Dear Committee,

Social Security (Scotland) Bill

Reform Scotland is writing to the Social Security Committee with regard to its Stage One consideration of the Social Security Bill.

While we believe that far greater welfare powers should be devolved to the Scottish Parliament, we recognise that this is not part of the discussion surrounding the legislation being proposed.

Therefore, our main concern is with the structure and administration of the new social security powers in Scotland.

Reform Scotland is aware that the Social Security (Scotland) Bill does not deal with the creation of the proposed new central executive agency, as this is a specific category of public body under the direct control of the Scottish Ministers with no requirement to make legislative provision to bring the agency into being. However, we believe that the way social security is organised in Scotland is intrinsic to its success going forward and needs to be considered as part of this discussion.

Devolution should never be simply devolving powers for devolution’s sake, but about considering how things can be organised differently to better meet the circumstances and priorities of those living in the part of the country to which powers are devolved. It also offers an opportunity to learn from the mistakes of the existing system.

Reform Scotland is, therefore, disappointed that the Scottish Government looks set to simply replicate the system being used in the rest of the UK.

While there have been discussions about increasing or supplementing certain benefits, the current direction of travel would suggest that Scotland will just copy and paste the Westminster social security administration system.

At Westminster there is the Department for Work and Pensions (DWP) and Her Majesty’s Revenue & Customs (HMRC). The former is responsible for welfare and the latter for taxation. However, it is not that simple; child benefit has switched to being an HMRC responsibility along with tax credits, though both of those benefits interact with others that lie with the DWP. Though, just to make things more complicated for the user, there is little interaction between the two departments themselves – taxable benefits cannot be taxed at source and information collected and held by HMRC is not shared with the DWP.
In addition to the difficulties faced by users having to navigate two systems, it also makes for a less accountable and transparent system. Figures on benefit expenditure are often opaque where two departments are involved and produce different figures.

Having two departments manage tax and welfare does not work well at Westminster. In 2007 the Low Incomes Tax Reform Group gave evidence to the Work and Pensions Select Committee, highlighting its concern about the split:

“We believe that a major cause of complexity in the welfare system is the fact that it is now split between two different Government departments, each with its own policies, practices and culture developed, for the most part, without reference to the other. The fact that DWP and HMRC can adopt a different approach to the same mutual customer, in the same situation; can only result in confusing the customer as to what they are entitled to, and what their obligations are.”

However efficiently Scotland’s new system operates, we also need to recognise that for many people, this will mean that they now have to interact with at least one more separate organisation.

As a result, Reform Scotland believes that the Scottish Government should not be creating its new social security agency to manage these new powers, but instead use Revenue Scotland.

HMRC continues to be responsible for administering Income Tax powers in Scotland, though Revenue Scotland is expected to hold it to account. There is no reason why Revenue Scotland’s role could not be expanded to cover social security and ensure that we learn from Westminster’s mistakes and have only one department responsible for tax and welfare.

This may at first seem like a small administrative point, but it is about looking to create a better, more coherent and transparent system and not simply replicating what happens at Westminster. Scotland has an opportunity to lead Westminster by example and create a more user-friendly and efficient system. This is surely at least worthy of consideration.

It is also important that we lay the foundations now for a tax and social security system that can easily adapt to additional powers in the future.

Yours sincerely,

Alison Payne
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1 https://publications.parliament.uk/pa/cm200607/cmselect/cmworpen/463/463we29.htm