



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Security Committee

Thursday 22 November 2018

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Thursday 22 November 2018

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
SOCIAL SECURITY AND IN-WORK POVERTY	2
DECISION ON TAKING BUSINESS IN PRIVATE	28

SOCIAL SECURITY COMMITTEE

24th Meeting 2018, Session 5

CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

DEPUTY CONVENER

*Pauline McNeill (Glasgow) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP)

Jeremy Balfour (Lothian) (Con)

*Michelle Ballantyne (South Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Alison Johnstone (Lothian) (Green)

*Shona Robison (Dundee City East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Shirley-Anne Somerville (Cabinet Secretary for Social Security and Older People)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Security Committee

Thursday 22 November 2018

[The Convener opened the meeting at 09:04]

Decision on Taking Business in Private

The Convener (Bob Doris): Good morning. I welcome everyone to the 24th meeting in 2018 of the Social Security Committee, and I remind you all to turn mobile phones and other such devices to silent mode, so that they do not disrupt the proceedings.

We have received apologies from Jeremy Balfour, who unfortunately cannot be with us. I hope that Gordon Lindhurst will join us at some point, but he is delayed. We should have a full complement in due course, but we are not quite there yet.

Item 1 is to make a decision on taking business in private. Does the committee agree to take in private our consideration of evidence at item 4?

Members *indicated agreement.*

Social Security and In-work Poverty

09:05

The Convener: Item 2 is the final evidence session of the committee's inquiry into social security and in-work poverty. I welcome Shirley-Anne Somerville, who is the Cabinet Secretary for Social Security and Older People, and her Scottish Government officials. They are Alison Byrne, who is deputy director in the reserved benefits division, and David Souter, who is the head of fair and inclusive work practices. Thank you all for joining us. I understand that the cabinet secretary will make opening remarks.

The Cabinet Secretary for Social Security and Older People (Shirley-Anne Somerville): Thank you, convener. I thank the committee for the opportunity to be here today. The committee's inquiry is extremely timely, and I have been following your evidence sessions with great interest. Only last week, the United Nations special rapporteur on extreme poverty and human rights highlighted significant concerns about levels of poverty in the United Kingdom.

The Scottish Government shares those concerns, including concerns about the devastating impact that UK Government welfare cuts are having on Scotland's people and communities. Where we can do so, we are taking decisive action across a wide range of areas, to lift people out of poverty in Scotland.

I will say a few words about that. For most people, work remains the only viable path out of poverty, but simply being in employment is no guarantee. As the committee has no doubt heard, the majority of children and working-age adults who are in poverty live in working households. Between 2014 and 2017, 66 per cent of children in relative poverty after housing costs, and 59 per cent of working-age adults in poverty, were living in working households.

When Department for Work and Pensions officials gave evidence to the inquiry recently, an official said:

"full-time work virtually eliminates in-work poverty".—
[*Official Report, Social Security Committee*, 8 November 2018; c 3.]

DWP officials explained that that is the rationale that underpins universal credit. However, our evidence suggests something very different. For example, more than a third of children in poverty in Scotland—that is 100,000 children—live in families in which at least one adult is in full-time work.

It is unacceptable, in the fifth richest country in the world, that people are struggling to put food on

the table, that food bank use is on the rise and that working families are having to choose between heating their homes and eating.

The Scottish Government is using our full range of devolved powers to provide additional support where we can, to mitigate the impacts of welfare reform and to support people who are on low incomes. In other ministerial portfolios, we are providing £750 million in an attainment Scotland fund, to help to close the poverty-related attainment gap in our schools, and delivering free school meals for children from primary 1 to primary 3, which is saving families about £380 per child annually.

We are delivering a school clothing grant, whereby eligible families receive at least £100 to cover the cost of school uniforms, and we are increasing our fair food fund to £3.5 million in 2019-20 to support dignified responses to food poverty and security.

We are also focusing £2 million on support for families during school holidays, extending access to free sanitary products to low-income women and girls, and providing £3.3 million over the period 2018 to 2020 to provide financial health checks to low-income families and older people, in order to help to reduce costs and maximise income. Since August 2017, we have been providing every newborn baby in Scotland with a baby box.

Scotland is the only country in the UK that has statutory targets ultimately to eradicate child poverty. "Tackling child poverty delivery plan: forecasting child poverty in Scotland", which was published in March, was backed by a multimillion pound package of investment, including a £50 million fund for tackling child poverty.

Sustainable and fair work is a long-term route out of poverty for families, so we are taking action to support parents to work and earn more. Over the next three years, we will work to lift at least 25,000 more people on to the living wage, through our work to build a living-wage nation.

Likewise, we are using our limited employment support powers. We launched fair start Scotland, which is our new employability service, in April 2018. It is estimated that it will have a positive impact on about 7,000 children who are living in poverty, by placing their parents in fair work. We will also invest £12 million to help unemployed parents to move into work, and to help parents who are in work to build skills, to progress and to earn more.

The committee's inquiry is rightly focusing on universal credit and the damage that it is causing. It is impossible to speak about in-work poverty without mentioning the impact of UK Government welfare reform and the introduction of universal

credit. There is a mountain of evidence that universal credit is pushing people into poverty rather than helping them out of it. The UK Government has consistently ignored calls from the Scottish Government, from charities, and from third sector organisations to halt the roll-out of universal credit until improvements are made. It has also ignored the findings of the National Audit Office. It remains to be seen whether it will now ignore the damning findings of the UN special rapporteur, who said that

"Although in its initial conception it represented a potentially major improvement in the system, it is fast falling into Universal Discredit."

I know that the Trussell Trust provided evidence to the committee on the 52 per cent increase in food bank use in areas where universal credit has been rolled out for 12 months or more. The Trussell Trust also predicts that as managed migration rolls out, demand on food banks will increase. Additionally, the Joseph Rowntree Foundation is clear that the single biggest cause of the rise in child poverty across the UK is the UK Government's welfare policies.

The Scottish Government's "2018 Annual Report on Welfare Reform" highlighted that it is estimated that, as a result of UK Government cuts, in 2020-21 the annual social security spend in Scotland will be around £3.7 billion lower than it otherwise would have been. The report also states that since the benefit cap was lowered in 2016, approximately 3,500 Scottish households have been capped each month. The policy has disproportionately affected families with children. Of households that have been capped, 89 per cent include children, and 64 per cent are lone-parent households.

In the face of that massive reduction in spending, the Scottish Government expects to spend more than £125 million in 2018-19 on welfare reform mitigation measures and measures to protect people who are on low incomes. That is more than £20 million more than in the previous year, and £40 million more than the year before that. Since October 2017, the Scottish Government has been using its powers to give people in Scotland the choice to receive the universal credit award monthly or twice monthly, and to have the housing costs in their universal credit award paid direct to the landlord. That is helping people on low incomes to manage their budget better.

However, the Scottish Government is not here to paper over the cracks of the UK Government's welfare reforms. We simply cannot afford to cover the costs of welfare cuts, which amount to billions of pounds per year in Scotland. It is the equivalent of three times our annual police budget or the

combined annual budgets of NHS Greater Glasgow and Clyde and NHS Lothian.

At the end of the statement on his visit to the UK, the UN special rapporteur on extreme poverty and human rights said that

“it is outrageous that devolved administrations need to spend resources to shield people from government policies.”

While the majority of social security is still reserved to the UK Government, it has a duty to ensure that the system operates as a safety-net that protects those who need it most and prevents people from being pushed into poverty and destitution. Amber Rudd has said this week that she wants a fair, compassionate and efficient benefits system, so I have written to her about the issues that we currently face. I hope that that commitment will lead to a change in course from the UK Government.

Thank you for your time. I will be delighted to take questions.

The Convener: Thank you very much, cabinet secretary. There was a lot in that statement. On the focus of our inquiry, we have looked at universal credit and have strayed into matters to do with universal credit that are not necessarily related to in-work poverty. That is understandable, given that many of us would say that a car crash is happening in front of our eyes in relation to the roll-out of universal credit. However, it is almost like a slow-moving car crash in relation to possible future actions under universal credit, with the migration of in-work benefits, including tax credit entitlements, into the universal credit system. That has certainly raised quite a lot of concerns.

I am sure that you will be aware that the DWP's policy intention is to put conditionality on people who currently receive tax credits when they move to universal credit. A lot of low-paid and vulnerable workers who are supported in employment will have either to increase their hours or increase their rates of pay in order to ensure that they are not sanctioned or penalised in some way while they are still actively in work. How workable do you think that system will be?

09:15

Shirley-Anne Somerville: One aspect that the convener mentioned—the managed migration to universal credit—is causing extreme concern because of the number of people involved. The migration is still due to begin in summer next year. There is great concern, not just for the Scottish Government but for others, that managed migration will be rolled out despite the fact that we know from the evidence—as I said in my opening statement—that there are a great number of problems with universal credit.

One of the particularly challenging aspects is that many people will move into the benefits system for the first time. Under the current regulations, they will not move into it automatically but will need to apply for their universal credit, so there is a great deal of concern that some of the most vulnerable people, in particular, will miss out and will not know that they require to move over. There are a number of concerns about managed migration and the people who will come into the benefits system for the first time, particularly around their awareness of sanctions and their impact.

The convener mentioned particularly the work that we will have to do regarding people who will experience in-work conditionality. That is a cause of great concern. We might come on to discuss the effectiveness of sanctions and conditionality on the whole, but the new DWP policy to sanction people who are not, as the DWP sees it, doing enough to get increased hours or to move to a higher-paid job really does not take into account people's individual circumstances, the nature of local labour markets, or that there simply might not be higher-paid jobs to move to and they cannot simply magic up extra hours. There is great concern about how in-work conditionality will affect people.

The Convener: I am worried that constituents of mine who are out there busting a gut with part-time hours on the minimum wage, and who want to be role models for their children by going out to work and showing them the benefits of work for households, will be told that they are not working enough hours or not earning enough money and that that is somehow their fault.

Russell Gunson from the Institute for Public Policy Research told the committee:

“The idea that it is the sole responsibility of the claimant to increase their hours or earnings to satisfy the universal credit system bears no relation to reality.”—[*Official Report, Social Security Committee*, 13 September 2018; c 10.]

The reality is that there will be conditionality on in-work claimants to increase their hours or their rate of pay, and Jobcentre Plus and the DWP will have to decide what an appropriate increase in hours or pay would be.

The UK Government has that policy intent and it talks about work progression in relation to that, but the Scottish Government, as part of the shared space that exists in this, is responsible for Skills Development Scotland, and local authorities have various other agencies that they use to support upskilling the workforce and—which is not the least consideration—childcare. That being the case, what discussions have there been between the UK Government, the Scottish Government and local authorities on how they can operate in that shared space to support work progression for the

constituents whom we all represent, and to avoid their being at risk of sanction?

Shirley-Anne Somerville: There are discussions around the aspects that are now devolved to the Scottish Government, including employability. Jamie Hepburn, the Minister for Business, Fair Work and Skills, and I attend a joint ministerial working group at which we discuss certain elements. However, the discussions are specifically on devolved matters.

It would be fair to say that we are not at such a good stage with regard to the wider concerns about how we can have awareness of what the DWP is planning. For example, the DWP does not proactively share its thinking on in-work conditionality. There is an imperative on the DWP to share that information timeously. When it comes to sanctions, for example, we will never agree that that is an effective or useful policy, but we need to know what the DWP's intentions are, so that the Scottish Government, local authorities and Scottish Government agencies can, in full awareness of that, adapt accordingly. In respect of in-work conditionality, there needs to be greater sharing of information by the DWP so that we can be sure of the impacts that the policy will have here.

I make it clear that, in terms of its work on employability, the Scottish Government does not support sanctions. It has never believed that sanctions are an effective way of encouraging or forcing people into work. Indeed, the evidence has shown that in-work conditionality is not effective. The National Audit Office has particular concerns about it. We will continue to have policy disagreement with the UK Government on use of sanctions in relation to in-work conditionality and in the welfare system.

The Convener: That was a lengthy, detailed and helpful answer, but I suppose that, essentially, I am asking whether there has been any discussion between the Scottish Government and the UK Government about what work progression would look like, given the shared space and the roles of the various agencies that would have to support career or work progression. Have there been any conversations about that vis-à-vis universal credit and the benefits system?

Shirley-Anne Somerville: We have not seen emerging detail of the DWP's thinking on work progression, but I am happy to provide the committee with more information in writing when I can find out from officials what information has been shared. It is not an area that sits within my remit in particular. I can ensure that the extent of the discussion can be furnished to the committee in due course.

The Convener: Lots of members want to come in, so this will be my last question. I want to put it on the record that when we asked about in-work conditionality—or what I like to call sanctioning people who are going out to do a day's work, because that is what we are talking about—Pete Searle from the DWP said that the policy is still being developed. He said:

“We need to do a lot more research before we can say what the best way forward is on this.”—[*Official Report, Social Security Committee*, 8 November 2018; c 6.]

Irrespective of what level of conversation there has or has not been between the Scottish Government and the DWP, should there be a formal process of engagement, and should there be some form of joint sign-off or protocol in relation to what work progression would look like and how it should interact with the benefits system, given that shared space and the responsibility that the Scottish Government has for upskilling people through the college sector and education more generally, and the responsibility that the local authorities have in relation to childcare and so on? We have a three-legged stool here, but the DWP is forging ahead in relation to saying what work progression will look like.

Do you agree that there has to be some form of formal protocol, given the reality of the situation, so that Russell Gunson's comment that the process

“bears no relation to reality”

can be addressed?

Shirley-Anne Somerville: We encourage, and have encouraged, the DWP to widen out the meetings that already take place at official level—such as those around employability—to include the issues that you mentioned. Jamie Hepburn and I would look to have similar wider discussions in the joint ministerial working group. From the Scottish Government's point of view, there is no barrier to encouraging realisation of what is happening in the labour market in Scotland, and of the potential impact of the in-work conditionality that the DWP is suggesting.

The Convener: There are lots of bids for supplementary questions. The deputy convener, Pauline McNeill, has caught my eye. Alasdair Allan and Shona Robison also want to come in on this area.

Pauline McNeill (Glasgow) (Lab): The convener talked at length about the transfer of tax credits to the benefits system. As we have established, that transfer will be a shock to a great number of people who have not been involved in the benefits system.

Is there a case for arguing to the DWP that the tax credits system has worked pretty well? It has taken a lot of children out of poverty and it does not seem to me—from the evidence that I have heard so far—that the DWP is equipped to take on all those claimants. Would it therefore be better to argue that we should leave the tax credits system alone and leave it with Her Majesty's Revenue and Customs?

Shirley-Anne Somerville: We have written to the UK Government on a number of occasions—I think that we are up to 11 letters—to strongly urge the DWP to halt the roll-out of universal credit. Although we wished to see it halted before this point, we have now reached a crucial stage, where managed migration is the next challenge.

As I said to the convener—and as the committee has heard—there are a number of concerns around the use of universal credit. There are particular concerns around the UK Government's managed migration draft regulations, and I do not believe that it has listened to the evidence on their impact.

There has been a strong call from the Scottish Government to halt the roll-out of universal credit so that managed migration does not happen and people do not move over from tax credits to the benefits system. Indeed, I wrote to the new Secretary of State for Work and Pensions, Amber Rudd, within her first couple of days in the role, to press that point once again.

Pauline McNeill: Just to clarify: was that letter in relation to a halt of the full roll-out of universal credit?

Shirley-Anne Somerville: It was about a halt to the roll-out of universal credit. I do not want one more family or individual to move on to universal credit. Unfortunately, we are reaching the stage where we have had the roll-out of the live system, but I do not want to see the managed migration.

Pauline McNeill: I am on record as supporting the Scottish Government on that and I hope that your call is accepted. However, by all accounts, it does not seem that the roll-out will be halted. If we cannot stop the roll-out of universal credit, should we not have a plan B? We could perhaps argue sensibly that it would help if we took self-employed people out of universal credit and did away with the four-week period to stop fluctuating earnings. I can think of a lot of areas where a change of approach could help.

This week, I dealt with my first case of a single-parent family receiving zero tax credits in a month, even though, except for one week out of work, that family has been in work for 30 years. It therefore struck me that, if we are not going to get a halt to universal credit, the DWP might have some sense

and say that it will at least halt the transfer of tax credits. That would help some families at least.

Shirley-Anne Somerville: There should certainly be a halt to the managed migration, so that those on tax credits do not move over.

The new Secretary of State for Work and Pensions has said that she is listening. At this point, I have to take her at her word that she has recognised that there are a number of concerns around universal credit. She has the opportunity to act—and act quickly—to change the draft regulations on managed migration, for example, to deal with a number of the glaring problems with it. If she does not do so and insists on continuing with managed migration, there are specific details within universal credit that we should change. My letter to the secretary of state addresses a number of them in great detail.

09:30

One concern about managed migration is that tax credit recipients will also not benefit from the two-week run-on that was made so much of during the UK budget process. They will still need to claim universal credit to get their tax credit. There is a great number of detailed and specific concerns about managed migration, and the Scottish Government gave a detailed response on the issue. I will not give up, because the evidence is strong and the UN rapporteur has reiterated the damage that is caused by universal credit.

The new secretary of state has the opportunity to act. She says that she is listening. If she is genuinely listening, it will not take her long to hear the outcry from charities about the need to stop the roll-out of universal credit, full stop.

The Convener: I am sure that we will come back to some of those issues.

Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP): To what extent does the Scottish Government feel that it is being involved in the development of the thinking—if we can call it that—on the policies behind the roll-out universal credit, particularly sanctions for people who are in work? Most people understand intuitively that getting someone from a low-paid job into a better-paid job involves training, opportunities and education; it does not normally involve their being sanctioned or punished. I am curious to know to what extent the Scottish Government feels that it has been asked its opinion, along the way, on whether that system works.

Shirley-Anne Somerville: I am not sure whether we have been asked our opinion on that, but we have certainly given it at every opportunity, because the evidence on the effectiveness of sanctions is clear. For example, a five-year

longitudinal academic study that looked at sanctions and conditionality concluded that sanctions have “universally negative impacts” on people. The evidence is strong that they are not the way forward.

The Scottish Government’s approach involves upskilling through, for example, the flexible workforce development fund and an attempt to encourage better awareness of the opportunities that are out there. That is always done on a voluntary basis. The feedback from the employability services that the Scottish Government is running shows that that ensures that people feel supported, so that they will come back to their key worker to get help with upskilling and trying to get into the workforce. That approach is very different from people feeling that they will have an adversarial relationship, in many cases, with their DWP work coach. Our approach has proven to be effective, and the evidence from the Scottish Government’s employability services will demonstrate that.

It is clear—I have quoted one study out of many—that sanctions do not encourage people into better-paid employment.

Dr Allan: The two Governments clearly have a different starting point on that. You mentioned that devolved services try to provide people with opportunities to get into better work. How do devolved services engage—if, indeed, they do—to ensure the type of progression that we are talking about, given that the benefits system seems to be going in the opposite direction? How are devolved services geared up to cope with the difference in approach?

Shirley-Anne Somerville: When the employability powers—limited though they are—were devolved to the Scottish Parliament, we made it clear that sanctions would play no part in our use of them.

Mr Hepburn and I attend joint ministerial working groups on this aspect and there are a number of groups at official level. We are specific and definite in our determination to not have sanctions. That, therefore, encourages people to get involved and take part in services in Scotland in a way that I do not believe happens elsewhere in the UK.

However, I take the point that many people are still frightened of the overall system. They are fearful of sanctions in general and that fear of sanctions still weighs heavily on many people, despite the reassurances that we can provide about the devolved aspects.

Dr Allan: You quoted the UN rapporteur in your opening remarks. I do not think that you quoted some of the strongest things that he had to say but I am curious to know what you feel the human impact will be of this process—of in-work

conditionality, sanctions and so on. What are the consequences of that approach, which will result in devolved services picking up the pieces? The rapporteur has said:

“British compassion for those who are suffering has been replaced by a punitive, mean-spirited, and often callous approach”.

Does that apply to the roll-out of universal credit?

Shirley-Anne Somerville: The UN special rapporteur was exceptionally strong in his end-of-visit statement. We look forward to seeing his full report in the middle of next year.

Mr Allan is quite right to point to the fact that services at the local authority level and Scottish Government level are picking up the pieces of what happens under universal credit. There is no doubt in my mind that universal credit is causing anxiety, stress, increased rent arrears and increased use of food banks. Many of the devolved services and local authority services are attempting to fill the gaps. Many charitable organisations are also having to step in and fill the gap when people are being failed by the welfare system.

I have one example at a local authority level. Glasgow City Council is spending approximately £2 million to deal with the effect of universal credit coming to the city. It is exceptionally concerning that local authorities are having to look at that level of funding at a time when the DWP has taken away the universal support payments that were given to local authorities to support people during their transition to universal credits.

There are a number of financial impacts at the Scottish Government level, the local authority level and within the charitable sector because other services are attempting to step up to assist people at times of crisis.

Shona Robison (Dundee City East) (SNP): I want to go back to the issue of managed migration. We would all like Amber Rudd to think again and halt managed migration, particularly for people who are on tax credits.

In your earlier remarks, you said that people will need to apply and many of them have no idea that this is coming. The DWP said that it does not envisage any attrition rates. What is your response to that? Is there a way of monitoring that? Are you aware of any systems being put in place to allow either the DWP or even third sector organisations to monitor whether people drop out of the system because they do not know that they should apply or feel that they do not want to be part of the benefits system?

Shirley-Anne Somerville: That is an area of great concern. The Scottish Government raised it in our response to the Social Security Advisory

Committee when it was looking at the regulations. When the SSAC went back to the DWP, it was an area of specific concern. It is unfortunate that the DWP has continued the policy direction of requiring people to apply for universal credit.

Not enough is being built into the transition to reassure me, and indeed many others, that people—particularly the most vulnerable in society—will not fall through the cracks. This is a major change for people who have not previously been part of the benefits system. Those individuals will have little understanding that universal credit is about to come their way, and yet responsibility is being placed on them to ensure that they apply for it. The DWP is not doing enough to ensure that people do not fall through the cracks. Systems could be prepopulated with information, which would take some of the responsibility away from individuals, but that is not happening.

I stress again that that is not just the view of the Scottish Government, although it is the view that we put forward our view in our response to the SSAC. The SSAC specifically said that the risk should sit with the department and not with individual. That is the very least that people should expect out of such a major change to the tax credit benefits system.

Shona Robison: You referred to the draft regulations. One of the issues that has emerged in evidence is the transitional protection that will be afforded to people migrating over; in essence, their income will be protected unless there is a change of circumstances. A change of circumstances could be the result of a range of issues, and the committee has heard concerns that that could include a woman leaving a domestic violence situation. When representatives from the DWP came before us, we asked them about discretion and did not really get any clear answers. Is it your understanding that there will be discretion? What is your understanding of the draft regulations in that regard? Did the Scottish Government include in its response the need for discretion in those circumstances? We would never want a woman to decide not to flee violence because she is worried about the impact on her family's income. That would be an intolerable situation.

Shirley-Anne Somerville: There is a major concern that the transitional arrangements will not apply if there is a change of circumstances. As you rightly point out, a change of circumstance can happen for myriad reasons. Although some of those changes might be very minor to an individual, they would of course be obliged to notify the DWP of that change of circumstance. One of those circumstances involves women fleeing domestic violence. It would be fair to say

that, at this point, there is not enough clarity about how transitional protection will work. That is an area of concern that we have raised with the DWP. Until we know how managed migration will affect individuals, in particular the most vulnerable individuals in society, we should not implement managed migration. Unless we are reassured that people will not fall through a gap, and that a woman will not stay in an abusive relationship because she is frightened about how much money she will receive, we simply should not go down this path.

As I said, the secretary of state has said that she is in listening mode. I hope that she is, because much more clarity is required, particularly in relation to the protection of vulnerable people in our society.

The two Governments may disagree about the policy direction with regard to universal credit—we will continue to do so—but I sincerely hope that Amber Rudd will consider the specific challenges that the policy will present to some of the most vulnerable people in our society and will not in any way begin a process until she can guarantee people that they will not be worse off in the system, particularly with regard to domestic abuse. We simply cannot get into a situation where those concerns are on a woman's mind at a point of crisis.

09:45

Mark Griffin (Central Scotland) (Lab): To me, there are two ways of lifting people out of in-work poverty. One is through lifting their wages through initiatives such as the minimum wage, and the other involves the state intervening to support people's incomes. A good way of taking the latter option—at least as it was described when it was announced—is the Government's plan for an income supplement. Can you set out some of the early thinking on the income supplement? Do you have a specific target in mind for poverty reduction? What are your thoughts about eligibility, the level of payment, the date of implementation and the budget that you might set aside for the initiative?

Shirley-Anne Somerville: You are right to say that there are a number of ways to assist people out of poverty. The income supplement is one of the aspects of that that the Government is absolutely committed to. A great deal of preparatory work is going on to determine what an income supplement might look like. All of the aspects that you mention—eligibility, funding for the initiative and how it could be delivered—will be analysed and appraised. We are keen to consider the delivery mechanism, so that we can be sure that we are doing it in a way that is timely and effective, because we do not want to spend so

much money on implementation that we are taking money away from what we would pay as the income supplement.

A number of meetings with stakeholders are going on at official level and at cabinet secretary level. The policy lead for this at a cabinet level is Aileen Campbell, but the delivery might well sit within my portfolio, so Aileen Campbell and I have met a number of stakeholders to discuss their views on the income supplement, and preparatory work is going on within the Government on the feasibility of various delivery mechanisms and the appraisal of various options.

One of the areas that we will be keen to consider concerns the number of children that the give me five campaign suggested could be lifted out of poverty by the mechanism that it supports. Of course, the Scottish Government did not support that mechanism, but it is a useful starting point for the examination of the issues.

Mark Griffin: That announcement was made eight months ago. When will you be able to come back to Parliament—this committee would be particularly interested in the issue—with more details about the income supplement?

As we are talking about the difficulties around universal credit, what are your views on any reliance that the income supplement might have on the universal credit system?

Shirley-Anne Somerville: We intend to report back to Parliament on the options in June. There will be a great deal of stakeholder engagement on those options. We had our debate in Parliament in which we discussed the opportunity for cross-party talks on the issue, and Ms Campbell and I are keen to work with others in the Parliament to bring forward the policy.

Mark Griffin raises an interesting and important point about our reliance on universal credit, which is a reserved benefit. Our experience has shown that it is not easy to have joint working with the DWP in many areas; it is a complex task.

I am also mindful of the cost of delivery. For the universal credit Scottish choices, the Scottish Government needs to pay the DWP £2.50 per choice. That is money that the Scottish Government pays because we believe in Scottish choices, but it is money that the Scottish Government is not using on anything else.

Our reliance on reserved benefits, such as universal credit, makes us reliant on any changes to the universal credit system and their impacts. It also requires us to have a joint timetable with the DWP on how quickly the system can be introduced. The example of Scottish choices shows that all that comes with a cost.

Mark Griffin: You have touched on Scottish choices. Two are already in place and, given what we heard from the DWP, the work on automatic split payments is at an advanced stage. Is the work on universal credit flexibilities on the Scottish Government side at an end, or are you looking to exercise Scottish powers to change any other aspects of universal credit, in a similar way to how the Scottish choices have been implemented?

Shirley-Anne Somerville: There are limited areas in which we have any ability to impact on universal credit. More frequent payments and the ability to pay directly to landlords are two policies that are now in place. The two other areas that are within the Scottish Government's powers are split payments and the bedroom tax.

Unfortunately, the DWP has moved the timetable for the introduction of the mitigation of the bedroom tax at source. In the interim period, the Scottish Government will, of course, continue to mitigate the bedroom tax through discretionary housing payments, but it is disappointing that there has been a further delay at the DWP end to our ability to deal with the bedroom tax at source, should we wish to do so.

We are also moving forward with our policies on split payments. An individual has the right to receive a payment as an individual, not as a household. The Scottish Government will be moving forward with our policy proposals on split payments this year. We will then need to work with the DWP on the implementation of the policy and, again, on how much it will cost the Scottish Government.

We are looking at those two other areas. It is not in our gift to set the timetable, but the policy intent is there, and we are determined to drive forward those policies.

Mark Griffin: Housing organisations that support the housing first model of social security payments secure someone's tenancy before doing anything else and advocate the use of automatic direct payments to landlords. I am not entirely sure whether this would be in the Scottish Government's power but, given the level of rent arrears that we see from local authorities, would the Government consider pursuing policies so that those on universal credit have their tenancy secure at the outset?

Shirley-Anne Somerville: Through Scottish choices, we encourage people to take up the option of having their rent paid directly to their landlord. It is important that it is an individual's benefit, so the choice about how it will be used should be theirs. It should be up to an individual to decide whether the payment is made directly to the landlord.

I recognise that landlords have a number of concerns about the payment of rent directly to them because of the way in which the DWP payments are made. The fact that people are technically in arrears is a concern. I have spoken to the Scottish Federation of Housing Associations about that and we have made a number of suggestions to the DWP about how those challenges for social landlords could be dealt with. The DWP could change the payment system to landlords to ensure that the issue of people technically being in arrears does not arise. However, I go back to the point that it is an individual's benefit, so it is for them to decide how the money should be used.

Mark Griffin: At the moment, the money automatically goes to the individual, but they can choose to switch to direct payments to the landlord. Would it be possible for payments to go automatically to the landlord but for the claimant to be able to choose to have payments revert to them? That would still give them a choice but, in the first instance, payments would automatically go to the landlord.

Shirley-Anne Somerville: It would be possible to put forward that policy, but it is important for the individual to have the choice and to be able to decide how their payments are made. The preference is for the individual to be able to choose to have payments made directly to the landlord rather than that being assumed and their having to opt out, as opposed to their being able to opt in.

Alison Johnstone (Lothian) (Green): You might be aware that the committee has written to local authorities to ask them what financial provision has been made in response to the roll-out of universal credit. Many of them have mentioned the Scottish welfare fund, which has come up in submissions from other organisations. With the roll-out of universal credit, it is expected that there will be more demand on the Scottish welfare fund. Although I appreciate wholeheartedly that that fund and other payments and services, such as the discretionary housing payment, should not be used simply to mitigate cuts that are the direct result of another Government's policies, they are there to stop people who are struggling, whether they are in work or out of work, falling into extremely difficult circumstances.

What is the Scottish Government doing to assist local authorities in dealing with any rising demand for support?

Shirley-Anne Somerville: You are quite right to say that local authorities are facing the challenge of trying to prepare people for the forthcoming roll-out of universal credit through the managed migration process. A number of our largest cities

have moved forward with universal credit in the past few months.

I am aware that a large proportion of the people who are seeking Scottish welfare fund payments are doing so because of a delay in the payment of a benefit or because the correct amount has not been paid, which has put them into crisis. The Scottish welfare fund was set up to be there for people in times of crisis. Unfortunately, it is increasingly turning into something that people are using because of a failure in another part of the benefits system. A large proportion of the people who are coming forward to receive assistance through the Scottish welfare fund are doing so as a result of the impact of the roll-out of universal credit.

10:00

As I mentioned earlier, it is disappointing that we have recently had cuts to the universal support that is directly provided to local authorities from the DWP. However, I recently met the Convention of Scottish Local Authorities to discuss how local authorities are being affected by the Scottish welfare fund and other things, and Councillor Whitman and I jointly agreed that we would ensure that there is close communication between Scottish Government officials and local authorities on the impacts on local authorities so that we have an absolute awareness of that.

Local authorities across the country are at different stages, because they have had universal credit for different lengths of time, but we are very keen to work with COSLA to shine a light on the added burden that universal credit brings to local authorities. The DWP assured local authorities that it would provide additional funding for the administrative burden that universal credit would bring, but it would be fair to say that not much has come from that promise. I am very keen to work with local authorities on that.

Alison Johnstone: Will the Government continue to monitor the funding for the Scottish welfare fund and DHPs to ensure that local authorities are able to meet any demand that arises?

Shirley-Anne Somerville: We certainly have to keep a close eye on that. We have a joint agreement with COSLA on how the Scottish welfare fund is allocated among the local authorities, which is based on Scottish index of multiple deprivation figures. There is a jointly agreed formula. The Scottish welfare fund and discretionary housing payments are, of course, matters for the determination of the Scottish budget as we move through our annual process.

Alison Johnstone: A common suggestion in written submissions was to ask for more funding

for advice services. I am aware that the financial health check, which Citizens Advice Scotland will have responsibility for, has been launched just this month. Many organisations—the Child Poverty Action Group, Citizens Advice Scotland, NHS Ayrshire and Arran, and a menu for change, for example—have pointed out in their submissions that ensuring that people have access to information and advice to enable them to maximise their incomes and ensure that they know what they are entitled to and where to get it is key. What efforts are being made to ensure that people have an opportunity to maximise their income? We know that figures relating to the number of unclaimed benefits are quite staggering. Those benefits could make a real difference for people.

Shirley-Anne Somerville: Absolutely. The committee—and Alison Johnstone in particular—will be aware of the Scottish Government’s responsibility to increase the take-up of benefits under the Social Security (Scotland) Act 2018. One of the reasons for that is that so much goes unclaimed. It is imperative that we look seriously at income maximisation. I see at the constituency and ministerial levels the importance of having a well-funded advice service, and I see—as, I am sure, other members do—the impact that that can have on people.

We have increased our welfare advice services budget from £3.1 million in 2017-18 to £3.6 million in 2018-19 to enable us to improve our support for advice in recognition of the very important role that it plays. The financial health check that Aileen Campbell recently launched is another important aspect in our commitment to ensure that people have the information that they require to get the benefits that they are entitled to and to deal with the poverty premium that, unfortunately, many people face.

We have also undertaken a review of the advice services because there are many different parts of Government that fund advice services. Some funding comes through Aileen Campbell’s portfolio, but not all of it does. We have to ensure that we are not duplicating anything and causing more work for the advice services by making them bid for money from different pots in different parts of Government, which makes it more difficult for us to support them. That work is going on presently, because we want to ensure that we are funding advice services effectively and are not making them jump through hoops to ensure that they can do what we all want them to do, which is to maximise people’s income.

George Adam (Paisley) (SNP): Many of the written submissions that we have seen contain suggestions for how the Scottish social security system could mitigate the impacts of universal credit. It is almost as if the Westminster

Government breaks it and we have to fix it, every time.

Last week, the UN special rapporteur said:

“through it all, one actor has stubbornly resisted seeing the situation for what it is. The Government”—

that is, the UK Government—

“has remained determinedly in a state of denial.”

He went on to say that that has been the case even while

“devolved authorities in Scotland and Northern Ireland are frantically trying to devise ways to ‘mitigate’, or in other words counteract, at least the worst features of the Government’s benefits policy”.

I agree with my colleague Alison Johnstone, who said in a recent debate that she does not come into Parliament to mitigate another Government’s policy. After all that, my question is this: when do you stop cleaning up after the Westminster Tory Government?

Shirley-Anne Somerville: The Scottish Government undoubtedly faces a challenge in that regard. Earlier, I mentioned the scale of the cuts, which come to £3.7 billion. To put that into perspective, I point out that that is three times the annual police budget in Scotland.

I have read a great deal of the written evidence that the committee has been sent, and have seen the recommendations on action that the Scottish Government could take, and I fully understand where those suggestions are coming from. However, when I looked at the long list of suggestions for ways in which the Scottish Government could, in effect, pick up the pieces that we have been left with as a result of Westminster’s policies, I was concerned about the ability of the Scottish Government to fund them.

That said, we will not stand by and do nothing while people are unable to feed their families or themselves because of what is happening at Westminster. We will not stand by and allow that to happen. I simply make the point that we cannot pick up the pieces from every welfare cut that is happening at Westminster.

Earlier, I mentioned the £125 million that we spend on mitigation measures. That is broken down into the Scottish welfare fund discretionary housing payments and the fairer Scotland fund. Of course, that amount does not include what goes on across the rest of Government to support people who are on low incomes. I mentioned earlier the school clothing grants and provision of sanitary products: I can also mention the education maintenance allowance, the £96 million that has been provided overall to support fair start Scotland, the workplace equality fund, the council tax reduction and so on. I could go on; there are

lists of initiatives in other ministerial portfolios that support people on low incomes.

At this time, when consideration of the Scottish Government budget is starting, this committee and others will be well aware of the challenges that are involved in our attempts to mitigate the worst excesses of Westminster's policy decisions. That is what they are; the UN rapporteur said specifically that the measures are policy choices that have not been arrived at by accident or because of austerity.

We are presented with a budgetary challenge that we have to take on in the Scottish Government. That challenge sits heavily not only on my portfolio but, as I suggested when I mentioned the number of projects that are going on across Government, on the portfolios of all the cabinet secretaries.

George Adam: Those were extremely strong words from the UN rapporteur.

I will go off at a tangent somewhat. Is it not almost as if even the UN is saying that, because the Scottish Government is having to make those decisions, if Scotland had full powers over social security, we would have a chance to make a better go of it than the Westminster Government is currently doing?

Shirley-Anne Somerville: I reiterate that policy choices are being made by the DWP and the UK Government. The facts that people are being sanctioned in the UK welfare system and that we have a two-child cap policy are nothing to do with austerity. Those are policy decisions.

Through devolution of a limited amount of social security payments—about 15 per cent—people will, however, begin to see that things can be different. We will deliver the devolved benefits with dignity, fairness and respect. There will be a demonstrable difference between two systems in the UK: one will be delivered with dignity, fairness and respect and the other is “inhumane”. That is not my word; it is a word that is used by people to whom I speak on visits. There is a very stark comparison to be made, and people will draw their own conclusions from it, in due course.

The Convener: The cabinet secretary mentioned sanctions. To go full circle, I will go back to our original line of questioning, before we move on.

Alasdair Allan explored in-work conditionality, which we would probably call sanctions—it makes work punitive rather than making it pay, if you like. Alasdair and I explored a line of questioning on work and career progression. The Scottish Government has a role to play in training, in the further and higher education sectors, in apprenticeships, in childcare, in transport links, in

local communities and in better understanding of local jobs markets.

There is a huge overlap between the tiers—the Scottish Government, the UK Government and local authorities—of government. I asked about how they could work more closely together in supporting work progression, and the cabinet secretary indicated that she is prepared to do that. However, would the UK Government have to lift the threat of sanctions from people in work and on universal credit for there to be work done on a formal basis in relation to work progression vis-à-vis the universal credit system? If it does not lift that threat, could it do reputational damage to local authorities and the Scottish Government to get close to the DWP and work hand in glove with it to support work progression, even when, ironically, there could be sanctions at the end of that work?

Shirley-Anne Somerville: It is important that we see the matter from the perspective of the individual who is going through the process. In fair start Scotland, for example, the support worker has a key role. An individual who is going through that process can go to the support worker for advice and reassurance about what is going on. However, all that counts for nothing if a person in another part of the system is concerned about a sanction.

It is important that the work that we do supports people. Again, fair start Scotland is an example of that. It is difficult—or, rather, it is impossible for people on in-work conditionality, who are in work and might face sanctions, to feel supported during the process. People are being sanctioned to make them seek more hours or better-paid jobs, but those might not exist in their local labour market. It is not the responsibility of that individual to work out who is to blame for that. It is the responsibility of local authorities and the Scottish Government to ensure, as much as we can, that people know about the services that are out there. However, it is a challenge for people to work through a system that is very complex.

10:15

The Convener: I have a brief follow-up question, but I will not push the issue much further. I represent Glasgow Maryhill and Springburn. Although the jobcentre in Maryhill has closed, there will be work coaches in Springburn who, in a few years, might have to have conversations with part-time workers about increasing their hours or increasing their rates of pay. There will be a skills shop. There is also a college and a variety of devolved supports. The more formal the relationship is with Jobcentre Plus, the more there could be—dare I say it?—contamination of the positive relationship that local authorities and the Scottish Government are trying

to build because, ultimately, the system could apply a sanction. When it comes to arrangements for working with Jobcentre Plus to support people in work and on universal credit, would the threat of sanctions have to be lifted before you could have such formalised local relationships?

Shirley-Anne Somerville: I suppose that that would depend on the type of formalised local relationship. At all times, we would encourage a user-centred approach that—as I said at the beginning—looks at things from the individual's perspective.

I encourage the DWP to take part in partnerships or groups in its communities, because it cannot be seen to be separate from what goes on, or else charities and colleges, for example, will not know who in the DWP to phone to sort out very localised problems. The DWP should never be separate from what is going on in its communities; it must recognise what is happening there. We are building that into local delivery by Social Security Scotland—the local delivery service will be seen as part of the community and will work with partners there, rather than being separate from them. Without those local relationships, we can never expect people to have a true understanding of the impact of decisions that are made in a jobcentre or in our local delivery service.

Pauline McNeill: I will ask about passported benefits. We are told that

“The qualifying criteria for many passported benefits include receipt of UC, with income below a certain threshold.”

Many issues arise from that, but the one that I want to ask about is eligibility for free school meals. I have done a bit of work on the subject over the past couple of years, and it has taken me a long time to understand how we arrived at the current thresholds, and who qualifies. It involves complex arithmetic. Qualification depends on people being on child tax credits and working tax credits and being below a certain earnings threshold.

In some ways, the new system is simpler to understand. In relation to free school meals, the earnings limit for people on universal credit is

“£610 in the monthly assessment period immediately prior to the application for free school meals”.

According to the Scottish Parliament information centre,

“Few families on Working Tax Credit would have earnings low enough to benefit from these rates. For example, in 2019/20 the National Living Wage for people over 25 will be £8.21. Someone would need to be working fewer than 18 hours a week at £8.21 in order to fall within the £610 per month income threshold for free school meals.”

I have no idea how that compares with the current arrangements, and I would not expect you to know that information off the top of your head. However, have you given any thought to whether it would be within your gift, under the powers of the Scottish Parliament, to change that threshold? How do you see application of that earnings limit impacting on families who rely on free school meals?

Shirley-Anne Somerville: As the deputy convener rightly points out, the rules on passported benefits are very complicated. The policy area sits in many different ministerial portfolios; therefore, so do the criteria for benefits. The specific issue that Pauline McNeill has asked about sits in the education portfolio, rather than in the social security portfolio.

On eligibility for benefits, there is awareness across Government that the move to universal credit is creating a challenge with passported benefits. As the committee well knows, there are challenges around the fact that UC fluctuates from month to month, which creates difficulties for individuals.

Within the various ministerial portfolios, we are actively considering the impact of universal credit. Decisions will lie with the ministers who are involved: for example, as I said, decisions on eligibility for free school meals lie with the Cabinet Secretary for Education and Skills. Across Government, we are alive to the challenges that universal credit is creating for individuals.

Pauline McNeill: I acknowledge that the issue is another minister's responsibility, but am I right that it would be within the Scottish Government's gift to change the threshold at which free school meals become available, if it chose to do so?

Shirley-Anne Somerville: Eligibility for free school meals is set in devolved regulations, so it would be up to the responsible cabinet secretary in this area—in this case, the Cabinet Secretary for Education and Skills—to consider those regulations. I stress again that, across Government, we are aware of the challenges, particularly around universal credit and the impact that it will have.

Pauline McNeill: I am interested in whether £610 is a lower threshold than the one under which we are already operating. I suspect that it probably is a bit lower. It would be helpful for the committee to know the answer to that. Perhaps we might write to the Cabinet Secretary for Education and Skills.

Shirley-Anne Somerville: My understanding is that that figure is the status quo: the threshold is not being lowered. If the committee requires further information that I do not have to hand, I will be happy to provide it in writing.

The Convener: That would be helpful. As the deputy convener was asking her question, I had the benefit of being able to go online to get some information on the current eligibility criteria in the tax credits system. I know that the information was not available to the cabinet secretary as she sat answering the question. The information says that, from April 2010, if council tax credit and working tax credit are paid at the maximum rate, and if the annual household income, for tax credits purposes, is less than £6,420, the children in the household are eligible for free school meals. Some other information is also provided.

Irrespective of what the passported regime is or is not, there is a contrast with the system before universal credit. Under the new system, fluctuating earnings mean that there are cliff edges with passported benefits entitlement. One of the calls that the committee received in evidence was for all the information on passported benefits to be reliable, held in one place and in language that is easy to understand. That might be helpful.

Shirley-Anne Somerville: I take on board what has been said. I agree with the deputy convener that the issue is complex, and that it is made even more complex because of the move to universal credit. Across Government, we are giving active consideration to the matter.

An example from my portfolio is the work that we are doing on best start grants. We acknowledge that there are fluctuating incomes, so we look at the universal credit awards in the month of application and in the previous month to ensure that, if either of those awards is above a zero rating, assistance can be given. There has to be recognition and understanding of that, which is why, for the best start grant, we have sought to deal with fluctuations in income and the challenges that they present to people.

The Convener: Before we move on, Michelle Ballantyne has not had the opportunity to ask a question. Would you like to ask anything?

Michelle Ballantyne (South Scotland) (Con): I would not, at the moment. Thank you.

The Convener: If no other member has a question, I have one that we really need to ask.

One of the major determinants of in-work poverty is rates of pay. We have to look at the minimum wage, the living wage and uptake of the living wage. We also have to look at the on-going discussion about whether the minimum wage should be the living wage and should be statutory and enforceable across the board. The well-established view of many anti-poverty groups that are concerned about in-work poverty is that that should just happen, regardless of whether the power sits in Scotland or the UK. In your capacity as Cabinet Secretary for Social Security and Older

People, have you made representations on that to your counterparts at Westminster? What are you doing to promote the living wage in Scotland?

Shirley-Anne Somerville: That question is for a different minister. However, we have repeatedly raised our great concern about the fact that in our country people of different ages receive different minimum wages. People doing the same job should get the same pay for it regardless of their age.

As you rightly point out, convener, the Scottish Government is keen to promote the living wage. I suggest that we are leading the way on fair pay; we are the best performing of all four UK countries in terms of payment of the real living wage. I would like to see the minimum wage being increased to the level of the living wage.

The Convener: Finally, we have a note in our briefing about council tax reduction. A person's universal credit calculation is used to calculate entitlement to a council tax reduction. I understand that there is some flexibility with Scottish local authorities being able to project income over a year, despite the fact that there are fluctuations in universal credit. Are you aware of any issues around universal credit and the council tax reduction scheme, management of which is devolved? If there are any concerns about that, have you had, or do you intend to have, discussions with local authorities or the UK Government?

Shirley-Anne Somerville: That sits within Derek Mackay's portfolio, but I am aware that work to review the council tax reduction scheme is being somewhat hindered by uncertainty about the DWP's plans to migrate people who are on the previous benefits. That is particularly because of, as I mentioned in an earlier answer, the lack of detail on transitional protection arrangements. That will clearly have an impact on how council tax reduction schemes work in practice.

There is concern that that level of detail is not available to officials in the Scottish Government: not knowing how the transitional arrangements will work with universal credit makes it difficult to work out the implications for the council tax reduction scheme. Again, we stress that we require more detail to allow us to fulfil our obligations to put in place an effective council tax reduction scheme under our devolved powers.

The Convener: I see no further bids for questions from members, so all that remains is for me to thank you and your officials for your attendance this morning.

I put on the record that we had hoped that this morning's witness session would include the cabinet secretary's UK counterpart who—until a few days ago—would have been Esther McVey.

However, Ms McVey did not get back to us to accept, or otherwise, our invitation. Her junior minister has accepted such an invitation, but that meeting will not now happen until the new year. We had hoped to have both Scottish and UK Government representatives here this morning. It is only fair to put that on the record.

Thank you, cabinet secretary.

Decision on Taking Business in Private

10:30

The Convener: Item 3 is for the committee to decide whether to take business in private. The committee is asked to agree that the following items be taken in private at its next meeting: consideration of a draft letter to the Cabinet Secretary for Social Security and Older People on the young carer grant; consideration of an issues paper for the social security and in-work poverty inquiry; and a discussion on the committee's work programme. Do members agree?

Members *indicated agreement.*

10:31

Meeting continued in private until 10:59.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba