Scotland Bill Committee

I regret that at short notice my Department was not able to send a representative to your Bill Committee on 4 October when you heard evidence on the impact of the reforms contained within the Welfare Reform Bill. I am afraid that we did not receive notice of the invite until 29 September and at such short notice we were unable to clear an official’s diary in order for them to be able to make the trip to Scotland to give evidence. I have now had the opportunity to read the transcript of the Committee and thought it might be helpful if I responded to some of the queries that were raised during the session and provided details on where you might be able to find further information on the policy intent.

This Bill aims to simplify the benefits system to ensure that work pays and 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, and clarify the 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claimants as they move in and out of work and will be combined with a new single taper — meaning that support will be withdrawn in a simple and predictable way as earnings rise.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 the power 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.’
Engagement Prior to Introduction

Witnesses at the Bill Committee session on 4 October expressed a concern about the lack of engagement on the provisions of the Bill with the Scottish Government prior to introduction. I would like to take this opportunity to offer my reassurance that we have held, and continue to hold, regular discussions with Ministers in all of the Devolved Administrations and their officials. The contact has taken a number of forms, including meetings, correspondence, telekits and video conferences. For instance, I have spoken to Nicola Sturgeon, Deputy First Minister on the phone during the key developmental stages of Universal Credit (June 2011) and we met in September. Officials from the Universal Credit policy team went to Scotland to meet the Welfare Reform team in July and DWP’s Working Age Benefits Director has held telekits with and hosted meetings for Scottish policy colleagues. Furthermore, meetings have taken place between DWP policy teams and Scottish Government Officials on specific clauses of the Bill such as Clause 59 (drugs provisions), Clause 68 (housing benefit) and Clauses 131 – 134 (child maintenance). My Ministerial colleagues have also engaged with Scottish Ministers – this includes letters from the Minister of State for Pensions and the Minister from Welfare Reform about Social Fund reform I also understand that the Scottish Government received an invitation from the Social Security Advisory Committee to submit their views on passported benefits.

Continued Engagement

We are committed to the smooth and successful introduction of Universal Credit and we will work closely with all relevant authorities to help them identify and address the impact that Universal Credit will have on the services they deliver. As I am sure you are aware, we are continuing to work through the detailed design aspects of Universal Credit which will be included in regulations. As these are developed we will continue to have discussions with the Scottish Government and other Devolved Administrations where appropriate. Such conversations have, in the past, led to the Bill being successfully amended. For instance, the powers under Clause 33 give the Scottish Government the power to make consequential amendments in their area of remit. As a result of discussions with the Scottish Government these regulations will be made by affirmative procedure in the Scottish Parliament something the Scottish Government requested and which we agreed to.

A number of Local Authorities and organisations from Scotland responded to the consultation on the Green Paper, 21st Century Welfare, when it was launched in July 2010.

After consideration, we have created a formal role for the Scottish Government and Scottish Local Authority Association on the Universal Credit Senior Stakeholder Board. This will ensure that Scottish views are heard, that Scotland is firmly represented, and that engagement with Scottish-specific issues continues in the run-up to the launch of Universal Credit.
Furthermore, the Department has well-established mechanisms for engaging with organisations that represent its customers. These include a quarterly DWP Policy & Strategy Forum at which key national organisations are represented including the Local Government Organisation and Age UK and our Customer Representative Forum which constitutes an Annual Forum in London, Welsh Annual Forum in Cardiff and Scottish Annual Forum in Edinburgh / Glasgow. Three consultation papers have been published since October 2010 on policies contained within the Welfare Reform Bill and we held an event specifically for grassroots organisations in Edinburgh in April 2011.

**Merits of Devolving Welfare and Benefits to Scotland**

You will be aware that the Calman Commission made a small number of recommendations on Welfare. As the Command Paper tabled alongside the Scotland Bill sets out, the policy landscape has changed since the Commission’s Final Report. This Government has set about radical reform of the welfare state and will be significantly altering the way in which the welfare system operates to ensure that work is always more rewarding than being out of employment.

I note that a number of witnesses referred to the merits of devolving welfare and benefits to Scotland. The Welfare Reform Bill is not the appropriate place for a reconsideration of the devolution settlement. As you may be aware, the Scottish Government has made 6 requests for changes to the Scotland Bill, the devolution of welfare benefits was not one of these areas.

I was pleased to note that some participants welcomed the localisation of the discretionary aspects of the Social Fund scheme and Council Tax Benefit.

**Availability of Suitable Vacancies**

Committee members discussed whether welfare reforms would be affected by the current job market. I believe it is an important principle that, no matter where in the country a claimant lives, if they are capable of work they should be required to look for a job. Financial support will remain unconditional for people who we do not expect to work or prepare for work.

Notwithstanding the difficulties in the global economy there are opportunities to find work. At any one time there are around 450,000 unfilled vacancies in the economy—and this is why a snapshot that hides the dynamism of a jobs market in which most vacancies are filled quickly and new ones are coming up for people to move into.

The latest forecast from the Office for Budget Responsibility is that between 2010 and 2015 employment will rise by 900,000, with a 1.3 million rise in private sector more than offsetting a projected 400,000 fall in general government employment.

**Childcare and Universal Credit**
As a number of attendees queried whether childcare support would be cut under these reforms I thought it would be helpful if I clarified how childcare would be treated under the new system.

Under Universal Credit families will be able to claim for the same amount of support with childcare costs as they do within the tax credit system now. Not only is the government retaining the limits for those currently claiming childcare within the Tax Credit system, we are also investing an additional £300m to extend this support to around 80,000 families who can claim childcare support for the first time. These families were not eligible to receive help under the previous government.

In Spending Review 2010 we made the difficult decision to reduce the support with costs from 80 to 70 per cent of the current childcare limits in April this year. This was a necessary reversal of an increase made in April 2006 because it is unaffordable at this time.

**Kinship Carers**

The Committee discussed the impact of the Bill on Kinship Carers. This is an area we are still reviewing as I recognise the difficult circumstances that kinship carers face and the valuable work that they do and I am committed to ensuring that this group is treated appropriately under the Universal Credit. As policy decisions about this group are considered, I will ensure that my officials continue to discuss with officials in the Scottish Government.

I have attached below the link to the Committee session when we discussed Kinship Carers. This may be of interest to your Committee members. [http://www.publications.parliament.uk/pa/lrd201011/ldhansrd/text/111026-gc0002.htm](http://www.publications.parliament.uk/pa/lrd201011/ldhansrd/text/111026-gc0002.htm)

**Scrutiny of the Welfare Reform Bill during Lords Committee**

Questions were raised during the evidence session about whether the Welfare Reform Bill was receiving a reasonable amount of scrutiny during Lords Committee stage. It might be helpful if I clarified exactly what stage the Bill is at. We are still currently in Lords Committee. Wednesday 16 November was our 14th session in the House and we currently have 3 more days of Committee scheduled (until Monday 28th November) although this is subject to change. We will then have at least 4 days worth of Report stage. Prior to this, the Bill was considered during 26 sittings of the Commons Committee.

As the Committee identified, the Lords Committee stages have taken place in Grand Committee, not on the floor of the House. However, I do not believe that this has in any way diminished the level of the debate and the Bill has received very significant levels of detailed scrutiny.

**Further Information**
As you would expect, much of the detailed policy of our Welfare Reforms, most specifically UC and PIP, will be contained within secondary legislation. As regulations are still in the process of being drafted and we are aware that both Parliament and stakeholders required further details we have published a number of briefing notes. These are available on the DWP website and they provide more details on key elements of Universal Credit including the treatment of capital, childcare, disregards and tapers.

The notes are available at:

As is usual in Government legislations these will continue to be updated throughout the passage of the Bill.

We have also published a number of Impact Assessments and Equality Impact Assessments which provide more detail on the impact of the policies contained within the Bill. These are available at:

We will of course be testing the Universal Credit systems extensively before its introduction in October 2013. We will work with local authorities and the Devolved Administrations throughout this process to ensure a smooth transition.

If you require any further information then please do not hesitate to contact my office on the details above. They will be happy to liaise with the Welfare Reform Bill Team to obtain any further information you may require. Furthermore, I hope the information above has helped provide further clarity on our policy intentions.

I am copying this letter to the Rt Hon. Michael Moore MP, Secretary of State for Scotland.

The Rt Hon Iain Duncan Smith MP
Secretary of State for Work and Pensions