



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# WELFARE REFORM COMMITTEE

Tuesday 1 October 2013

Session 4

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**WELFARE REFORM COMMITTEE**  
**14<sup>th</sup> Meeting 2013, Session 4**

**CONVENER**

\*Michael McMahon (Uddingston and Bellshill) (Lab)

**DEPUTY CONVENER**

\*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

**COMMITTEE MEMBERS**

\*Annabelle Ewing (Mid Scotland and Fife) (SNP)

\*Linda Fabiani (East Kilbride) (SNP)

\*Alex Johnstone (North East Scotland) (Con)

\*Ken Macintosh (Eastwood) (Lab)

\*Kevin Stewart (Aberdeen Central) (SNP)

**COMMITTEE SUBSTITUTES**

Jackie Baillie (Dumbarton) (Lab)

Kenneth Gibson (Cunninghame North) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Mike Brewer (Expert Working Group on Welfare and Constitutional Reform)

Martyn Evans (Expert Working Group on Welfare and Constitutional Reform)

Lynn Williams (Expert Working Group on Welfare and Constitutional Reform)

**CLERK TO THE COMMITTEE**

Simon Watkins

**LOCATION**

The Chamber



## Scottish Parliament

### Welfare Reform Committee

*Tuesday 1 October 2013*

[The Convener *opened the meeting at 10:00*]

#### Expert Working Group on Welfare and Constitutional Reform

**The Convener (Michael McMahon):** Good morning and welcome to the Welfare Reform Committee's 14th meeting in 2013. This is the first time a committee meeting has been held in the debating chamber since we moved to the Holyrood building. I have made the complaint to the Conveners Group and the parliamentary authorities, but I want to put on the record that I consider this venue to be completely unacceptable. The debating chamber is just not suitable for taking evidence from witnesses and does not provide a meeting format that is conducive to the type of discussion that our committee would normally have.

I ask that everyone follow the normal procedures by switching off mobile phones and electronic devices.

Our only agenda item this morning is to take evidence from the expert working group on welfare and constitutional reform. I welcome three members of the expert group: Lynn Williams, who is policy officer for the Scottish Council for Voluntary Organisations; Martyn Evans, who is chief executive officer of the Carnegie UK Trust; and Mike Brewer, who is research fellow at the Institute for Fiscal Studies and professor of economics at the institute for social and economic research at the University of Essex. The witnesses are supported by Scottish Government officials Merlin Kemp, who is a member of the secretariat to the expert working group and team leader of the welfare and constitutional reform team, and Susan Anton, who is an economist on welfare analysis.

I understand that Martyn Evans will make an opening statement.

**Martyn Evans (Expert Working Group on Welfare and Constitutional Reform):** Thank you for the invitation to give evidence to the committee. I have been asked to make an opening statement of a few minutes to explain the first phase of the expert working group's work, to outline the group's findings and to give the remit of the second phase of the work. I chair that second phase, and was a member of the first phase, which was chaired by Darra Singh.

The remit of the expert working group in its first phase was to review and to provide assurance on the work that was being undertaken by the Scottish Government on the cost of working-age benefits payments in an independent Scotland up to 2017-18 and, in addition, to look at delivery of those payments in an independent Scotland. We were also asked to offer our views on immediate priorities for change in the welfare system, following a vote for independence. I emphasise that the expert working group operated completely independently of the Scottish Government. In fulfilling our remit, we made our own decisions about which aspects of the Scottish Government's calculations we would comment on in our final report.

The five members of the working group were people with expertise in public sector delivery, social policy, accountancy and economics. Our chair was, as I said, Darra Singh from Ernst & Young, and the other members were Douglas Griffin, who is an ex-director of finance at Greater Glasgow and Clyde NHS Board, Mike Brewer from the University of Essex, Lynn Williams from the SCVO and myself.

The group issued a call for evidence in seeking external views on issues such as the cost of welfare, delivery options and priorities for change. The call for evidence set out a series of questions that were closely related to our remit. The responses were independently assessed and have been published with our report. In addition, we held sessions with business representatives and the third sector, and the Poverty Alliance facilitated a meeting with benefits claimants. We also had input from local authorities.

On the substantive issues, the current United Kingdom fiscal framework does not produce detailed intercountry or interregional fiscal accounts or projections. Therefore, the forecasts were produced mainly by combining United-Kingdom-wide or Great-Britain-wide forecasts of spending on individual benefits, with historic data on the ratio of benefits spending in Scotland to that of the rest of the United Kingdom. We were open in our report about the assumptions that had to be made when specific data were lacking.

We concluded that the preliminary forecasts by the Scottish Government were a reasonable estimate of the cost of benefits spending and related administration over the period to 2018, given the information that is available to the Scottish Government. We said that the forecasts could be improved if the Office for Budget Responsibility were to produce economic forecasts for each region of the United Kingdom, if the Scottish Government had access to data and models that the Department for Work and Pensions owns, or if the DWP and Her Majesty's

Revenue and Customs undertook a bespoke forecast of tax and benefits credit spending in Scotland. We said that there would be an advantage to the UK and Scottish Governments if accurate forecasts of benefits spending in Scotland were regularly prepared and published, irrespective of the referendum's result.

On the second main point of our remit—the delivery of benefits post-independence—we found, among other things, that all claims from people who live in Scotland for jobseekers allowance, employment and support allowance, income support and incapacity benefit are processed in Scotland. However, 40 per cent of all the claims that are processed in Scotland are claims by people in England. We have self-sufficiency in delivery to Scottish claimants, but the UK Government relies on Scotland-based staff for a significant amount of delivery.

In the light of that, we concluded that, given the significant role that Scotland plays in delivering benefits to claimants in the rest of the UK, it would be in the interests of the Scottish and UK Governments to work together during any initial transition period. The Scottish and UK Governments have a common interest in working together to support each other in maintaining delivery of benefits payments through an agreed short transition period. The group believes that that option offers the best possibility of minimising disruption for benefits recipients, which is our main options appraisal criterion.

In the event of independence, accommodating changes through an agreed transition period is considered to be feasible on the basis of our review of the Northern Ireland experience. That would allow distinctive early policy and operational decisions to be taken. Ensuring flexibility would allow the Government of an independent Scotland to set the initial direction of a new welfare state as it assumed progressively greater and then full control of delivery of the benefits payments system.

We took strong and moving testimony from people who are directly involved in the welfare system and we concluded in our report that there is a clear appetite across Scotland for a wider conversation about the principles, policies, opportunities and choices of welfare reform. The group concluded that the Scottish Government should give such work the time that is needed to allow the broadest possible audience the chance to consider the principles, values and policy objectives that would underpin an independent welfare state. The Scottish Government has done that through the second working group, which I have been asked to chair.

The second working group was formed only recently. We will consider the medium and longer-

term policy and delivery options of a welfare system in an independent Scotland. We have just issued a call for evidence, which will run until December. As I said, we will explore the principles and policy propositions that would underpin a welfare system in an independent Scotland.

Our first report confirmed that the Scottish Government's method of forecasting the cost of benefits is reasonable. The Scottish Government has committed to extending those forecasts to cover the early years of the first parliamentary session of an independent Scotland. We will use those forecasts in our work.

We will look at the longer-term options for delivery of benefits payments and the associated welfare services, which are currently reserved. We want to indicate the opportunities for bringing together devolved and reserved services in an independent Scotland to create a more holistic welfare system. We plan to deliver the second phase of the expert working group's work in the spring of 2014.

**The Convener:** Jamie Hepburn wants to kick off the questions.

**Jamie Hepburn (Cumbernauld and Kilsyth (SNP):** I welcome all the witnesses to this rather unusual setting for a committee meeting. Thank you for the work that you have done so far. It was interesting to read the report that you prepared for the Scottish Government.

In paragraph 3.4 of the report that was published after the first phase of the group's work, you set out the Scottish Government's perspective on expenditure on social protection, and later in the report you say that, using the Government's methodology and the information that is available, you think that its assumption is correct. Will you expand on why you think that that is the case?

**Martyn Evans:** I will ask our economist, Mike Brewer, to answer that question in slightly more detail. We looked at and tested the Government's assumptions and tried to make it quite clear in our report which assumptions had been made in areas where detailed figures were not available, and the possibilities of variance as a result of those assumptions.

**Mike Brewer (Expert Working Group on Welfare and Constitutional Reform):** The bottom line is that we believe that the forecasts in the report represent a reasonable estimate of the costs, given the information that is currently available to the Scottish Government. I am used to thinking about welfare policy at GB or UK level and, in that work, talking to officials in London who have more data and models available than do officials in Edinburgh. If the officials here, or a future Scottish Government, were to have more data, the estimates could be refined but, as I said,

we thought that the estimates were reasonable, given the available information.

As for where the assumptions come from, officials have been combining OBR and DWP forecasts of UK welfare spending over the next five years, and then combining that with historical data on how spending on different benefits in Scotland has differed from that in the rest of the UK.

**Jamie Hepburn:** In paragraph 3.2 of your report, you say that the forecasts

“do not reflect any options available to future independent Scottish Governments.”

However, as I think you point out later in the report, that is equally true of options that are available to any future UK Government. In paragraph 3.11, for example, you refer to

“significant uncertainties relating to Universal Credit ... the possibility of future changes to the policy design and implementation,”

and

“uncertainty over how benefit recipients will respond to the changes”.

What you suggest might be true of a future independent Scottish Government, but is the same not true in a UK context?

**Mike Brewer:** It is absolutely true. Given that the OBR’s UK forecasts reflect the UK Government’s current position, that is what we had to work with. It is entirely possible that in his 2014 budget next March the Chancellor of the Exchequer might announce further welfare policy changes that will affect the whole UK and, in turn, our forecasts. Similarly, we did not try to account for any options that an independent Scotland might take—we simply did not think that that would be right. The forecasts form the baseline and show what would happen if the UK Government did not announce any more policy changes and a future independent Scotland made no policy changes.

**Martyn Evans:** I also point out that 95 per cent of expenditure is demand led and therefore depends on the policies that are in place and the benefits claimants’ response to them. What Mike Brewer is saying is that our assumptions are based on the status quo, as we understand it, being continued until 2018.

**Jamie Hepburn:** I will eke that out. I presume that people’s response to whatever framework is in place will be the same in either context.

**Martyn Evans:** It will be: I will ask Mike Brewer about this point. We understand that the DWP has a reasonably sophisticated model that can be used to look at different ways benefits recipients might react to potential policies, but we did not have access to it. We wrote to the DWP on the

matter and recommended that, whatever happens with independence, that kind of modelling be introduced to allow a Scottish Government to model future activity. Mike Brewer is much more familiar with the technical side of things than I am.

**Jamie Hepburn:** Just before Mr Brewer comes in, can you tell me whether you requested that model from the DWP, to inform your work?

**Martyn Evans:** If I remember correctly, we could not actually use the model ourselves, but we wrote to the DWP to ask whether it was available to the Scottish Government. To be frank, I cannot remember what response we received.

**Jamie Hepburn:** You did not request it for your own work.

**Martyn Evans:** I do not think that we requested it for our own modelling, because we simply did not have the resources to operate it.

**Jamie Hepburn:** I just wanted to clarify that point.

**The Convener:** Did you want to come back in on that question, Mr Brewer?

**Mike Brewer:** I think that everything that I would have said has been said.

**Jamie Hepburn:** There has been some discussion about your suggestion, which the Scottish Government in its response has agreed is sensible, that in the event of a yes vote next year there be some form of transitional arrangement in which the delivery of benefits services would be shared.

10:15

**Martyn Evans:** Yes. On page 65 of the report, we set out the options appraisal process, the criteria we used and the seven options that we considered. We had a long discussion about the options; the issue was that although all are possible, the risk with some is higher and with others it is lower. I will ask Lynn Williams, who was strongly involved in the options appraisal, to comment, but our driving concern and the first issue that we had to address in the appraisal was that there would be certainty over whether benefits would be paid to individuals during the transition period. Given our awareness of vulnerability of income for claimants during a period of transition, we put quite a lot of emphasis in the beginning on that certainty.

In response to your question, I think that all the options are possible, but some carry much higher risk than others, and the risk that we were most concerned about was to do with accurate and timely benefits payments being made during a period of transition. We were also concerned that in the event of independence, any incoming

Scottish Government should have some flexibility, which is why we mention the Northern Ireland model.

**Lynn Williams (Expert Working Group on Welfare and Constitutional Reform):** When we looked at the transition period, we considered the range of options that are outlined in the report, including the transfer of powers to existing bodies, outsourcing to private providers and the use of the Northern Ireland social security agency. A number of things will be important in that transition period. First, as Martyn Evans has made clear, the clear priority is to ensure stability for the people who claim benefits. When people ask what will happen in the event of a yes vote, they are actually concerned about losing out financially, so the primary issue from our, and indeed from my, perspective was to ensure that that certainty exists and that people know what will happen and what they are entitled to during any transition period.

The other issues with regard to the transition period relate to what can be negotiated with the UK Government should Scotland vote yes, the options that we have, and the flexibilities that can be negotiated to iron out some of the issues that emerged strongly in our call for evidence about what is not working well in the current changes. What we need in the transition period is a twin-track approach to ensure that, however long the period lasts, benefits claimants have security and we can negotiate flexibilities, make people's experience better and, indeed, plan towards a new approach to welfare in Scotland. As Martyn Evans has outlined, our prime concern in all our discussions was what would be the safest bet or option for claimants and what sort of flexibility in the current system could be negotiated for a transition period.

**Jamie Hepburn:** You might talk about having a twin-track approach for however long the transition period might last, but it seems to be fairly clear from your report that you think that period would be quite short. For example, you suggest tying it to the term of the current welfare reform programme, which would be the end of 2017, or on the anniversary of a potential independence day, with 2018 as a possibility. Why do you think such dates might be sensible?

**Lynn Williams:** As I recollect, I do not think that we pinned down what the date would be.

**Jamie Hepburn:** No—but you point to those dates as possibilities.

**Lynn Williams:** Part of my role in the group was to bring in the experience of the people who are experiencing the changes to the current system, and our concern is to ensure that the transition period is as short as it can be. However, we have to be aware of practicalities and what is feasible in

that period. I believe that in its response to our report the Government suggested that the period be limited to two years, but we have to be practical and consider what is feasible and what can be negotiated. Nevertheless, we have to ensure at all times that the people who are claiming are secure and safe.

**Jamie Hepburn:** I have other questions, convener, but I am aware that I have taken up a lot of time.

**The Convener:** Alex Johnstone has a supplementary question on this point.

**Alex Johnstone (North East Scotland) (Con):** I would like to you to expand a little on the transition issue. If we consider the nature of the system, we see that benefits are closely tied together. Although it might make sense on first observation to suggest a gradual change, would many benefits have to be transferred together? Would it be difficult to make the change gradual in some cases?

**Martyn Evans:** Two things are going on during this period. One is that the benefits system itself is changing, with the introduction of universal credit. Secondly, control over benefits is potentially changing from UK control to control by an independent Scottish Government. In order to make sense of how best that could work, we did an options appraisal. I agree that there are risks. The evidence from Northern Ireland suggests that it would be possible to run what would continue to be a UK system of benefits but with amelioration for a short transition period while you geared up, if you wanted to implement a completely different system. We recognise that, to have a completely different welfare system, time is needed to build the systems, train the staff, find the software and then deliver those systems.

Behind your question, I think, are the questions whether the change could be made sooner and whether it could be done in one stage. From our options appraisal, we would say that it would not be wise for you to go immediately from 2016 to a completely independent welfare system, and that you need time to build it up. I emphasise that the UK Government and the Scottish Government have a mutual interest in discussing the matter. A large number of benefits are delivered from Scotland to UK recipients, so there is a mutual interest in finding a reasonable solution.

**Alex Johnstone:** You essentially looked into working-age benefits, but is there an opportunity to identify areas of the broader benefits system structure, including pensions, that would have to be transferred together, and areas that could be left until a different point? For instance, could we do working-age benefits at one point and then do pensions at a different point?

**Martyn Evans:** In principle, there is no reason why not, if they are separate. It would be difficult to separate out individual working-age benefits because they now have to be assessed as one.

As far as the possibilities for transition are concerned, everything should be on the table because of the mutual interest in a sensible outcome in the interests of the citizens of the United Kingdom, whether benefits are run by the UK Government for the rest of the UK or by the Scottish Government in an independent Scotland.

These are difficult issues, but I hope that there will be professional negotiations between people who have the interests of their citizens at heart. The possibilities are fairly open, but you need a transition period in order not to risk payments not being made to vulnerable recipients both north and south of the border.

**Alex Johnstone:** But there will be complexities in the timing of specific benefits if we are to avoid problems.

**Martyn Evans:** Undoubtedly. The twin-tracking of significant change up to 2018 according to the current plans under universal credit adds a series of complexities, which you could well do without. We do not know how the change will roll out. The expectation is that it will be fully rolled out by 2018, but there are some indications that it might not be fully rolled out by then, in which case there would be another set of negotiations about how to take over an incomplete transition to universal credit and about what an incoming Scottish Government would like to do with welfare.

**Ken Macintosh (Eastwood) (Lab):** You have emphasised at length how integrated the systems are. Am I right in thinking that no alternative Scottish system has been drawn up and that you are not able to look at an alternative plan to the current UK system?

**Martyn Evans:** One of the functions of the expert group is to draw out what a Scottish welfare or social protection system would be. There is no blueprint that I have been made aware of. If there is one, I hope that it will come in through our call for evidence so that we can examine it. We have three months to consider alternative systems. I am not aware of one, but I ask Mike Brewer to comment.

**Mike Brewer:** I am not aware of any such system.

**Ken Macintosh:** There have been a couple of high-profile commitments, including the abolition of the bedroom tax. We are discussing a transitional period between the current UK system and a Scottish system. The UK system is moving towards universal credit and various other changes. How would we manage to negotiate out

of particular aspects of the benefits system, such as the bedroom tax?

**Martyn Evans:** That is a good point. We would go about doing that with some difficulty.

We considered the example of Northern Ireland, which has various opt-outs. It runs a UK benefits system under contract, but it has the power to opt out. I understand that it has not yet implemented the bedroom tax legislation, for example, so the bedroom tax cannot be implemented there yet. Northern Ireland will not have monthly payments—they will be kept as bi-weekly or weekly—and it will continue with a system in which people can apply directly and do not have to apply online. Therefore, there is a current example of a system that is operated under UK rules but in which there are opt-outs and ameliorations. Because there is that evidence, I think that it is possible to have negotiations between the parties.

**Ken Macintosh:** Basically, the Northern Ireland opt-out system is agreed by the UK Government. Is that right?

**Martyn Evans:** Yes. As far as I understand it, Northern Ireland has its own powers to operate a system. It chooses to use the UK software system, but it can create its own additions to and subtractions from the UK system.

Our first report envisaged that, rather than things being taken over with a big bang, a fairly short period of transition would be agreed. The Scottish Government says that it would be a two-year period. During that period, using the Northern Ireland model, it could be said of the bedroom tax, "We're not going to have that aspect of the system in how we deliver in Scotland." In our view, it is possible to have a transition period, as I have described.

Let me check with my colleagues that I got that right.

**Mike Brewer** *indicated agreement.*

**The Convener:** I want to check that we have got something right. I understand that there are negotiations on the bedroom tax between the Northern Ireland Assembly Government and the UK Government, but there is no agreement yet, so you are talking about a hypothetical.

**Martyn Evans:** A lot of this is hypothetical. We are saying that a discussion is going on about the possibility of making variations in the UK system where aspects are controlled by a different jurisdiction. I think that the question was about that. Whether Northern Ireland is successful and what the distinctions are is a matter for the two Governments.

**Ken Macintosh:** It is difficult to get to the heart of the matter. I think that Lynn Williams suggested

that the priority must be stability and security of benefits payments to claimants. We want to guarantee that, but I am trying to work out how we could pick and choose which benefits can continue at an integrated UK level and which can be opted out of. It strikes me that, if it is a matter of negotiation, it is not simply a matter for Scotland, but one for both Governments, and there would be quite a deal of uncertainty.

**Martyn Evans:** We looked briefly at the Edinburgh agreement and the goodwill approach to which both sides have committed. We would say that the Edinburgh agreement kicks in in the event of a vote for independence. There would be a mutual agreement to be negotiated with good will. We are saying, "Look at who does what in the power play."

Scotland is self-sufficient in its working-age benefits delivery and England is not, so there is a mutual interest in having discussions. Whether those discussions are successful depends on the parties and how far they can negotiate a level of derogation from a universal system over a short period of time. I agree that it is a matter of practicality and the parties' willingness to negotiate, but nothing that we saw suggested that that was an impossible situation. We suggested a period of transition in the event of a vote that meant that an incoming Scottish Government had control over welfare policy. We did not say that welfare policy had to be taken over lock, stock and barrel in that period; rather, we said that we thought that derogations could be negotiated, and we used the Northern Ireland example of that.

I think that Ken Macintosh's question was about how successful the negotiations would be. That depends on the ability and willingness of the parties to negotiate.

10:30

**Kevin Stewart (Aberdeen Central) (SNP):** I am glad that I am wearing my glasses today, otherwise I might have had some difficulties in seeing you guys.

I would like to carry on discussing the Northern Ireland opt-out example, or the derogation as you have called it. Given the policy decisions that the Northern Ireland Assembly has taken thus far and is likely to take in the future, have there been any difficulties in Northern Ireland over this period in making payments to people in need?

**Martyn Evans:** I am not aware that we considered that. Nobody told us that there was a difficulty, but I cannot answer the question definitively.

**Lynn Williams:** I was at an event recently at which there were representatives from Northern

Ireland. Agreements have been made about direct payments to tenants and bi-weekly and weekly payments. There has to be negotiation about how the bedroom tax works, and there would have to be what would be called an "admin fix" at the central level to deal with that. I understand that the Northern Ireland Assembly has taken the approach that it makes sense for it to find a way to ameliorate the bedroom tax because it would cost more to deal with its impact, but the negotiations are continuing.

Like Martyn Evans, I am not aware of any issues around payments or risks to payments because we did not consider that in any great detail. It may be that we will consider in phase 2 what does or does not work well in other areas.

**Kevin Stewart:** Am I right to say that no one in Northern Ireland pays bedroom tax?

**Lynn Williams:** Yes.

**Martyn Evans:** That is my understanding, yes.

**Kevin Stewart:** That situation is somewhat different in that welfare has been devolved to the Northern Ireland Assembly, but that is not the case here. I am sure that you will examine this, but it looks as if no difficulties about benefits payments to those in need in Northern Ireland sprang to your committee's attention.

**Lynn Williams:** That is a fair point. We will examine how that has worked. Given that things have worked relatively well in Northern Ireland, it would make sense to see what can be learned from that experience if there is a transition period in Scotland.

**Kevin Stewart:** I return to the point about the current situation, in which several UK-wide benefits are dealt with here in Scotland. You talked about good will, Mr Evans, and I imagine that it is fair to say that it would be in the interests of the UK Government to reach a deal on transition to ensure that benefits recipients south of the border continue to be paid as well, if their benefits are administered from Scotland.

**Martyn Evans:** Yes. I have worked in this area in Scotland for approximately 30 years and I was surprised by the degree of integration in the delivery of benefits to recipients outside Scotland from within Scotland. If I was surprised by that, others may well be surprised. The consequence is that there is a mutual interest—I agree with you—and good will between the two Governments to deal with any transition period in a sensible way because they both have an interest in protecting the interests of their vulnerable citizens in this matter.

**Kevin Stewart:** Common sense, logic, gumption or whatever we want to call it should

come into play to deal with the matter during the transition period.

**Martyn Evans:** I think that that would be our committee's view. Given the Edinburgh agreement and the good will that is predicted in that agreement in the event of a vote for independence, common sense and good will should prevail.

**Kevin Stewart:** Convener, I have some other questions, but I do not know whether you want me to move on to them now or for the committee to continue on this issue.

**The Convener:** Annabelle Ewing has a supplementary question.

**Annabelle Ewing (Mid Scotland and Fife) (SNP):** Thank you. I was going to raise several of the issues that my colleague Kevin Stewart has raised. I will not repeat them. However, one point on the political side of this debate has been missed. This is a matter of simple democracy. If Scotland votes yes, it will inter alia have voted for the Scottish Government to take control of the welfare system, and everything will flow from that vote. That includes the sensible points to the effect that it will be presumed that each Government, including the Westminster Government, will act in the interests of its respective citizens. Those two key issues would inform everything that would flow thereafter.

**The Convener:** I do not think that that was a question.

**Alex Johnstone:** You have talked a lot about good will and understanding during the transition process. I believe that those things would be there—there is not an issue with that—but I wonder how the practicalities would operate. To ensure continuity of payments, would there need to be some kind of arrangement involving the exchange of credit notes that would then be included in the higher-level negotiations about how the separation of the national finances would take place?

**Martyn Evans:** Lynn Williams will answer that. We did not look at the technical side of transition and payments at all, so if Lynn has a view, I will be interested to hear it.

**Lynn Williams:** We are doing a bit of crystal ball gazing. It is difficult to say. If my memory serves me correctly, the report begins to look at elements of a potential service level agreement and the areas that would need to be discussed in negotiations to get to the stage that Alex Johnstone mentioned. To talk about credit notes and so on is probably to look a bit too far into the future, but the report begins to outline what the negotiations might look like and what factors need to be considered—for example, how information

technology systems operate, who would do what, what would continue to be integrated and, a factor that Ken Macintosh mentioned, what flexibility could be negotiated. We begin to pad that out to a certain extent in chapter 4.

**Mike Brewer:** As things stand, Scottish civil servants provide services to the rest of the UK that exceed the services that are provided by the rest of the UK to Scotland. In paragraph 4.74, we concede that it is possible that there could be financial payments for those services. The rest of the UK might pay the Scottish Government to continue administering pensions for English pensioners, and it is conceivable that the rest of the UK could charge the Scottish Government for administering some benefits for Scottish benefits recipients in the short run, while the untangling takes place. That is definitely an option.

**Alex Johnstone:** We all hope that such things will never happen but, if we look at what is happening in the United States today, we see that Government can shut down. My concern is to ensure that we are never in a position where there is a question over who will pay the benefits and that, should we ever be in that position, a system is in place to allow the Treasury to go on paying, even in the event of doubt, knowing that the matter will be taken into account and dealt with at a higher level.

**Mike Brewer:** We believe that the arrangements would require negotiation, and there would have to be an agreement. We hope that both Governments would negotiate responsibly and sensibly with the interests of their citizens at heart, following the principles that Annabelle Ewing set out. If people have voted for a separate Government, there would still be a mutual need for all benefits recipients in the UK to receive their benefits, so we hope that both parties would negotiate sensibly.

**Martyn Evans:** We set out in paragraph 4.74 the principles and main provisions of any intergovernmental agreement. We have not set out the details and the transactions—the transitional payments, swapping payments and contracting that were covered in your question—but the principles are set out in several bullet points under that paragraph.

**Lynn Williams:** Perhaps we have more faith in politicians than you have in yourselves, but we hope that those discussions would be professional and would keep at their heart the fact that the people at the end of the system are vulnerable and rely on benefits to live from day to day. From our perspective, that is common sense.

**Alex Johnstone:** Self-doubt is an important quality in every politician.

**Martyn Evans:** We identify in our report a weakness in the strategic grip on the issue. The strategic leadership is based in the DWP and we do not have that expertise in Scotland. We want to emphasise that. We have to build that capacity. Only a small number of people would be required, but if we are going to move to an independent welfare system, we will need to have in the civil service or an agency the understanding and breadth of policy that the system brigades into the headquarters in London. Another issue to be borne in mind in relation to the transition is the need to find those people and place them within Scotland.

**Linda Fabiani (East Kilbride) (SNP):** I was just thinking, "You hold on to that thought, Lynn."

There is something that I want to ask before I move on to another aspect. I was struck by the fact that all claims for Scotland are processed in Scotland. Does that make it easier for a Scotland-only system to progress from the point of view of the practicalities and the admin?

**Martyn Evans:** As I said, I had never looked at the delivery of benefits, so that was a surprise to me. It makes things a lot more straightforward from the point of view of the interests that we are trying to apply in the context of transition of delivery, which we were asked to have a look at.

If, broadly, 100 per cent of working-age benefits are delivered in Scotland by Scottish civil servants, who also deliver a range of benefits to some English claimants, that makes the transition a lot more understandable and slightly more straightforward, because the cards are held in Scotland. If it were not like that, we would have emphasised that the transition might be more difficult to negotiate. I still think that it will be difficult to negotiate, but I think that the fact that all the delivery people who provide benefits to Scottish citizens are in Scotland means that it is possible to have a greater degree of assurance about the certainty of the transition period than would otherwise have been possible.

I will ask Mike Brewer to comment.

**Mike Brewer:** That is absolutely right. We must not forget about the HMRC benefits either, on which we had less information because HMRC was less able to break down how its UK operations are split between Scotland and the rest of the UK. However, in relation to the DWP benefits, you are absolutely right that Scotland does not rely on the rest of the UK for processing Scottish benefits claims.

**Linda Fabiani:** That leads me neatly on to my next point—thank you, Mike.

I was interested in the fact that there are quite a lot of parallels in the evidence that came in from

business and from the other groups to which you spoke. The one that really jumped out at me is an issue that some of us have been talking about for a long time, which is:

"Why can't it be better joined up?"

The welfare system is too complicated. People said that we should be combining social care and welfare, the national health service and social services. One group talked about "genuine partnership". The business group talked about there being a need for a "more co-ordinated approach". Both groups went on to say that a taxation debate was also required. In other words, the issue is not just about benefits; it is about taxation, too. The business group was very up front in stating:

"The current taxation system works against people with low incomes".

That brings me on to the remit of the second phase of the working group, which Martyn Evans is chairing. It is to look at

"opportunities for bringing devolved and reserved services together ... to create a more holistic system of welfare."

As part of your remit, will you be looking at the taxation system, too, given that some benefits are delivered through the taxation system?

**Martyn Evans:** Yes, as part of the remit of the second phase of the working group, which, as you rightly say, I am chairing, we have to look at costs. If we make a suggestion for more expenditure, we have to look at whether that might come from savings in the system or from the taxpayer. It is very early days, but we are acutely aware that it is a question of balance. We have not been told to create the perfect system, regardless of cost. We have been asked to say, within the current cost constraints—within the cost extrapolated through the first Parliament of an independent Scotland—what a welfare system would look like. We have been asked to think about where we would make savings if we were to make changes that would increase the costs, and what kind of taxation we would have.

As I said, it is early days, and I think that it is quite heroic that we have accepted the remit. However, if we are to look at the issue, it is only right that we take a balanced approach. We cannot just say, "Here's perfection, and this is what it would look like." We have to say, "Here's what it may cost." That will be a challenge for the people who give us evidence, too.

10:45

**Mike Brewer:** We are not going to do a review of the personal tax system in the second phase although, if issues are raised about the tax system and how it relates to welfare delivery, we will

discuss them. My opinion is that, when universal credit is finally implemented, the tax system will have much less of a role in delivering welfare than it used to. In effect, everything will be run by the DWP and there will not be much role for the tax system. The fact that the personal allowance keeps on rising is taking more and more welfare recipients out of the taxation rate, so the two systems are becoming more separate. However, the group will definitely look at the integration, or lack of it, between the welfare system and things such as social care, which you mentioned, or housing and other local government functions. There are definitely opportunities to discuss how to do things differently in an independent Scotland, and I am quite excited about those discussions.

**Linda Fabiani:** I presume that that came across strongly to Lynn Williams, as a practitioner.

**Lynn Williams:** Absolutely. To go back to your original question, one thing that we probably need to look at is the balance of cash benefits versus types of services. Other models in Scandinavia and elsewhere have more of a balance towards services rather than cash benefits. We might begin to delve into that kind of area. From my practical perspective as a carer, and generally from the position of those who are at the receiving end of services, the issue is how we cut through the complexity not just of reserved benefits but devolved services. In the discussions that we have over the next year of the debate, we will begin to cut through to considering how we make people's experience better so that they do not have to deal with masses of bureaucracy to get to the one service that holds a family together.

As Mike Brewer says, there is an opportunity to look at how we begin to bring together, for example, social care and the benefits system, and how we deal with things such as education and support for disabled children. There are lots of opportunities, and we should not miss the chance to begin to debate those issues in real terms. From my experience as a carer and from our evidence sessions, one issue that comes out strongly is how the reserved and devolved systems bang together in a way that prevents people from being in work. That means that people are moved into dependency but not through choice. One carer who spoke eloquently at the Poverty Alliance session said, "I want to work, but social care in Scotland doesn't let me do that—the carers allowance is the lowest income replacement benefit so, because of the choices that I am forced to make, I am now in poverty." People want to be in work, so we need to consider how we begin to bring the systems together more effectively so that, if someone who is a carer wants to continue working, they can do that.

One element that we have not really looked at yet is the role of employers. In our first discussion, we began to consider how employers fit into a wider welfare system. That was about things such as flexible working practices, given the change in family structures in the UK and the fact that people have dual caring roles and look after elderly parents and disabled children. We need to consider the role of employers in relation to occupational welfare and how they flexibly support changing life patterns.

**Linda Fabiani:** I was interested to see how strongly some ideas about how to assist employees came through from businesspeople in your business forum. I found that very hopeful.

**Alex Johnstone:** When Linda Fabiani asked her question, I thought that she was going to raise the issue of tax credits, and when she did not, I thought that I had better do so. Have you looked at the role of tax credits in the system of support for those on working-age benefits? Have you considered how the impact of a transitional phase of tax credits might impact on the transfer of benefits?

**Mike Brewer:** Earlier, Martyn Evans noted that, under the current plans, universal credit should be fully implemented by 2018, and we used that assumption. In other words, we were looking ahead to a world where there are no tax credits. The transitional period that we were talking about will be the one in which universal credit will finally be rolled out, so a future independent Scotland would not have to worry about tax credits. Martyn Evans also said that, if universal credit roll-out is delayed, that will make the transition much more complicated.

**Alex Johnstone:** It is a long timescale and it seems to be slipping a bit.

**Mike Brewer:** Absolutely. The Government announced an ambitious timescale for bringing in such a dramatic change. It is behind at the moment, but it continues to state that it is committed to having the system fully operational by 2017.

**The Convener:** Before bringing other members back in, I have a couple of questions that are based on what you said earlier. You said that your report is scheduled to be completed by spring next year. Will it be a fully costed report?

**Martyn Evans:** I will find the correct form of words in the paper rather than try to remember offhand what we are tasked to do. [*Interruption.*] It says:

"With that financial baseline in mind"—

that is, the data that the first group said was an accurate forecast of benefits expenditure, extended by the Scottish Government through the

life of the first Parliament of an independent Scotland—

“and being mindful of the economic and fiscal circumstances, the Group will consider the broad costs and savings which might arise from its policy propositions on working-age benefits and ... how costs might be met and such savings invested.”

I take that to mean that what is being sought is, if it is not fully costed, certainly a very clear indication of net cost, where the income might come from and where the savings might come. That is what I would take from our remit.

**The Convener:** You have just specified working-age benefits, but there has been an announcement from the Scottish Government in relation to pensions. Do the commitments to the triple lock and a minimum pension have any implications? Have those considerations been factored in, given that you said that you were working on the OBR and DWP figures for the present time and that the projections were based on the status quo? Have those statements had any impact on your costings?

**Martyn Evans:** I will ask Mike Brewer to say something about the demographics, because we discussed that. However, we are quite clearly limited in our remit—rightly, in my view—to working-age benefits. That is what we addressed. We addressed some of the point about demographics, which came up in the Institute for Fiscal Studies paper over our period.

**Mike Brewer:** Frankly, I think that the long-run demographic position is not particularly relevant for the timescale that we were looking at. Even if we extended it into the early years of an independent Scottish Government, it still would not be relevant. Long-term demographic issues are challenging most European countries, and Scotland will be no different. The remit for the second group is to look at working-age welfare, so that is what we will do.

**Lynn Williams:** I think that we will pick up issues in the call for evidence. Particular transition periods are relevant, for example for young people transitioning from school to beyond and, from a carer’s perspective, for people transitioning towards pension age. I think that the group will have to look at such transitions. However, we have not yet got into the kind of detail that you are talking about, convener, in terms of the impact of the commitment that the Government has made. The second expert group has met only once and is in its very early stages. However, we will have to look at how the issues that have been referred to interlock and work together.

**The Convener:** You also indicated that you have taken into account the fact that Scotland could administer its own welfare system because it

currently administers its own, plus a bit for England. That being the case, have you factored in the fact that, if the welfare system in Scotland was administered only in Scotland, it would require a smaller workforce?

**Martyn Evans:** First, the workforce delivering benefits has been declining throughout the UK; it has declined by about 20 per cent in the past few years. That has been the trend. I will ask Mike Brewer to say a quick word about this issue but, when we looked at this, we found that the vast majority of the 11,000 staff who are involved in delivery are customer-facing staff. We imagine that they will carry on doing that work on benefits in Scotland. An independent Scottish Government would take on more responsibilities, so I do not envisage it needing fewer staff; in my view, it would need more. However, Mike Brewer is more expert on this area than I am.

**Mike Brewer:** I am not sure about that. However, I think that the convener is right that because Scotland is self-sufficient plus more in administering benefits, there would therefore be more staff than would be needed to administer Scottish benefits. First, though, the vast majority of DWP staff are in customer-facing roles, so we are talking about around 1,000 who are doing benefits processing. A small fraction of 1,000 could therefore be thought of as not being needed.

Secondly, in the transitional period that we outline, those staff will continue to administer benefits for people in England. Because we have outlined a transitional period, there is time for staff to be redeployed.

Thirdly, we are talking about one of the areas in which there are more staff than might be needed in the long run, but across all the things that the independent Scottish Government does, there will almost certainly be areas where it needs to employ more staff than it currently has.

**The Convener:** Have you taken into account economies of scale?

**Mike Brewer:** Yes, or, rather, the opposite—the fact that it might be less efficient to run a benefits system in a smaller country. We noted the possibility somewhere, and our estimate of the cost of welfare includes the cost of delivering benefits. However, that is a very small fraction of the total cost, and small changes will not affect our broad conclusions on the £18 billion to £19 billion of spending per year. I concede that it is an area that we know little about. The DWP is not used to thinking about how its functions are split between Scotland and the rest of the UK, so we have little evidence to go on.

**Martyn Evans:** In table 3.5, we set out in real terms the cost of delivering welfare benefits in Scotland over the period, and it will reduce

marginally over the five-year period from £0.7 billion to £0.6 billion. Even over the period that we are looking at, there will be a reduction in expenditure on delivery.

**Jamie Hepburn:** I want to focus on the next stage. Linda Fabiani has asked some of the questions that I was thinking of asking, but there are still some useful questions to be asked.

It is clear from the introduction to the report that was published on the first stage that that work was designed to help the Scottish Government to prepare for the white paper, which is coming shortly. The second phase work is clearly designed to help the Scottish Government to devise policy on the delivery of a benefits system. You had a lot of engagement with the third sector and interested parties, drawing on the expertise of the Scottish Government and the UK Government agencies that you contacted, of which the DWP was the primary one. You also undertook meetings with the sector. What activity are you planning this time around? Will it be the same type of engagement?

**Martyn Evans:** We are planning to step up the engagement with people who are involved in the discussion. We have issued a call for evidence and we are about to approve our process of engagement, which will offer third party organisations some support to bring their members together and will involve structured focus groups in various parties that might be hard to reach. We will go out and, with the civil service, engage with a series of structured focus groups. As the chair of the working group, I will also invite a number of people to speak to me privately in groups about the matter. We are broadly challenging people such as academics and the policy community to engage in this process and tell us, within the structured call for evidence, what they would say.

We will send the convener and the committee our process and our evidence support mechanism when we have concluded it, which I hope will be in a week or two's time, and will give you the detail of that. It is a step change from what we did previously, because we need to be even more sure that we have the widest range of interests represented in considering the future of a welfare system in Scotland.

**Jamie Hepburn:** We will get the broad outline of the work that you are planning.

**Martyn Evans:** As soon as we have approved it, we will send it to you.

**Jamie Hepburn:** We look forward to that.

11:00

**Kevin Stewart:** I welcome what Mr Evans has said. I hope that the working group will also consider the evidence that the committee has gathered during our work to get an insight into the difficulties. Your remit says that you will look at

“how such policies would support people who can work, into sustained employment”.

At one of the committee's your say evidence sessions, we had a gentleman from Dundee whose son had Asperger's—the son worked split shifts but he had some benefits reliance as well. The father's great fear was that his son might be forced out of work and become entirely reliant on benefits, which of course would have scuppered his son's independence and probably done a huge amount of damage.

Will you consider that case and others that we came across in the your say evidence sessions? Beyond that, will you reach out to groups such as Values into Action Scotland, which is good at helping folk with learning disabilities into work? You could then tailor policy to ensure that people who can work—although sometimes only unusual shift patterns and so on—do so. I hope that you will consider what we have done and, beyond that, the expertise of such groups.

**Martyn Evans:** Absolutely. I have been impressed and moved by the testimony that has been given to your committee and we will definitely take it into account. We are taking steps to get our own testimony, as I said, and to challenge people not just to describe what is wrong with the system but to positively say how it could be improved, which is a far more difficult task.

I agree that if we do not hear about the difficulties and struggles that people who are currently in the system face at the absolute heart of the process, we will not apply ourselves as well as we could. We are therefore committed to that wide range of engagement; I have seen almost all the testimony to your committee, too.

**Lynn Williams:** We use the word “co-production” a lot. From my perspective as someone who is on the group to represent the views of people who are part of the system and who sometimes feel isolated, this could be the one opportunity that we have to bring people's experience to creating what a future welfare state might look like or, in the event of a no vote, considering what else could be changed. We have to consider all the possibilities.

From our previous evidence sessions and from speaking to families across Scotland, I firmly believe that sometimes the solutions are simple ones.

**Kevin Stewart:** Yes.

**Lynn Williams:** In the Poverty Alliance evidence session, it was clear from those who are going through work capability assessments that they are struggling with the current system because of issues such as culture and communication. In policy terms, we struggle with the way in which systems operate and maybe marginalise people, and with the sanction issues.

From my perspective, we will not have done our job properly unless we do what Kevin Stewart suggests and go out and speak to different groups, including people with autism. There are challenges for older people with autism who are now in work, as well as for carers and those with disabilities. Officials and I have already had approaches from charities that are offering to do sessions with the working group. For me, that experience will necessarily shape some of the principles on the welfare state as well as some firm policy suggestions.

**Kevin Stewart:** Thank you. That is all very welcome.

**Ken Macintosh:** To pick up on that point, one of our difficulties is in trying to separate out what might be described as a relatively well-shared agenda for welfare reform and the idea of using independence as a vehicle to implement that change, on which there is clearly a lot of disagreement.

Lynn Williams said that you have to consider all the possibilities, including the event of a no vote. To take just one benefit, which I think is the only specific one that we know the Scottish Government has a view on, did you work out the cost of the change that we could make now, using the powers that we have, to get rid of the bedroom tax in Scotland and how quickly that would happen?

As I understand it, none of the changes to ameliorate or get rid of the bedroom tax will happen until after 2016—possibly not until two years after that—by which point the bedroom tax will be totally in place in Scotland. At that point, do we unpick the bedroom tax? Do we reverse and go back to the old payment system? I am trying to work out the difference in cost. Have you worked out the costs of ameliorating or getting rid of the bedroom tax at that point compared to just introducing a system now to get rid of the bedroom tax?

**Martyn Evans:** We certainly did not work out the costs of the bedroom tax going in or out, although I do not think that it would be so difficult to work that out. In terms of principle—

**Ken Macintosh:** Are you working out the cost in 2016 or 2018? What are you doing?

**Martyn Evans:** I will ask Mike Brewer to supplement my answer but, as far as I understand it, we looked at the benefits as they are applied under the current system using forecasts up to 2018, and at the Scottish proportion of those. We looked at benefits in the round. Although we looked at housing benefit, we did not look at specific parts of it up and down. Is that right, Mike?

**Mike Brewer:** Absolutely—that is right. We have not come up with an estimate of what it would cost the Scottish Government to reverse the bedroom tax. We produced a forecast for the cost of welfare in Scotland from now until 2016, and we will extend that to 2018. That will be done on the basis of stated UK Government policy, because that is the sensible baseline from which to start.

It must be possible to come up with an estimate of the cost to the Scottish Government if it did not introduce the bedroom tax or if it reversed the tax in the future.

**Ken Macintosh:** I would be interested to know whether you will look at that specifically in your future work. On a practical point, are you working on the assumption that the bedroom tax will be unpicked? Mr Brewer said that you are working on the assumption that universal credit will be in place by 2018. I assume that you are assuming that the bedroom tax will be in place by 2016. At this point, are you assuming that payments will be reintroduced for people who no longer get paid for spare rooms, or for people who have moved properties? Is that a practical—or theoretical—possibility? What will happen?

**Mike Brewer:** The first time round, we produced a forecast for the cost of welfare, which assumed that universal credit would be fully implemented and that the bedroom tax would be introduced throughout the UK. When we come to revise those forecasts, we will look at the stated policy positions of the UK Government and the Scottish Government. The Scottish Government's stated position has changed since the group first started its work early in 2013 so, when we come to finalise our report in spring 2014, we will want to look at the Scottish Government's stated policy at that point.

At present, our starting point is to produce a forecast for welfare benefits spending in Scotland under the stated policy of the UK Government, which includes reducing housing benefit payments where there is underoccupancy.

**Ken Macintosh:** I appreciate what you are saying; it is difficult to get clarity from the Scottish Government on what its specific policies are.

**Linda Fabiani:** I do not think that it is.

**Kevin Stewart:** No, it is not.

**The Convener:** If nobody else wants to interrupt, Ken Macintosh can ask his question.

**Ken Macintosh:** I am just trying to work out what the practical assumptions are. The point is that the bedroom tax is being introduced right now, and one could argue that we could do something about it now. The difficulty is that I am not sure what we can do about it in 2016, never mind in 2018 following the two-year interim period. What can we do about it in 2016? Are you working on the assumption that all the changes that will have been made by 2016 will be reversed and unpicked, or on the assumption that the bedroom tax will be in place? Do you understand what I am saying?

**Martyn Evans:** I do—my colleagues will help me out on this one. Our assumption is that, in the event of a vote for independence, a Scottish Government would, from 2016, have the powers to do as it wished with the welfare system, so it could therefore change the system from that date.

We are saying that, during the transition, it would be risky to do that as a whole, but there are elements of what I would call derogation that could be applied, based on the experience in Northern Ireland. A Scottish Government would have the power to vary a UK system. It could introduce an entirely new system from 2016, but we think that doing so would be very high risk. There would be a period of transition and, based on the example of Northern Ireland and the example that Ken Macintosh mentioned with regard to housing and the bedroom tax, a Scottish Government could apply a derogation immediately from 2016 because it would have the power to do so.

It would have to negotiate that and find the system fix that Lynn Williams mentioned, but that is not beyond the realms of possibility. Our thinking is that, until there is an independent Scottish Government with responsibility, Scotland will work within the UK system. When Scotland gains independence, there will be a period of transition in which it works with the UK system, and then there will be a Scottish system.

Before Ken Macintosh comes back in, I just want to check that I have got that broadly right.

**Lynn Williams:** Yes, absolutely.

**Mike Brewer:** Yes.

**Ken Macintosh:** Perhaps I am being a bit picky here, but Mr Brewer specifically said that you are assuming that universal credit will be in place by 2018. Are you also assuming that the bedroom tax will be fully in place by 2016 or 2018?

**Mike Brewer:** Yes.

**Martyn Evans:** In terms of our costs, absolutely.

**Ken Macintosh:** You are going to make an estimate of a new-look welfare system in Scotland. We know the Scottish Government's view of the current bedroom tax—of course, we do not know what its view will be in 2016—but do you know its view of any of the other changes that are being introduced by the Tory Government? In other words, do you have any guidance on any specific policy changes that you will follow or, as it were, implement in your recommendations for a new welfare system?

**Martyn Evans:** We have no special insight into what the Scottish Government might or might not do. We have been asked as an independent group to make an independent assessment, consider evidence from third parties out there and come to our own view on the matter. If the Scottish Government wants to give us its view, we will take that into account. However, we have received no special view from the Scottish Government, and we will make our own assessment about what an independent welfare system for Scotland will look like on the basis of the evidence that is given to us.

**Ken Macintosh:** I appreciate that honest response, but I hope that you can imagine our frustration on the matter. The difficulty is that you might be doing a lot of work, but it is principled and is not based on what is happening or what the Government is saying right now.

**Lynn Williams:** Picking up the points that you and Martyn Evans have made, I should say that some of the forecasts are based on what we know just now and the evidence that we will receive will almost certainly pick up on some of the issues that you have raised. We will have to look at responses in Scotland about how the discretionary housing payment system is operating at local authority level and I have no doubt that one key issue that will arise will be the bedroom tax. We have to understand how that benefits change, as part of a wider suite of benefits changes, is impacting on Scotland as we begin to look forward and seek our starting point for a new welfare system in Scotland. It is, of course, only one element. I would expect the evidence to begin to tell us how things are working and the impact of the bedroom tax in Scotland. The question is how we respond to that with regard to wider policy objectives. We have to take what is happening as a starting point; after all, it might mean that the starting point is worse than it might have been because of the impact of the welfare reform in Scotland and elsewhere.

However, as I have said, it is only one part of the picture, and other changes are happening. I would certainly expect the evidence and our discussions to begin to unpick, say, the issue of discretionary housing payments, about which, as

you will know, people's experience and responses have been very mixed.

**Martyn Evans:** Under our remit, we will attempt to identify the costs of any interim or more permanent change that might be made. If the change costs more, we will identify where that income might come from and, if it costs less, where that saving might be apportioned. There are estimates—I cannot remember what they are—for what the bedroom tax would cost. In the context of our forecast of a £17.6 billion spend on welfare in 2016, we will consider what proportion of that would be required to mitigate or ameliorate the bedroom tax. We will put that into the forecast and see what difference it would make. It will not make a huge percentage difference to the £17.6 billion spend, but it will make a difference, and an independent Scottish Government would have to find the revenue to pay for it.

Our ambition is to identify changes and what they would cost from 2016. As chair of the group, I would suggest that there are two phases in that respect: an interim period of transition and a completely independent welfare system. I said earlier that it will be quite heroic to do this in the time available, but that is what we are going to attempt to do.

**Ken Macintosh:** But, using Lynn Williams's words, your starting point is not opposition to the Tory welfare reforms now but 2016 or 2018 after most of those reforms have been implemented. That is the fundamental difference that I can see here.

11:15

**Martyn Evans:** Our starting point is reality—in other words, the current benefits system. Our work in the group's first phase was to predict expenditure on the current benefits system. Having done so, we are taking the baseline of the reality of what people are currently receiving or what they expect to receive and seeing how things might be changed. That is not an unreasonable proposition; after all, we have only started our work on what the changes should be. The first phase of our work was to examine the systems under the current UK Government, which is responsible for welfare benefits, and to extrapolate that to 2017 or 2018. The next phase is to examine how we might change things and, if the evidence says to change them this or that way, what those changes would cost. We would then adjust the costs of welfare to claimants and the cost of delivery. I hope that by early 2014 you will have that work and we will then come back and be quizzed on it.

**Ken Macintosh:** I have one more question, convener, but I am conscious that I have hogged the questioning again.

**The Convener:** Carry on.

**Ken Macintosh:** When you work out the cost of potential changes, will you look at affordability? In other words, will you not only consider the overall costs as a proportion of the UK Government's budget but compare them with the working age population, income and so on in Scotland?

**Martyn Evans:** I will ask our economist Mike Brewer to deal with the issue of affordability.

**Mike Brewer:** Affordability is a broader political question that can be answered only by examining all the spending that a Government makes and all the tax revenues that it wants to collect. We were asked to be mindful of the costs and the economic and fiscal constraints. In other words, we are not going to say that a welfare system for Scotland will involve doubling expenditure on all welfare benefits, because that is simply unrealistic.

As a result, we are not going to pronounce on affordability, because we think that it falls outwith our remit and is actually a broader political question that requires an examination of all aspects of Government spending and the Government's desire to raise taxes. However, we will in our recommendations be mindful of the economic and fiscal circumstances and, where we can, provide accurate costings. We noted in our first report that in some cases the tools are not yet available to allow us to come up with accurate estimates of the cost in Scotland, and that situation needs to change over the next few years.

**Martyn Evans:** I must emphasise that we are not trying to duck the question. Instead, we are trying to say that our working group will attempt to present to the public sphere what an aspiration for an independent Scotland's welfare system might look like and what it might cost. The question whether that is affordable is for the political parties and those who stand for election to answer in the run-up to an election. We are not trying to duck the question; we are simply saying that we are committed to costing these things properly.

**Alex Johnstone:** To come back to the transitional phase that we discussed earlier, I think that in view of the responses to my earlier questions and the questions that Ken Macintosh asked a moment ago the transition period will run parallel to the run-through and completion of the welfare reform programme. Are you suggesting that the bulk of the welfare reform programme will have been completed before there is any chance of Scotland's taking direct control of the welfare system?

**Mike Brewer:** We said in our first report that such an approach seemed sensible. In other words, it seemed advantageous to line up the transition period with the welfare reforms. After all, if that does not happen, an independent Scotland will inherit a situation in which universal credit is only partly implemented, with some recipients on it and others still on the legacy benefits. It seemed only sensible and cleaner to line both up but, as we have said, all options are on the table. For example, if it wanted to, an independent Scotland could stop the welfare reform process immediately the day it took office but, of course, there are risks attached to that option.

**Annabelle Ewing:** The premise on which we are all engaged today is that the Scottish Government and the Scottish Parliament do not have power over the welfare system under the Scotland Act 1998. That is the essence of our discussion, and to suggest otherwise is entirely misleading.

On the Scottish Government's stated position, I am looking at the document entitled "Scottish Government's initial response to the Expert Working Group on Welfare report", which was published in June 2013. In paragraph 20, on page 9, the Scottish Government states:

"Since the Expert Working Group began we have announced steps the current Scottish Government would take if it were the first Government of an independent Scotland."

That is the SNP Scottish Government.

"These include:

Reversing the bedroom tax."

That is clear. That means getting rid of the bedroom tax, which we do not have the power to do at the moment.

The Scottish Government's initial response document, which, I repeat, was published in June, goes on to mention:

"Amending Universal Credit in order to:

Take housing benefit out of universal credit and restore it as a benefit that is paid direct to social landlords.

Move away from single household payments giving claimants the ability to receive individual support.

Equalise the earnings disregard between first and second earners."

In paragraph 21, the Government states:

"These priorities chime with much of what the Expert Working Group set out in their report as priorities identified through their Call for Evidence and wider stakeholder engagement."

On page 82 of the expert group's report, paragraph 5.41 refers to

"evidence on public attitudes to welfare in Scotland in comparison with the rest of the UK."

The report states:

"The *Initial findings from Scottish Social Attitudes Survey 2012* reports that a majority of Scots (64 per cent) are in favour of the Scottish Parliament being responsible for making the key decisions about welfare benefits."

That clarifies certain points that Ken Macintosh made, which were erroneous. Those documents prove that to be the case.

I go back to a conversation that we started to have about the underlying approach that will be taken to the working group's next report. It was welcome to hear it indicated already that one of the starting points will be individuals' experiences and lives and what can make things better for the delivery of a welfare system in 21st century Scotland. In that respect, I am mindful of paragraph 5.10, on page 73 of the expert group's report. The group discussed what

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

Can we hear a bit more about how the important issue of language in this sensitive debate will be addressed in the group's work?

**Martyn Evans:** I will say just a few words, as Lynn Williams has led our work on that and will continue to do so in the future.

We were moved by the testimony that was given to your committee and to us. What struck our group, among the various experiences, was the feeling of many claimants that they were disrespected and stigmatised, not just by some of the wider discourse about them in newspapers and elsewhere but also in their communities. They wanted to find ways to be thought of—rightly—as active and contributing members of society. Many of them wished to do that, but they found that the current system prevented them. Either support for childcare costs was not enough or payments in work were not high enough.

The general feeling was that people wanted to make that contribution and wanted to be viewed positively, but that was being prevented by system failures as well as by some of the discourse around them. We cannot change the discourse around them, but we can bring out the positive nature of how a benefits system can help people in transitions from non-work to work and of how we can help people who have no opportunity to work to feel valued and to do other things.

We have already discussed the role of voluntary sector work and community work in the receiving of benefits. I hope that we will be able to put a positive view about the contributions that people

can make to society and to be clear about the responsibilities that exist when people are receiving benefits and about the conditionality of benefits, but that conditionality flows both ways—from Government to its citizens and from citizens to the taxpayer.

We have an ambition to say something that reflects what we have heard so far about dignity and respect. I know that Lynn Williams has a lot more experience of that than I have.

**Lynn Williams:** A paragraph in the white paper “Scotland’s Future: from the Referendum to Independence and a Written Constitution”, which came out in February, talks about some of the principles that could underpin a welfare state—the ideas of dignity and respect. As Martyn Evans said, it has come across strongly that people’s experiences in the current system are sometimes very negative. Some of the changes that people have asked for are not necessarily about additional money but about the language that is used.

The committee will be aware of the increased use of sanctions. The SCVO convenes a third sector reference group, through which we are gathering case studies. One chap who had been sanctioned had no money to get to the jobcentre to sign on, and he had to walk on an empty stomach. That is an extreme example of what welfare reform means in reality. When we develop the principles that we will report on next spring, the key elements for me, whether or not there is a written constitution, will be the ideas of dignity and respect.

All political parties are guilty of focusing on paid work as being the goal of welfare. We must also recognise—this relates to the principles that we have discussed already—unpaid contributions to society and the economy, not the least of which is unpaid caring. How do we value and reward better than we do at present things such as unpaid caring, which is worth £10 million to the economy, and volunteering?

The tone will be set in the principles. How do we value citizens no matter what their contribution is and recognise their contribution’s economic and social value? For example, some people with disabilities cannot work, but they contribute in many other ways. How do we value that and not put them in a position where they cannot afford to live and to buy the basics of life?

The call for evidence will pull in views on that. The Scottish campaign on welfare reform and charities such as Inclusion Scotland have already begun to state what the principles might look like. We would all agree with many of them. They are about the experience that we would want to have if we were part of the system, the fact that we value

different contributions to society and the fact that paid work is not always a goal for all.

**Annabelle Ewing:** I thank Martyn Evans and Lynn Williams for their responses. I note how refreshing our debate in Scotland is in comparison with the debate that is going on at Westminster, which—sadly—does not meet the aspirations of the key principles that we have discussed.

**The Convener:** I will ask a couple of questions to tidy things up. Have you done any work on or has any of the evidence that you have taken raised the possibility that to have a different benefits system, even in transition, would require benefits recipients to go through a new assessment?

**Lynn Williams:** That came up in the initial call for evidence. There were strong views, particularly from disability charities, that that should not happen. We have to be mindful that people are assessed to death. If there is an independent system, perhaps there will be an opportunity to cut through some of the bureaucracy. People have assessments for the independent living fund, self-directed support and benefits, and there are work capability assessments. As integration moves in, there is an opportunity to cut through some of that and make the system easier for people. To have another assessment on top of those would defeat the purpose of what we are doing.

**The Convener:** Martyn Evans mentioned—and we were already aware—that some members of the first expert group are on the phase 2 group, if that is what it is called. Have you looked back at the phase 1 report and do you stand by all its contents, or have you had to revisit with hindsight some of the conclusions that you arrived at in it?

11:30

**Martyn Evans:** In our homework for appearing before the committee, we were all careful to reread our report, and we read nothing that we would want to change. We might want to improve some of the language, but we would not say that we got any of our conclusions wrong or that we have more evidence now.

**The Convener:** The timescales that we are working to are that the Scottish Government’s white paper is due in the autumn—that is a long period in which it could arrive—and your report could arrive in the spring, which is also a lengthy period. The one thing that we know is that they will not come at the same time. If the independence prospectus that the Scottish Government says that we will get in the autumn of this year does not contain all your costed analysis for the welfare element, will there not be a welfare-shaped hole in the middle of the white paper?

**Martyn Evans:** You are leading us on to difficult ground. As far as we are concerned, we have had a commitment from the Scottish Government, which has said that our first phase report will be fully integrated into its white paper, because that is about the costings for the current system and for the foreseeable future of our welfare system up to 2018. That is the envelope in which the Government is discussing the cost of welfare.

On the group's behalf, I have received the assurance that our conclusions will form an important part of the debate on welfare, but not on the white paper. It is clear that our conclusions will not coincide with the white paper, which is due shortly, as you said.

We are engaging with a wider debate, with which I presume the white paper is also engaging, about the possibilities of independence, and we are taking a narrower view—about the possibilities for welfare under independence. I hope that, between the publication of our report and any referendum, the debate will open up the possibilities and tease out some of the issues and challenges of Scotland having its own welfare and social protection system.

**Mike Brewer:** I agree with all that. Before I moved to the University of Essex, I worked at the Institute for Fiscal Studies, where I ran the team that is responsible for estimating the cost and impact of tax and benefits changes. I notice that that form of rigorous scrutiny from an outside body has not yet moved to Edinburgh so, when the Scottish National Party and other political parties say what they want to do for welfare in Scotland, it is not yet the case that a group comes out and says what the costs, benefits and impacts would be. I sense that that is missing and I hope that the IFS or a body like it will move into that area fairly soon, so that, even if the Government were not to publish full costs and benefits in a white paper, an outside body might do so.

As an expert working group, we currently do not have the technology to do that. We are looking into it for our spring report, but the Scottish debate on welfare policy needs input from other organisations and it needs more tools. I fully support that.

**The Convener:** You have essentially answered my question, so thank you for that.

You have all answered a lot of questions and I have certainly found your responses helpful. I look forward to seeing your work again and having you back in front of us in the spring, or thereafter, to discuss your conclusions come the end of the second report. On the committee's behalf, I thank you all for the time that you have taken to come here and for answering all our questions fully. I appreciate that.

*Meeting closed at 11:34.*



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