

# THE EXPERT WORKING GROUP ON WELFARE

May 2013 Report

## FOREWORD

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I am delighted to present to Scottish Ministers the report of the Expert Working Group on Welfare.

At the beginning of this year, Nicola Sturgeon MSP, Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities, invited us to scrutinise and challenge the Scottish Government's work on assessing the cost of benefit payments in an independent Scotland and the delivery of those payments in an independent Scotland. We were also asked to offer views on immediate priorities for change in the event of independence.

We were asked to operate independently and, in the time we had, published a range of material on our website in an effort to be as transparent as possible. We do not express a view in this Report on the matter of Scottish independence, though clearly it is that possibility which formed the context to much of our work.

This Report may mark the end of the work against our remit, but we believe it marks the beginning of a longer journey towards a welfare system for an independent Scotland in the event of a "Yes" vote in the forthcoming Referendum. Our focus has been on delivery, transition and early priorities for change, matters we have considered through the eyes of those who claim benefits. It is clear to us, however, that there is a strong appetite across Scotland for a wider conversation about the principles and policies, opportunities and choices, which Governments in an independent Scotland might wish to pursue.

I am grateful to my fellow members of the Group – Mike Brewer, Martyn Evans, Douglas Griffin and Lynn Williams – for the considerable effort and expertise that they have brought to our discussions. I would like to thank UK Government Departments and COSLA for responding to our Requests for Information which we have published alongside this report. Finally, I would also like to acknowledge the considerable support we received from the Secretariat and officials from the Scottish Government, and to recognise their impartiality, professionalism, and integrity throughout this process.

Most importantly, on behalf of the Group, I would like to thank all those who shared their stories with us. Many of these were deeply personal; and while some were difficult to hear and others were uplifting, all were shared openly and honestly. Thank you to everyone who took the time to talk to us.

**Darra Singh OBE**  
**Chair, Expert Working Group on Welfare**  
**May 2013**

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## EXECUTIVE SUMMARY

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1. The Expert Working Group on Welfare was established to review the Scottish Government's work on the cost of the current benefits system<sup>1</sup>, their plans for delivery of benefit payments in an independent Scotland, and provide views on transitional issues that would be relevant to the continued delivery of benefit payments in the event of independence.
2. The Group was also asked to offer views on what aspects of the UK Government's current reforms to working-age benefits should be an immediate priority for change if Scotland should choose to become an independent country.
3. This Report presents a preliminary forecast of benefit spending in Scotland through to 2017-18 that covers the actual costs of the payments to individuals, and the costs to Government of administering these payments.
4. The current UK fiscal framework does not produce detailed intra-country or inter-regional fiscal accounts or projections. Therefore the forecast has been produced mainly by combining UK-wide or GB-wide forecasts of spending on individual benefits with historical data on the ratio of benefit spending in Scotland to the rest of the UK.
5. Given the information available to it, we believe the methodology used by the Scottish Government to produce this initial forecast is reasonable.
6. In the event of a "Yes" vote, we recommend that the Scottish Government builds its capacity to forecast benefit spending and to assess the impact of changes in the benefit system on individuals and households in Scotland.
7. We also recommend that the Scottish and UK Governments begin discussions immediately about sharing historical DWP and HMRC administrative data for Scotland, and DWP and HMRC's modelling tools. We believe that there

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<sup>1</sup> Throughout this report, references to the overall benefits system should be taken to include tax credits.

would be an advantage to both the UK Government and the Scottish Government if accurate forecasts of benefit spending in Scotland were regularly prepared and published irrespective of the result of the Referendum.

8. In the event of a “Yes” vote, we believe that the Scottish and United Kingdom Governments have a strong common interest in working together, as envisaged by Article 30 of the Edinburgh Agreement<sup>2</sup>, to support each other in maintaining the delivery of benefit payments during an agreed period of transition.

9. We believe that this common interest is underpinned by an obligation to ensure continuity of service to benefit claimants across the nations of the United Kingdom. We also believe that formalising the current arrangements into an agreed set of ‘shared services’ would safeguard delivery, as well as being the most efficient and cost effective arrangement for both Governments in a period of transition.

10. Given the important role that Scotland currently plays in delivering benefits to claimants in the rest of the UK, we believe it is the interests of both the Scottish and UK Governments to introduce a programme of information sharing and begin discussions about how benefits would continue to be delivered for all claimants in the UK in the event of Scottish independence.

11. The matter of welfare and welfare reform is always controversial and we acknowledge that many aspects of the UK Government’s current reforms are hotly contested. It is important to remember, however, the economic context in which the changes are taking place, the principles that underpin the UK Government changes and the range of factors that have to be balanced when reforms to welfare are being introduced.

12. In reflecting the views we received under our Call for Evidence, we have presented a number of possibilities for change to the benefits system which we believe should be considered by the Scottish Government in the event of independence.

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<sup>2</sup> <http://www.scotland.gov.uk/About/Government/concordats/Referendum-on-independence>

13. It is clear to us, however, that there is a very strong appetite across Scotland for a wider conversation about the principles and policies, opportunities and choices, which Governments in an independent Scotland might wish to pursue. We would encourage the Scottish Government to give this piece of work the time it needs to have its conclusions discussed with the broadest possible audience.

# 1

## INTRODUCTION AND BACKGROUND

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### Expert Working Group on Welfare

1.1 The Expert Working Group on Welfare was established on 6 January 2013. Its Members were asked by Nicola Sturgeon MSP, Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities, to:

- Review the Scottish Government's current assessment of the cost of the benefit system at the point of independence (including the change to Universal Credit) in the period to 2017-18.
- Consider how that assessment might be improved or developed.
- Assess the Scottish Government's developing plans for delivering benefit payments in an independent Scotland upon independence.
- Provide our views on the main transitional issues (including costs) and the Scottish Government's developing approach to these matters.
- Consider what alternative delivery options should be considered in the longer term.
- Offer views on what aspects of the UK Government's current reforms to working-age benefits should be an immediate priority for change in an independent Scotland.

1.2 The Scottish Government is committed to holding a referendum on independence in 2014. As part of the process, the Scottish Government will publish a White Paper in Autumn 2013. This Report is provided to assist the development of the Scottish Government's thinking prior to the White Paper.

1.3 The Group met four times in the course of the first five months of 2013 and issued a Call for Evidence. We also held sessions facilitated by the Scottish Council for Voluntary Organisations (SCVO), the Poverty Alliance, and Ernst and Young. We



published minutes and supporting evidence on a dedicated website<sup>3</sup> to ensure our work was as transparent as possible even while our discussions were ongoing. And though this report represents the views of the Group's members, we have also highlighted where the views of stakeholders have helped us in framing our conclusions, particularly in the area of priorities for immediate change.

## Report Structure and Overview

1.4 Chapter 2 contains an overview of the UK Government's welfare reform programme and describes the new powers for welfare which the Scottish Government has gained as a result of changes introduced by the UK Government in the Welfare Reform Act 2012.

1.5 In Chapter 3 we consider the Scottish Government's initial assessment of the cost of the current benefit system at the point of Scottish independence (including the change to Universal Credit) in the period to 2017-18 and how that assessment might be improved or developed.

1.6 In Chapter 4 we look at how benefits are delivered across the UK and the role which Scotland plays in that. We consider how the Scottish Government and the UK Government would continue to deliver benefit payments in the event of Scottish independence, and provide our views on the main transitional issues.

1.7 In Chapter 5 we outline the evidence we received on priorities for change. We believe this provides a good basis for the Scottish Government to develop a range of policy positions, in particular on how Universal Credit could be adapted to better suit the needs of the people of Scotland in the event of independence.

## Requests for information from UK Government

1.8 We agreed that in order to obtain as much evidence as possible, an approach should be made to the UK Government for the information that it held relating to Scotland. The advice we received, and their replies to our various follow up

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<sup>3</sup> <http://www.scotland.gov.uk/Topics/People/welfare/reform/expertworkinggrouponwelfare>

enquiries, was used to inform the writing of this Report. The letters we received from the UK Government are published alongside it. Any errors in accurately incorporating this material are genuine and ours.

## Call for Evidence

1.9 On 8 February 2013 we launched a Call for Evidence which ran until 8 March 2013. It sought views from all interested parties on:

- the prospective cost of welfare in an independent Scotland at the point of Scotland becoming independent in March 2016 (as set out in *Scotland's Future: from the Referendum to Independence and a Written Constitution*<sup>4</sup>);
- arrangements for delivery of benefit payments in an independent Scotland; and
- the immediate priorities for change.

1.10 We received 26 responses to the Call for Evidence. The full report analysing the responses is also published alongside this Report, and aspects of it feature throughout, particularly Chapter 5.

1.11 To supplement the Call for Evidence, three evidence-gathering sessions were organised with third sector representatives, representatives from the business community and people with experience of claiming benefits. These sessions are referred to in more detail in Chapter 5 and the output from, and issues raised during these sessions are also contained as Annexes.

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<sup>4</sup> <http://www.scotland.gov.uk/Resource/0041/00413757.pdf>

### Chapter Summary

In this Chapter we provide an overview of the UK Government's programme of welfare reform and new responsibilities being devolved to the Scottish Parliament, including:

- The range of benefits which form part of the current system;
- Some background to the reforms underway and still to come;
- Information on policies which support the benefits system in Scotland, such as the Council Tax Reduction Scheme and the Scottish Welfare Fund.

### Introduction

2.1 The current UK welfare system is being reformed, a process which Secretary of State for Work and Pensions, Iain Duncan Smith, has described as “the biggest change since Beveridge introduced the welfare system”<sup>5</sup>.

2.2 Many of the existing laws are being repealed and replaced by the Welfare Reform Act 2012<sup>6</sup>. The UK Government believes that the existing welfare system is complex, having developed iteratively over many years. Their reforms are intended to remove these complexities and provide better incentives for people to enter and remain in work. Welfare is a reserved matter and, as such, the reforms are being implemented by the UK rather than the Scottish Government.

2.3 In 2012-13 the UK Government is forecast to spend just under £18 billion on benefits in Scotland<sup>7</sup>. Local government also provides welfare in a wider sense

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<sup>5</sup><http://www.telegraph.co.uk/news/politics/conservative/8114432/Iain-Duncan-Smith-My-welfare-reforms-are-Beveridge-for-today-with-a-hint-of-Tebbit.html>

<sup>6</sup> <http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted>

<sup>7</sup> See Chapter 3, Table 3.4

through its social work and social care services at an additional cost of approximately £5 billion.

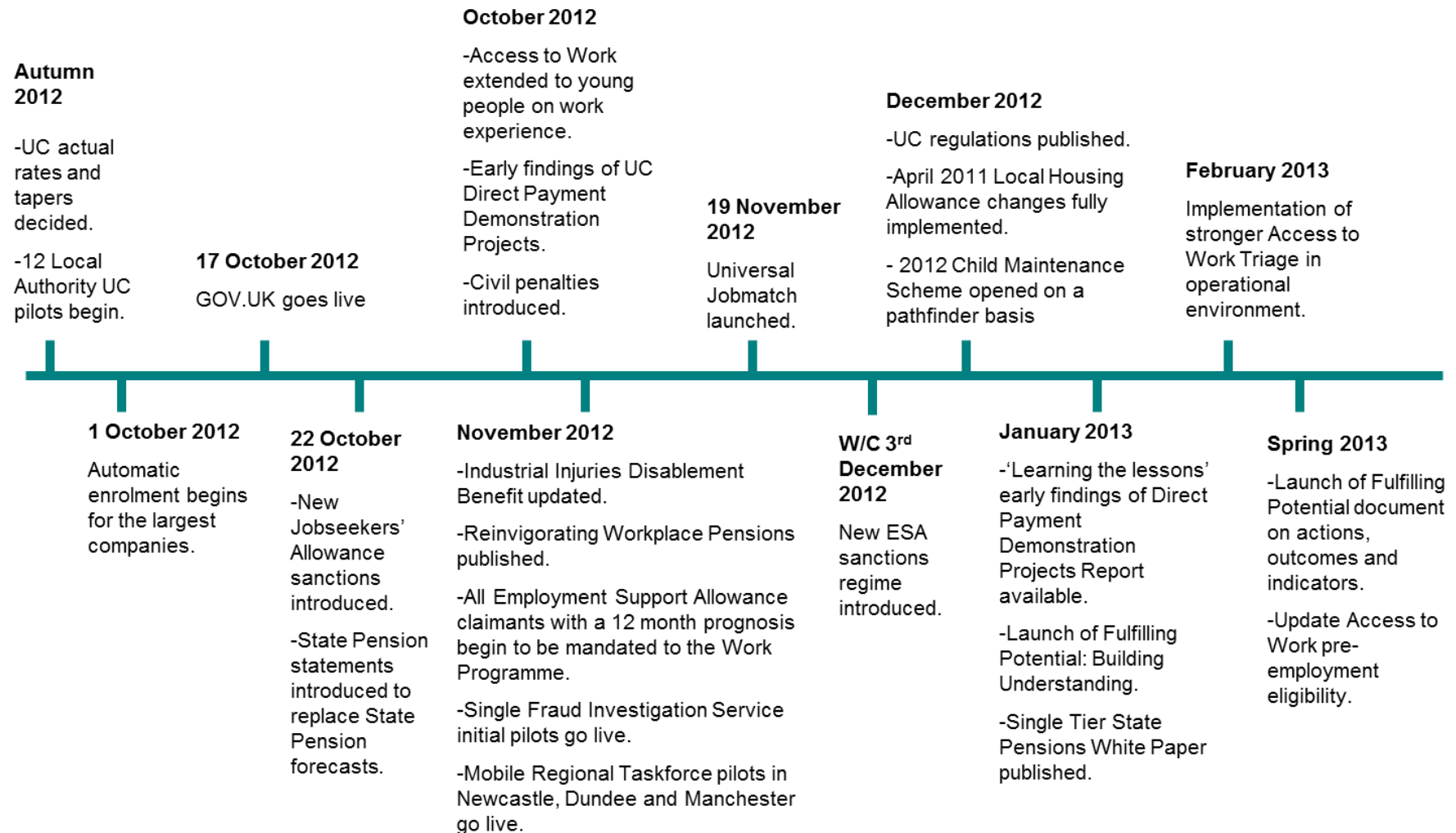
2.4 Benefit and tax administration is mostly undertaken by the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC), integrated departments which combine policy and delivery functions, doing business from centralised offices and increasingly using the telephone or internet-based services as a preferred method of communication.

2.5 The following pages set out key welfare reform dates. This information is based on a DWP guideline presentation published in March 2013<sup>8</sup>. We have supplemented this with additional information.

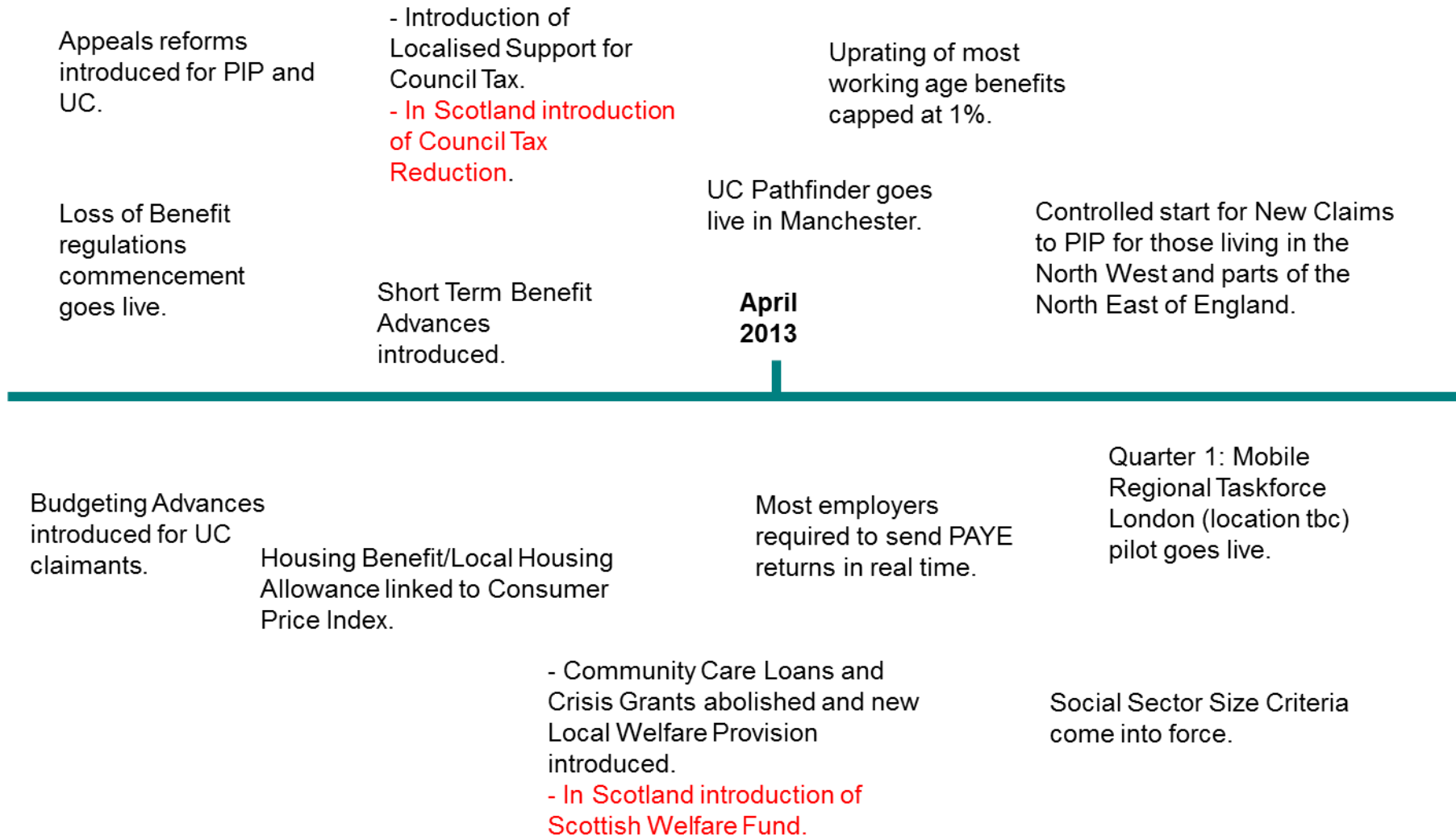
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<sup>8</sup> <http://www.dwp.gov.uk/docs/dwp-reform-story-overview.pps>

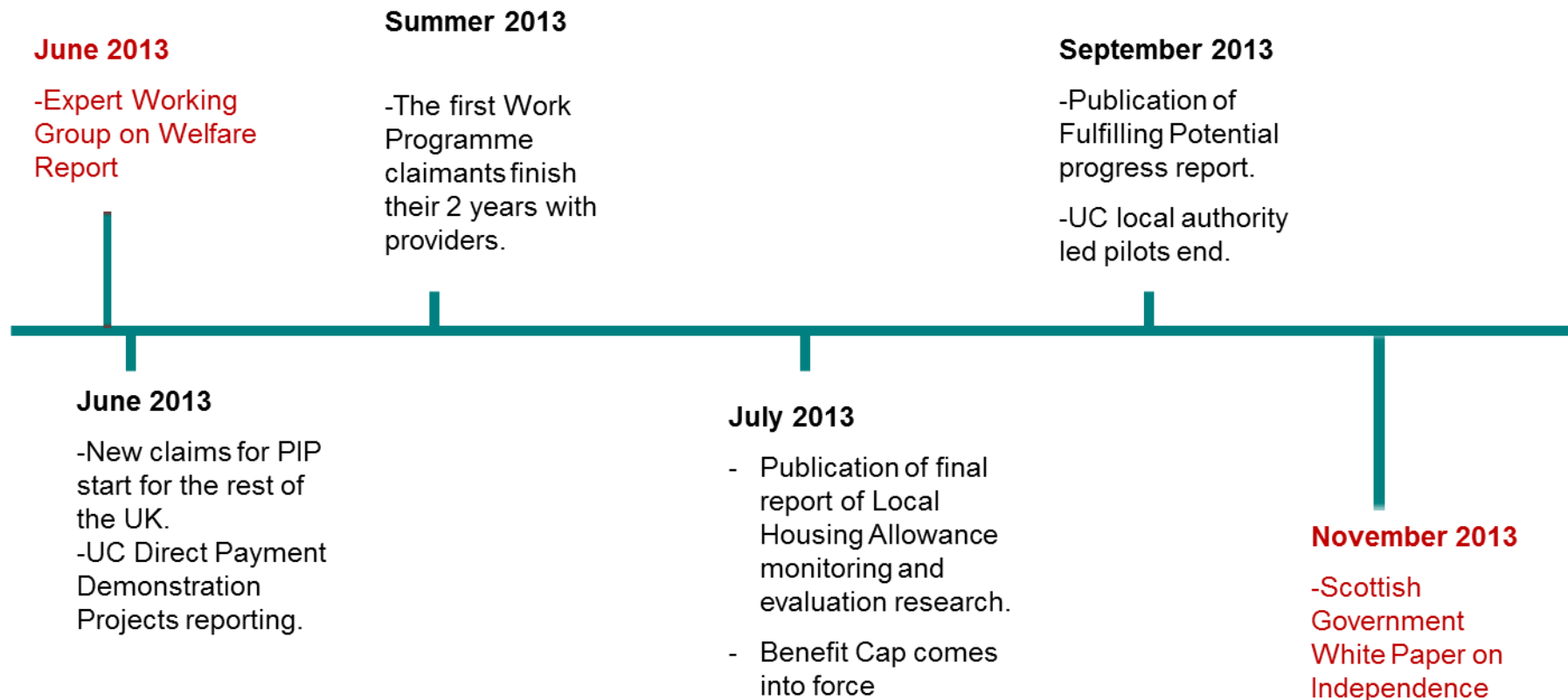
# Welfare Reform Milestones: Autumn 2012 - Spring 2013



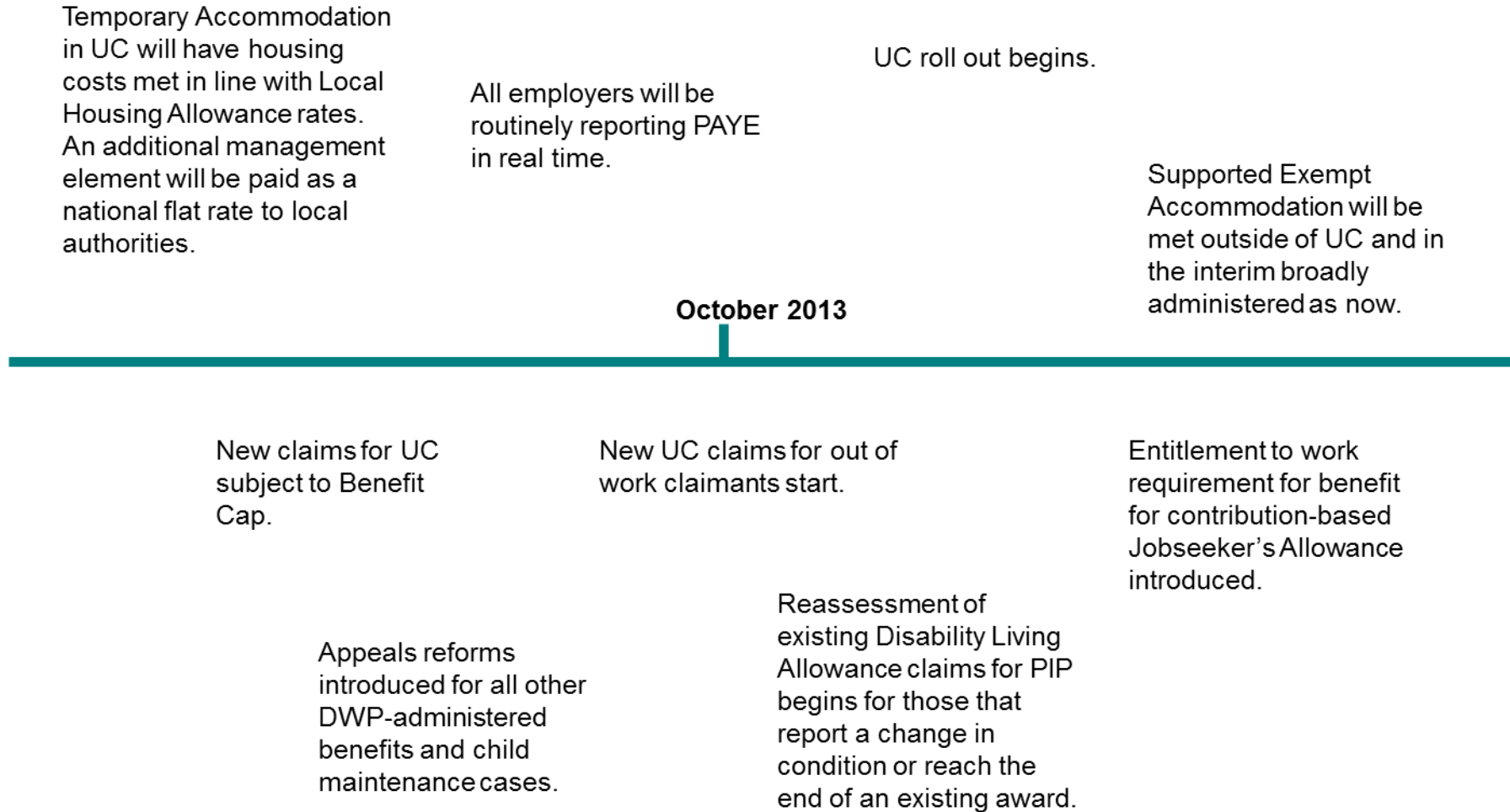
# UK Welfare Reform Milestones: April 2013



# UK Welfare Reform Milestones: Summer – Autumn 2013

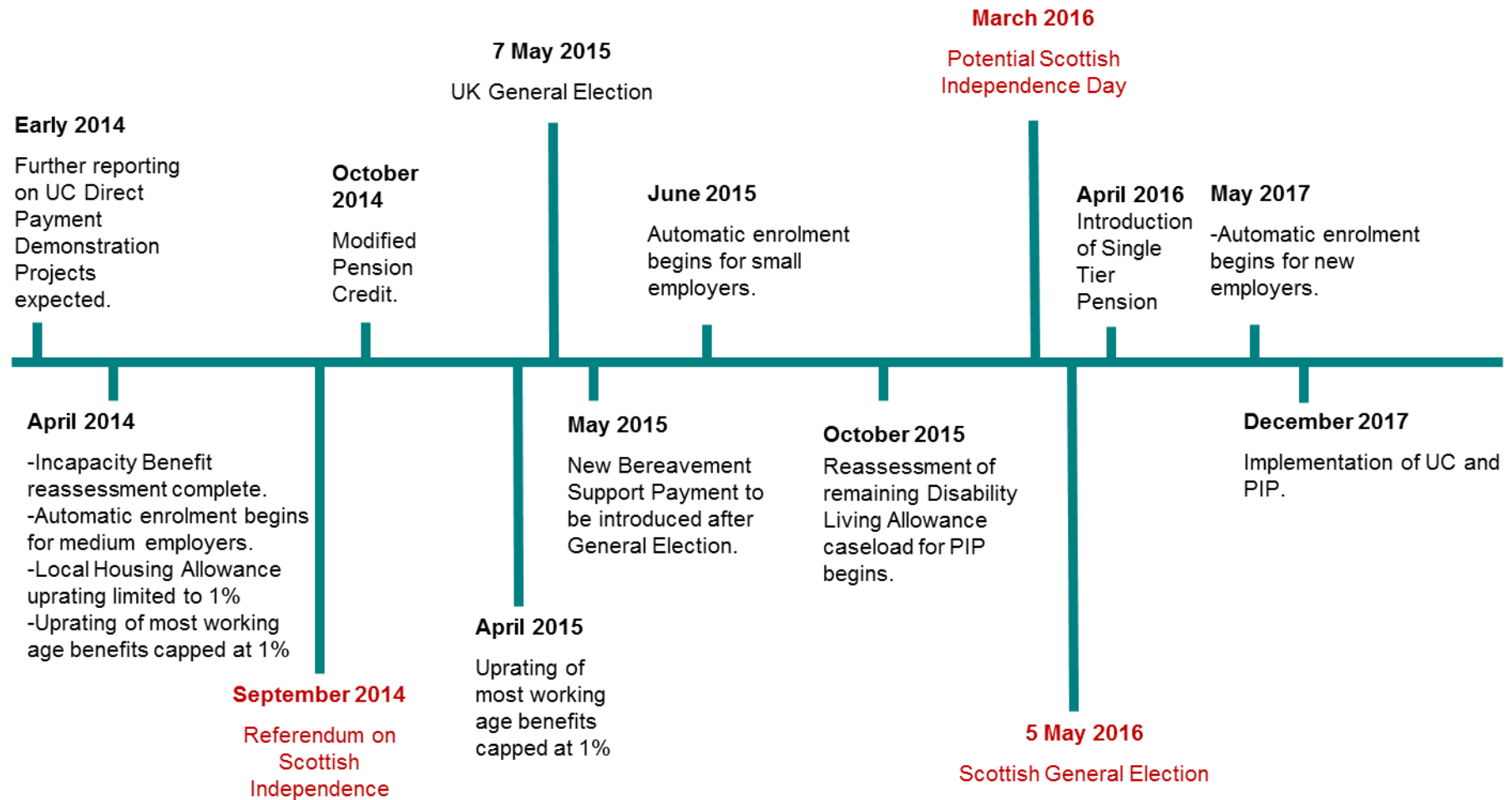


# UK Welfare Reform Milestones: October 2013





# UK Welfare Reform Milestones: 2014 - 2017



## Benefit Categories

2.6 Benefits can (broadly speaking) be categorised as follows:

Benefits for out of work people	Benefits for elderly people	Benefits for people who are ill or disabled	Benefits for families with children	Benefits for people on low incomes	Other
Income Support In Work Credit & Return to Work Credit Job Grant Jobseekers Allowance	State Pension Pension Credit TV Licences Winter Fuel Payments	Attendance Allowance Carer's Allowance Disability Living Allowance Employment & Support Allowance Incapacity Benefit Industrial Injuries Personal Independence Payment Severe Disablement Allowance Statutory Sick Pay	Child Benefit Child Tax Credit Maternity Allowance Statutory Maternity Pay	Council Tax Benefit/ Council Tax Reduction Discretionary Housing Payments Scottish Welfare Fund Social Fund (regulated) Working Tax Credit Housing Benefit	Bereavement benefits Christmas bonus Universal Credit Other small benefits such as cold weather payments, child trust fund etc.

## Universal Credit

2.7 At the heart of the UK Government's current programme of welfare reform is the introduction of Universal Credit (UC)<sup>9</sup>. This is the new single payment for working-age adults who are looking for work, or are in work but on a low income. UC will replace six means-tested or income-related benefits or tax credits:

- Income-related JSA
- Income-related ESA
- Income Support (including support for mortgage interest)
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

2.8 The UK Government's aim for Universal Credit is to improve work incentives, simplify the system and reduce fraud and error. On 29 April 2013, Ashton-under-Lyne became the first Jobcentre to take claims for Universal Credit, with Wigan, Warrington and Oldham Jobcentres taking claims for Universal Credit from July. This 'Pathfinder' will run through to the start of a progressive national roll out from October 2013. DWP say that this early testing of the new benefit will inform planning for that roll out, but that full migration onto will be completed by 2017<sup>10</sup>. At the time of writing, DWP had not yet published its plans for implementation of UC in Scotland.

2.9 To help prepare Local Authorities for the transition to UC, DWP established and funded a GB-wide series of pilots<sup>11</sup> which will "*explore how local expertise can support residents under Universal Credit, setting examples for other local authorities across the country*", beginning from the end of 2012. In Scotland, the LAs involved are Dumfries & Galloway, North Lanarkshire and West Dunbartonshire. The Scottish Government has also funded three further pilots using the same model, in Aberdeenshire, Dundee and South Lanarkshire.

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<sup>9</sup><https://www.gov.uk/government/policies/simplifying-the-welfare-system-and-making-sure-work-pays/supporting-pages/introducing-universal-credit>

<sup>10</sup><https://www.gov.uk/government/news/universal-credit-launches-in-manchester>

<sup>11</sup><https://www.gov.uk/government/news/freud-announces-successful-local-authority-led-universal-credit-pilots>

2.10 The work-related requirements for UC form the ‘conditionality framework’. This sets out the requirements for every claimant. Each UC claimant will fall into one of four possible conditionality groups:

- No work-related requirements;
- Work-focussed interview requirements only;
- Work preparation requirements;
- All work-related requirements.

2.11 UC will be calculated on a household basis and will comprise basic personal amounts payable for single adults and couples (with lower rates, as now, for claimants under 25), plus additional amounts for disability, housing costs and children. Actual net earnings from employment will automatically be taken into account by using the HMRC’s ‘real time information’ (PAYE) system. UC also includes specific rules for the self-employed<sup>12</sup>.

2.12 DWP expects 50 per cent of UC transactions to be online in the first year, rising to 80 per cent by the end of 2017. UC is underpinned by an expectation that the service will be ‘digital by default’ described by DWP as *“high quality digital services, focused on users, and clear support for those who are not yet online”*<sup>13</sup>.

## Personal Independence Payment

2.13 The second major reform being implemented by the UK Government is the change from Disability Living Allowance (DLA) to Personal Independence Payment (PIP) for people aged 16 to 64.

2.14 Individuals who are already getting DLA will be progressively reassessed for PIP. Entitlement to PIP will depend on the individual’s ability to carry out daily living and/or mobility activities as affected by their condition or disability. It will not depend on what type of health condition or disability the individual has.

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<sup>12</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/192667/universal-credit-toolkit-quick-guide-self-employment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192667/universal-credit-toolkit-quick-guide-self-employment.pdf)

<sup>13</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/193901/dwp-digital-strategy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193901/dwp-digital-strategy.pdf)

2.15 The UK Government published its response to the latest consultations on PIP after the 2012 Autumn Statement providing more information on the rates of benefit, the assessment criteria and the thresholds for the new benefit<sup>14</sup>.

2.16 PIP awards will be based upon the circumstances of the individual and will look at the impact of the disability or health condition, and the extent to which someone is able to live independently. It will not be related to the current DLA award. Some individuals currently receiving DLA will not be awarded PIP, because it uses different criteria for the award.

2.17 DLA currently has two components, care and mobility, which are paid at different rates depending on the level of need. The care component has three rates (lower, middle and higher) while the mobility component has two rates (lower and higher). PIP will have two components, linked to a range of activities that will be considered in a new assessment: one will be awarded on the basis of the individual's ability to 'get around' (the mobility component); the other on their ability to carry out the other key activities necessary to be able to participate in daily life (the daily living component). Each component will be paid at two rates – standard and enhanced. There will be no equivalent to the lower care rate which is provided under the current DLA rules.

2.18 One of the key changes from DLA to PIP is the move from the current self-assessment to a points-based assessment which will involve a face-to-face meeting with an independent healthcare professional working under contract to DWP. The new assessment will follow a similar process to the Work Capability Assessment currently used for claims to Employment and Support Allowance (ESA).

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<sup>14</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/184961/pip-detailed-design-response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/184961/pip-detailed-design-response.pdf)

## Changes to Housing Benefit

2.19 Changes are also being made to Housing Benefit (HB) and Local Housing Allowance (LHA), which is the name given to support for housing costs for those who rent from private sector landlords.

2.20 In general, a household's LHA rate depends on their family composition and the area of the country in which they live. Prior to the changes set out below, LHA was calculated as follows: first, each family was deemed to require a property with a certain number of bedrooms depending on the family composition; second, LHA rates were set so that a family could, in principle, afford to rent a property which was amongst the cheapest 50 per cent of those in the local area of the relevant size. The amount of LHA paid to a family would then be reduced to reflect the family income and the presence of non-dependents.

2.21 The first set of changes related to claims for LHA, and took effect from April 2011. They include the following:

- The removal of the five bedroom LHA (Local Housing Allowance) rate so that the maximum level is for a four bedroom property only.
- The introduction of absolute caps so that LHA weekly rates cannot exceed £250 for a one bedroom property, up to £400 for a four bedroom property.
- The withdrawal of the £15 weekly housing benefit excess that some claimants could receive under the LHA arrangements.
- Staged increases in the rates of non-dependent deductions in relation to income-related benefits (including housing benefit).
- LHA rates being set at the 30th percentile of rents in each Broad Rental Market Area, rather than the median.

2.22 The second set of changes began to be implemented from April 2013. They cover changes to LHA and HB and include the following:

- Introduction of limits for HB for working age tenants in the social rented sector where a property is deemed to be under-occupied. HB will be reduced by 14 per cent of eligible rent if under-occupying by one bedroom, or 25 per cent for two or more bedrooms.
- Introduction of the overall benefit cap, which caps the total amount of benefit a household can receive at the national average income (approximately £26,000). The benefit cap will be administered via a reduction to housing benefit payments until Universal Credit is rolled out.
- LHA will be uprated using the Consumer Price Index rather than rents, ending the link between housing benefit and actual costs.

2.23 HB will gradually phase out as UC is introduced, as support for both eligible rent and mortgage interest payments for those of working-age will be made as part of the UC entitlement, and HB for pensioners is merged with Pension Credit. Under Universal Credit, tenants in the social rented sector will have their housing support paid direct to claimant households, rather than the landlord.

## The Uprating of Welfare Benefits

2.24 The largest single saving to spending on benefits announced by the UK Government is the change to the way in which benefits are uprated with changes in the cost of living. In its June 2010 Budget the UK Government announced that it would use the Consumer Prices Index (CPI) to uprate benefits, and state pensions, including public service pensions, rather than the Retail Prices Index (RPI) or the Rossi index. The increase in the RPI has typically exceeded that in the CPI by around 0.7 per cent points in the past, although the gap between the CPI and RPI may be up to 1 per cent point in the future<sup>15</sup>.

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2.25 In addition to the above change, as part of the 2012 Autumn Statement the UK Government announced that certain working age benefits will be uprated by 1 per cent rather than CPI for the tax years 2013-14, 14-15 and 15-16. The benefits affected are:

- Jobseeker's allowance
- Employment and support allowance
- Income support
- Elements of housing benefit
- Maternity allowance
- Sick pay, maternity pay, paternity pay, adoption pay
- Any corresponding elements of Universal Credit

2.26 Decisions for 2013-14 will take effect through the Uprating Order provided for by sections 150 and 150A of the Social Security Administration Act 1992. The UK Government also decided that certain tax credits – the couple element and lone parent element of Working Tax Credit, and the child element of Child Tax Credit – would be up-rated by 1 per cent in April 2013. The changes due to apply in April 2014 and April 2015 were legislated for in the Welfare Benefits Uprating Act 2013, which received Royal Assent on 26 March 2013<sup>16</sup>.

## **The Scottish Welfare Fund**

2.27 Though most welfare is reserved to the UK Government, the UK Welfare Reform Act 2012 indirectly provided Scotland with additional responsibilities. The Act abolished the discretionary Social Fund, Community Care Grants and Crisis Loans for living expenses from 1 April 2013, previously administered by the DWP, and transferred the associated funding to Local Authorities in England and to the Scottish and Welsh Governments.

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<sup>16</sup> <http://services.parliament.uk/bills/2012-13/welfarebenefitsuprating.html>



2.28 Scottish Ministers have decided to use this funding to support local welfare provision under a new scheme called the Scottish Welfare Fund (SWF)<sup>17</sup>. It is a national scheme, based on guidance from Scottish Ministers, delivered through Local Authorities. The guidance takes previous Social Fund rules as the starting point but has important differences.

2.29 The objectives of the SWF are to:

- provide a safety net in a disaster or emergency, when there is an immediate threat to health or safety;
- enable independent living or continued independent living, preventing the need for institutional care.

2.30 There are two types of grants in the SWF – Crisis Grants and Community Care Grants. A Crisis Grant aims to help people, typically on benefits, who are in crisis because of a disaster or an emergency. A Community Care Grant aims to help people on benefits who may have to go into care unless they get some support to stay at home, or if they are leaving any form of care and need help to set up their own home. A Community Care Grant can also help families facing exceptional pressures, with one-off items (e.g. some white goods).

2.31 The SWF is a discretionary scheme that prioritises applications according to need. It aims to take advantage of the opportunity to strengthen links to other local services and provide a better service to vulnerable members of the local community. It provides non-recurring grants that do not have to be repaid, and grants can be made in kind as well as in cash. Local Authorities have the discretion to provide vouchers, a fuel card, or furniture if they think that is the best way to meet the need. They have discretion to determine how applicants can access the Fund (by post, face-to-face, online and/or by telephone).

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<sup>17</sup> <http://www.scotland.gov.uk/Topics/People/welfarereform/socialfund>

## Passported Benefits

2.32 On 22 December 2011 the Scottish Parliament approved a partial Legislative Consent Motion in respect of the Welfare Reform Act 2012 (then the Welfare Reform Bill). It has since passed its own piece of primary legislation in the form of the Welfare Reform (Further Provision) Scotland Act 2012<sup>18</sup>. Scottish Ministers are using the powers it provides to ensure the continuation of Scottish Government funded 'passported' benefits – such as free school lunches and blue badge parking – once Universal Credit and Personal Independence Payment are brought in by the UK Government.

2.33 Passported benefits<sup>19</sup> are benefits for which people are eligible if they receive one or more UK welfare benefits. There are eight Scottish Government passported benefits linked to Universal Credit:

- Free School Lunches;
- Legal Aid;
- Education Maintenance Allowance;
- Individual Learning Accounts;
- NHS dentistry exemptions;
- Optical vouchers;
- NHS patient travel costs;
- Court exemption fees.

2.34 There also are three Scottish Government passported benefits linked to Personal Independence Payment:

- Blue Badge parking permits;
- Concessionary bus travel (working age);
- Student loans (HE) – exemption from repayment.

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<sup>18</sup> <http://www.legislation.gov.uk/asp/2012/10/enacted?view=interweave>

<sup>19</sup> <http://www.scotland.gov.uk/Topics/People/welfarereform/passportedbenefits>

## Council Tax Reduction

2.35 Council Tax Benefit (CTB) was payable to families with low incomes that are liable to pay council tax on a property in which they are resident. Many of the conditions for claiming were the same as those for Housing Benefit, including those on capital thresholds, income, applicable amounts and premiums. There was also an alternative benefit, known as the Second Adult Rebate, which was payable instead of so-called 'main' CTB to people who had a low-income adult living with them who was not liable for council tax and who did not pay rent.

2.36 Council Tax Reduction (CTR)<sup>20</sup> was introduced from 1 April 2013 to replace CTB, which was abolished by the UK Government as part of their welfare reform programme. Responsibility for assisting those who need help to pay their council tax in Scotland now sits with the Scottish Government and Scottish Local Authorities. In line with this transfer of responsibility, and to fund the new arrangements, the UK Government has added 90 per cent of the amount of CTB payments in Scotland to the Scottish budget.

2.37 CTR works by comparing the amount of income a person has with the amount that a person needs to live on (their 'applicable amount'). If their income is less than the applicable amount, they may be entitled to a reduction of up to 100 per cent of their Council Tax.

## Universal Services

2.38 The Scottish Government is responsible for a range of policies with direct connections to the welfare system. There are a wide range of universal, or near-universal, services currently supported by public expenditure in Scotland such as concessionary travel, free personal and nursing care, prescription charges and eye examinations.

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<sup>20</sup> <http://www.scotland.gov.uk/Topics/Government/local-government/17999/counciltax/CTR>

2.39 There are also significant interactions between reserved welfare functions and devolved responsibilities. For example, employment policy is reserved, while employability and skills are devolved. Housing benefit is reserved, but administered by local authorities under contract to DWP, while housing policy is devolved. Benefits for sick and disabled people are reserved, but changes to these can increase pressure on the devolved health and social care services.

## Conclusions

2.40 Our work takes place against a backdrop of significant change to the welfare state, through the UK Government's current welfare reform programme, but also with new responsibilities being given to Scotland.

2.41 Our remit asks us to look at the costs associated with the system we have described above, and we turn to that matter now. It should be noted that our remit does not extend to considering the impacts of these welfare reforms on the Scottish Government's budget (whether positive or negative) or on Scottish public services.

### Chapter Summary

This Report presents a preliminary forecast of benefit spending in Scotland through to 2017-18 that covers the actual costs of the payments to individuals, and the costs to Government of administering these payments.

The current UK fiscal framework does not produce detailed intra-country or inter-regional fiscal accounts or projections. Therefore the forecast has been produced mainly by combining UK-wide or GB-wide forecasts of spending on individual benefits with historical data on the ratio of benefit spending in Scotland to the rest of the UK. Given the information available to it, we believe the methodology used by the Scottish Government to produce this forecast is reasonable.

In the event of a “Yes” vote, we recommend that the Scottish Government builds its capacity to forecast benefit spending and to assess the impact of changes in the benefit system on individuals and households in Scotland.

We also recommend that the Scottish and UK Governments begin discussions immediately about sharing historical DWP and HMRC administrative data for Scotland and DWP and HMRC’s modelling tools. We believe that there would be an advantage to both the UK Government and the Scottish Government if accurate forecasts of benefit spending in Scotland were regularly prepared and published irrespective of the result of the Referendum.

### Introduction

3.1 The Expert Group was asked to examine forecasts prepared by the Scottish Government of the costs of benefit expenditure in Scotland for the period to 2017-18. These costs include the actual costs of the payments to individuals, and the costs to Government of administering these payments. Administration costs associated with

the wider work of DWP, including Work Programme and Jobcentre Plus, are also included as it was not possible to separate these out. Costs associated with the payment and administration of Tax Credits and Child Benefit, administered by HMRC, are also included.

3.2 The forecasts prepared by the Scottish Government presented in this Chapter are consistent with stated UK Government welfare policy and growth assumptions at the time of writing, and do not reflect any options available to future independent Scottish Governments.

## Current UK Fiscal Framework

3.3 The current UK fiscal framework does not provide separate detailed intra-country or inter-regional fiscal accounts. However, the Scottish Government each year produces the Government Expenditure and Revenue Scotland (GERS) publication which aims to estimate a set of public sector accounts for Scotland using official UK and Scottish Government finance statistics.

3.4 The most recent GERS publication<sup>21</sup> shows that in 2011-12 social protection in Scotland was £21,656 million. Scotland's Balance Sheet, a recent report based on GERS, indicates that "*expenditure on social protection as a share of GDP is estimated to have been lower in Scotland than in the UK in each of the past five years*", accounting for 14.4 per cent of GDP in Scotland and 15.9 per cent in the UK in 2011-12 (the most recent year for which figures are available)<sup>22</sup>. However, the structure of GERS does not allow us to identify spending solely on the benefits system, and so the Scottish Government forecasts presented in this Report use an alternative methodology, described below.

3.5 The current UK fiscal framework splits public expenditure into two elements: Annually Managed Expenditure (AME); and Departmental Expenditure Limits (DEL)

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<sup>21</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/GERS>

<sup>22</sup> <http://www.scotland.gov.uk/Resource/0041/00418420.pdf>

(which taken together are known as Total Managed Expenditure (TME)).

HM Treasury describe these two elements as follows<sup>23</sup>:

- DEL spending is expenditure, split into revenue and capital, that is planned by each UK Government Department. Limits on DEL expenditure are usually set by HM Treasury at Spending Reviews;
- AME is more volatile, demand-led expenditure not subject to multi-year limits in the same way as DEL. In the 2013 Budget, the UK Government announced an intention to introduce a firm limit on a significant proportion of AME. Further details of how these limits will operate are to be presented by the UK Government in their forthcoming Spending Review<sup>24</sup>.

3.6 Nearly 95 per cent of expenditure relating to the benefits system is recorded under AME. This spending is demand-led, in that spending in any given year depends not only on Government decisions on how entitlements should be calculated, but also on how many claimants there are in the year, something not within the direct control of Government. This means that such spending can change from year to year in a way that is not always predictable. DEL spending covers the day-to-day operational costs of DWP and HMRC, and can generally be budgeted more accurately.

3.7 The Scottish Parliament does not have responsibility for benefits. As such, the Scottish Government does not have access to the data and tools used by DWP and HMRC to produce forecasts of benefits expenditure and estimates of the costs and impact of changes in policy. Such tools include forecasting models, mostly based on historical administrative data, and microsimulation models, mostly based on large-scale household surveys. As a result, the forecasts of benefit expenditure in Scotland prepared by the Scottish Government have been estimated using the following publicly available resources:

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<sup>23</sup> [http://www.hm-treasury.gov.uk/psr\\_spend\\_plancontrol.htm](http://www.hm-treasury.gov.uk/psr_spend_plancontrol.htm)

<sup>24</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/188357/budget2013\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/188357/budget2013_complete.pdf)

- DWP and Office of Budget Responsibility (OBR) benefit expenditure forecasts;
- DWP and HMRC accounts;
- HM Treasury forecast of DEL expenditure to 2014-15;
- DWP historical information on benefit expenditure, split by countries and regions of Great Britain;
- the Government Expenditure and Revenue Scotland (GERS) publication.

3.8 The next section of this Chapter describes the approach we have adopted using these sources.

### Forecasting benefit expenditure to 2017-18

3.9 As UK public expenditure is classified as either DEL or AME spend, the Scottish Government has also split benefit spending into DEL and AME components, and has used different methods for forecasting each. The Expert Group provided advice and guidance during this exercise which is incorporated in the analysis below.

### Forecasting AME expenditure

3.10 The UK Government publishes medium-term forecasts of benefit expenditure as part of each Budget and Autumn Statement. In the 2013 UK Budget, outturn data for 2011-12 and forecasts for benefit expenditure to 2017-18 were published. DWP provides benefit-by-benefit forecasts for spending on the benefits for which they have responsibility<sup>25</sup>. Forecasts for spending on Tax Credits and Child Benefit, administered by HMRC, are published by the OBR at the time of their Economic and Fiscal Outlook<sup>26</sup>. These forecasts represent a central estimate of future levels of benefit expenditure.

3.11 It should also be noted that the OBR and DWP have included Universal Credit in their forecasts “...as an additional cost on top of what would be spent on the existing social security benefits and tax credit system if that system was left in

<sup>25</sup> [http://research.dwp.gov.uk/asd/asd4/budget\\_2013\\_260313.xls](http://research.dwp.gov.uk/asd/asd4/budget_2013_260313.xls)

<sup>26</sup> <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2013/>



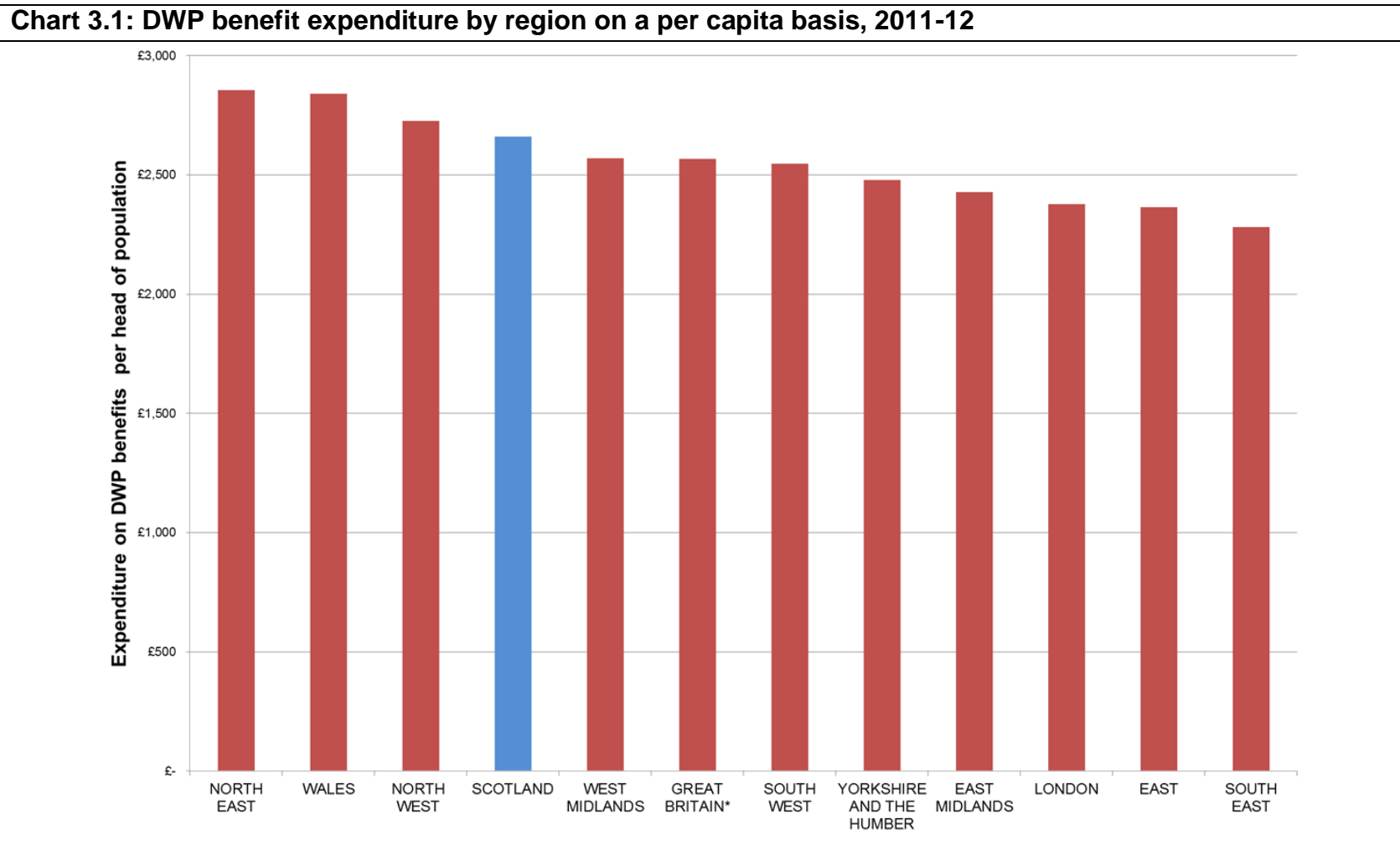
*place*<sup>27</sup>. However, the OBR remark that significant uncertainties relating to Universal Credit remain. These include the possibility of future changes to the policy design and implementation, uncertainty over how benefit recipients will respond to the changes, and the scale of savings to error and fraud<sup>28</sup>. Like the DWP forecasts, Scottish Government forecasts do not account for these uncertainties.

3.12 DWP also publish outturn data for their benefits split by countries and regions of Great Britain, and Chart 3.1 below shows how spending on DWP benefits in Scotland compares Wales and the regions of England on a per capita basis.

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<sup>27</sup> <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2013/>

<sup>28</sup> <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-december-2012/>



Source: DWP benefit expenditure by Local Authority data (updated: 23-04-13), ONS 2011 Mid Year population estimates and Scottish Government calculation

Note: \*also includes expenditure on TV licences for individuals over 75 in Northern Ireland

3.13 Table 3.1 below shows spending on individual DWP benefits in Scotland as a share of spending in Great Britain. It focuses on the main benefits administered by DWP, and so excludes some smaller benefit lines, and Tax Credits and Child Benefit which are administered by HMRC - a full list of all benefits included can be found in Chapter 2. On average, in 2011-12, 8.9 per cent of spending on DWP benefits in Great Britain went to recipients in Scotland, with this fraction varying between benefits, ranging from 11.4 per cent for Incapacity Benefit to 7.6 per cent for Housing Benefit.

	<b>Great Britain*</b>	<b>Scotland</b>	<b>Scotland (as % of GB)</b>
Attendance Allowance	5,339	481	9.0%
Bereavement Benefit/Widow's Benefit	593	59	9.9%
Carer's Allowance	1,733	153	8.8%
Council Tax Benefit	4,920	384	7.8%
Disability Living Allowance	12,566	1,372	10.9%
Employment & Support Allowance	3,554	381	10.7%
Housing Benefit	22,814	1,728	7.6%
Incapacity Benefit	4,940	564	11.4%
Income Support	6,997	670	9.6%
Industrial Injuries Benefits	888	93	10.5%
Jobseeker's Allowance	4,930	461	9.4%
Maternity Allowance	366	24	6.6%
Over 75 TV Licences**	587	49	8.3%
Pension Credit	8,061	752	9.3%
Severe Disablement Allowance	881	97	11.0%
State Pension	74,142	6,324	8.5%
Statutory Maternity Pay	2,241	197	8.8%
Winter Fuel Payments	2,150	188	8.8%
<b>Total</b>	<b>157,701</b>	<b>13,976</b>	<b>8.9%</b>
<i>Source: Table LA 2011-12, DWP benefit expenditure by Country, Region and Local Authority (updated: 23-04-13)</i>			
<i>Notes: * includes those living abroad or not known</i>			
<i>** includes individuals in Northern Ireland in receipt of this benefit</i>			

3.14 The basis for our forecast of benefit spending in Scotland was to take this information on the historical share of benefit spending in Great Britain that is paid to people in Scotland, and apply these to the benefit-by-benefit forecasts of spending made at the Great Britain level. In other words, we have combined DWP's forecast , of spending on each benefit (made at the time of the 2013 UK Budget) with historical

data on Scotland's share of benefit spending, all at the level of the individual benefit, to produce a forecast of benefit expenditure in Scotland to 2017-18.

3.15 In some cases, historical information on the ratio of Scotland to Great Britain spending (or UK spending, for HMRC benefits) is not available. In these situations, the Scottish Government used a proxy. For example, Scotland's share of Disability Living Allowance spending was used as a proxy for Scotland's share of future Personal Independence Payment spending, and Housing Benefit was used for Discretionary Housing Payments. Alternatively where there was no suitable benefit to use as a proxy, the average share of 8.9 per cent was applied (this was used for the Christmas bonus, for example). Estimates based on current expenditure have been used for those benefits currently administered by the Scottish Government such as the Scottish Welfare Fund and the Council Tax Replacement scheme.

3.16 The implicit assumption behind this methodology is that the ratio of spending in Scotland to Great Britain, at the level of individual benefits, will remain at their 2011-12 levels through to 2017-18. We say more about this assumption later in the Chapter.

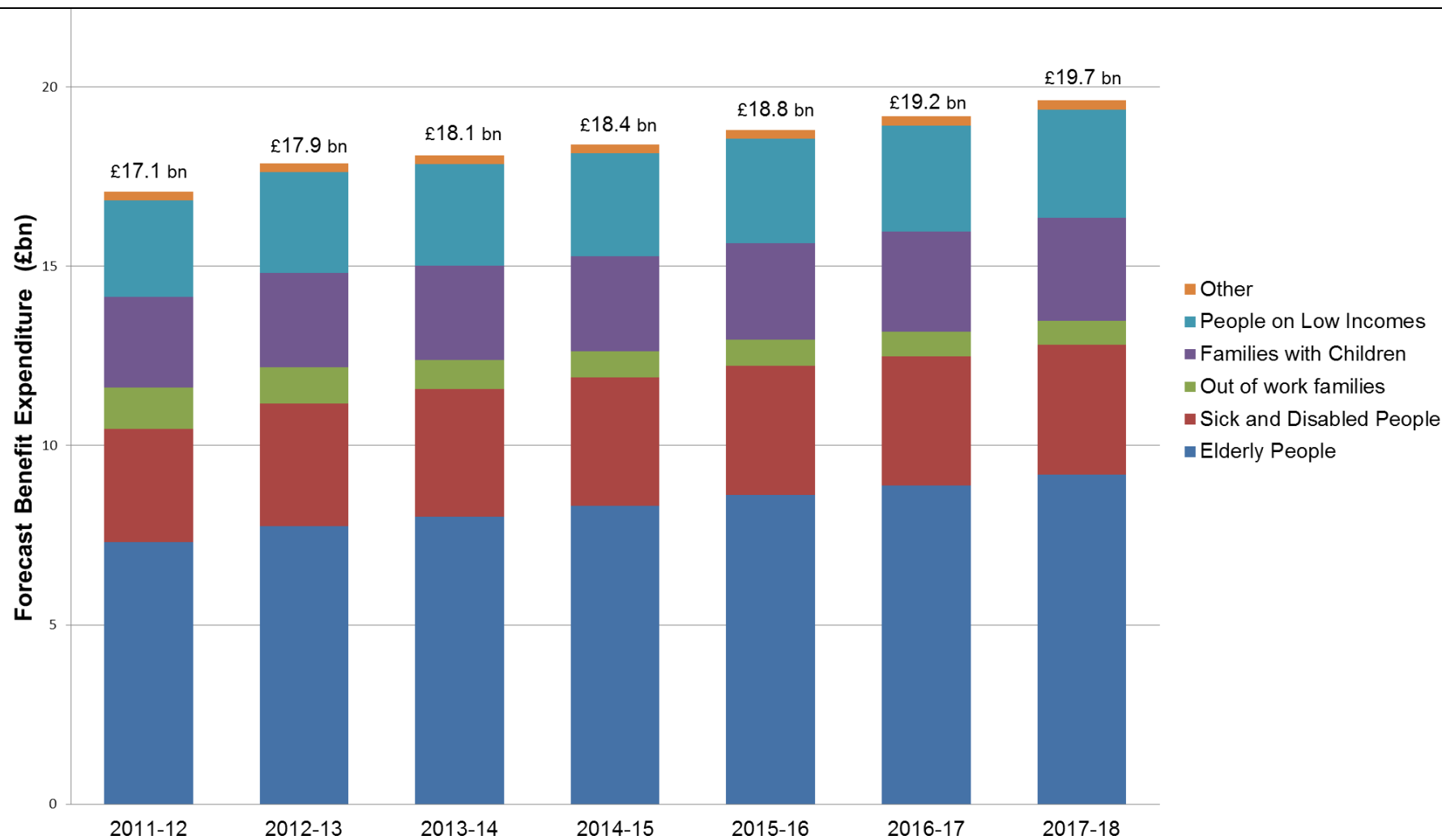
3.17 As well as omitting a number of smaller benefits<sup>29</sup>, Table 3.1 also omits Tax Credits and Child Benefit, both administered by HMRC. The ratio of Scotland to UK expenditure on these benefits is taken from Scottish Government estimates, consistent with figures published by HM Treasury as part of the Country and Regional Analysis of the Public Expenditure Statistical Analyses (PESA) publication.

3.18 Our resulting forecasts of AME benefit spending in Scotland using this methodology are shown in Table 3.2, with how benefit expenditure is distributed across different recipient groups illustrated in Chart 3.2.

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<sup>29</sup> A full list of benefits included can be found in Chapter 2

**Chart 3.2 Forecast Benefit Expenditure in Scotland 2011-12 to 2017-18, nominal terms (£ billion)**



Source: Scottish Government calculations based on methodology highlighted in this report

3.19 Table 3.3 shows the forecasts of benefit expenditure produced by the UK Government (which do not include data relating to the localisation of council tax support and discretionary elements of the Social Fund). The tables show that benefit expenditure in Scotland is forecast to rise, in line with the trend at the UK level: AME expenditure on benefits in Scotland is forecast to rise by 9 per cent in nominal terms and 1 per cent in real terms between 2013-14 (the current year) and 2017-18 (the final year covered in the remit of the Group); for the UK, the projected growth is 10 per cent in nominal terms and 2 per cent in real terms. This growth is primarily driven by the economic climate and demographic changes.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Nominal terms	17.1	17.9	18.1	18.4	18.8	19.2	19.7
Real terms (2011-12 prices)	17.1	17.6	17.5	17.4	17.5	17.6	17.7

*Source: Scottish Government calculation based on methodology highlighted in this report  
To convert figures from nominal to real terms the GDP deflator from Budget 2013 was applied.*

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	forecast	forecast	forecast	forecast	forecast	forecast
Nominal terms	196.1	205.1	202.8	206.8	212.0	216.8	222.1
Real terms (2011-12 prices)	196.1	202.5	195.7	195.9	197.2	198.3	199.8

*Sources: OBR, Economic and Fiscal Outlook – March 2013 supplementary fiscal tables and DWP medium-term benefit forecasts as at Budget 2013, and Scottish Government calculation*

*Note: Figures are presented for GB/UK as expenditure for Tax Credits and Child Benefit administered by HMRC along with Over 75 TV licences includes Northern Ireland while expenditure on other benefits relates to Great Britain only. Localisation of council tax support and discretionary elements of the Social fund are not included within the UK Government's forecasts*

*To convert figures from nominal to real terms the GDP deflator from Budget 2013 was applied.*

## Forecasting DEL expenditure

3.20 As we discuss in Chapter 4, understanding the operating costs for benefit administration for Scotland is not straightforward, as distinct costs relating to Scotland cannot easily be disaggregated from the rest of Great Britain.

3.21 As benefits administration costs cannot be identified within GERS, we have used DWP and HMRC accounts as the basis for our forecast of benefits administration costs in Scotland.

3.22 For administration costs relating to DWP, the 2011-12 annual report and accounts provides figures on total DEL expenditure for 2011-12 (this includes administration costs plus programme expenditure, and therefore includes expenditure on the Work Programme and Jobcentre Plus), and the 2013 UK Budget provided data on total DEL limits to 2014-15 (i.e. for the remainder of the Spending review period)<sup>30</sup>. Beyond 2014-15, we assumed that DWP's administration costs would grow in line with the OBR's current forecast of how Resource DEL (RDEL) will change across all UK Government Departments, and this implies falls in real-terms of 2.7 per cent in 2015-16, 3.8 per cent in 2016-17 and 4.3 per cent in 2017-18<sup>31</sup>. We then assumed that the Scotland's share of these future administrative costs was equal to Scotland's share of the spending on the actual DWP benefits in 2011-12 (or 8.9 per cent).

3.23 The same methodology was used to forecast HMRC's total DEL budget. Within HMRC's 2011-12 annual report and accounts administration costs are estimated to be 1.55 pence per pound of Tax Credit, and 0.58 pence per pound of Child Benefit<sup>32</sup>. Using these figures, we have estimated the proportion of HMRC DEL spend on administering these two benefits across the UK. This proportion was assumed to remain constant over the period and an estimate of the Scottish share was applied to the forecast for HMRC total DEL spend.

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<sup>30</sup> Capital DEL was excluded from these calculations. As DEL is set at each Spending Review figures for 2015-16 to 2017-18 are not yet available.

<sup>31</sup> <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2013/>

<sup>32</sup> <http://www.hmrc.gov.uk/about/annual-report-accounts-1112.pdf>



3.24 Taking DWP and HMRC administration costs together, the total DEL costs for administering benefits in Scotland are forecast to remain broadly constant at £0.7 billion each year to 2017-18. The implicit assumption behind this way of producing a forecast is that the cost of administering benefits in Scotland is no higher, per pound of benefits paid to claimants, than it is across Great Britain at present.

### **Total costs**

3.25 Tables 3.4 to 3.7 show the overall forecast of benefit spending in Scotland, including both DEL and AME. It shows that, by 2017-18, expenditure on the welfare system in Scotland, including the additional costs of Universal Credit, will amount to £20.3 billion. Table 3.6 and 3.7 show the equivalent forecasts for GB/UK.

<b>Table 3.4: Forecast costs associated with welfare in Scotland 2011-12 to 2017-18 (£ billion), nominal terms</b>							
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Based on current costs							
AME expenditure	17.1	17.9	18.1	18.4	18.8	19.2	19.7
DEL expenditure	0.7	0.7	0.7	0.7	0.7	0.7	0.6
<b>Total current costs</b>	<b>17.8</b>	<b>18.5</b>	<b>18.8</b>	<b>19.1</b>	<b>19.5</b>	<b>19.9</b>	<b>20.3</b>
Additional costs of Universal Credit							
OBR forecasts	-	-	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>17.8</b>	<b>18.5</b>	<b>18.8</b>	<b>19.1</b>	<b>19.5</b>	<b>19.9</b>	<b>20.3</b>
<i>Sources: Scottish Government Calculations based on methodology highlighted in this report and OBR Economic and Fiscal Outlook March 2013</i>							
<i>Notes: Numbers have been rounded to nearest £0.1 billion; numbers may not sum due to rounding; “-“ indicates that there is no data available while ‘0.0’ indicates that there is a value but that it rounds to less than £0.1 billion.</i>							

<b>Table 3.5: Forecast costs associated with welfare in Scotland 2011-12 to 2017-18 (£ billion), real terms - 2011-12 prices</b>							
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Based on current costs							
AME expenditure	17.1	17.6	17.5	17.4	17.5	17.6	17.7
DEL expenditure	0.7	0.7	0.7	0.7	0.6	0.6	0.6
<b>Total current costs</b>	<b>17.8</b>	<b>18.3</b>	<b>18.1</b>	<b>18.1</b>	<b>18.2</b>	<b>18.2</b>	<b>18.3</b>
Additional costs of Universal Credit							
OBR forecasts	-	-	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>17.8</b>	<b>18.3</b>	<b>18.1</b>	<b>18.1</b>	<b>18.2</b>	<b>18.2</b>	<b>18.3</b>
<i>Sources: Scottish Government Calculations based on methodology highlighted in this report and OBR Economic and Fiscal Outlook March 2013</i>							
<i>Notes: Numbers have been rounded to nearest £0.1 billion; numbers may not sum due to rounding; “-“ indicates that there is no data available while ‘0.0’ indicates that there is a value but that it rounds to less than £0.1 billion. To convert figures from nominal to real terms the GDP deflator from Budget 2013 was applied.</i>							

<b>Table 3.6: Forecast costs associated with welfare in GB/UK 2011-12 to 2017-18 (£ billion), nominal terms</b>							
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	forecast	forecast	forecast	forecast	forecast	forecast
Based on current costs							
AME expenditure	196.1	205.1	202.8	206.8	212.0	216.8	222.1
DEL expenditure	8.1	7.5	8.0	7.8	7.7	7.6	7.4
<b>Total current costs</b>	<b>204.2</b>	<b>212.7</b>	<b>210.8</b>	<b>214.7</b>	<b>219.8</b>	<b>224.4</b>	<b>229.5</b>
Additional costs of Universal Credit							
OBR forecasts	-	-	0.0	0.0	0.1	0.3	0.3
<b>Total</b>	<b>204.2</b>	<b>212.7</b>	<b>210.8</b>	<b>214.7</b>	<b>219.9</b>	<b>224.6</b>	<b>229.8</b>
<p><i>Sources: OBR, Economic and Fiscal Outlook – March 2013 supplementary fiscal tables and DWP medium-term benefit forecasts as at Budget 2013, and Scottish Government calculation</i></p> <p><i>Note: Numbers have been rounded to nearest £0.1 billion; numbers may not sum due to rounding; “-“ indicates that there is no data available while ‘0.0’ indicates that there is a value but that it rounds to less than £0.1 billion.</i></p> <p><i>Note: Figures are presented for GB/UK as expenditure for Tax Credits and Child Benefit administered by HMRC along with Over 75 TV licences includes Northern Ireland while expenditure on other benefits relates to Great Britain only.</i></p> <p><i>Localisation of council tax support and discretionary elements of the Social Fund are not included within the UK Government’s forecasts</i></p>							

<b>Table 3.7: Forecast costs associated with welfare in GB/UK 2011-12 to 2017-18 (£ billion), real terms - 2011-12 prices</b>							
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	forecast	forecast	forecast	forecast	forecast	forecast
Based on current costs							
AME expenditure	196.1	202.5	195.7	195.9	197.2	198.3	199.8
DEL expenditure	8.1	7.4	7.8	7.4	7.2	6.9	6.6
<b>Total current costs</b>	<b>204.2</b>	<b>210.0</b>	<b>203.4</b>	<b>203.3</b>	<b>204.4</b>	<b>205.2</b>	<b>206.4</b>
Additional costs of Universal Credit							
OBR forecasts	-	-	0.0	0.0	0.1	0.3	0.3
<b>Total</b>	<b>204.2</b>	<b>210.0</b>	<b>203.4</b>	<b>203.3</b>	<b>204.5</b>	<b>205.5</b>	<b>206.7</b>
<p>Sources: OBR, <i>Economic and Fiscal Outlook – March 2013</i> supplementary fiscal tables and DWP medium-term benefit forecasts as at Budget 2013, and Scottish Government calculation</p> <p>Note: Numbers have been rounded to nearest £0.1 billion; numbers may not sum due to rounding; “-“ indicates that there is no data available while ‘0.0’ indicates that there is a value but that it rounds to less than £0.1 billion.</p> <p>Note: Figures are presented for GB/UK as expenditure for Tax Credits and Child Benefit administered by HMRC along with Over 75 TV licences includes Northern Ireland while expenditure on other benefits relates to Great Britain only.</p> <p>Localisation of council tax support and discretionary elements of the Social Fund are not included within the UK Government’s forecasts</p> <p>To convert figures from nominal to real terms the GDP deflator from Budget 2013 was applied.</p>							

## Assumptions and uncertainties

3.26 As with any piece of financial forecasting, the forecasts in this Report are based on assumptions. The main assumptions relate to economic growth and demographic change that underpin the UK Government's forecasts of benefit expenditure for the UK. However, in order to produce our forecast of benefit spending in Scotland, we have had to make additional assumptions.

3.27 Our first main assumption is that the ratio of spending on benefits in Scotland to that in Great Britain remains constant. In the event of divergences in the economic conditions or the demographic structure between Scotland and the rest of the UK, then forecasts would need to be revisited<sup>33</sup>.

3.28 Table 3.8 shows the ratio of spending on DWP benefits in Scotland to that in Great Britain, based on available data for the past five years. This has been used to produce average benefit ratios for (a) the past five years and (b) the past three years.

3.29 If the five year average ratios of spending on DWP benefits in Scotland to that in Great Britain were used to forecast benefit spending for Scotland, this would produce a slightly higher forecast of benefit spending in Scotland than our main forecast. However, the ratio of spending on DWP benefits in Scotland to that in Great Britain has in actual fact gradually fallen very slightly since peaking at 9.7 per cent in 2002-03. If we had assumed that such a trend were to continue, then that would have produced a forecast of benefit spending in Scotland that is slightly lower than the figure identified in this report.

3.30 This illustrates the dependency of forecasting on the use of assumptions and how changing the assumptions can produce slightly different results. For example, if the ratio of spending on DWP benefits in Scotland to that in Great Britain were to change by 0.2 percentage points (i.e. to fall to 8.7 per cent or rise to 9.1 per cent),

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<sup>33</sup> We note that the economic forecasts underpinning the UK Government's forecasts are made at the UK level, and ignore any variation between the nations of the UK.

then this would change our forecast of benefit spending in Scotland by no more than 2 per cent.

**Table 3.8: Ratio of Scottish Benefit Expenditure as a proportion of Great Britain for DWP benefits, base year 2011-12**

	<b>5 year average (2007-08 to 2011-12)</b>	<b>3 year average (2009-10 to 2011-12)</b>	<b>1 year (2011-12)</b>
Attendance Allowance	9.3%	9.2%	9.0%
Bereavement Benefit/Widow's Benefit	10.0%	9.9%	9.9%
Carer's Allowance	9.1%	8.9%	8.8%
Council Tax Benefit	8.3%	7.9%	7.8%
Disability Living Allowance	11.1%	11.0%	10.9%
Employment & Support Allowance**	10.5%	10.3%	10.7%
Housing Benefit	7.9%	7.7%	7.6%
Incapacity Benefit	11.6%	11.5%	11.4%
Income Support	9.8%	9.7%	9.6%
Industrial Injuries Benefits	10.4%	10.5%	10.5%
Jobseeker's Allowance	9.1%	9.2%	9.4%
Maternity Allowance	7.6%	7.3%	6.6%
Over 75 TV Licences***	8.5%	8.5%	8.3%
Pension Credit	9.7%	9.5%	9.3%
Severe Disablement Allowance	11.0%	11.0%	11.0%
State Pension	8.6%	8.6%	8.5%
Statutory Maternity Pay	8.8%	8.8%	8.8%
Winter Fuel Payments	8.8%	8.7%	8.8%
<b>Total</b>	<b>9.0%</b>	<b>8.9%</b>	<b>8.9%</b>

*Source: Table LA 2011-12, DWP benefit expenditure by Country, Region and Local Authority - updated 23-04-13, Scottish Government Calculation*

*Notes: \* Data for Great Britain includes those living abroad or not known*

*\*\* Employment Support Allowance introduced in 2008/09, so a four year average is represented*

*\*\*\* Great Britain figure includes individuals in Northern Ireland in receipt of this benefit*

3.31 Our second main assumption is that, beyond 2014-15, the costs of administering benefits will grow at the same rate as all areas of DEL spending, and that the costs of administering benefits in Scotland are identical, per pound of benefit spending, to the costs at the Great Britain level. As the costs of administering the benefits system are a small fraction of the total forecast costs of benefits spending in Scotland small changes in our forecasting assumptions will not have any significant impact on overall costs.

3.32 Finally, we also note that forecasts of benefit spending at the UK level are particularly uncertain at the moment given the pace and scope of reforms to the benefit system, and that little is known about whether these reforms will have greater or lesser impact in Scotland from the rest of the UK.

## Conclusions

3.33 This Chapter presents a preliminary forecast for Scotland of the costs of paying benefits, and the costs to government of administering these benefits and other administrative costs associated with wider DWP services, such as Jobcentre Plus.

3.34 We believe that these preliminary forecasts are a reasonable estimate of the costs of benefit spending and related administrative costs, given the information currently available to the Scottish Government. These forecasts could be improved if the Office for Budget Responsibility produced economic forecasts for each of the nations of the UK; if the Scottish Government had access to data and models owned by DWP; or if DWP and HMRC would undertake a bespoke forecast of benefit and tax credit spending in Scotland.

3.35 In the event of independence, we recommend that the Scottish Government builds its capacity to forecast benefit spending and to assess the impact of changes in the benefit system on individuals and households in Scotland. It could do this by building its own models, acquiring copies of existing models, or buying services from another organisation.

3.36 We also recommend that the Scottish Government and UK Government begin discussions immediately about sharing historical DWP and HMRC administrative data for Scotland and DWP's and HMRC's modelling tools. This will provide the Scottish Government with a rich source of historical information on trends in benefit spending in Scotland which could be used to produce more detailed forecasts. We believe that there would be an advantage to both the UK Government and the Scottish Government if accurate forecasts of benefit spending in Scotland were regularly prepared and published irrespective of the result of the Referendum.

### Chapter Summary

In this Chapter we set out our understanding, based on the evidence available to us, of the role Scotland plays in the delivery of the current UK benefits system.

We conclude that, in the event of a “Yes” vote, the Scottish and United Kingdom Governments have a strong common interest in working together, as envisaged by Article 30 of the Edinburgh Agreement, to support each other in maintaining the delivery of benefit payments during an agreed period of transition.

We believe that this common interest is underpinned by an obligation to ensure continuity of service to benefit claimants across the nations of the United Kingdom. We also believe that formalising the current arrangements into an agreed set of ‘shared services’ would safeguard delivery, as well as being the most efficient and cost effective arrangement for both Governments in a period of transition.

Finally, given the important role that Scotland currently plays in delivering benefits to claimants in the rest of the UK (as illustrated at paragraph 4.27), we believe it is the interests of both the Scottish and UK Governments to introduce a programme of information sharing and begin discussions about how benefits would continue to be delivered for all claimants in the UK in the event of Scottish independence.

### Introduction

4.1 The Department for Work and Pensions (DWP) carries out the majority of the functions necessary to deliver benefit payments to people living in Scotland. HM Revenue and Customs is responsible for the administration of Child Benefit and Tax Credits.



4.2 With effect from 3 October 2011<sup>34</sup>, DWP dissolved its two executive agencies (Jobcentre Plus and The Pension, Disability and Carers Service) and returned their functions back to the Department. The DWP also took over responsibility for child maintenance from 1 August 2012, a system previously administered by the Child Maintenance and Enforcement Commission which was abolished on 31 July 2012<sup>35</sup>.

4.3 In this Chapter we look at how benefits are delivered across Scotland and the role of DWP operations in Scotland. We consider how the Scottish Government would deliver benefits payments in the event of a “Yes” vote for independence, and provide our views on the main transitional issues.

4.4 The information presented in this Chapter is based on the evidence we have been able to gather in the time available to us. Through Requests for Information and follow-up queries, we also invited DWP, HMRC and COSLA to provide more detailed information to support the evidence we gathered. We took due account of this information in our discussions and it is reflected in this Chapter.

## **The administration of working age benefits in and from Scotland**

4.5 The administration of working age benefits – in other words, where claims are assessed and decisions made on how much benefit is awarded – is allocated to DWP centres across the UK on a combination of geographical and benefit category basis. For smaller items of work, there are centres of expertise in certain offices which service the whole of the UK.

4.6 In response to our Request for Information, the DWP confirmed that Scotland does not ‘export’ any of its work for Jobseekers Allowance, Employment and Support Allowance, Income Support and Incapacity Benefit. In other words, all claims for these benefits made by people living in Scotland are processed in Scotland.

4.7 DWP’s response confirmed that just over 40 per cent of all claims processed in Scotland are claims made by people living in England. DWP also indicated that on

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<sup>34</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/183222/cmec-report-and-accounts-to-july-2012.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/183222/cmec-report-and-accounts-to-july-2012.pdf.pdf)

<sup>35</sup><http://www.official-documents.gov.uk/document/hc1213/hc07/0766/0766.pdf>

a permanent basis Scotland processes the following claims for people living outside Scotland:

- Parts of Yorkshire - Jobseekers Allowance, Employment and Support Allowance, Income Support and Incapacity Benefit.
- Parts of the North West of England - Jobseekers Allowance, Employment and Support Allowance, Income Support and Incapacity Benefit.
- London - Jobseekers Allowance, and Employment and Support Allowance.

4.8 Scotland is also home to the largest working-age benefit centre in the UK, Northgate Benefit Centre in Glasgow. We understand that Northgate currently employs in excess of 1,000 full time equivalent (FTE) members of staff and undertakes much of the English processing activity mentioned above. We also understand that Northgate may process a range of other claims for people living outside Scotland. This could be on a temporary basis, however DWP was unable to provide temporary caseload data or indicate what benefits/volumes such temporary processing activity covered.

4.9 In addition, Northgate carries out certain GB-wide functions: the DWP's national team for decision making and appeals under the Mandatory Work Activity Programme is based there<sup>36</sup>; and since April Northgate has been supporting the Universal Credit Pathfinder<sup>37</sup>.

4.10 DWP confirmed that the remaining benefit processing centres located in Scotland are based in: Aberdeen; Bathgate; Clydebank; Coatbridge; Inverness; Kirkcaldy; Kilmarnock; Saltcoats; Springburn; and Stornoway.

4.11 There are also 94 Jobcentre Plus (JCP) offices servicing Scotland<sup>38,39</sup>. Jobcentre Plus provides resources to enable people of working age find work and helps employers find new staff. In terms specifically of benefit administration,

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<sup>36</sup> <http://www.dwp.gov.uk/docs/mwa-memo-lr10.pdf>

<sup>37</sup> <http://www.cywp.org.uk/wp-content/uploads/2013/03/Department-for-Work-and-Pensions-Our-Reform-Story.ppt>

<sup>38</sup> <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130416/text/130416w0001.htm>

<sup>39</sup> <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/jobcentre-plus-district-information/>

unemployed individuals can be supported in making a new claim for benefits in a JCP office and find out about the progress of an existing claim.

4.12 DWP Contact Centres provide a wide range of services via the telephone, which include helping claimants find work, claim a wide range of benefits and pensions, as well as enabling employers to place vacancies. In response to a follow-up enquiry DWP confirmed that there are three Customer Contact Centres in Scotland: Dundee, Paisley and Springburn.

## **The administration of non-working age benefits in and from Scotland**

4.13 There are nine Regional Pension Centres across Great Britain<sup>40</sup> and one National Centre in Newcastle. The National Centre provides two UK-wide services: the Futures Pensions Service, providing state pension statements and information, and the International Pensions Centre which provides advice and information about claiming pensions and benefits to those people living abroad or who have lived abroad<sup>41</sup>.

4.14 There are two Pensions Centres in Scotland: Motherwell and Dundee. In response to our Request for Information, DWP has confirmed that there 849 FTEs employed in Scotland processing claims for State Pension and Pension Credit. The number of employees working in the Scottish Pension Centres could be greater, however, given that other services are delivered from these sites (such as the Bereavement Service).

4.15 There are 12.8 million people in receipt of State Pension across Great Britain, including 1.1 million overseas state pensioners. In Scotland just over one million people are in receipt of a State Pension<sup>42</sup>. There are 2.5 million people in receipt of Pension Credit across Great Britain, around 250,000 of whom live in Scotland<sup>43</sup>.

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<sup>40</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/175084/eia-virtuality-pension-service-telephony.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175084/eia-virtuality-pension-service-telephony.pdf.pdf)

<sup>41</sup> <https://www.gov.uk/state-pension-if-you-retire-abroad/how-to-claim>

<sup>42</sup> [http://83.244.183.180/100pc/sp/ccgor/cat/a\\_carate\\_r\\_ccgor\\_c\\_cat\\_nov12.html](http://83.244.183.180/100pc/sp/ccgor/cat/a_carate_r_ccgor_c_cat_nov12.html)

<sup>43</sup> [http://83.244.183.180/100pc/pc/ccgor/pctype/a\\_carate\\_r\\_ccgor\\_c\\_pctype\\_nov12.html](http://83.244.183.180/100pc/pc/ccgor/pctype/a_carate_r_ccgor_c_pctype_nov12.html)

4.16 In response to our Request for Information and a subsequent follow-up enquiry, DWP provided the most up-to-date caseload data available for Dundee and Motherwell. This is noted below.

- State Pension: 1,449,110 claimants (Dundee); 1,328,144 claimants (Motherwell).
- Pension Credit: 318,260 claimants (Dundee); 305,015 claimants (Motherwell).

4.17 DWP confirmed that Dundee and Motherwell administer claims for State Pension and Pension Credit for people living in Scotland<sup>44</sup>. The caseload data also shows that the majority of these Centres' business relates to customers living in England rather than Scotland. To underline this, DWP confirmed that Dundee has the largest Pension Credit caseload of any of the Regional Pension Centres and the fourth largest State Pension caseload. Motherwell has the fifth largest Pension Credit caseload and, according to the data provided by DWP, will have one of the largest State Pension caseloads after Dundee.

4.18 Expressed as a proportion of the total British caseload, the Scottish Pensions Centres are therefore responsible for administering around 20 per cent of all British State Pensions and around 25 per cent of all British Pension Credit claims.

4.19 The Bereavement Service – operated by teams based in each of the nine Pension Centres – has no geographic link, but is a virtual network with calls being taken by advisers in Dundee and Motherwell from anywhere in the UK. The assessment of claims takes place in Dover.

## **The administration of disability benefits in and from Scotland**

4.20 Currently, claims for Disability Living Allowance (DLA) are dealt with by Disability Benefit Centres (DBC) located throughout Scotland, England and Wales. Our evidence indicates that DBCs deal with identifiable geographical areas: the New Claims Unit in Blackpool deals with DLA claims from Scotland (except Strathclyde)

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<sup>44</sup> We also take this to include automatic entitlements to cold weather payments. It is not clear from DWP whether the Scottish Pension Centres also administer the automatic entitlements to winter fuel payments for Scottish residents.

and the Glasgow Disability Centre deals with Strathclyde as well as Essex and Suffolk postal districts. In response to our Request for Information, DWP has stated that there are 163 FTEs involved in processing DLA claims in Scotland.

4.21 Attendance Allowance (a benefit paid to those of state pension age who need help with their personal care because of a disability) is administered for the whole of the UK from offices in Preston and Blackpool.

4.22 Atos Healthcare is responsible on behalf of the DWP in Scotland for conducting Work Capability Assessments (WCA). The WCA was introduced in October 2008 for people claiming a range of disability benefits including Employment and Support Allowance.

4.23 On 30 April 2012, DWP awarded a four year contract to deliver Personal Independence Payment (PIP) assessments in Scotland to Atos Healthcare from 2013<sup>45</sup>. In turn, Atos will deliver PIP face-to-face assessments in Scotland in partnership with SALUS, an NHS-based provider of Occupational Health in Lanarkshire, and Premex Services Ltd, headquartered in Bolton, who will deliver through their network of locally owned physiotherapy practices<sup>46</sup>.

4.24 SALUS will service Western Scotland and the City of Edinburgh<sup>47</sup>. Premex will service all other areas of Scotland except for sections of the Highlands and Islands which will be covered by Atos. Based on current volume forecasts, approximately 20,000 face-to-face assessments will be carried out in Scotland by the end of 2013 and around 325,000 assessments in total will be undertaken between 2013 and 2017<sup>48</sup>.

## **The administration of child maintenance in and from Scotland**

4.25 The Child Maintenance Service operates from six principal offices located in Scotland, England and Northern Ireland. The Scottish office in Falkirk processes

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<sup>45</sup><http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/health-and-disability-assessment/>

<sup>46</sup><http://www.holyrood.com/2013/03/room-for-manoeuvre/>

<sup>47</sup>[http://www.scottish.parliament.uk/S4\\_Welfare\\_Reform\\_Committee/Papers\\_for\\_meeting\\_22\\_January\\_2013.pdf](http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Papers_for_meeting_22_January_2013.pdf)

<sup>48</sup>[http://www.scottish.parliament.uk/S4\\_Welfare\\_Reform\\_Committee/Papers\\_for\\_meeting\\_22\\_January\\_2013.pdf](http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Papers_for_meeting_22_January_2013.pdf)

applications from all of Scotland and the North of East of England<sup>49</sup> and employs 903 FTE staff. The latest figures show that the live and assessed caseload in Scotland was 97,140 which is 8.7 per cent of the total UK caseload<sup>50</sup>.

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<sup>49</sup> <https://www.gov.uk/child-support-agency>

<sup>50</sup> <http://statistics.dwp.gov.uk/asd/index.php?page=csa>

## Summary of DWP benefits delivery between Scotland and England

4.26 The following table shows where Scotland currently delivers benefits to claimants based in Scotland, where Scotland currently delivers benefits to claimants based in England, and where England currently delivers benefits to claimants based in Scotland.

<b>Benefit Type and Delivery</b>	<b>Scotland &gt; Scotland</b>	<b>Scotland &gt; England</b>	<b>England &gt; Scotland</b>
Jobseekers Allowance	✓	✓	X
Employment and Support Allowance	✓	✓	X
Income Support	✓	✓	X
Incapacity Benefit	✓	✓	X
State Pension	✓	✓	X
Pension Credit	✓	✓	X
Attendance Allowance	X	X	✓
Disability Living Allowance	✓	✓	✓
Carers Allowance	X	X	✓
Child Maintenance	✓	✓	X

## The administration of the Work Programme and Work Choice in Scotland

4.27 Introduced by DWP in June 2011, the Work Programme is designed to support a range of long-term unemployed people into work, specifically those aged 18-24 enter the Programme at nine months unemployment, while those 25 and over from 12 months onwards. In Scotland, the programme is being delivered by two Prime Contractors: Ingeus and Working Links, with referrals split across each provider. Provision lasts up to two years, with contracts lasting at least five years<sup>51</sup>.

4.28 Work Choice is the DWP's main contracted provision for disabled people who want to work. The programme commenced from 25 October 2010 across four areas in Scotland. While Momentum Scotland Ltd covers the region known as Highlands, Islands, Clyde Coast and Grampian, the rest of Scotland is served by Shaw Trust. The current contracts run to October 2014<sup>52</sup>.

## The administration of HMRC tax credits and other benefits in and from Scotland

4.29 HMRC administers Child Benefit, Working Tax Credit, Child Tax Credit and Guardian's Allowance. These are managed on a nationwide basis, with calls from Scottish claimants answered at offices within Scotland or elsewhere with the UK, and *vice versa*. HMRC undertakes this work through its network of Enquiry Centres and Contact Centres, which also deal with all other taxes, duties and benefits administered by HMRC (not just those mentioned above).

4.30 There are four Contact Centres in Scotland (Bathgate; Dundee; East Kilbride; and Glasgow) and 28 Enquiry Centres. In total they currently employ around 2,200 people<sup>53</sup> (made up of temporary and permanent members of staff) with around 2,150 of those based in the Contact Centres.

4.31 In responding to our Request for Information, HMRC was unable to break these numbers down any further and indicate how many people work on tax credits

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<sup>51</sup> <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/framework-for-the-provision/>

<sup>52</sup> <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/specialist-disability-employment/>

<sup>53</sup> HMRC did not indicate whether these are FTEs



and other benefits. HMRC was able to confirm that there is a further pool of around 75 staff involved in debt management work across all taxes and duties, however, and HMRC believes their work on tax credits is minimal.

## **The role of Local Government in Scotland**

4.32 In response to our Request for Information, COSLA estimated that the number of FTE members of staff employed in providing combined Housing Benefit and Council Tax Benefit services was 1,800. This is based on information gathered from Councils in April 2011. Since then, COSLA has indicated that the DWP has been applying year-on-year efficiencies to the administration subsidy they provide towards Housing Benefit and that Councils may therefore have reduced some staffing and costs since 2011.

4.33 This appears to be borne out by information also provided by COSLA, supplied to them through a survey Society of Personnel Directors in Scotland. This survey was started in late 2012 and reported in April this year. It shows that the average size of combined teams across 26 Councils sits at 60 FTEs. Fraud teams varied in size from 0.5 FTEs to 21 FTEs.

4.34 In terms of the Scottish Welfare Fund, COSLA indicated that budgeted FTEs based on DWP metrics indicated an FTE requirement to administer the Fund across Scotland of 203. The SWF began operation on 2 April 2013, and as a result there are no currently available figures – the precise number could be higher or lower.

4.35 This information is helpful in illustrating the important role which local government fulfils in administering benefits across Scotland, a role which could increase as the change to Universal Credit is introduced.

## **How administration is supported in Scotland**

4.36 Administration of the current system of benefits depends on a number of crucial factors including: having the people with the right skills; having physical infrastructure from which to operate (i.e. buildings); having access to IT and other systems on which that administration depends; and having supplier contracts in place which support the current delivery arrangements.

4.37 We have set out above information on where people are based across Scotland and the number of people employed by DWP and HMRC as we understand it. They are supported by a variety of corporate functions which, with the exception of the Work Services Director for Scotland and his team, are all largely based in England. A single Chief Operating Officer is responsible for leading all of DWP's services to the public, while senior managers are responsible for finance, HR, IT and professional services<sup>54</sup>. In response to our Request for Information, DWP has indicated that there are around 8,500 members of staff which provide the following services to the Department's eleven regions, of which Scotland is one: change; corporate IT; finance and commercial; HR; professional services and strategy.

4.38 In terms of physical assets, DWP's latest published accounts<sup>55</sup> note that the Department has a PFI Partnership Agreement under which the former Department of Social Security transferred ownership and management of its entire estate to a private sector partner, in exchange for the provision of fully serviced accommodation. The contract runs from 1 April 1998 to 31 March 2018. At the end of the contract, the Department will retain the right to occupy all the buildings it wishes, with leases based on the current market terms of the day.

4.39 According to these accounts DWP has two contracts with HP Enterprise Services for the provision of a wide range of IT hardware, software and associated maintenance services, a contract with BT Global Services for its fully serviced IT and telephony network, and a contract with Xerox for the supply of multi-function devices. These contracts expire at various points between 2014 and 2017. The DWP has already started the process of tendering for renewed contracts in the areas of IT, telephony and back office functions. These will be awarded on four or five year terms<sup>56</sup>.

4.40 DWP has introduced the Central Payment System which is a single integrated payment and accounting system. According to DWP, the Central Payment System

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<sup>54</sup> <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130416/text/130416w0001.htm>

<sup>55</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/138033/dwp-annual-report-and-accounts-2011-2012.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/138033/dwp-annual-report-and-accounts-2011-2012.pdf.pdf)

<sup>56</sup> <https://www.gov.uk/contracts-finder>

offers it a variety of advantages, including greater control of benefit expenditure and improved management information. This system has been in place since 18 April 2011<sup>57</sup>.

4.41 According to HMRC's latest published accounts<sup>58</sup>, HMRC has a number of property contract arrangements with private landlords or other government departments. Along with individual property contracts, HMRC operates two major contracts for property covering a significant proportion of their estate, through its contract with Mapeley STEPS Contractor Ltd, which expires in April 2021, and through the Newcastle Estates Partnership (NEP) (a contract which DWP also utilises). The latter has phased expiry arrangements until October 2029. At the end of any property contract arrangements, HMRC would typically vacate the building or negotiate a new arrangement with the landlord at prevailing market rates.

4.42 HMRC's 'Aspire' IT contract is designed to deliver a significant proportion of HMRC and VOA's IT infrastructure (desktop, business applications management, enhancements and developments) with Capgemini as the prime contractor, Fujitsu covers data centre operations, desktop installation and support. The Aspire contract commenced in July 2004 and is currently due to expire in June 2017. The Customs Handling of Import and Export Freight System (CHIEF) is also under contract. This is a data capture and validation system for international trade movement and the contract runs for a five year period until January 2015.

## **The Social Security Advisory Committee and Social Security and Child Support Tribunals**

4.43 The Social Security Advisory Committee is a UK-wide independent advisory body of the DWP consisting of 14 non-remunerated appointments. Its role is to:

- give advice on social security issues;
- scrutinise and report on social security regulations;
- consider and advise on social security matters and information products;

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<sup>57</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/175073/eia-central-payment-system.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175073/eia-central-payment-system.pdf.pdf)

<sup>58</sup> [www.hmrc.gov.uk/about/annual-report-accounts-1112.pdf](http://www.hmrc.gov.uk/about/annual-report-accounts-1112.pdf)

- follow up the development of specific measures to determine if the intended objectives are being realised.

4.44 At an operational level, individuals can appeal to the Social Security and Child Support Tribunal if they disagree with a decision about Benefits, Tax Credits or Child Support Payments. The Social Security and Child Support Tribunal is part of HM Courts and Tribunals Service, an executive agency of the UK Government Ministry of Justice. It arranges independent hearings for appeals on decisions made by the Department for Work and Pensions (including Jobcentre Plus, Child Support Agency and Disability and Carers Service), as well as other government departments (HM Revenue and Customs) and local authorities. Appeals are heard at tribunal venues (152 across Great Britain with 25 in Scotland) and are processed at eight operational sites throughout Great Britain (including in Glasgow).

### **The introduction of Universal Credit and other welfare reforms**

4.45 At the time of writing, it is not possible to provide a definitive view on how the UK Government's reforms might affect the delivery landscape across Scotland as we have described it above, or the breadth of services Scotland provides to people living both in and outside Scotland.

4.46 The UK Government has published the timetable for re-assessment of DLA claimants onto PIP<sup>59</sup> but has yet to publish plans for the migration pattern of Scottish benefit claimants onto UC. The UK Government plans to have completed the transition onto the new benefits system by the end of 2017<sup>60</sup>. It is not yet clear at this stage how advanced the rollout of UC in Scotland will be by the time of the Referendum.

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<sup>59</sup> <http://www.dwp.gov.uk/docs/timetable-for-pip-replacing-dla.pdf>

<sup>60</sup> <https://www.gov.uk/government/policies/simplifying-the-welfare-system-and-making-sure-work-pays/supporting-pages/introducing-universal-credit>

## Implications for the system of delivering benefits in the event of a “Yes” vote in the Referendum

4.47 On 15 October 2012 an Agreement between the United Kingdom Government and the Scottish Government on a referendum on independence for Scotland was signed in Edinburgh. This has become known as the Edinburgh Agreement. Article 30 of the Edinburgh Agreement establishes a principle relevant to the discussions on how delivery of benefits might operate in the event of Scotland becoming independent:

*“The two governments are committed to continue to work together constructively in the light of the outcome [of the Referendum], whatever it is, in the best interests of the people of Scotland and of the rest of the United Kingdom.”*

4.48 From the picture we have assembled of how benefit payments are delivered across the UK, it appears to us that the two Governments have a strong common interest in working together, as called for under Article 30 of the Edinburgh Agreement.

4.49 We believe that what underpins this common interest is an obligation to ensure continuity of service to benefit claimants across the UK. When viewed from this perspective, placing the current ‘shared services’ arrangements on a more formal footing appears to be not only a reasonable position during a period of transition but a natural conclusion. We also believe that it would be the most efficient and cost effective short term arrangement.

4.50 Our information indicates that Scotland delivers almost all parts of the current UK benefits system to people living in Scotland from locations within Scotland. There are exceptions to this, however, and these relate to areas such as disability benefits, some of which are partly delivered from England, and the services provided by the National Pensions Centre in Newcastle. There may be others that we have not been made aware of.

4.51 In the course of our work, however, we have also discovered that Scotland provides a wide range of services to England. Some of these services are significant, such as working age benefit processing for London and services for pensioners in England, and involve a claimant count measured in millions rather than thousands.

4.52 Immediately separating these services would present serious risks to the continuity of payments to people in both Scotland and England and so a challenge for both an independent Scottish Government and a UK Government representing the interests of the remaining parts of the United Kingdom.

4.53 A rest of UK Government (rUK) would have to establish additional administrative functions outside Scotland to maintain delivery of benefit payments to claimants living in England, Wales and (in some cases) Northern Ireland, ensure staff covered those functions and bear the associated costs involved in doing so. These costs are likely to be high, and could make it challenging for the UK Government to keep to its tough plans to reduce UK Government Departmental spending through the current UK Parliament and the next<sup>61</sup>.

4.54 To maintain services for benefit claimants in Scotland in the event of independence, the Scottish Government would need to agree continued access to IT and other systems presently owned, operated and maintained by the UK Government and/or third party suppliers. It may also need to add some specialist skills to the DWP's Scottish operations which are currently provided by the UK, such as actuarial, IT and project management. The picture painted is complex.

4.55 Continuing to share services for a transitional period immediately following a "Yes" vote would help ensure that the delivery of the following benefits to a sizeable number of claimants living outside Scotland was maintained:

- Jobseekers Allowance;
- Employment and Support Allowance;
- Income Support and Incapacity Benefit;

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<sup>61</sup> <https://www.gov.uk/government/policies/reducing-the-deficit-and-rebalancing-the-economy>

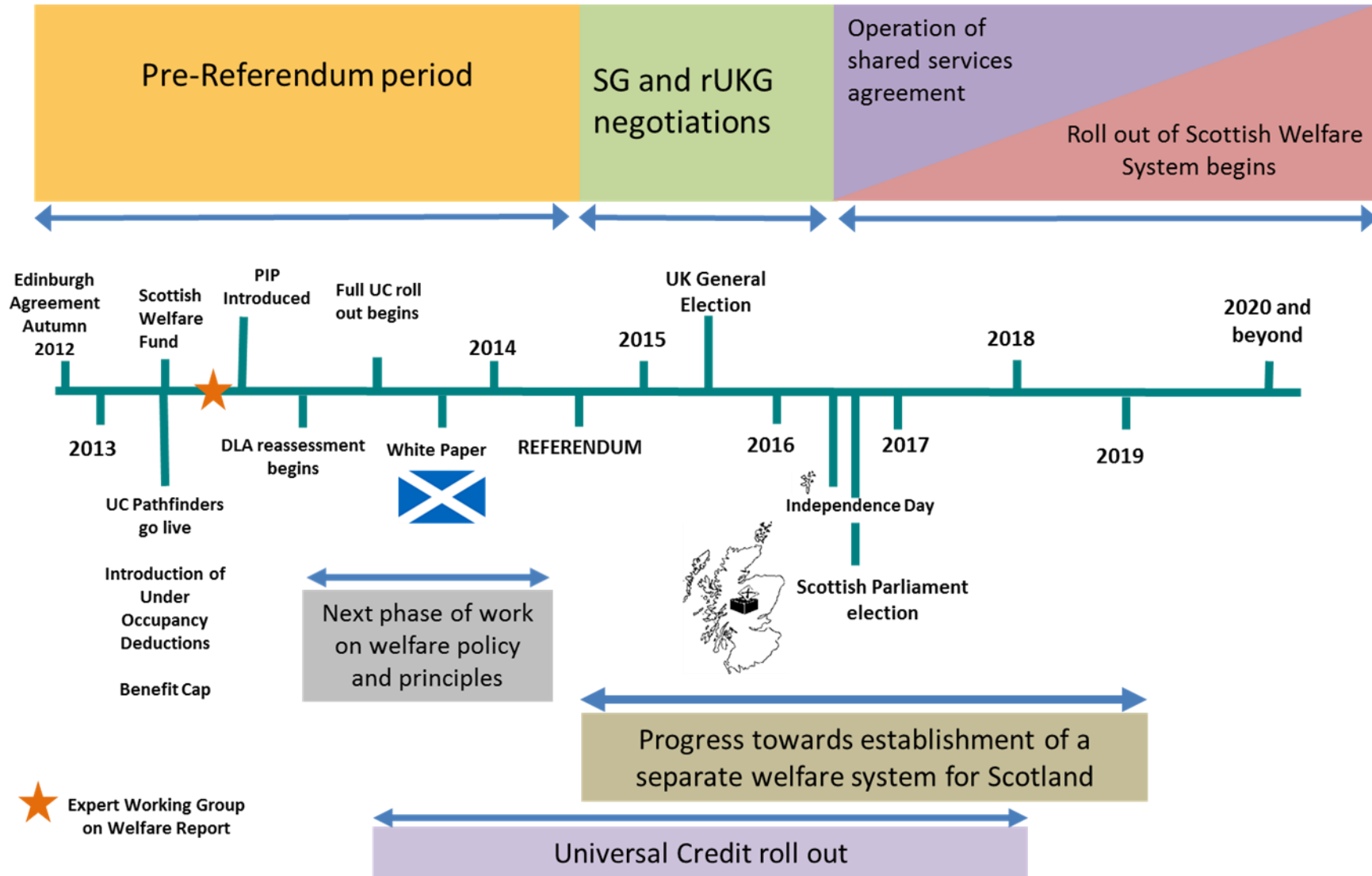
- State Pension and Pension Credit;
- Universal Credit.

4.56 Continuing to share services for a transitional period immediately following a “Yes” vote would ensure continued access to the current IT and other systems which underpin delivery, and also help ensure that the delivery of the following benefits to claimants living in Scotland was maintained:

- Disability Benefits;
- Benefits for Scots living overseas.

4.57 A possible timetable for transition is shown on the next page.

## Welfare and Constitutional Reform: Transition Timeline in the event of an independent Scotland





## Maintaining delivery of benefits in the period immediately following a “Yes” vote in the Referendum

4.58 We wanted to carry out further work to test our conclusions and to appraise other delivery options as part of our considerations. During our second, third and final meetings, we developed and refined a set of key criteria against which a number of options could be assessed. These criteria are not designed to be exhaustive or authoritative, but we believe they provide a solid foundation for our conclusions. They could also be used in future work to look at developing a Scottish welfare system.

4.59 We considered that the following criteria were especially relevant when considering how benefit payments should be paid following a vote in favour of independence and in a period of transition leading towards a Scottish Government determining its own policies and approaches after the election in 2016.

4.60 In settling on those criteria, we believed that the main objective of the transitional arrangements should be (as indicated above) to provide continuity of service to benefit claimants in Scotland and the rest of the UK:

- Certainty: the right level of benefits continue to be paid at the right time to the right people. The transitional arrangements should be easy to understand, with disruption and change minimised as far as possible.
- Effectiveness of helping people into work: the policy objective of helping people prepare for, and then move into, work is common to both Governments and should be maintained by the transitional arrangements.
- Support: people who are unable to work should be supported to play as full a role in society as possible, and their needs afforded the proper degree of dignity and respect.
- Delivery: the arrangements should be straightforward to operate, both from the perspective of the Scottish and rUK Governments. It is important that those administering the interim arrangements have the right skills and proper

capability to deliver benefit payments in the transitional phase. Above all else, the arrangements should be capable of being implemented, not a theoretical model which might prove difficult to introduce in practice.

- Flexibility: the arrangements should be capable of accommodating any initial changes which the Scottish Government wishes to introduce before the first elections to an independent Scottish Parliament in May 2016 or thereafter, thus providing Scotland with a greater degree of policy influence over the benefits system which operates in Scotland. The transitional arrangements should form a solid, and sensible, platform from which to develop both medium and longer-term options.
- Value for Money: any increase in administration costs should be kept to a minimum. The arrangements should guard against error and fraud on both the Scottish and rUK Governments.

4.61 We considered weighting the criteria but concluded that this would not materially affect the outcome.

4.62 In discussion, we covered a wide range of delivery options, drawing on the analysis presented earlier in this Chapter, points made in our Call for Evidence and points raised in the discussions with stakeholders. We judged these options against the criteria above:

- Integrating services within the Scottish Government: negotiate with DWP and HMRC for the immediate transfer of existing staff, resources and systems from the UK Government to the Government of an independent Scotland. These services could be transferred into the Scottish Government's current Directorate structure or to an arms-length body.
- Sharing services between Governments: formalise the existing arrangements with the rest of the UK under which Scotland and England already provide services to people living in both countries and to expatriates living abroad.

- Transferring services to existing Scottish organisations: consider transferring DWP and HMRC functions to existing public bodies (such as Skills Development Scotland) and/or Local Government.
- Private sector providers: work with the private sector to establish a new delivery infrastructure.

4.63 In arriving at these options we accept that there are other ways of approaching the matter of delivery. For example, introducing a ‘commissioning’ and ‘provider’ based model might offer a further possible approach. After due consideration, we decided to focus on those options which we considered, as concepts, to be most straightforward.

4.64 We are aware that Northern Ireland delivers welfare through the Northern Ireland Social Security Agency (NISSA), but we concluded that entering into a set of contractual arrangements with NISSA would be complicated for both NISSA and the Scottish Government. It would be more straightforward to deal simply with the UK Government rather than both the UK Government and NISSA.

4.65 In addition, these options require a whole delivery system to be maintained. While we recognised that the third sector would not be able to take on this responsibility, the sector has a key role in ‘upstream’ provision and preventative support central to the wider welfare system. The role of the sector in this context is worth further exploration.

4.66 We also recognise the crucial role that the third sector would play, especially in the areas of advocacy and advice, in supporting claimants during and through such a transitional period. It will continue be a first port of call for many as the current reforms bed in and in the event of future changes.

4.67 Our assessment is presented on the following page in the form of a matrix. We would like to point out that our conclusions relate to delivering welfare *immediately* following a “Yes” Vote, as opposed to the short/medium or

medium/longer term. Looking at the criteria and options against a different timeframe may produce different results.

**Expert Working Group’s Evaluation Matrix – Delivering Welfare Immediately Following a “Yes” Vote**

Criteria	Options							
	Integrating services within the Scottish Government		Sharing services between Governments		Transferring services to existing Scottish organisations		Private Sector Providers	
	Criteria Satisfied?	Risk	Criteria Satisfied?	Risk	Criteria Satisfied?	Risk	Criteria Satisfied?	Risk
Certainty	Uncertain	High	Possible	Low	Possible/Uncertain	High	Possible/Uncertain	High
Effectiveness	Possible	Low	Possible	Low	Possible	Medium	Possible	High
Support	Possible	Low	Possible	Medium	Possible/Uncertain	Medium	Possible/Uncertain	High
Delivery	Possible/Uncertain	Medium	Possible	Low	Possible/Uncertain	Medium	Possible/Uncertain	Medium
Flexibility	Possible/Uncertain	Medium	Possible/Uncertain	Medium	Possible/Uncertain	Medium	Possible/Uncertain	Medium
Value for Money	Possible/Uncertain	Medium	Possible/Uncertain	Medium	Possible/Uncertain	Medium	Possible/Uncertain	Medium

4.68 The matrix shows all options are possible. We consider that integrating services immediately within the Scottish Government could be achieved. We concluded, however, that as the scale of the activity required to achieve this is likely to be complex, and doing so immediately could create significant risk for Scotland and the rest of the UK in achieving the overall objective of continuity of service to benefit claimants.

4.69 The private sector's involvement in providing UK Government services is increasing all the time and the Scottish Government could consider the role that the private sector might have in supporting delivery of certain aspects of a Scottish welfare system. That said, we acknowledge that the private delivery of public services does not form part of the current Scottish Government's approach and enjoyed little, if any, support through the Call of Evidence.

4.70 We concluded that sharing services between the Governments was relatively low in terms of risk, given that this is presently the way in which the arrangements are structured at the current time. Independence would require those arrangements to be placed on a more formal footing than at present. We also concluded that this option would offer the best value for money in the short-term as it should not incur significant additional transitional costs arising from transferring staff, establishing new structures or negotiating contracts with third parties.

4.71 In adopting this approach, the Scottish Government would need to ensure that any early priorities for change could be accommodated by the UK Government. A downside of continuing to share services might be that an independent Scottish Government finds itself unable to implement some of its early priorities for change to the benefit system (though as we note in Chapter 5, Northern Ireland has secured additional flexibilities within the current system). However, as a way of ensuring that benefit claimants who currently receive services from the UK nations continue to receive those services in the event of Scottish independence (irrespective of where they live), we concluded that this was the preferable and most pragmatic option.

## Areas for negotiation between the Governments during the transition

4.72 While it is not possible to envisage the precise arrangements in the event of a “Yes” vote, we would expect the UK and Scottish Governments to begin independence negotiations quickly. Welfare may be part of these negotiations or it may be subject to a set of separate discussions.

4.73 Whichever is the case, reaching an agreement which meets the letter and the spirit of Article 30 is important and we recognise that there are a number of matters that any negotiations will have to focus on.

4.74 As a starting point we set out below the main provisions which any inter-governmental agreement during the transitional period would need to cover in relation to delivery of the current benefits system. These are:

- The term of the agreement and arrangements for varying that term. It may be sensible to tie the term to the current programme of welfare reform (i.e. the end of 2017) or an anniversary of the proposed independence day (e.g. March 2018).
- A description of the services which each Government will provide to citizens north and south of the border (e.g. how benefits will be paid, when they will be paid etc.).
- The financial arrangements for providing those services. This would include, for the UK Government, the continued use of DWP resources in Scotland by the Scottish Government (buildings, staff etc.) and, for the Scottish Government, the cost of processing benefits on behalf of the UK Government for people living outside Scotland.
- Arrangements for how the services could be varied and the costs of doing so. Such variations could cover operational issues (the continued payment of housing costs direct to Scottish landlords following the introduction of UC, for

example). Our Call for Evidence describes some of the flexibilities that could be introduced.

- Data sharing and record keeping.
- Provisions on contracts, leases and all third party arrangements which expire and require renegotiation within the term of the agreement. The position of both Governments with respect to any renegotiation should be detailed, and the permissions of any third party supplier sought as part of agreeing these provisions.
- Provisions on IT contracts and intellectual property, both those covering the current benefits system and the contracts in place for UC and other reforms to the welfare state.
- The operation, monitoring and performance of service under the agreement.

## **Delivery beyond a transitional period**

4.75 In the event of independence, it will be for the two Governments to determine the length of any transitional period. This will be dependent on a variety of factors, including the policies adopted by the first Government in an independent Scotland. Whichever model is adopted beyond the transitional period, the Scottish Government will be keen to learn from the experience of other small nations and how they deliver benefits and wider welfare services.

4.76 The Call for Evidence sought views on delivery in the longer term. Like respondents, we felt that this was difficult to suggest at this stage without an understanding of what principles would underpin the establishment of the welfare state in an independent Scotland.

4.77 In summary, there were comments that whatever system is adopted, it needs to be easily understood, accessible, fair and accountable, and to treat claimants with dignity. There were also some suggestions for the improved integration of advice



and support services and for benefit and job seeking services to be made accountable at a local level and claimants.

## Conclusions

4.78 In this Chapter we have set out our understanding, based on the information available to us, of the role Scotland plays in the delivery of the current benefits system.

4.79 We have concluded that, in the event of a “Yes” vote, the Scottish and UK Governments have a common interest in working together, as envisaged by Article 30 of the Edinburgh Agreement, to support each other maintaining the delivery of benefit payments in the event of a “Yes” Vote during the agreed period of transition. We believe that this option will offer the best possibility for minimising transition costs as it effectively continues the existing arrangements.

4.80 Most importantly, we believe that what underpins this common interest is an obligation to ensure continuity of service to benefit claimants. When viewed from this perspective, formalising the current arrangements into an agreed set of ‘shared services’ over such a transitional period appears to be not only a reasonable position but a natural conclusion. We also believe that it would be the most efficient and cost effective arrangement for both Governments.

4.81 Given the role that Scotland currently plays in delivering benefits to claimants in the rest of the UK, we believe it is in the interests of both the Scottish and UK Governments to introduce a programme of information sharing and begin discussions about how benefits would continue to be delivered for all claimants in the UK in the event of Scottish independence.

4.82 Through the Call for Evidence, respondents felt it was difficult to suggest longer term delivery options at this stage without an understanding of what principles would underpin the establishment of the welfare state in an independent Scotland. The Call for Evidence did, however, draw a number of important matters to our attention, and it is to these we now turn.

# 5 A FUTURE WELFARE STATE FOR SCOTLAND

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## Chapter Summary

The matter of welfare and welfare reform is always controversial and we acknowledge that many aspects of the UK Government's current reforms are hotly contested. It is important to remember, however, the economic context in which the changes are taking place, the principles that underpin the UK Government changes and the range of factors that have to be balanced when reforms to welfare are being introduced.

In reflecting the views we received under our Call for Evidence, we have presented a number of possibilities for change to the benefits system which we believe should be considered by the Scottish Government in the event of independence.

It is clear to us, however, that there is a very strong appetite across Scotland for a wider conversation about the principles and policies, opportunities and choices, which Governments in an independent Scotland might wish to pursue. We would encourage the Scottish Government to give this piece of work the time it needs to have its conclusions discussed with the broadest possible audience.

## Introduction

5.1 We were asked to offer views on what features of the UK Government's current reforms to working-age benefits should be an immediate priority for change in the event of Scotland becoming independent.

5.2 To deliver this aspect of our remit we wanted to hear from organisations, individuals and communities with a close interest in the current system. We agreed that inviting views and evidence would be the best way to help us frame our conclusions. Central to the aim of this external engagement was our wish to capture as wide a range of views as possible.

5.3 The process provided us with a wealth of information and, most importantly, captured the 'human side' linked with benefits and welfare and the part which welfare and benefits can play in the economic and social wellbeing of a nation. The evidence we gathered suggested a significant appetite for debate about the welfare system amongst a range of stakeholders, many of whom identified opportunities for things to be improved as well as raising concerns about aspects of the current reforms. The evidence also highlighted a considerable willingness to engage in discussion about the future possibilities in the event of independence.

5.4 We present these opportunities for consideration as a valuable contribution to the current and future debate. In the time available to us, we have not been able to analyse or cost the suggestions that we received and we are conscious that our Call for Evidence was brief, and will not reflect the full range of views on the welfare system in Scotland.

## Call for Evidence

5.5 In order to gather in the views on priorities for change, as well as the other aspects of our remit, we issued a Call for Evidence. The time allowed for responses was short but, despite this, we received many valuable and insightful contributions. An analysis of the 26 written responses we received is published alongside this Report, as are the responses. In addition to the written responses, the Group arranged for three evidence gathering sessions, with the aim of adding further depth and breadth to our written Call:

- A Scottish Council for Voluntary Organisations facilitated session with third sector organisations – to explore issues that had been raised in more depth and to create an opportunity for smaller organisations to contribute.
- A Poverty Alliance facilitated session to hear from those people with experience of using the welfare system.
- An Ernst & Young facilitated event with representatives from the business community in Scotland.

5.6 We are grateful to the organisations for offering their time *pro bono*. Most importantly, we wish to express our sincere appreciation to all of the organisations and individuals who took time to contribute to making these sessions a success, in particular those that shared difficult personal experiences. Throughout this process we saw how benefit changes and current policy decisions at national and local level, including those linked to devolved policy, can have a significant impact on the wellbeing and ambitions of individuals and families. Summaries of the key points and themes from the sessions are contained in Annexes B, C and D.

## Context

5.7 The matter of welfare and welfare reform is always controversial and we acknowledge that many aspects of the UK Government's current reforms are hotly contested. It is important to remember the economic context in which the changes are taking place, and the principles that underpin the UK Government changes:

*“The Coalition Government is determined to reform the benefit system to make it fairer, more affordable and better able to tackle poverty, worklessness and welfare dependency..... Universal Credit will radically simplify the system to make work pay and combat worklessness and poverty”<sup>62</sup>.*

5.8 When creating and implementing welfare policy any Government, whether a UK Government or an independent Scottish Government, has to do so by balancing a range of factors. These include factors relating to:

- cost;
- the need to cater for a wide range of the interests, be it claimants, employers, taxpayers and those who deliver benefits;
- simplicity;
- efficiency and flexibility;
- supporting people into work wherever possible;

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<sup>62</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/48897/universal-credit-full-document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf)

- supporting, with dignity, those who are unable to work;
- the wider vision on social and economic policy.

## Call for Evidence – Main Themes on Priorities for Change

5.9 With that context in mind, we have tried faithfully to reflect the views we have received through our Call for Evidence.

5.10 One particular theme came through strongly in the Call and in our discussions, namely the importance of benefit recipients being treated with dignity and respect. Many people commented that some of the language currently used to describe claimants unfairly stigmatises all those who rely on benefits, and provides a less than balanced view of the situation many people face and the factors which can lead them to claiming benefits. This was particularly the case for people claiming disability benefits.

5.11 In order to fully consider the responses, an independent analysis was commissioned. Using that as our starting point, we have drawn out six recurring themes that are expanded upon in this Chapter. There were also two perspectives which respondents frequently returned to when framing their evidence:

- At a logistical level, concerns over the proposed welfare reform agenda and the impact of its changes, with most respondents considering there will be a negative impact on benefit claimants.
- At a strategic level, there are suggestions that welfare reform should be considered alongside other policy areas to provide a truly holistic and integrated system that is based on equality and fairness of access for all.

5.12 It's important to recognise that views supportive of Universal Credit and its objectives were also expressed. The Scottish Campaign on Welfare Reform<sup>63</sup> stated that they have:

*"...long campaigned for the radical simplification of our welfare system. Some aspects of Universal Credit seem to meet this call. The creation of a single in and out of work system combining tax credits and benefits is a welcome simplification in principle."*

5.13 And the Child Poverty Action Group stated that:

*"We would urge caution in seeking to develop new systems for their own sake. If the universal credit systems are working well and genuinely available and accessible to all, it seems foolish to change them for the sake of doing so. This will also apply to the HMRC RTI system."*

## Individuals who may lose welfare benefits

5.14 There were strong concerns expressed that some individuals who are in receipt of a number of benefits will suffer a cumulative loss. There were also concerns that the introduction of Universal Credit and Personal Independence Payment will leave many claimants and those already in poverty worse off than at present.

5.15 Concerns were expressed over the qualifying criteria for PIP, which would see many individuals who currently qualify under DLA lose part of all of their benefits and as a result, lose access to linked and necessary support e.g. the Motability scheme. Capability Scotland stated:

*"Many people who are cared for by a family member are not and will never be able to participate in full or part time paid work; their conditions are long term and sometimes life-limiting. A reduction in their benefit through the creation of*

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<sup>63</sup> <http://www.cpag.org.uk/scotland/SCoWR>

*PIP will lead to further cuts in services, as many social care services rely on contributions from the people who receive them.”*

5.16 The point was made by some that, taken together, the range of reforms and the below inflation increases to a number of benefits, and cuts to the levels of support for childcare costs, would have the overall effect of increasing poverty levels, including child poverty, and exacerbating particular challenges such as those associated with living in a rural area. The impact on poverty amongst people with disabilities and their families, including informal carers was also mentioned frequently.

5.17 The national carers organisations highlight one impact of this:

*“Families will be further forced to supplement the income of the people they care for because they have lost, or do not qualify for PIP. A Carers UK survey of over 4,200 carers in 2011 showed that almost half of carers caring for someone on DLA were already in debt as a result of caring, with almost 4 in 10 unable to pay their basic utility bills”.*

## **Views about the implementation of Universal Credit**

5.18 Practical concerns were expressed in relation to the move to monthly benefit payments and the fact that some claimants will experience problems with managing their income, as well as warning that payments to a single member of the household could place vulnerable people at risk. There were also concerns about the ‘digital by default’ approach and whether claimants had access to a computer and the skills to use one. Concerns about sanctions and conditionality (for example for lone parents) were also expressed alongside positive actions that would address the issues, such as more flexible, accessible childcare and learning opportunities designed with lone parents and their circumstances in mind.

5.19 The Scottish Campaign on Welfare Reform (which includes over sixty Scottish Organisations) noted that:

*“The increasing use of automatic sanctions even when people have good reason for their failure to meet conditions (such as poor health or disability or caring responsibilities for young children and or disabled or sick relatives) is leaving more people in extreme poverty for the duration of their sanction period. Under Universal Credit sanctions can now be imposed for up to three years.”*

5.20 The Child Poverty Action Group (CPAG) made a positive suggestion for change:

*“...ensure claimants can choose to be paid more frequently and to have housing payments made direct to their landlord. Many of those who are lower paid are on fortnightly or weekly payments and will face real challenges budgeting already inadequate incomes on a monthly basis. The example of Northern Ireland demonstrates that it is possible to pay UC more frequently, and to pay housing costs directly to landlords.”*

5.21 The joint response from the Coalition of Care and Support Providers Scotland and the Housing Support Enabling Unit also indicated the opportunities that come with welfare reform:

*“Welfare changes have highlighted unequal access to the internet and to...basic financial products across Scotland. By so doing the welfare changes have created an opportunity to prioritise action and resources to remedy this situation and so promote a more inclusive society.”*

## Housing

5.22 Changes to Housing Benefit and housing policy attracted a wide number of comments. During the period of the Call for Evidence, the UK Government’s introduction of new size criteria into the assessment of Housing Benefit for working-age claimants in the social rented sector has attracted a large amount of



controversy. We should record that concerns were raised about this measure by many of those contributing to the Call, often in relation to the perceived lack of alternative accommodation, and the potential impacts on disabled tenants.

5.23 The UK Government has introduced direct payments to “encourage people to manage their own budget in the same way as other households”<sup>64</sup>. It is envisaged that vulnerable tenants and pensioners will continue to have their housing costs paid direct to the landlord<sup>65</sup>. However, issues around direct payments were raised by the Scottish Federation of Housing Associations:

*“The move to ‘direct payments’...is causing considerable concern; direct payment now means payment of rent to the tenant, instead of payment of rent to the landlord. In many cases - at least a third of claimants of working age - cuts and caps mean that the amount that will be payable will be significantly less than the rent. The early indications from the demonstration projects are that arrears are expected to increase. The high proportion of tenants in receipt of Housing Benefit also means that direct payments will increase the costs of housing management.”*

5.24 As the Child Poverty Action Group noted, continuing to pay housing costs directly to landlords would be a way to deal with those concerns. Scotland’s national carer organisations (which include Carers Scotland and the Princess Royal Trust for Carers in Scotland) cite that:

*“People unable to share rooms because of illness or disability cannot be considered to be under-occupying and the Government has made it clear that it does not want to force families to stop caring and into work – which would be a terrible situation to put families in, and would bring huge additional bills to local councils who would have to step in to provide care. Many of the carers and disabled people who have contacted us will simply be unable to cover the shortfall and may be forced to move or face falling into arrears, financial*

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<sup>64</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/48897/universal-credit-full-document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf)

<sup>65</sup> *Paying the housing element of Universal Credit direct to tenants in social rented housing*, House of Commons Library SN/SP/6291, 8 March 2013

*hardship and debt. Being forced to move would cause huge distress and disruption for families, causing care arrangements to fall apart and breaking up vital support networks with friends and family.”*

5.25 The impact of these changes is highlighted in detail by case studies provided by a number of respondents to the Call for Evidence. The impact of the under occupancy changes was frequently mentioned by respondents including those individuals who shared their stories about the emotional impact this was having on their lives.

5.26 The case for incorporating Housing Benefit into the, already devolved, Scottish Government housing budget<sup>66</sup> was made, rather than keeping it within Universal Credit. It was felt this move would come with a number of associated benefits, such as ensuring the provision of stable, secure and good quality housing.

### **Provision of, and access to, advice and support services**

5.27 Respondents noted increased pressures upon third sector organisations and those who offer advice and support to claimants (including independent advocacy services, benefit advisory services and the health service). This was also linked to concerns around increasing pressures on available budgets and challenges around appropriate training for benefits staff.

5.28 The Scottish Campaign on Welfare Reform highlight that:

*“Many disabled people have mental health, cognitive, communication and sensory impairments which can make it very challenging for them to navigate the benefits system and to effectively participate in assessment processes without appropriate support.”*

5.29 They went on to state that the rules and delivery arrangements may fail to take account of these issues. The Scottish Federation of Housing Associations

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<sup>66</sup> <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/57606.aspx>

believed that the supportive role of social landlords has not been recognised. They felt that:

*“...the impact of successive changes has been to increase the weight of responsibility experienced by organisations which are not directly financed to undertake the tasks.”*

5.30 The Scottish Independent Advocacy Alliance further note:

*“Independent advocacy organisations are reporting greatly increased demand for advocacy from all client groups as a result of welfare reform. Increases of up to 33 per cent of all referrals received over the last 6 months have been in direct relation to some aspect of welfare reform. Our members are reporting that there has been an increase in demand on mental health services with clients reporting distress and anxiety about anticipated changes to benefits, as well as more serious mental health issues.”*

## **Equality Impact/Tackling Inequality**

5.31 The UK Government’s welfare reforms were cited as creating specific challenges for recipients of disability benefits and those who care for disabled people. Gender issues were also highlighted and that the payment of benefits to the head of household could disadvantage some individuals, particularly women and children.

5.32 Equalities issues featured throughout considerations of priorities for change. In fact the majority of respondents to the Call for Evidence, both in writing and in discussion, were largely focussed on tackling inequality. This was widely regarded as one of the core principles that should be applied to a welfare system alongside dignity and fairness.

5.33 One of the key calls of The Scottish Campaign on Welfare Reform was to make respect for human rights and dignity the cornerstone of a new approach to welfare. The discussion events with the third sector and people that have experience

of claiming benefits both featured these values as fundamental to improving the welfare system and which could sit at the heart of a new welfare system for Scotland.

5.34 Health and Social Care Alliance Scotland stressed that:

*“The Work Capability Assessment may unduly penalise people with specific health problems. The one size fits all approach is not appropriate for particular groups, for example, people with mental health, rare or variable conditions. The process is too inflexible and makes it extremely difficult for individuals with particular conditions to demonstrate the impact of their conditions on their ability to work. Too often the process is so stressful for applicants that it can impact on their health.”*

5.35 The Scottish Campaign on Welfare Reform raised the issue of payments under Universal Credit. They suggested looking at how UC is paid:

*“... We need to ensure that the way Universal Credit is paid to couples does not disadvantage women by allowing elements paid in respect to children, including childcare, to be paid to the main carer.”*

In this regard, the will to find a way to tackle existing inequalities generated substantial discussion, ideas and willingness to develop new approaches. The appetite for debate and for ‘bottom up’ contribution to shaping a new system was particularly strong in relation to the points above.

## **A preventative and holistic approach**

5.36 Respondents suggested that it would be beneficial to take a more preventative approach to welfare spending. A holistic approach, with claimants at the centre, was also highlighted. There were suggestions for the improved integration of advice and support services; and a desire for partnership working across agencies.

5.37 Capability Scotland make the case well:

*“Make welfare benefits in Scotland, suitable for Scotland. All welfare benefit reform must take account of the different legislative framework in Scotland so that it is integrated with Scottish housing, childcare, education, training and other key devolved areas of responsibility.”*

5.38 Preventative support and early intervention as recommended by the Christie Commission, was identified by some as the natural foundation for considering how Scotland should approach welfare. Capability Scotland noted:

*“[We] believe there may be an opportunity to take a more preventative approach to welfare spending. Current benefit rates are so low that they force many people into poverty and deprive them of basic human rights. In many cases households reach crisis point and are forced to rely on public services. A longer term, preventative approach would reduce pressure on local authorities, the NHS and the voluntary sector. As Dr Campbell Christie highlighted in his report to the Scottish Government in 2011, ‘The adoption of preventative approaches... will contribute significantly to making the best possible use of money and other assets. They will help to eradicate duplication and waste and, critically, take demand out of the system over the longer term’.”*

5.39 This was reiterated at both the third sector and business community facilitated sessions, where delegates spoke about the potential for reforming and delivering welfare services in a more coherent and integrated way. There was a sense that parts of the current delivery landscape do not fit well together, that employment support in particular could be delivered better, and that people who support and care for others could be better recognised, valued and supported through the welfare system.

5.40 The Scottish Council for Voluntary Organisations summed up many of the points and issues made by others:

*“Think big and look at the kind of society we want Scotland to be, and where a fair and empowering welfare system plays its part in achieving that vision. Involve communities and empower people....Establish the values, principles and outcomes which would lie at the heart of a Scottish system – recognising that this debate is not wasted in the event of Scotland saying ‘no’ to independence. A future welfare system must recognise and support the kind of outcomes which matter in our day-to-day lives. Take forward a “twin track” approach in the journey towards a new welfare system which acknowledges the current context but which also seeks to drive real change, directly involving people, communities and the organisations/groups representing them to shape the debate and identify priorities for change.”*

## Scottish Public Attitudes to Welfare

5.41 Alongside this evidence, we reflected on evidence on public attitudes to welfare in Scotland in comparison the rest of the UK. The *Initial findings from Scottish Social Attitudes Survey 2012* reports that a majority of Scots (64 per cent) are in favour of the Scottish Parliament being responsible for making the key decisions about welfare benefits<sup>67</sup>.

5.42 According to the *British Social Attitudes Survey and Scottish Social Attitudes Survey 2010*<sup>68</sup>, people in Scotland were a little more concerned than people in England about income inequality. They were also more willing to support income redistribution. However, concern about income inequality and support for redistribution was shown as having fallen in both Scotland and England during the last decade and across a range of measures. This highlighted the importance of establishing a future approach that balances views across all parts of society.

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<sup>67</sup> <http://www.scotcen.org.uk/media/1021490/ssa12briefing.pdf>

<sup>68</sup> <http://www.scotcen.org.uk/media/788216/scotcen-ssa-report.pdf>

## Next Steps

5.43 In reflecting the views we received under the Call, we have presented a number of possibilities for change to the benefits system which we believe should be considered by the Scottish Government in the event of independence.

5.44 It is clear to us, however, that there is a very strong appetite across Scotland for a wider conversation about the principles and policies, opportunities and choices, which Governments in an independent Scotland might wish to pursue. We therefore believe that a wider conversation should now take place with and across Scotland about the principles that would underpin a welfare system in the event of Scottish independence.

5.45 Indeed, the Call for Evidence already provides a number of contributions to the debate we now believe should take place. Inclusion Scotland captures this well:

*“We believe that this call for evidence should be seen as a preliminary step in a much wider consultation process. We believe that debates about the future of welfare system must look beyond social security benefits to include health, mental health, housing, social care, culture and many other things that contribute to well-being. A fair and equitable welfare state will be one in which disabled people are treated with dignity and respect.”*

5.46 In Chapter 4, we say that, in the event of independence, accommodating changes through an agreed transitional period is important, as it would allow for some distinctive early policy and operational decisions to be taken. Ensuring flexibility would also allow Governments’ in an independent Scotland to set the initial direction of a new welfare state as they assume progressively greater, then full, control of the delivery of the system of benefit payments.

5.47 When thinking about flexibility, Northern Ireland offers an example of the changes that are possible immediately including, the ability to split payments, pay Universal Credit on a more frequent basis, and maintain payments to landlords. Scotland should consider these options. More importantly, the chance to consider

the principles, values and policy objectives that should underpin a welfare system in the event of independence should now be seized.

5.48 In closing our Report, we note that the Scottish Government intends to publish its White Paper on independence this Autumn. However, we would encourage the Scottish Government to give this deeper piece of work to which we refer above, and which could be carried out under the auspices and oversight of a successor to this Expert Group, the time it needs to have its conclusions discussed with the broadest possible audience – beginning with those who have the most to offer in this debate. That is, the people who currently have first-hand experience of the welfare state and who want the best for themselves, their families and the communities in which they live.



## MEMBER BIOGRAPHIES

### **Darra Singh OBE, Chair**

Darra Singh is currently an Executive Director within Ernst & Young's Government and Public Sector team. From November 2009 until the end of September 2011, Darra was Chief Executive of Jobcentre Plus and the Department for Work and Pensions' second Permanent Secretary. Before joining DWP, Darra was the Chief Executive of Ealing Council for four years and, prior to that, the Chief Executive of Luton Council.

Darra started his career in 1984 as a volunteer and housing case worker in Tyneside before moving to London to work for The Single Homelessness charity and as a Senior Policy Officer for the London Housing Unit. He became a Regional Director of the North British Housing Association in 1991, and later Chief Executive of the Asra Greater London Housing Association. He has also been the Northern Region Director for the Audit Commission.

In 2006, Darra was appointed the Chair of the Commission for Integration and Cohesion which published its report, 'Our Shared Future', the following year. He was appointed Chair of the London Serious Youth Violence Board in 2009. Darra was also Chair of the Communities and Victims Panel that was responsible for talking to communities affected by the riots in August 2011. The Riots Communities and Victims Panel's final report was published on 28 March 2012.

### **Mike Brewer**

Mike Brewer is Professor of Economics at the University of Essex, where he is based at the Institute for Social and Economic Research. He is currently Director of the ESRC-funded Research Centre for Micro-Social Change at the University of Essex, and a Research Fellow at the Institute for Fiscal Studies.

Mike's research interests include: the design of the personal tax and social security system, and the way it affects incomes and behaviour; the factors influencing labour market behaviour of mothers; understanding past trends and forecasting future changes in inequality and poverty; methods for estimating causal impacts.

He studied economics at the universities of Cambridge and Bristol and worked for three years at HM Treasury before embarking on an academic career, working first at the Institute for Fiscal Studies for ten years, before moving to the University of Essex.

### **Martyn Evans**

Martyn Evans was appointed Chief Executive of the Carnegie UK Trust in November 2009. Previously he was the Director of the Scottish Consumer Council (SCC) and then Consumer Focus Scotland from 1998–2009.

Martyn was a visiting Professor of Law at the University of Strathclyde from 1995-2001. He was Chief Executive Officer of Citizens Advice Scotland for five years prior to taking up his post with SCC. Martyn was the Director of Shelter (Scottish Campaign for Homeless People) from 1987-1992.

### **Douglas Griffin**

Douglas Griffin was most recently Director of Finance at NHS Greater Glasgow & Clyde. He is now semi-retired, but continues to work on a number of projects part-time for the NHS (most recently on shared services). Douglas also works with PricewaterhouseCoopers on a part-time consultancy basis.

After qualifying as an accountant, and working at Peat Marwick Mitchell & Co until the mid-1980s, Douglas undertook a series of roles in the defence industry (Barr & Stroud, Pilkington Optronics) latterly with what is now Thales Group. He then moved into the public sector to become Director of Finance and Information, Monklands and Bellshill Hospitals NHS Trust, from 1993 to 1999.

While at NHS Greater Glasgow & Clyde, Douglas was a member of The Technical Advisory Group on Resource Allocation which was established to carry on the work

of overseeing the maintenance and development of the NHS Scotland Resource Allocation Committee formula.

### **Lynn Williams**

Lynn Williams moved to the Scottish Council of Voluntary Organisations in May 2012 following almost three years lobbying to improve the lives of Scotland's carers at The Princess Royal Trust for Carers. Previously, Lynn worked for Careers Scotland and Skills Development Scotland with a wide portfolio including equality, operational planning, and staff engagement in planning for service delivery. She also had frontline role as a Careers Adviser latterly working with adults in Renfrewshire.

Lynn is an unpaid carer and continues to work in her own time to raise the issues affecting carers across Scotland.

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*THE EXPERT WORKING GROUP ON WELFARE***Third Sector discussion session, facilitated by SCVO****Monday 8 April 2013, Mansfield Traquair Centre, Edinburgh****Context**

The Scottish Council for Voluntary Organisations (SCVO) organised and facilitated an event for the Scottish Government's Expert Working Group on Welfare with representatives attending from a range of third sector organisations. This event aimed to:

- Provide an opportunity for third sector representatives who had not submitted a response to the recent 'Call for Evidence' to input their thoughts and ideas;
- Provide an opportunity to dig deeper with all attending into areas surrounding delivery, policy and support for people claiming benefits.

The opening sessions outlined the importance of welfare reform in policy terms and for the sector itself and provided background on the Expert Working Group on Welfare – why it was set up, members, focus and remit and work to date.

Following the introductory session, the event was opened up to discussion amongst participants. The first part of the discussion focussed on aspects of the Expert Working Group's recent Call for Evidence with a number of questions posed to help facilitate discussion.

- In the advent of a 'yes' vote - what we do to ensure claimants are supported, receive their entitlements as planning begins to transition to a new approach/system?
- What do we need to consider in planning for a transition period and in any work leading to a new "Scottish" system – for example, the impact of changes now; cumulative impact of changes; other policy considerations?

- What alternative delivery options do we need to consider?
- What else does the Expert Group need to think about?

In all aspects of group discussions, participants were asked to consider issues/challenges relating to specific groups in society, and for rural/remote implications.

### **Key themes from group discussions**

Comments, ideas and thoughts raised during the discussion sessions were captured by participants and have been grouped together under a number of themes and 'issues' outlined below.

#### ***Setting the framework/scene for a new welfare system:***

A new set of principles needs to be defined that will underpin change and the journey to a new system in the advent of a 'yes' vote:

- Citizenship - also obligations as citizens. Citizen's income?
- Living wage/concept of income adequacy important.
- Universal childcare.
- Human rights underpinning.
- Enabling and empowering.
- Focus on equality.
- Positive (e.g. tone, language used).
- Accessibility.
- Paid employment is not the "be all and end all" – people contribute in other ways.

- Payment guaranteed (no delays; changes which leave people with nothing; due notice of change).
- Not centralised – need a flexible local approach e.g., local structures and not just councils. Need to guard against postcode lottery.
- Services are personal, tailored and respond to individuals – provide a range of options.
- Local people involved in decision making.

This would set the framework for change in transition and as a new system was developed/implemented. It's important we have expertise, people, and structures in place to help achieve this.

### **Planning for transition/change**

What do we need to consider in planning for transition?

- Language – use of word 'welfare' – how do we change public perceptions?
- Building a system of trust – new structure(s) need (s) to be approachable and understand the needs of vulnerable people – simplification important.
- We should start radical change as early as possible – ambition is important. How ambitious do we want to be? e.g. combining social care and benefits functions?
- System must be simplified – it must take better account of local needs/communities and impact on local economies e.g. benefits spend in local high streets and businesses.
- Do we consider individualised benefit entitlements? How do we prevent women/children getting 'lost' when entitlement sits with families?
- What is the broader political vision/ambition for welfare in Scotland? It's difficult to look at welfare and system changes in the absence of such a framework.

- Need to minimise the gap between state and individual – delivery of benefits could be kept as local as possible. We need to consider local ‘integrated’ services – have local people involved in decision making. Localised planning needed?
- Support for the general Universal Credit principles of simplification etc but everything undermined and devalued in current austerity scenario and how the labour market operates.
- Challenges for rural/remote areas – transport issues etc. Local advice is very important.

***Opportunities for change in short and into medium/longer term:***

- *Tackling culture in any transition period* – crucial and sets the tone for future work. There will be staff/cultural change opportunities, starting to move towards a system which is person-centred and not ‘hostile’.
- *Tackling misconceptions* that people who are unemployed are not contributing. Valuing volunteering/unpaid care is important. Revisit Universal Credit regulations, Claimant Commitment/other ‘conditionality’ which reduce/devalue this contribution.
- *Tackling toxic brands* – e.g. ATOS – non private sector provision of assessment? Alternatives to ATOS needed return to GP led system?
- *What do we have now? Protecting skills/experience?* Need to protect against loss of skills/knowledge in any transfer to new system – across statutory and voluntary sectors. Skills audit needed – what staff, expertise, skills etc. do we have now?
- *GP support for assessments/appeals* – ensure this is in place.
- *Have short-term adjustment periods* to help people move from weekly towards monthly payments.
- *Move away from “digital by default” agenda* – this is flawed and neither the infrastructure nor support is in place.

### ***Timescales for change:***

In inheriting the old benefits system we need to ensure we live with this just for the short term (minimise transition).

### ***What happens if...?***

In the event of a yes vote what we want to see in Scotland is a fair system.

There must be consideration given to what happens in the event of a 'no' vote. We must also consider what policies/systems we have just now. Are they working? What can we do to make things better if Scotland says no?

### ***Understanding where we are now***

*We must do an impact assessment of current and planned changes* – without understanding the impact, we cannot set a baseline; we need to know where to start. Also if the impact of the changes is far worse than we anticipate this may well speed up the desire/increase the will to make radical changes and to do this sooner.

### ***Gender***

Must consider specifically the gender dimension – impact of current/planned changes for women significant. We need a more 'compassionate approach'.

### ***The third sector***

Its expertise, support, and knowledge will provide a 'constancy' and stability during any transition/period of change. Services and support will continue to be needed and as a key point of information for people, the sector will play an important role.

### ***Learning from other countries***

The example of France was given, where different benefits are all paid on the same day, minimising the risk of an administrative or other problem causing the cessation of all payments.

### ***Rural/Remote/Localism***

The issues faced by rural and remote areas now in accessing services must be considered – people, LOCAL advice, infrastructure and community assets are



important. Digital by default not enough even with access to broadband. Digital systems also need people.

Combining approaches/widening out existing assistance can help meet wider welfare needs e.g. having local 'health' surgeries which also deal with benefits, other care/support needs.

What is role of local authorities in delivering benefits? Some local authorities will have more experience/detailed local knowledge than others which could be helpful in any role around benefit delivery.

'One size fits all' approach not enough.

### **Top Priorities for Change/Alternative Delivery**

In the second part of the session, participants were asked to identify their top three priorities for change in moving towards a new welfare system. The priorities identified (as they were mentioned):

- Halt the change from DLA to PIP – given cuts, changes to assessment which is likely to leave many families much worse off and not just financially.
- Housing – start putting money into house building and not into a market which doesn't work. Increase rented home availability – recognise that rented homes can be a home for life, basing you in a community for life.
- Marketisation of everything including aspects of benefits – it's not serving us well. How do we change this?
- Change/challenge use of language/narrative around benefits (get away from ideas of deserving/undeserving poor). Making work pay means nothing if you cannot work or are providing unpaid support/care. Valuing people, their role in the community and helping them to achieve their potential important. Changing the language and rhetoric is critical.
- We need to urgently move away from a view/approach which sees people who need care as being a burden. We need to prevent moves to large scale

institutionalised care – something which may expand as different policies and cuts, including welfare cuts, all come together with profound impact on families.

- Those who provide care are contributing to the state. Many can combine this with paid work – increase earnings allowance linked to Carers' Allowance.
- We need a holistic approach to welfare – all services are joined up including health, employment, housing.
- Tackle 'payday' loans – too much money in the current system is being driven into the pockets of high-cost lenders and not being spent in communities.
- We must do what we can to encourage people to save. Use credit unions effectively.
- Stop under occupancy rule.
- Consider what kind of Scotland we want to see - that should be the starting point for creating a new welfare system.
- We need a joined-up impact assessment now – which identifies anyone that could fall through gaps in current systems.
- How do we evaluate the learning from local authority delivery of benefits? e.g. DHP/ Scottish Welfare Fund – part of understanding what options are there to deliver a new system.
- We need to ensure we have a strong concept of income adequacy to lay the foundations for a new welfare system. Linked to this we should consider that additional spending on welfare to support people through economic downturns is a positive move.
- People must have right level of support to allied advice and other services e.g. access to justice, appeals, advocacy etc. is becoming more difficult.
- A new system must be less presumptuous about people's lives, ability to work and general life circumstances and be able to respond appropriately and sensitively.

- Benefit policy and approach must be set down in a way which isn't subject to political whim – constitutional framework?

### **What else does the Expert Working Group need to consider?**

There is a whole set of other factors that need to be addressed alongside benefits – and which affect benefit access, spend and people's ability to live independently – social care, housing, health.

What will impact be of health and social care integration? How does this sit in wider context of reforming welfare?

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*THE EXPERT WORKING GROUP ON WELFARE*

**Discussion session, facilitated by the Poverty Alliance**

**Monday 29 April 2013, Glasgow**

This event was underpinned by a commitment from the Expert Working Group on Welfare to hear from those people with experience of using the welfare system. The Poverty Alliance invited individuals in their network to talk to Group members about their views and experiences. It proved to be a very valuable discussion and Group members are very grateful to those that contributed.

This short note records the comments that were made in discussion. It will feature in the evidence that the Group consider as part of their 'Priorities for Change' remit and will be passed to Scottish Government officials that are taking forward the next phase of work on welfare policy.

**QUESTIONS TO CONSIDER:**

In the event of a 'Yes' vote:

- What could an independent Scottish Government do to ensure that people are supported and that they receive their entitlements?
- What do we need to consider in planning for a transition period, and in any work leading to a new "Scottish" system – for example, the impact of changes now; the cumulative impact of changes; other policy considerations?
- What options are there for delivering welfare differently?
- What would make things better for you?

**The questions only loosely structured the discussion which naturally moved through a range of the main issues. Group members asked questions and probed areas where they wished to understand better how the system impacted on people's lives and where it could be improved.**

The following lists the main points that were raised in discussion:

- Online/digital-by-default feature of Universal Credit is unfair and shouldn't be the only option.
- Language/narrative/perceptions that undermine and isolate people not working need challenged at all levels.
- Asylum seekers are a distinct group that are especially vulnerable. Specifically in how access to work and benefits rules interacts with the asylum process.
- There was widespread discontent with the ATOS medical assessment, largely based on personal experiences. The relative success of appeals was noted but the stress and anxiety caused by the experience and the process was unacceptable.
- The role of the media in exaggerating and perpetuating divisions in society was emphasised.
- A number of experiences highlighted the prevalence of complex family situations and how the benefits system fails to respond to multiple needs. Why can't it be better joined up? And tailored to people's circumstances.
- Support for families with disabled children was identified as a particular challenge which pushes families and carers to their limit.
- Social work services were reserved for 'crisis' situations, if you're regarded as 'coping' then you're left to your own resources until something goes wrong.

- Prevention/Christie principles – where are they?

### How will UC affect you?

- Monthly payments present significant challenges for budgeting, especially in dealing with unforeseen issues or personal challenges such as addiction.  
Widespread preference for fortnightly payments.
- Rents/landlords/private renting raised as a general scenario that didn't benefit people receiving welfare.
- Bank accounts – not everyone has access to one; barriers for people that are 'incapacitated' and require guardian arrangements, other issues rural access, ex-offenders without identification.
- Financial exclusion widespread and requires tailored support to access services.
- System as regarded as a 'burden' and not a safety net or support mechanism.
- Payments to one nominated person in the household presents the potential for financial abuse
- The re-introduction of housing benefit paid direct to landlords was supported round the table.
- Food vouchers were unpopular – they restrict choice and promote stigma.  
Wider impacts on local shopping/economy, cultural issues.
- People living week-to-week and benefit system needs to recognise this and be supportive, not an additional problem to manage.
- Costs of childcare and transport + low wage doesn't make sense for many households.

- Conditionality: JSA proof of applications (6 per month) and expectations attached to applications eg 4 days to apply for job or face a sanction. Apply through government website. Lack of access to broadband/computers. Limited library space.
- Gender component/significant proportion of women affected negatively.
- Volunteering and training should feature as part of a contribution towards 'jobseeking'.
- System is complicated enough without additional barriers that the asylum process adds.
- Particular support needs for children and young people with additional needs e.g. autism.

#### What would 'fix'/improve things?

- Social care accountability and joining up with wider welfare.
- Self-directed support not creating the opportunities that it suggests it will.
- NHS and social services should be better joined up, genuine partnership.
- Avoid crises through support at the right time in the right way.
- Stop making assumptions about people's lives, talk to them.
- Different budgets e.g. health, local government can lead to reduction in household allocations.
- Unpaid carers being forced to consider expensive residential/institutional care options when a small amount of respite is what is desired.

- Bedroom tax, should be exemptions for people with disabilities/families with disabled children.
- People need Discretionary Housing Payments now and are having to wait despite crises.
- Stop the 'attack' on poor people.
- Challenge rhetoric of UK Government, reject language used by UK ministers.
- Flexible childcare provision? Outwith 9-5 currently a challenge. Weekends, overnight, nannies etc. needed.
- Low income subsidies for public transport.
- Challenge stigma of single parents.

Would you be more optimistic about a system based in Scotland? Mostly yes:

- Closer to neighbourhoods and communities.
- Other countries manage to better distribute wealth, can we learn?
- Basics of civic participation supported.
- Taxation debate required.
- Work/labour market – there are limitations on jobs, especially in some areas.
- Rebuild communities, and a sense of responsibility for each other.
- Legal aid challenges introduced by new legislation are having a real impact on low income households.



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*THE EXPERT WORKING GROUP ON WELFARE*

**7 May 2013**  
**Expert Working Group on Welfare- Business session**  
**Ernst & Young**  
**10 George Street**  
**Edinburgh**  
**EH2 2DZ**

## **Background**

This event was underpinned by the desire of the Expert Working Group on Welfare to hear how welfare reform would impact on the business community as part of their wider Call for Evidence. The session was facilitated by Ernst & Young and questions were grouped round Cost, Delivery and priorities for change although these were not rigidly adhered to through the natural flow of conversation.

This short note records the comments that were made in discussion. It will feature in the evidence that the Group consider as part of their 'Priorities for Change' remit and will be passed to Scottish Government officials that are taking forward the next phase of work on welfare policy.

The following lists the main points that were raised in discussion:

### **Cost**

### **Employment**

- Members felt that there was a need to be radical with the present welfare system as it was complicated and didn't capture key elements of what business needed.
- Key factor in the relationship with employment and skills wasn't working.

- Education facilities not equipping people with skills needed for workplace. Need to match skills with jobs out there.
- Work put forward as the best way for getting people out of poverty.
- Problem with the long term routes into employment and the sustainability of jobs created.
- General recognition by the Group that business was underutilised and that business capacity to help deliver people into employment was underestimated.
- Business could play a productive role in helping education establishments with better work experience, pupil experience and readiness for work.

### **Corporate Social Responsibility**

- A need for policy makers to tie in with business corporate and social responsibility to better effect.
- More recognition of in kind work that business do around mentoring/ giving up time to help with societal problems.
- Business keen to help in whatever way possible – misconception of business in the wider media discourse.
- More recognition needed of the factors that make up wealth creation.

### **Delivery**

- There was a general consensus that the current welfare system was too complicated.

- Universal Credit likely to lead to increase in pay day lenders growth. Important for there to be a role for business in helping staff in management of money.
- It was recognised that it was difficult to discuss delivery models without access to modelling information.
- Delivery could be joined up with other aspects such as collection of taxation.
- Discussion also touched on whether community services could be better utilised to deliver local services.
- Need for business to have better links in with Community Planning Partnerships and Chambers of Commerce at a local level.
- There was a feeling that business were well placed to advise on the risks that were attached to delivery change in services that could be better utilised.
- The current taxation system works against people with low incomes with perverse incentives in taxation and benefits.
- Need for more co-ordinated approach. Routes back into employment need to be easier.
- Some of the changes/ improvements could be implemented now.

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## EXPERT WORKING GROUP ON WELFARE: KEY DATES

<b>6 January 2013</b>	Expert Working Group on Welfare established
<b>30 January 2013</b>	First meeting of the Group
<b>8 February 2013</b>	Group issues Call for Evidence
<b>8 March 2013</b>	Call for Evidence closes
<b>21 March 2013</b>	Second meeting of the Group
<b>8 April 2013</b>	Third Sector Event
<b>22 April 2013</b>	Third meeting of the Group
<b>29 April 2013</b>	Poverty Alliance Event
<b>7 May 2013</b>	Ernst & Young Business Session Call for Evidence
<b>20 May 2013</b>	Final meeting of the Group

## GLOSSARY

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**Annually Managed Expenditure (AME):** spending that does not fall within Departmental Expenditure Limits (DEL). Expenditure in AME is generally less predictable than expenditure in DEL and cannot reasonably be subject to firm, multi-year limits.

**Attendance Allowance:** a benefit for people aged 65 or over who need help with personal care because of a physical or mental disability.

**Benefits:** benefits paid to an individual in cash and in its widest sense includes tax credits. Categorized into the following groups: benefits for out of work people; benefits for elderly people; benefits for people who are ill or disabled; benefits for families with children; benefits for people on low incomes and other (including bereavement benefits and Christmas bonus).

**Benefit Expenditure:** spending on benefits, including the costs of payments to individuals and the costs of administering these payments.

**Carer's Allowance:** the main benefit for full-time carers, subject to certain conditions.

**Capital Departmental Expenditure Limit (CDEL):** this is expenditure on fixed capital assets, capital grants and the acquisition of certain financial assets.

**Conditionality Framework:** sets out the work-related requirements for every claimant under Universal Credit.

**Council Tax Benefit:** payable to families with low incomes that are liable to pay council tax on a property in which they are resident.

**Council Tax Reduction:** a reduction in liability for Council Tax made under the Scottish Council Tax Reduction scheme, introduced from 1 April 2013 in Scotland following the abolition of Council Tax Benefit.

**Community Care Grant:** to help people on benefits who may have to go into care unless they get some support to stay at home, or if they are leaving any form of care and need help to set up their own home.

**Consumer Price Index (CPI):** measures changes in the price level of a market basket of consumer goods and services purchased by households. This is different to the Retail Price Index (RPI), which is calculated each month by taking a sample of goods and services which the typical households might buy. CPI is generally lower than RPI.

**Crisis Grant:** to help people, typically on benefits, who are in a crisis because of a disaster or emergency.

**Departmental Expenditure Limits (DEL):** spending which is planned and controlled across the period of each spending review. In general, DEL will cover all administration budgets and all other budgeted expenditure.

**Disability Living Allowance (DLA):** a benefit that helps with the extra costs that disabled people face as a result of their disabilities.

**Discretionary Housing Payments (DHP):** short-term assistance made up of extra payments to help pay rent and other housing costs, administered by local authorities.

**Employment and Support Allowance (ESA):** a benefit for people who have limited capability for work because of sickness or disability but do not get Statutory Sick Pay.

**Government Expenditure and Revenue Scotland (GERS):** annual Scottish Government publication that aims to estimate a set of public sector accounts for Scotland using official UK and Scottish Government finance statistics.

**Incapacity Benefit (IB):** a benefit paid to those below the State Pension age who could not work because of illness or disability. Benefit closed to new entrants in 2008 and was replaced by Employment and Support Allowance.

**Income Support (IS):** extra money a claimant can get if they have no income or a low income; are working less than 16 hours a week and have not signed on as unemployed. There are specific conditions that a person must meet to get Income Support.

**Inter-governmental agreement:** an agreement that involves or is made between two or more governments to cooperate in some specific way.

**Inter-regional:** of, involving, or connecting two or more regions.

**Intra-country:** within a country.

**Jobseeker's Allowance:** the main benefit for people who are out of work and actively seeking work.

**Microsimulation model:** a model based on individual level data that enables the distributional impact of tax and benefit policies to be simulated.

**Nominal terms:** nominal, or cash, terms means that the expenditure is represented in the monetary value of the day and is not adjusted for inflation.

**Outturn:** expenditure (revenue) actually incurred (received) to date and been subject to audit.

**Passported Benefits:** benefits for which people are eligible if they receive one or more UK welfare benefit e.g. blue badges or free school meals.

**Pathfinder:** early testing of Universal Credit before national roll out.

**Personal Independence Payment (PIP):** from April 2013, the new benefit Personal Independence Payment begins to replace Disability Living Allowance for disabled people aged 16 to 64.

**Personal Social Services:** describes a range of services including social work and social care services.

**Public Expenditure:** spending by government, including Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

**Public Expenditure Statistical Analysis (PESA):** the primary source of outturn data on public expenditure in the UK. The country and regional analysis presents public expenditure identifiable for Scotland, Wales, Northern Ireland and the English regions.

**Real terms:** inflation has been taken into account and is shown in the prices of a specified year.

**Resource Departmental Expenditure Limit (RDEL):** resource budgets relating to spending on items that are consumed in the process of providing public services. This includes wages and salaries, benefits and purchasing goods and services.

**Scottish Welfare Fund (SWF):** a new national scheme which aims to: provide a safety net in a disaster or emergency, when there is an immediate threat to health or safety; and enable independent living or continued independent living, preventing the need for institutional care. There are two types of grants in the SWF: Crisis Grants and Community Care Grants.

**Severe Disablement Allowance (SDA):** this has been replaced by Employment and Support Allowance. SDA was a benefit for people who were unable to work as a result of a long term severe illness or disability.

**Social protection:** personal social services and social security payments.

**Social security:** a government system that provides assistance to people to meet different kinds of need primarily through cash benefit payments.

**Total Managed Expenditure (TME):** a definition of aggregate public spending derived from National Accounts. TME captures total public expenditure in the UK. It is Annually Managed Expenditure and Departmental Expenditure taken together.



**Transitional Costs:** the cost incurred in making a change to a new system.

**Transitional Period:** a period of change from one system to another.

**Under-occupancy penalty:** also referred to as the 'bedroom tax'; from April 2013 working age households in local authority or housing association properties deemed to be under occupying will be subject to a reduction in their eligible rent.

**Universal Credit:** this a new single payment for people who are looking for work or in work but on a low income. Universal Credit will replace six current benefits: Income-related Jobseekers Allowance; Income-related Employment and Support Allowance; Income Support (including Support for Mortgage Interest); Working Tax Credit; Child Tax Credit and Housing Benefit.

**Welfare:** in this context, taken to mean the benefit system.

**Work Capability Assessment:** the process of gathering information and evidence, which may include a medical assessment, in order to determine whether a claimant has limited capability for work, and if so, whether they have limited capability for work-related activity.

## LIST OF ABBREVIATIONS

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**AME:** Annually Managed Expenditure  
**ATOS:** occupational health service provider.  
**CHIEF:** Customs Handling of Import and Export Freight System  
**COSLA:** Convention of Scottish Local Authorities  
**CPAG:** Child Poverty Action Group  
**CPI:** Consumer Price Index  
**CTB:** Council Tax Benefit  
**CTR:** Council Tax Reduction  
**DBC:** Disability Benefit Centre  
**DEL:** Departmental Expenditure Limits  
**DLA:** Disability Living Allowance  
**DWP:** Department for Work and Pensions  
**ESA:** Employment and Support Allowance  
**ESRC:** Economic and Social Research Council  
**FTE:** Full-Time Equivalent  
**GERS:** Government Expenditure and Revenue Scotland  
**GB:** Great Britain  
**GDP:** Gross Domestic Product  
**GP:** General Practitioner  
**HB:** Housing Benefit  
**HE:** Higher Education  
**HMRC:** Her Majesty's Revenue and Customs  
**HR:** Human Resources  
**IS:** Income Support  
**IT:** Information Technology  
**JCP:** Jobcentre Plus  
**JSA:** Jobseeker's Allowance  
**LA:** Local Authority  
**LHA:** Local Housing Allowance  
**MSP:** Member of Scottish Parliament  
**NEP:** Newcastle Estates Partnership  
**NHS:** National Health Service  
**NISSA:** Northern Ireland Social Security Agency

**OBR:** Office for Budget Responsibility  
**PAYE:** Pay As You Earn  
**PIP:** Personal Independence Payment  
**PESA:** Public Expenditure Statistical Analysis  
**RPI:** Retail Price Index  
**rUK:** Rest of the UK  
**SALUS:** an NHS based provider of Occupational Health  
**SCC:** Scottish Consumer Council  
**SCVO:** Scottish Council for Voluntary Organisations  
**SWF:** Scottish Welfare Fund  
**TME:** Total Managed Expenditure  
**UC:** Universal Credit  
**UK:** United Kingdom  
**VOA:** Valuation Office Agency  
**WCA:** Work Capability Assessment

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