Department for Work and Pensions

Memorandum for Appearance at Health and Sport Committee
22nd November 2011

The Department for Work and Pensions is pleased to have the opportunity to present evidence to the Health and Sport Committee and to provide further information on the work that we have been doing on welfare reform. We hope that our evidence session will give the Committee more detailed information about the Government’s policy intentions and direction.

A number of Committees, including this one, have been discussing the Welfare Reform Bill recently. Policy officials have read the transcripts with interest and have prepared this memorandum in order to respond to earlier sessions.

Bill Overview

The Welfare Reform Bill aims to simplify the benefits system to ensure that work pays and as importantly is seen to pay. It will simplify the provisions which set out what steps claimants are expected to take to move towards employment, if they are required to take such steps. It will also set out clear consequences for those who fail to take action to help them return to work. A simpler benefits system will help increase take-up and reduce fraud and error.

The Bill will also replace the current, confusing system of in and out of work benefits and tax credits with Universal Credit. This will provide a new system of support for claimants as they move in and out of work and will be combined with a new single taper – meaning that support will be withdrawn in a simple and predictable way as earnings rise.

The Bill also includes measures to time-limit contributory Employment and Support Allowance for those in the Work-Related Activity Group, introduce an overall cap on the amount of benefit a household can receive and localise discretionary aspects of the Social Fund. It will replace DLA with the Personal Independence Payment (PIP) which will be a new, more transparent and sustainable benefit and put in place the legislation necessary to deliver the reforms to the child maintenance system as outlined in Strengthening families, promoting parental responsibility: the future of child maintenance.

Impact of the Bill on Scotland

Concerns have been expressed that this Bill, and specifically Universal Credit, disproportionately impacts on the people of Scotland. DWP’s impact assessments have found that the average gain and loss in Scotland is similar to that for Great Britain as a whole. We estimate that in the steady state, around 230,000 households in Scotland will have higher entitlements under Universal Credit and will gain on average £29 per week. Around 190,000 households will have lower entitlements of around £30 less per week on average. In terms of Marginal Deduction Rates, around 100,000 will see a
decrease in their rate and the median improvement is larger than the median decrease for Great Britain as a whole.

**Consultation between DWP and Scotland**

Questions have also been raised about the level of consultation between DWP’s Ministers and officials and their Scottish counterparts. Ministers have held, and will continue to hold, meetings with Scottish Ministers. Recent Ministerial discussions on welfare reform include a meeting between the Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy, Nicola Sturgeon and the Secretary of State for Work and Pensions, the Rt. Hon. Iain Duncan Smith in September.

In addition, there have been over seventy contacts at official level and this includes instances when specific clauses were discussed in considerable policy detail.

We are aware of concerns on the level of detail on the face of the Bill; however it is important to state that this Bill is very similar to previous welfare reform bills in that it is a framework for the wider policy. However, it is by no means skeletal – and it is clear to see the structure of the new benefit. It is not the usual practice to include significant amounts of policy detail on the face of a Bill because it is appropriate for much of the detail to be contained within regulations, especially as this means that the Government has the ability to make any necessary changes over the years following introduction of the new system.

DWP is continuing to draft regulations and, as it does so, officials remain committed to sharing these with Scottish colleagues. Furthermore, Lord Freud has been able to give a greater level of detail than that contained with the Bill during Lords Committee – this means that further information can be found in Hansard. The level of Parliamentary scrutiny of this Bill has been high and there have been some interesting debates on many of the issues that are also being discussed in Scottish Committees.

**Duty to Consult Scottish Ministers**

There have been discussions around whether the Bill should contain a duty to consult with Scottish ministers on regulations relating to Scotland and this has been debated in Lords Committee, around the wider discussions on whether to grant an LCM and in the Scotland Bill Committee. DWP remains committed to sharing policy detail as soon as it becomes available and continues to have ongoing policy discussions on areas that are of particular importance to Scottish colleagues – most notably kinship carers but also child poverty. But creating a statutory duty would effectively give the Scottish Government the power to significantly delay the implementation of reserved policy matters which is something we cannot agree too, especially as this would be a significant departure from the devolution settlement.

**LCM Status**
As the Committee will know the Scottish Government has not yet tabled a Legislative Consent Motion for the Bill's aspects which relate to the powers of the Scottish Ministers.

The vast majority of this Bill relates to reserved policy areas which mean that an LCM is not required. However, there are 5 areas for which DWP does require an LCM (excluding the clause relating to the Child Poverty Commission which are being dealt with separately.) Overall, these are minor, technical issues which will make it easier for the Scottish Government to make changes as a result of this Bill.

For example, without an LCM there will be a need for the Scottish Parliament to take primary legislation to make amendments to earlier legislation. If, under the Sewel Convention, it proves necessary for DWP to take out the relevant clauses from the Bill then this will significantly increase the administrative burden for Scottish colleagues as the Bill will generate the need for a lot of consequential amendments to Scottish legislation.

Such powers have been included in the Bill for the convenience of the Scottish Parliament and Government. If agreement on a LCM cannot be reached DWP will reluctantly remove the provisions, leaving the Scottish Ministers and Scottish Parliament to legislate as they deem necessary.

**Further Information**
The Department for Work and Pensions have published significant amounts of extra information on this Bill – including Impact Assessments, Equality Impact Assessments and policy briefing notes. These are all available on the DWP website.