the nature of any agreements with the EU, or any unilateral actions taken by the UK government.⁷⁶ There may also be differences in treatment depending on when participants (who may not be present at the time of writing) came to the UK, and what they have done since arriving here. The safest option would perhaps be to assume that there would need to be a similar agreement with the UK government as would be required for other non-UK nationals (see below).

Other non-UK nationals

For social security purposes, and subject to complex exemptions and exceptions, nationals of non-EEA states may be defined as ‘persons subject to immigration control’.⁷⁷ The importance of this is that accessing benefits designated as ‘public funds’ can affect their right to stay in the UK. It might also affect the outcome of any future application to extend or vary immigration leave.

What counts as ‘public funds’ is reserved to the UK government. Even if agreement were secured with the Home Office that a CBI payment would not be classified as public funds, it would be vital to be clear with participants that they would need to get specialist immigration advice before claiming any other benefits, if in any doubt about their immigration status.

Another matter to consider would be whether CBI would be treated as income for the purpose of deciding whether someone’s dependants were eligible to join them in the UK. Once again, this is a decision for the UK government. Whether it was or not, there might be difficulties for pilot participants. For example, if a pilot CBI counted towards meeting the income threshold, there might be implications for the status of dependants at the end of the pilot.

⁷⁶ Up-to-date information about the status of EEA nationals is likely to be available at <https://www.gov.uk/browse/visas-immigration>

⁷⁷ s119 Immigration and Asylum Act 1999

ANNEX 1 TYPES OF NON-MEANS-TESTED BENEFITS

This section categorises the different non-means-tested benefits into groups which have a similar place within the system. It highlights how these payments are treated by means-tested benefits, which are themselves explained further in chapter 4.

Earnings-replacement benefits

There are a group of ‘earnings replacement benefits’ of which generally only one is paid, even if an individual meets the entitlement conditions for several of them.⁷⁸

These are:

- contribution-based jobseeker’s allowance
- contributory employment and support allowance
- severe disablement allowance
- maternity allowance
- carer’s allowance
- widowed parent’s allowance
- state pension.

They count in full as income when assessing entitlement to means-tested benefits, except widowed parent’s allowance. Widowed parent’s allowance either counts in full, or has £10 or £15 a week ignored, depending on the means-tested benefit.

Access to these benefits is conditional on a claimant being in a specific situation, for example looking for work or being over pension age. In addition, most of them require the claimant (for widowed parent’s allowance the late spouse) to have made the requisite level of national insurance (NI) contributions. The exceptions, amongst the benefits that still exist for new claimants, are carer’s allowance and maternity allowance. The latter has a ‘work history’ requirement to qualify.

Some of these benefits are time-limited, such as maternity allowance and jobseeker’s allowance. Employment and support allowance may be time limited or not, depending on the impact of the claimant’s health problem or disability.

Further complication results from the fact that widowed parent’s allowance can only be claimed by people whose spouse died before 6 April 2017.⁷⁹ It has been replaced by a differently structured bereavement support payment (see below).

There were historically both adult and child dependant amounts added to the majority of these benefits, although these have now largely been replaced by the expansion of means-tested support. In particular the introduction of child tax credit in 2003 allowed the abolition of child dependant allowances for new claimants. As these allowances were linked to receipt of child benefit for the dependant, there will now be few claimants remaining, but those who can still get them will have substantially higher non-means-tested entitlements.

⁷⁸ Provided for by The Social Security (Overlapping Benefits) Regulations 1979

⁷⁹ The Supreme Court has held that some unmarried partners should also be eligible for widowed parent’s allowance, but at the time of writing the UK government has not yet decided what to do in light of the judgment, and primary legislation will be needed. For details see House of Commons Hansard, Widowed Parent’s Allowance 5 September 2018 Col 188

State pension levels can also vary significantly, depending on when the claimant reached pension age, and the completeness of their NI contribution record.

Carer's allowance is devolved, but it is expected that the DWP will deliver it on behalf of the Scottish government until the end of 2021.⁸⁰ Severe disablement allowance is closed to new claims. It will be devolved for remaining claimants from April 2020 (working-age claimants are being transferred to employment and support allowance), but the Scottish government intends to agree delivery of it by the DWP on a permanent basis.⁸¹

Bereavement support payment

Bereavement support payment stands alone in the social security system. For people whose spouse died from April 2017, it replaces the previous 'earnings replacement' bereavement benefits (including widowed parent's allowance) with a payment that is shorter in duration, lasting 18 months. It has a less stringent and more straightforward NI contribution condition (for the late spouse). Unlike previous bereavement benefits, it is ignored in calculating means-tested benefit entitlement.

Statutory payments

Some of the liability for earnings-replacement for employees temporarily off work is borne by employers. This takes the form of statutory payments, which an employer must pay if their employee is in a particular situation and meets a test of recent earnings and duration of employment.

These are:

- statutory sick pay
- statutory maternity pay
- statutory paternity pay
- statutory shared parental pay
- statutory adoption pay
- (from April 2020) statutory bereavement pay.

Some statutory payments are paid at a variable rate depending on the employee's salary (with maternity pay and adoption pay in particular being capped by the employee's salary rather than a limit in legislation for the first six weeks). Any more generous contractual payments include the amount of an employee's statutory entitlement.

Some employers can re-claim part of the costs of some of these payments from HM Revenue and Customs. These payments generally affect means-tested benefit entitlement. Whether they are treated as earnings (and so tapered at a different rate and sometimes partially ignored) depends on the benefit.

Industrial injuries benefits and war pensions

Industrial injuries benefits have a long and complex history, and have been progressively simplified in recent years. Existing claimants have retained their entitlements, even where some aspects of the scheme have been abolished for new

⁸⁰ <https://www.gov.scot/publications/support-carers-policy-position-paper/>

⁸¹ <https://www.gov.scot/publications/severe-disablement-allowance-policy-position-paper/>

claimants. They are for employed earners, but with some other types of worker and participants in government training schemes able to qualify. Entitlement depends on the degree of disablement caused by an industrial injury or prescribed disease (often restricted to those with a particular occupation).

War pensions have a similarly complex history and are essentially similar provision for members of the armed forces.

Both war pensions and industrial injuries benefits include provision for the most severely disabled people to get an equivalent to the disability benefits discussed below. This can prevent the need for a separate claim for benefit.

Industrial injuries benefits will be devolved, although the Scottish government presently plans to agree with the DWP for it to continue to deliver the existing scheme initially.⁸²

Most industrial injuries benefits count in full as income when assessing entitlement to means-tested benefits. The exceptions are some additional amounts paid to the most severely disabled recipients. These are equivalent to other disability benefits (see below), which are ignored.

War pensions are more complex. They are ignored in calculating universal credit entitlement. But most war pensions are taken into account as income (with a small disregard) by other means-tested benefits. Finally, local authorities have the discretion to ignore some war pensions when calculating entitlement to housing benefit, and must ignore similar payments when calculating council tax reduction.

Disability benefits

There are non-means-tested disability benefits, designed to offset some of the extra costs of disability. The benefit differs, depending on the age of the claimant. These are:

- disability living allowance
- personal independence payment
- attendance allowance.

While generally these benefits are paid regardless of other sources of income, they cannot be paid at the same time as benefits which serve a similar purpose and are part of the industrial injuries or war pension schemes.

This group of benefits can increase the amount of means-tested benefits that the claimant is entitled to. They also allow a carer to claim carer's allowance for looking after a disabled person.

These benefits are being devolved. There will be a transitional period between 2020 and 2024, when some claimants will get the devolved versions and others the current benefits under the UK government rules.⁸³ However, this should not present any additional difficulty, given their separation from the rest of the benefits system.

⁸² <https://www.gov.scot/publications/industrial-injuries-disabled-benefit-policy-position-paper/>

⁸³ <https://www.gov.scot/publications/social-security-case-transfer-policy-position-paper/>

Child benefit and guardian's allowance

Child benefit is a non-means-tested benefit for children (although the parent or carer responsible for a child is entitled to the payment, as opposed to the child). Payment of it can be clawed back from high-rate taxpayers (see section 6.1). Guardian's allowance is for people caring for orphans, and some other groups of children whose surviving parent cannot look after them. Normally only the person getting child benefit can qualify for guardian's allowance. Both are administered by HM Revenue and Customs.

Both benefits are ignored as income for means-tested benefits, with the exception of child benefit for a small group of claimants of income support or income-based jobseeker's allowance, who have been claiming that benefit continuously since before April 2004.

ANNEX 2 LOW-INCOME PASSPORTED BENEFITS

Table 2 below shows those low-income passported benefits with no alternative route to entitlement were the passporting benefit to stop due to getting a CBI. The government that could change the rules to mitigate the impact is also indicated.

Table 2 - low income passported benefits with no current alternative route to entitlement

Entitlement	Passporting benefits	Control of rules
Discretionary housing payments	<ul style="list-style-type: none"> • housing benefit • universal credit housing costs element for rent • pension credit amount for rent (once introduced) <p>Note that a CBI could be taken into account as income in assessing the need for a discretionary housing payment (although under-occupying social tenants should always be awarded one).⁸⁴</p>	UK government ⁸⁵
Loans for mortgage interest	<ul style="list-style-type: none"> • income support • income-based jobseeker's allowance • income-related employment and support allowance • pension credit • universal credit (if no <i>earned</i> income) <p>Eligibility includes those whose income is too high to get one of these benefits (but not universal credit) by less than the amount of the loan that they would be eligible for.</p>	UK government
Best start grant ⁸⁶	<ul style="list-style-type: none"> • income support • income-based jobseeker's allowance • income-related employment and support allowance • working tax credit or child tax credit 	Scottish government

⁸⁴ This is the way in which the Scottish government's commitment to abolish the 'bedroom tax' is currently being delivered

⁸⁵ The restriction is due to the wording of Exception 6 of Section F1, Part 2, Schedule 5 Scotland Act 1998. The fact that discretionary housing payments are devolved does not mean that the restriction on the use of this power can be removed by the Scottish government

⁸⁶ Claimants under 18, or under 20 and still at school in some cases, need not get a means-tested benefit

	<ul style="list-style-type: none"> • housing benefit • universal credit • pension credit 	
Funeral expense assistance ⁸⁷	<ul style="list-style-type: none"> • income support • income-based jobseeker's allowance • income-related employment and support allowance • working tax credit (including an additional amount for disability) • child tax credit • housing benefit • universal credit • pension credit 	Scottish government
Best Start foods (expected to replace Healthy start vouchers from summer 2019) ⁸⁸	<ul style="list-style-type: none"> • income support • income-based jobseeker's allowance • income-related employment and support allowance • pension credit • child tax credit (if income taken into account is below £16,190 a year) • housing benefit (if income taken into account is below £16,190 a year) • working tax credit (if income taken into account below £6,420 a year) • universal credit (if <i>earned</i> income below £610 a month) 	Scottish government
Free childcare for two-year old children ⁸⁹	<ul style="list-style-type: none"> • income support • income-based jobseeker's allowance • income-related employment and support allowance • incapacity benefit or severe disablement allowance • pension credit • child tax credit (if income taken into account is below £16,190 a year) • working tax credit (if income taken into account is below £6,420) 	Scottish government

⁸⁷ The Funeral Expense Assistance (Scotland) Regulations 2019 are in draft form at the time of writing

⁸⁸ These proposals are not finalised at the time of writing

⁸⁹ Separate rules give access for looked after children and some kinship carers

	<ul style="list-style-type: none"> universal credit (if <i>earned</i> income below £610 a month) <p>Once someone qualifies, eligibility continues even if the benefit later stops.</p>	
<p>Cold weather payments</p> <p>These are to be devolved, so eligibility may change</p>	<ul style="list-style-type: none"> pension credit income support income-based jobseeker's allowance income-related employment and support allowance universal credit (if no <i>earned</i> income) <p>With the exception of pension credit there must also be a child under 5 in the household, or certain extra amounts relating to disability or age must be included in the household's benefit calculation (including amounts for a disabled child in child tax credit) to qualify.⁹⁰</p>	<p>UK government until devolution, Scottish government after devolution</p>
<p>Court fees exemption</p>	<ul style="list-style-type: none"> income support income-based jobseeker's allowance income-related employment and support allowance pension credit guarantee credit working tax credit (if either child tax credit or a disability element of working tax credit is included and income taken into account is below £18,000 a year) universal credit <p>Exemption includes if the claimant's spouse/civil partner receives the benefit above (except jobseeker's allowance and universal credit), but not if a couple are unmarried. Separate rules exempt people getting legal aid advice and assistance (see table 3 below) or civil legal aid (see section 6.8 above).</p>	<p>Scottish government</p>

Table 3 below sets out low-income passported entitlements for which there is an alternative route for people not getting a qualifying benefit. the alternative test and any changes that might be needed are briefly described.

⁹⁰ A special rule allows people who would have qualified under these rules, but now get a loan for mortgage interest (which was an entitlement to benefit until April 2018, so this is a form of transitional protection).

Table 3 - low income passported benefits with an alternative route to entitlement

Entitlement	Passporting benefits	Alternative route to entitlement	Control of rules
<p>Scottish welfare fund (crisis grants and community care grants)</p>	<p>People getting one of the following benefits are treated as being on a low income:</p> <ul style="list-style-type: none"> • income support • income-based jobseeker’s allowance • income-related employment and support allowance • pension credit • universal credit <p>However, particularly for crisis grants, any income that the applicant can access would be likely to mean that a crisis grant would not be awarded</p>	<p>Local authorities should assess the resources of applicants who do not get a qualifying benefit, considering, amongst other things, whether the total household income is at a similar level to the qualifying benefits.</p> <p>Note that there is no entitlement to a Scottish welfare fund grant in any case.</p>	<p>Scottish government, or local authority discretion</p>
<p>Health benefits (free dental treatment, help with travel costs and fabric supports)</p>	<ul style="list-style-type: none"> • income support • income-based jobseeker’s allowance • income-related employment and support allowance • pension credit guarantee credit • child tax credit (if income taken into account is below £15,276 a year) • working tax credit (if a disability element is included and income taken into account is below £15,276 a year) • universal credit (if <i>earned</i> income below £435 a month, or £935 for households with children and some households affected by disability) 	<p>Separate provision for asylum seekers, students under 19, care leavers and some war pensioners. For other groups, a low-income test based on the income support means test is used to check if full or partial help should be provided. A CBI payment would thus count as income unless specifically disregarded by a change to the rules.</p>	<p>Scottish government (currently delivered by NHS England on behalf of the Scottish government)</p>

<p>Legal Aid - advice and assistance</p>	<ul style="list-style-type: none"> • universal credit • income support • income-based jobseeker's allowance • income-related allowance <p>In all cases capital must be below £1,716</p>	<p>A separate means test assesses disposable income. Some specific benefits are disregarded, but to add CBI to the list would require a change to the regulations</p>	<p>Scottish government</p>
<p>Reduced water and sewage charges</p>	<ul style="list-style-type: none"> • council tax reduction 	<p>Single adult households, or households where adult(s) are disregarded may also get a discount. Disregarded adults include people with a severe mental impairment and full-time students.</p>	<p>Scottish government</p>

ANNEX 3 CASE STUDIES: CITIZEN'S BASIC INCOME OPERATES WITHIN THE MEANS-TESTED BENEFITS SYSTEM

The case studies in the Annexes consider CBI payments at the levels set out in table 4 below, as agreed with the steering group. For the avoidance of doubt these are illustrative amounts, and not a recommendation that these amounts should be used in a pilot.

Table 4 levels of citizen's basic income considered

Age group	2018 Minimum income standard (per week)	Explanation	Low rate (per week)	Explanation
0 to 15	£120.48	Based on rate for a primary school-aged child	£63.84	2018 rate of child tax credit child element plus family element (in CTC paid for children born before April 2017)
16-24	£213.59		£57.90	2018 rate of jobseeker's allowance personal allowance for a single person aged 16-24
25-pension age	£213.59	Based on single person rate	£73.10	2018 rate of jobseeker's allowance personal allowance for a single person aged 25 or over
Over pension age	£195.90	Based on single person rate	£163	2018 rate of pension credit guarantee credit for a single person aged over pension age

Basis of amounts explained below

The basis of these indicative amounts has been suggested by the steering group, in order to frame an assessment of whether there would be an unacceptable risk that those taking part in the pilot might be left worse off as a result of their participation. This principle of avoiding detrimental impacts of pilot participation is considered important to the design of any pilot. As such, where the case studies indicate that even the high level of payment would leave participants worse off unless the CBI was treated in a particular way, this is highlighted.

The low rate amounts

The low rate payments in table 1 above broadly mirror the 2018 rates of current out-of-work benefits for different age groups. These do not include additional amounts added to means-tested benefits for some carers and disabled people (including disabled children), or amounts for rent or childcare costs.

A young person aged 16 to 19 can currently continue to remain part of their parent(s) universal credit or tax credits claim, if they remain in full-time non-advanced education or some kinds of training. So, many families containing young people still at school would receive less support under the low payments proposed, if the CBI amount changed when someone turned 16. Maintaining the 'child' level of CBI until the age of 20 would mitigate this effect.⁹¹

The minimum income standard amounts

The higher payment amounts in table 1 are based on the Joseph Rowntree Foundation's (JRF) minimum income standard (MIS). This is described in the most recent annual report as follows.

'MIS is based on the items that members of the public think UK households need to be able to afford in order to meet material needs such as food, clothing and shelter, as well as to have the opportunities and choices required to participate in society.'⁹²

However, the figures above do not include amounts for housing and childcare costs, and are amounts for single person households.

It would appear that, even at the high amounts, the pilot would leave some participants worse off unless they could still access the existing means-tested benefits system for support with rent, council tax and childcare costs. The case studies in the Annexes indicate the level of CBI that would be needed in particular circumstances to ensure no detriment if participants were outside the means-tested benefits system entirely.

Another feature of the MIS is that it takes no account of the extra costs resulting from a disability. Allowing participants to continue to claim any disability benefit that they were eligible for would partially mitigate this.

⁹¹ While not all young people can remain part of their parent(s) benefit claim until the age of 20, this is the upper limit for child benefit and child tax credit. For universal credit the upper age limit to count as a child is 1 September after the 19th birthday.

⁹² Davis et al, *A Minimum Income Standard for the UK 2008-2018: continuity and change*, JRF (York) 2018, p1

These cases show a comparison between the income of an individual or family from benefits, and what their income would be if they were paid a CBI and

- continued to be eligible for means-tested benefits without any changes to the rules (the 'default')
- continued to be eligible for means-tested benefits but with the rules changed so that the CBI was taken into account as income
- continued to be eligible for means-tested benefits but with the rules changed so that CBI was disregarded as income.

The default position is for a CBI paid by the Scottish government as a new benefit or by local government under wellbeing powers. CBI is disregarded for some working-age benefits (universal credit, tax credits and council tax reduction for universal credit claimants) and adult CBI (but not child CBI) taken into account for others (income-based jobseeker's allowance, income-related employment and support allowance, income support, housing benefit for working age people, council tax reduction for working age people not on universal credit). (Under the default position, child CBI is disregarded for all benefits except for some families who have been getting benefit since before 6 April 2004.) For pension-age benefits, the default is that CBI (assuming CBI is regarded as a social security benefit) is taken into account for pension credit, housing benefit for pensioners and council tax reduction for pensioners.

The counted-as-income position is that adult CBI is taken into account for all means-tested benefits and tax credits, and both adult and child CBI is taken into account for universal credit, tax credits, housing benefit and council tax reduction (ie, the benefits which include children in the assessment).

The disregarded-as-income position is that CBI is disregarded as income for all means-tested benefits and tax credits, both child and adult CBI. In effect, this simply means an individual or family who receives CBI keeps benefit entitlement in full.

CASE 1 Single, aged 25 – pension age, jobseeker (universal credit)

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Universal credit £73.14	Universal credit £73.14 CBI £73.10	Universal credit £0.04 CBI £73.10	Universal credit £73.14 CBI £73.10	Universal credit £73.14 CBI £213.59	Universal credit £0 CBI £213.59	Universal credit £73.14 CBI £213.59
Total means-tested benefits (change from no CBI)	£73.14	£146.24 (+£73.10)	£73.14 (£0)	£146.24 (+£73.10)	£286.73 (+£213.59)	£213.59 (+£140.45)	£286.73 (+£213.59)
Adding housing costs	UC housing costs element £92.06 ⁹³ Council tax reduction £18.48 ⁹⁴	UC housing costs element £92.06 Council tax reduction £18.48	UC housing costs element £92.06 Council tax reduction £18.48	Housing benefit £92.06 Council tax reduction £18.48	UC housing costs element £92.06 Council tax reduction £18.48	UC housing costs element £0 Council tax reduction £0	UC housing costs element £92.06 Council tax reduction £18.48
Total with housing costs	£183.68	£256.78 (+£73.10)	£183.68 (+£0)	£256.78 (+£73.10)	£397.27 (+£213.59)	£213.59 (+£29.91)	£397.27 (+£213.59)

⁹³ Based on local housing allowance for a 1-bedroom home in Glasgow which applies to those aged 35 or over

⁹⁴ Based on Glasgow Band D council tax with 25% single occupancy reduction

(change from no CBI)							
<p>With a low CBI ignored as income, a single jobseeker gains by the amount of CBI paid. With a low CBI counted as income, a single jobseeker has the same amount of income as they would have on universal credit alone. Rent is met by universal credit, which means this person retains access to passporting benefits.</p>							

CASE 2 Lone parent aged 25 – pension age, two children - universal credit (CBI for one adult and two children)

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Universal credit £190.23	Universal credit £190.23 CBI £200.78	Universal credit £0 CBI £200.78	Universal credit £190.23 CBI £200.78	Universal credit £190.23 CBI £454.55	Universal credit £0 CBI £454.55	Universal credit £190.23 CBI £454.55
Total means-tested benefits (change from no CBI)	£190.23	£391.01 (+£200.78)	£200.78 (+£10.55)	£391.01 (+£200.78)	£644.78 (+£454.55)	£454.55 (+£264.32)	£644.78 (+£454.55)
Adding housing costs	UC housing costs	UC housing costs	UC housing costs	UC housing costs element £137.31	UC housing costs	UC housing costs element £0	UC housing costs element £137.31

	element £137.31 ⁹⁵ Council tax reduction £18.50 ⁹⁶	element £137.31 Council tax reduction £18.50	element £126.76 Council tax reduction £18.50	Council tax reduction £18.50	element £137.31 Council tax reduction £18.50	Council tax reduction £0	Council tax reduction £18.50
Total with housing costs (change from no CBI)	£346.04	£546.82 (+£200.78)	£346.04 (+£0)	£546.82 (+£200.78)	£800.59 (+£454.55)	£454.55 (+£108.51)	£800.59 (+£454.55)
Adding non- means- tested amounts for children	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40
Total with non-means- tested benefits (change from no CBI)	£380.44	£581.22 (+£200.78)	£380.44 (£0)	£581.22 (+£200.78)	£834.99 (+£454.54)	£488.95 (+£108.46)	£834.99 (+£454.54)

⁹⁵ Based on local housing allowance for a 3-bedroom home in Glasgow

⁹⁶ Based on Glasgow Band D council tax with 25% single occupancy reduction

The default is that CBI is disregarded as income for universal credit and council tax reduction, and this family is better off at low or MIS level of CBI. Counting a low CBI as income means this person has the same weekly income as they would have on benefit and they keep some universal credit so retain access to passporting entitlements. With a MIS CBI counted as income, this person has a higher weekly income but loses all universal credit so loses access to passported entitlements.

CASE 3 Lone parent aged 25 – pension age, two children – legacy benefits (CBI for one adult and two children)

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Jobseeker's allowance £73.10 Child tax credit £117.18	Jobseeker's allowance £0 Child tax credit £117.18 CBI £200.78	Jobseeker's allowance £0 Child tax credit £117.18 CBI £200.78	Jobseeker's allowance £73.10 Child tax credit £117.18 CBI £200.78	Jobseeker's allowance £0 Child tax credit £117.18 CBI £454.55	Jobseeker's allowance £0 Child tax credit £57.45 CBI £454.55	Jobseeker's allowance £73.10 Child tax credit £117.18 CBI £454.55
Total means-tested benefits (change from no CBI)	£190.28	£317.96 (+£127.68)	£317.96 (+£127.68)	£391.06 (+£200.78)	£571.73 (+£381.45)	£512 (+£321.72)	£644.83 (+£454.55)

Adding housing costs	Housing benefit £137.31 ⁹⁷ Council tax reduction £18.50 ⁹⁸	Housing benefit £137.31 Council tax reduction £18.50	Housing benefit £76.46 Council tax reduction £6.47	Housing benefit £137.31 Council tax reduction £18.50	Housing benefit £68.14 Council tax reduction £3.91	Housing benefit £0 Council tax reduction £0	Housing benefit £137.31 Council tax reduction £18.50
Total with housing costs (change from no CBI)	£346.09	£473.77 (+£127.68)	£400.89 (£+54.80)	£546.87 (+£200.78)	£643.78 (£+297.69)	£512 (£+165.91)	£800.64 (+£454.55)
Adding non-means-tested amounts for children	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40
Total with non-means-tested benefits (change from no CBI)	£380.49	£508.17 (+£127.68)	£435.29 (£+54.80)	£581.27 (+£200.78)	£678.18 (+£297.69)	£546.40 (+£165.91)	£835.04 (+£454.55)

⁹⁷ Based on local housing allowance for a 3-bedroom home in Glasgow

⁹⁸ Based on Band D council tax with 25% single occupancy reduction

The default is that CBI for an adult is disregarded as income for jobseeker's allowance, child tax credit, housing benefit and council tax reduction, and this family is better off at low or MIS level of CBI. However, this family is worse off than a family in the same circumstances on universal credit.

CASE 4 Lone parent aged 25 – pension age, two children, living in temporary homeless accommodation (CBI for one adult and two children)

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Universal credit £190.23	Universal credit £190.23 CBI £200.78	Universal credit £0 CBI £200.78	Universal credit £190.23 CBI £200.78	Universal credit £190.23 CBI £454.55	Universal credit £0 CBI £454.55	Universal credit £190.23 CBI £454.55
Total means-tested benefits (change from no CBI)	£190.23	£391.01 (+£200.78)	£200.78 (+£10.55)	£391.01 (+£200.78)	£644.78 (+£454.55)	£454.55 (+£264.32)	£644.78 (+£454.55)
Adding housing costs	Housing benefit £350 ⁹⁹	Housing benefit £350	Housing benefit £350	Housing benefit £350	Housing benefit £350	Housing benefit £200.37	Housing benefit £350
Total with housing costs	£540.23	£741.01 (+£200.78)	£550.78 (+£10.55)	£741.01 (+£200.78)	£994.78 (+£454.55)	£654.92 (+£114.69)	£994.78 (+£454.55)

⁹⁹ Rents in temporary homeless accommodation are paid through housing benefit and are not capped by the local housing allowance or the benefit cap. Rents vary, with one study finding the maximum rent in the range to be £ 1,370.00pw http://social-bite.co.uk/wp-content/uploads/2018/11/SB_TempAccommReport_FinalReport.pdf

(change from no CBI)							
Adding non-means-tested amounts for children	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40	Child benefit £34.40
Total with non-means-tested benefits (change from no CBI)	£574.63	£775.41 (+£200.78)	£585.18 (+£10.55)	£775.41 (+£200.78)	£1029.18 (+£454.55)	£689.32 (+£114.69)	£1029.18 (+£454.55)
This family has relatively high housing costs. A CBI on its own, even at the MIS level, is not enough to meet these costs. This family's housing costs are met through housing benefit.							

CASE 5 Aged 25 – pension age, single, disabled (universal credit)

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Universal credit £73.14	Universal credit £73.14 CBI £73.10	Universal credit £0.04 CBI £73.10	Universal credit £73.14 CBI £73.10	Universal credit £73.14 CBI £213.59	Universal credit £0 CBI £213.59	Universal credit £73.14 CBI £213.59
Total (change from no CBI)	£73.14	£146.24 (+£73.10)		£146.24 (+£73.10)	£286.73 (+£213.59)	£213.59 (+£140.45)	£286.73 (+£213.59)

Adding means-tested disability amounts	Universal credit limited capability for work-related activity component £75.56	Universal credit limited capability for work-related activity component £75.56	Universal credit limited capability for work-related activity component £75.56	Universal credit limited capability for work-related activity component £75.56	Universal credit limited capability for work-related activity component £75.56	Universal credit limited capability for work-related activity component £0	Universal credit limited capability for work-related activity component £75.56
Total with means-tested disability amounts (change from no CBI)	£148.70	£221.80 (+£73.10)	£148.70 (£0)	£221.80 (+£73.10)	£362.29 (+£213.59)	£213.59 (+£64.89)	£362.29 (+£213.59)
Adding housing costs	UC housing costs element £92.06 Council tax reduction £18.48	UC housing costs element £92.06 Council tax reduction £18.48	UC housing costs element £92.06 Council tax reduction £18.48	UC housing costs element £92.06 Council tax reduction £18.48	UC housing costs element £92.06 Council tax reduction £18.48	UC housing costs element £27.17 Council tax reduction £18.48	UC housing costs element £92.06 Council tax reduction £18.48
Total with housing costs (change	£259.24	£332.34 (+£73.10)	£259.24 (£0)	£332.34 (+£73.10)	£472.83 (+£213.59)	£259.24 (£0)	£472.83 (+£213.59)

from no CBI)							
Adding non-means-tested disability amounts	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35
Total (change from no CBI)	£404.59	£477.69 (+£73.10)	£404.59 (£0)	£477.69 (+£73.10)	£618.18 (+£213.59)	£404.59 (£0)	£618.18 (+£213.59)

Counting a CBI as income at low or MIS level means this person has the same weekly income as they would have on benefit and they keep some universal credit so retain access to passported entitlements. If a CBI was also counted as income for an Independent Living Fund award, this person could be worse off with a CBI.

CASE 6 Aged 25 – pension age, single, disabled (legacy benefits)

Per week	NO CBI	WITH LOW CBI			WITH HIGH CBI		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	ESA £73.10	ESA £0 CBI £73.10	ESA £0 CBI £73.10	ESA £73.10 CBI £73.10	ESA £0 CBI £213.59	ESA £0 CBI £213.59	ESA £73.10 CBI £213.59

Total (change from no CBI)	£73.10	£73.10 (£0)	£73.10 (£0)	£146.20 (+£73.10)	£213.59 (£140.49)	£213.59 (£140.49)	£286.69 (+£213.59)
Adding means- tested disability amounts	Severe disability premium £64.30 Enhanced disability premium £16.40 Support component £37.65	Severe disability premium £64.30 Enhanced disability premium £16.40 Support component £37.65	Severe disability premium £64.30 Enhanced disability premium £16.40 Support component £37.65	Severe disability premium £64.30 Enhanced disability premium £16.40 Support component £37.65	£0	£0	Severe disability premium £64.30 Enhanced disability premium £16.40 Support component £37.65
Total with means- tested disability amounts (change from no CBI)	£191.45	£191.45 (£0)	£191.45 (£0)	£264.55 (+£73.10)	£213.59 (+£22.14)	£213.59 (+£22.14)	£405.04 (+£213.59)

	Housing benefit £92.06	Housing benefit £92.06	Housing benefit £92.06	Housing benefit £92.06	Housing benefit £77.67	Housing benefit £77.67	Housing benefit £92.06
Adding housing costs	Council tax reduction £18.48	Council tax reduction £18.48	Council tax reduction £18.48	Council tax reduction £18.48	Council tax reduction £14.05	Council tax reduction £14.05	Council tax reduction £18.48
Total with housing costs (change from no CBI)	£301.99	£301.99 (£0)	£301.99 (£0)	£375.09 (£+73.10)	£305.31 (+£3.32)	£305.31 (+£3.32)	£515.58 (+£213.59)
Adding non-means-tested disability amounts	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35
Total (change from no CBI)	£447.34	£447.34 (£0)	£447.34 (£0)	£520.44 (+£73.10)	£450.66 (+£3.32)	£450.66 (+£3.32)	£660.93 (+£213.59)

This person has extra disability-related costs. A CBI on its own at low or MIS level is not enough to meet these costs. Paying a CBI while retaining entitlement to benefits means this person's weekly income is the same or higher as it would be without a CBI depending on the level of CBI paid (although if CBI was also counted as income for an Independent Living Fund award, income could be lower). However, this person could be worse off with a MIS level CBI than they would be with a low CBI. With MIS level

CBI, although income is £3.32pw higher than with no CBI, the loss of employment and support allowance means passported entitlements are also lost.

CASE 7 Over pension age, single (with pension)

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Pension and means-tested amounts	Pension credit £0 State pension £164.35 ¹⁰⁰ Protected payment £20 ¹⁰¹	Pension credit £0 State pension £164.35 Protected payment £20 CBI £163	Pension credit £0 State pension £164.35 Protected payment £20 CBI £163	Pension credit £0 State pension £164.35 Protected payment £20 CBI £163	Pension credit £0 State pension £164.35 Protected payment £20 CBI £195.90	Pension credit £0 State pension £164.35 Protected payment £20 CBI £195.90	Pension credit £0 State pension £164.35 Protected payment £20 CBI £195.90
Total pension and means-tested benefits	£184.35	£347.35 (+£163)	£347.35 (+£163)	£347.35 (+£163)	£380.25 (+£195.90)	£380.25 (+£195.90)	£380.25 (+£195.90)

¹⁰⁰ State pensions are paid at varying levels depending on the National Insurance contributions paid and whether any amount has been inherited from a spouse or civil partner. Levels can be considerably lower or higher than the amount in the example.

¹⁰¹ A variable amount paid to protect entitlements higher than the new flat rate state pension

(change from no CBI)							
Adding means-tested housing costs	Housing benefit £86.89 ¹⁰² Council tax reduction £16.91 ¹⁰³	£0	£0	Housing benefit £86.89 Council tax reduction £16.91	£0	£0	Housing benefit £86.89 Council tax reduction £16.91
Total with housing costs (change from no CBI)	£288.15	£347.35 (+£59.20)	£347.35 (+£59.20)	£451.15 (+£163)	£380.25 (+£92.10)	£380.25 (+£92.10)	£484.05 (+£195.90)
This person is better off with the CBI at either level. CBI makes no difference to pension credit for this person because their state pension is already above that level, but CBI does affect housing benefit and council tax reduction if counted as income.							

CASE 8 Over pension age, single (no pension)

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Pension credit £163	Pension credit £0 CBI £163	Pension credit £0 CBI £163	Pension credit £163 CBI £163	Pension credit £0 CBI £195.90	Pension credit £0 CBI £195.90	Pension credit £163 CBI £195.90

¹⁰² Based on £92.06 local housing allowance (LHA) rate for a one-bedroom flat in Glasgow.

¹⁰³ Based on Band D council tax for Glasgow with 25% single occupancy deduction

Total means-tested amounts (change from no CBI)	£163	£163 (£0)	£163 (£0)	£326 (+£163)	£195.90 (+£32.90)	£195.90 (+£32.90)	£358.90 (+£195.90)
Adding means-tested housing costs	Housing benefit £92.06 ¹⁰⁴ Council tax reduction £18.50 ¹⁰⁵	Housing benefit £92.06 Council tax reduction £18.50	Housing benefit £92.06 Council tax reduction £18.50	Housing benefit £92.06 Council tax reduction £18.50	Housing benefit £79.39 Council tax reduction £14.60	Housing benefit £79.39 Council tax reduction £14.60	Housing benefit £92.06 Council tax reduction £18.50
Total with housing costs (change from no CBI)	£273.56	£273.56 (£0)	£273.56 (£0)	£436.56 (+ £163)	£289.89 (+£16.33)	£289.89 (+£16.33)	£469.46 (+£195.90)
This person loses pension credit with CBI at either level if it counts as income and therefore access to passporting benefits.							

CASE 9 Aged 16-17 care experienced

Per week	NO CBI	WITH LOW CBI	CHANGE		WITH MIS	CHANGE	

¹⁰⁴ £92.06 is the local housing allowance (LHA) rate for a one-bedroom flat in Glasgow.

¹⁰⁵ Based on Band D council tax for Glasgow with 25% single occupancy deduction

		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Universal credit £0 ¹⁰⁶	Universal credit £0 CBI £57.90	Universal credit £0 CBI £57.90	Universal credit £0 CBI £57.90	Universal credit £0 CBI £213.59	Universal credit £0 CBI £213.59	Universal credit £0 CBI £213.59
Adding housing costs	UC housing costs element £0 ¹⁰⁷ Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0
Adding wider social work financial support	£57.94 £68.28 (for universal credit housing costs element) ¹⁰⁸	£57.94 ¹⁰⁹ £68.28 (for universal credit housing costs element)	£0.04 £68.28 (for universal credit housing costs element)	£57.94 £68.28 (for universal credit housing costs element)	£57.94 £68.28 (for universal credit housing costs element)	£0	£57.94 £68.28 (for universal credit housing costs element)
Total	£126.22	£184.12 (+£57.90)	£126.22 (+£0)	£184.12 (+£57.90)	£339.81 (+£231.59)	£213.59 (+£87.37)	£339.81 (+£231.59)

¹⁰⁶ 16 and 17-year-old careleavers are not entitled to universal credit unless they are disabled or have a child

¹⁰⁷ 16 and 17-year-old careleavers are not entitled to universal credit housing costs element irrespective of being disabled or having a child

¹⁰⁸ £57.94 + £68.28 is equivalent to the amount of universal credit a young person would receive from universal credit if they were not excluded

¹⁰⁹ National guidance (Supporting Young People Leaving Care in Scotland) advises that social work support should treat income as DWP would, so the default would be that a CBI would be disregarded. However, guidance also emphasises the discretion local authorities have in this regard.

Care-experienced young people are usually financially supported by the local authority not through the benefit system. This young person is no better off at the low CBI level unless the local authority uses its discretion over assessing financial support for care leavers and chooses to pay full benefit-level support disregarding the CBI.

CASE 10 Aged 16-24 student in further education

Per week	NO CBI	WITH LOW CBI			WITH MIS		
		DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME	DEFAULT	COUNTED AS INCOME	DISREGARDED AS INCOME
Means-tested amounts	Universal credit £0 ¹¹⁰	Universal credit £0 CBI £57.90	Universal credit £0 CBI £57.90	Universal credit £0 CBI £57.90	Universal credit £0 CBI £213.59	Universal credit £0 CBI £213.59	Universal credit £0 CBI £213.59
Adding means-tested housing costs	UC housing costs element £0 Council tax reduction £0 ¹¹¹	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0	UC housing costs element £0 Council tax reduction £0
Adding wider	£78.17 ¹¹²	£40.79 ¹¹³	£40.79	£78.17	£0	£0	£78.17

¹¹⁰ Most students are not entitled to universal credit unless they are disabled, have a child or are estranged from their parents

¹¹¹ Full-time students are usually exempt from council tax

¹¹² Bursary maintenance allowance maximum amount for student living in parental home, means-tested on both student and parental income. There are allowances that can be paid in addition. http://www.sfc.ac.uk/web/FILES/guidance_sfcgd042018/SFCGD042018_Award_Assessment.pdf

¹¹³ There is no parental contribution if CBI is the only income of the parent, however, the bursary is reduced by an amount of the student's own income according to the Scottish Funding Council bursary policy http://www.sfc.ac.uk/web/FILES/guidance_sfcgd042018/SFCGD042018_Award_Assessment.pdf

student support							
Total (change from no CBI)	£78.17	£98.69 (+£20.52)	£98.69 (+£20.52)	£136.07 (+£57.90)	£213.59 (+£135.42)	£213.59 (+£135.42)	£291.76 (+£213.59)
This further education student is better off at the low CBI level despite the CBI being taken into account in the means-tested bursary. The Scottish Funding Council's national policy determines how income is treated in assessing bursaries.							

ANNEX 4 CASE STUDIES: CITIZEN'S BASIC INCOME OPERATES OUTSIDE THE MEANS-TESTED BENEFITS SYSTEM

These cases show a comparison between the weekly income of an individual or family from benefits, and what their income would be if they were paid a CBI but no means-tested benefits. These cases assume that benefit and tax credit rules have been changed (by DWP, HMRC, Scottish government and local authorities) so that an individual who receives a CBI cannot also receive any of the means-tested benefits and tax credits – universal credit, income-based jobseeker's allowance, income-related employment and support allowance, income support, pension credit, housing benefit, council tax reduction, child tax credit, working tax credit. Although CBI replaces means-tested benefits, these cases assume that an individual would continue to be eligible for non-means-tested benefits and wider support, and considers how CBI may affect entitlement.

The case studies consider CBI payments at the illustrative low and minimum income standard (MIS) levels set out in table 4 in Annex 3 above.

CASE 1 Single, aged 25 – pension age, jobseeker (universal credit)

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
Means-tested benefits	Universal credit £73.14	CBI £73.10		CBI £213.59	
Total means-tested benefits	£73.14	£73.10	-£0.04	£213.59	+£140.45
Adding housing costs	UC housing costs element £92.06 ¹¹⁴ Council tax reduction £18.48 ¹¹⁵	£0		£0	
Total with housing costs	£183.68	£73.10	-£110.58	£213.59	+£29.91

¹¹⁴ Based on £92.06 local housing allowance (LHA) rate for a one-bedroom flat in Glasgow.

¹¹⁵ Based on Band D council tax with 25% single occupancy reduction

At the MIS level, this person is better off than on universal credit with housing costs based on Glasgow local housing allowance and council tax amounts.

CASE 2 Lone parent aged 25-pension age, two children - universal credit (CBI for one adult and two children)

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
Means-tested benefits	Universal credit £190.23	CBI £200.78		CBI £454.55	
Total means-tested benefits	£190.23	£200.78	+£10.55	£454.55	+£264.32
Adding housing costs	UC housing costs element £137.31 ¹¹⁶ Council tax reduction £18.50 ¹¹⁷	£0		£0	
Total with housing costs	£346.04	£200.78	-£145.26	£454.55	+£108.51
Adding non-means-tested amounts for children	Child benefit £34.40	Child benefit £34.40		Child benefit £34.40	
Total with non-means-tested benefits	£380.44	£235.18	-£145.26	£488.95	+£108.51
<p>This person is better off at this particular MIS level of CBI (£213.59 +£120.48 for each child) with housing costs based on Glasgow local housing allowance and council tax amounts. To avoid paying anyone in these circumstances less than they would receive in means-tested benefits, a CBI would need to be set at £190.23 plus the local housing allowance rate in the area for a three bedroom property plus the maximum council tax that a person could pay (Band H property with 25% single occupancy</p>					

¹¹⁶ Based on local housing allowance for a 3-bedroom home in Glasgow

¹¹⁷ Based on Band D council tax with 25% single occupancy reduction

discount). For example, in Edinburgh, this would be £186.47 local housing allowance and £43.70 council tax, giving a total **rate required for the CBI of £420.40pw**, plus child benefit. However, the person would still be worse off due to the loss of passporting entitlements. For example, they would lose access to free school lunches and best start grant. They may also be worse off if they have higher housing costs that can be met through benefits eg, in temporary homeless accommodation – see case below.

CASE 3 Lone parent aged 25-pension age, two children – legacy benefits (CBI for one adult and two children)

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
Means-tested benefits	Jobseeker's allowance £73.10 Child tax credit £117.18	CBI £200.78		CBI £454.55	
TOTAL MEANS-TESTED BENEFITS	£190.28	£200.78	+\$10.55	£454.55	+\$264.27
Adding housing costs	Housing benefit £137.31 ¹¹⁸ Council tax reduction £18.50 ¹¹⁹	£0		£0	
TOTAL WITH HOUSING COSTS	£346.09	£200.78	-\$145.31	£454.55	+\$108.46
Adding non-means-tested amounts for children	Child benefit £34.40	Child benefit £34.40		Child benefit £34.40	
TOTAL WITH NON-MEANS-TESTED BENEFITS	£380.49	£235.18	-\$145.31	£488.95	+\$108.46

This family on legacy benefits is in a very similar position to the family on universal credit.

¹¹⁸ Based on local housing allowance for a 3-bedroom home in Glasgow

¹¹⁹ Based on Band D council tax with 25% single occupancy reduction

CASE 4 Lone parent aged 25-pension age, two children, living in temporary homeless accommodation

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
Means-tested benefits	Universal credit £190.23	CBI £200.78		CBI £454.55	
TOTAL MEANS-TESTED BENEFITS	£190.23	£200.78	+\$10.55	£454.55	+\$264.32
Adding housing costs	Housing benefit £350 ¹²⁰	£0		£0	
TOTAL WITH HOUSING COSTS	£540.23	£200.78	-\$339.45	£454.55	-\$85.68
Adding non-means-tested amounts for children	Child benefit £34.40	Child benefit £34.40		Child benefit £34.40	
TOTAL WITH NON-MEANS-TESTED BENEFITS	£574.63	£235.18	-\$339.45	£488.95	-\$85.68
<p>This person is worse off at this particular MIS level of CBI (£213.59 +£120.48 for each child) with higher housing costs in temporary homeless accommodation. If there were to be no means-tested benefits available for people getting a CBI, to avoid paying anyone in these circumstances less than they would receive in means-tested benefits, the CBI would need to be paid at a higher level to cover the higher housing costs.</p>					

CASE 5 Aged 25 – pension age, single, disabled (universal credit)

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
	Universal credit £73.14	CBI £73.10		CBI £213.59	

¹²⁰ Rents in temporary homeless accommodation are paid through housing benefit and are not capped by the local housing allowance or the benefit cap. Rents vary, with one study finding the maximum rent in the range to be £ 1,370.00pw http://social-bite.co.uk/wp-content/uploads/2018/11/SB_TempAccommReport_FinalReport.pdf

Total	£73.14	£73.10	-£0.04	£213.59	+£140.45
Adding means-tested disability amounts	Universal credit limited capability for work-related activity component £75.56	£0			
Total with means-tested disability amounts	£148.70	£73.10	-£75.60	£213.59	+ £64.89
Adding housing costs	UC housing costs element £92.06 Council tax reduction £18.48	£0		£0	
Total with housing costs	£259.24	£73.10	-£186.14	£213.59	-£45.65
Adding non-means-tested disability amounts	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35		Personal independence payment (enhanced rate of both components) £145.35	
Total with non-means tested disability amounts	£404.59	£218.45	-£186.14	£358.94	-£45.65

This person is worse off at this particular MIS level of CBI (£213.59) if they have rent and council tax to pay. To avoid paying anyone in these circumstances less than they would receive in means-tested benefits, a CBI would need to be set at £148.70pw plus the local housing allowance rate in the area for a one bedroom property plus the maximum council tax that a person could pay (Band H property with 25% single occupancy discount). For example, in Glasgow, this would be £92.06 local housing allowance and £45.32 council tax, giving a total **rate required for the CBI of £286.08pw**. However, the person would still be worse off due to the loss of passporting entitlements.

CASE 6 Aged 25 – pension age, single, disabled (legacy benefits)

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH HIGH CBI	CHANGE
	ESA £73.10	CBI £73.10		CBI £213.59	
Total	£73.10	£73.10	£0.00	£213.59	+£140.49
Adding means-tested disability amounts	Severe disability premium £64.30 Enhanced disability premium £16.40 Support component £37.65	£0		£0	
TOTAL with means-tested disability amounts	£191.45	£73.10	-£118.35	£213.59	+ £22.14
Adding housing costs	Housing benefit £92.06 Council tax reduction £18.48	£0		£0	
TOTAL with housing costs	£301.99	£73.10	-£228.89	£213.59	-£88.40
Adding non-means-tested disability amounts	Personal independence payment (enhanced rate of both components) £145.35	Personal independence payment (enhanced rate of both components) £145.35		Personal independence payment (enhanced rate of both components) £145.35	
Total with non-means tested	£447.34	£218.45	-£228.89		-£88.40

disability amounts				£358.94	
<p>This person is worse off at this particular MIS level of CBI (£213.59) if they have rent and council tax to pay. To avoid paying anyone in these circumstances less than they would receive in means-tested benefits, a CBI would need to be set at £191.45 plus the local housing allowance rate in the area for a one bedroom property plus the maximum council tax that a person could pay (Band H property with 25% single occupancy discount). For example, in Glasgow, this would be £92.06 local housing allowance and £45.32 council tax, giving a total rate required for the CBI of £328.83pw. However, the person would still be worse off due to the loss of passporting entitlements.</p>					

CASE 7 Over pension age, single (with pension)

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
Non-means-tested amounts	State pension £164.35 ¹²¹ Protected payment £20 ¹²²	State pension £164.35 Protected payment £20 CBI £163		State pension £164.35 Protected payment £20 CBI £195.90	
Total non-means tested amounts	£184.35	£347.35	+£163	£380.25	+£195.90
Adding means-tested housing costs	Housing benefit £86.89 ¹²³ Council tax reduction £16.91 ¹²⁴	£0		£0	

¹²¹ State pensions are paid at varying levels depending on the National Insurance contributions paid and whether any amount has been inherited from a spouse or civil partner. Levels can be considerably lower or higher than the amount in the example.

¹²² A variable amount paid to protect entitlements higher than the new flat rate state pension

¹²³ Based on £92.06 local housing allowance (LHA) rate for a one-bedroom flat in Glasgow.

¹²⁴ Based on Band D council tax for Glasgow with 25% single occupancy deduction

Total with housing costs	£288.15	£347.35	+£59.20	£380.25	+£92.10
With CBI being paid as well as a state pension, this person is better off at the low CBI level. If a CBI model were to pay CBI instead of state pension, this person would be worse off at this MIS level of CBI (£195.90) if they had rent and council tax to pay.					

CASE 8 Over pension age, single (no pension)

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
Means-tested amounts	Pension credit £163	CBI £163		CBI £195.90	
Total means-tested amounts	£163	£163	£0	£195.90	+£32.90
Adding means-tested housing costs	Housing benefit £92.06 ¹²⁵ Council tax reduction £18.50 ¹²⁶	£0		£0	
Total with housing costs	£273.56	£163	-£110.56	£195.90	-£77.66

This person is worse off at this particular MIS level of CBI (£195.90) if they have rent and council tax to pay. To avoid paying anyone in these circumstances less than they would receive in means-tested benefits, a CBI would need to be set at £163 plus the local housing allowance rate in the area for a one bedroom property plus the maximum council tax that a person could pay (Band H property with 25% single occupancy discount). For example, in Glasgow, this would be £92.06 local housing allowance and £45.32 council tax, giving a total **rate required for the CBI of £300.38**. However, the person would still be worse off due to the loss of passporting entitlements, and the loss of the higher levels of pension credit they may have qualified for if they have a health condition, disability or caring responsibility.

¹²⁵ £92.06 is the local housing allowance (LHA) rate for a one-bedroom flat in Glasgow.

¹²⁶ Based on Band D council tax for Glasgow with 25% single occupancy deduction

CASE 9 Aged 16-17 care experienced

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
	Universal credit £0 ¹²⁷	CBI £57.90		CBI £213.59	
Adding housing costs	UC housing costs element £0 ¹²⁸ Council tax reduction £0	£0		£0	
Adding wider social work financial support	£57.94 £68.28 (for UC housing costs element, shared accommodation rate) ¹²⁹	£57.94 £68.28 ¹³⁰		£57.94 £68.28	
Total	£126.22	£184.12	+ £57.90	£339.81	+ £213.59
This care-experienced young person is better off at the low CBI level providing the local authority pays full benefit-level support disregarding the CBI.					

CASE 10 Aged 16-24 student in further education

Per week	NO CBI	WITH LOW CBI	CHANGE	WITH MIS	CHANGE
	Universal credit £0 ¹³¹	CBI £57.90		CBI £213.59	
Adding means-tested housing costs	UC housing costs element £0			£0	

¹²⁷ 16 and 17-year-old careleavers are not entitled to universal credit unless they are disabled or have a child

¹²⁸ 16 and 17-year-old careleavers are not entitled to universal credit housing costs element irrespective of being disabled or having a child

¹²⁹ £57.94 + £68.28 is equivalent to the amount of universal credit a young person would receive from universal credit if they were not excluded

¹³⁰ Assuming a local authority would not take CBI into account in assessing how much financial support to provide. Local authorities are advised to treat income as DWP would, and to ensure care leavers are no worse off than they would be on means-tested benefits.

¹³¹ Most students are not entitled to universal credit unless they are disabled, have a child or are estranged from their parents

	Council tax reduction £0 ¹³²	£0			
Adding wider student support	£78.17 ¹³³	£40.79 ¹³⁴		£0	
Total	£78.17	£98.69	+£20.52	£213.59	+£135.42
This further education student is better off at the low CBI level despite the CBI being taken into account in the means-tested bursary. The Scottish Funding Council's national policy determines how income is treated in assessing bursaries.					

¹³² Full-time students are usually exempt from council tax

¹³³ Bursary maintenance allowance maximum amount for student living in parental home, means-tested on both student and parental income. There are allowances that can be paid in addition. http://www.sfc.ac.uk/web/FILES/guidance_sfcgd042018/SFCGD042018_Award_Assessment.pdf

¹³⁴ There is no parental contribution if CBI is the only income, however, the bursary is reduced by an amount of the student's own income according to the bursary policy set by the Scottish Funding Council http://www.sfc.ac.uk/web/FILES/guidance_sfcgd042018/SFCGD042018_Award_Assessment.pdf