



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Security Committee

Thursday 28 February 2019

Session 5



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SOCIAL SECURITY COMMITTEE
6th Meeting 2019, Session 5

CONVENER

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

DEPUTY CONVENER

*Pauline McNeill (Glasgow) (Lab)

COMMITTEE MEMBERS

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

*Jeremy Balfour (Lothian) (Con)

*Michelle Ballantyne (South Scotland) (Con)

*Keith Brown (Clackmannanshire and Dunblane) (SNP)

*Mark Griffin (Central Scotland) (Lab)

*Alison Johnstone (Lothian) (Green)

*Shona Robison (Dundee City East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Alison Byrne (Scottish Government)

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

David Wallace (Social Security Scotland)

James Wallace (Social Security Scotland)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Security Committee

Thursday 28 February 2019

[The Convener opened the meeting at 09:46]

Decision on Taking Business in Private

The Convener (Bob Doris): Good morning, everyone, and welcome to the sixth meeting in 2019 of the Social Security Committee. I remind everyone to turn mobile phones and other devices to silent mode so that they do not disrupt the meeting.

No apologies have been received. I am delighted to say that we have a full house this morning.

Under agenda item 1, the committee is asked to agree to take agenda item 6, which is consideration of evidence that has been taken, in private. Does the committee agree to do so?

Members *indicated agreement.*

The Convener: Thank you.

Subordinate Legislation

Carer's Allowance Up-rating (Scotland) Order 2019 [Draft]

Carer's Allowance Up-rating (Scotland) Regulations 2019 (SSI 2019/21)

09:46

The Convener: We move on to agenda item 2. The committee will take evidence on the draft Carer's Allowance Up-rating (Scotland) Order 2019, which is subject to the affirmative procedure, and the Carer's Allowance Up-rating (Scotland) Regulations 2019, which are subject to the negative procedure.

I welcome the Cabinet Secretary for Social Security and Older People, Shirley-Anne Somerville MSP, and her officials from the Scottish Government: Veronica Smith, cross-cutting policy officer, and Colin Brown, solicitor. I thank all three of you for coming along this morning.

I invite the cabinet secretary to make an opening statement. We will then move on to questions.

The Cabinet Secretary for Social Security and Older People (Shirley-Anne Somerville): Thank you, convener, and good morning. I welcome the opportunity to provide evidence on the draft Carer's Allowance Up-rating (Scotland) Order 2019 and the Carer's Allowance Up-rating (Scotland) Regulations 2019. This is the first time that the committee will hear evidence on social security uprating legislation. Hearing such evidence is to become an annual event.

As members know, through the Social Security (Scotland) Act 2018, we committed to uprating carers assistance, disability assistance, employment injury assistance and funeral expense assistance annually, and to reviewing all types of social security assistance annually. Members may recall that I wrote to the committee on 12 December last year setting out our approach to the uprating of the carers allowance and the carers allowance supplement, which will be uprated in line with the consumer prices index, or CPI.

I highlight that the instruments that we are discussing today are about the uprating of those benefits and how that is measured, and not about the level of the benefits. The place for that discussion was during the Scottish budget deliberations—a process that the Parliament completed a matter of weeks ago. The draft order and the regulations are about how we ensure that

the benefit levels that we agree on as members of the Scottish Parliament retain their value.

The committee will be aware that we introduced the carers allowance supplement last summer to address the fact that the carers allowance is the lowest working-age benefit. The supplement has brought the carers allowance up to the level of the jobseekers allowance, and it can rightly be hailed as a success. It has put an extra £442 into over 77,000 carers' pockets in 2018-19, which represents an increase of 13 per cent and an investment in Scotland's carers of over £33 million.

As I have previously explained to the committee, getting that extra money into carers' pockets as early as last summer was possible only because of the use of an agency agreement with the Department for Work and Pensions. Without that, additional payments would have been delayed while the policy was decided and a system was built to implement it. The agency agreement was drafted as it was to enable us to uprate the carers allowance using the CPI. As well as being the right mechanism to use in itself, it allows a consistent approach to be taken across the carers allowance and the supplement. That approach will continue until we have our own regulations in place for the Scottish form of the carers allowance.

We are committed to ensuring that benefits in Scotland keep pace with the cost of living. I turn to the detail of how we will achieve that.

We will uprate the carers allowance through powers in United Kingdom legislation. The draft order proposes that we uprate it according to the September 2018 consumer prices index rate, which was 2.4 per cent. That is also the rate at which the Department for Work and Pensions will uprate the carers allowance in England and Wales. The order will increase the weekly rate of the carers allowance from £64.60 to £66.15.

The order and the regulations will also make some adjustments to additional payments that are made to a few long-term recipients of the carers allowance: the adult dependency increase and the child dependency increase. For many years, both payments have been abolished for new claims, but they remain in place for a small number of carers.

The regulations will increase the carers allowance earnings threshold—the amount that a carer can earn in a given week and still be eligible for the benefit—from £120 to £123. There will also be changes to the earnings thresholds that relate to the historical payments that I have mentioned. The changes are set out in detail in the regulations, and they will mean that, for that small number of cases, the payments will increase by a few pounds.

I will now speak about the annual uprate of the carers allowance supplement. As agreed in the Social Security (Scotland) Act 2018, no new regulations are required to bring the uprate into effect. However, it is worth highlighting the uprate, because it demonstrates the commitment that the Government has made, through the 2018 act, that the carers allowance will match the rate at which the jobseekers allowance would be paid if it had been uprated.

Our approach to uprating means that the supplement will increase from the equivalent of £8.50 a week to £8.70 a week. That means that, in Scotland, we will provide carers with an extra £452.40 a year compared with what is being provided by our counterparts south of the border. That represents an additional investment in carers of about £37 million in the next financial year from the Scottish Government.

Taking into account social security in 2019-20 and what we are providing through the carers allowance and the supplement, we are investing a total of £320 million in carers. I am sure that the committee will agree that that investment is just and right for Scotland's carers.

I am happy to take questions from the committee.

The Convener: Thank you, cabinet secretary. I am sure that there will be a few questions.

Before I bring in fellow committee members, I would like to ask about the process. The affirmative statutory instrument relates to uprating. Yesterday, there was a debate about what mechanism should be used for that uprating. I wonder whether there will be a future opportunity to look at the inflationary pressures on uprating.

In your letter of 12 December 2018 to the committee, you explained the uprating mechanism that would be used. I will not go over that again, but I will read out a paragraph that refers to uprating in future years. It says:

“The process outlined above”—

that is what you have explained—

“for uprating CA and CAS will continue annually until we have made our own carer's assistance regulations. However, when other benefits begin to be delivered, for example Funeral Expense Assistance ... and Young Carer's Grant ... in 2019, there will be reporting requirements under section 77 of the 2018 Act to consider the effects of inflation and to report to the Scottish Parliament on what we intend to do. There will also be a duty under section 78 to uprate FEA and YCG which will apply in 2020/21.”

Please bear with me. The paragraph continues:

“Uprating in these circumstances will require regulations under the super-affirmative procedure involving scrutiny of the draft regulations by the Scottish Commission on Social

Security ... and affirmative procedure in the Scottish Parliament.”

Will the Government, in partnership with the Scottish Commission on Social Security, look at what mechanism is used at that point? I think that, in the 2018 act, which underpins all this, there is a statutory duty to look at inflationary pressures when Scotland takes on full delivery, and then the payments will be uprated.

Shirley-Anne Somerville: You raise an important point about how the process will progress over the years, as Social Security Scotland begins to deliver more benefits. The benefits will be dealt with in different ways, depending on what is said about them in the 2018 act.

You are quite right to point to the role of the commission in looking at every draft regulation that comes our way. There is a statutory obligation for us to ensure that we outline our plans to Parliament and to the committee, and to go through in detail how we come to decisions on uprating. Those decisions that require regulations will go through the commission, as well.

In yesterday’s debate, I made the commitment with reference to the Conservative amendment that the Government will look at different options. We have already done that during the process but, as with all aspects of the social security system, we are open to discussions with political parties and the committee to look at any different options that might be out there.

The approach is what the Government has determined is the correct way forward, and I hope that the committee will pass the motion. However, in the Parliament and within our statutory obligations, we will look to see whether other options are available in the future. I am still content that the approach is the correct one and, having looked at all the other options, I would be surprised if something changed my mind about that. However, I am open to discussions to see what can come out of them.

The Convener: I have one more question. I will reserve additional comments for our debate under the next agenda item and will be more concise than I was in my previous question. By 2020-21, when the carers allowance becomes carers assistance, will there be statutory obligations on the Government to look at inflationary pressures in deciding on the uprating mechanism? That is my understanding of the situation.

Shirley-Anne Somerville: Yes, we will have statutory obligations as we pass each piece of legislation, whether that is on carers assistance or any of the other payments that will be dealt with through regulations.

The Convener: Okay. The reason for asking that question is that it allows the committee to return to that in a structured, process-driven and evidence-based way at a later date as statute dictates, whatever might happen this morning.

Mark Griffin (Central Scotland) (Lab): I have questions on each instrument. I will start on the earnings threshold. The paper that the Government has provided to the committee says:

“As the increase to Carer’s Allowance earning threshold ensures that the benefits people receive maintain the current situation, then it is considered that there is no significant impact on the private, voluntary or public sector.”

Do you still agree with the statement that that maintains the current situation, given the impact that the changes to the national living wage level will have on working carers?

Shirley-Anne Somerville: Yes, I do. I appreciate that I have a difference of opinion with the Labour Party on how we should measure the uprating—that was demonstrated yesterday—but I am content that our approach is the correct way to uprate and that the measure is the best measure of inflation that we have to ensure that inflationary measures are taken into account.

Mark Griffin: My question is not really about our difference of opinion; it is about the factual situation. This year, a carer on the national living wage is able to work up to 15 hours and 20 minutes and maintain their eligibility but, under the new earnings threshold, they would be able to work for only up to 15 hours. They would have to go to their employer and ask for a reduction in their weekly working hours to maintain their eligibility for the carers allowance. As we all know, there is a significant cliff edge if someone goes over the threshold—even by one penny—and loses their entitlement. Will you reflect on that, and on the position that working carers would be in through no change of their own?

Shirley-Anne Somerville: I absolutely appreciate the cliff edge that exists for carers assistance, and I appreciate the difficult conversations that carers might need to have. It comes down to whether we should have rules for carers in Scotland that are different from those that exist for the DWP’s carers allowance. If we wanted to change the thresholds to make them different from the DWP ones, we would have to renegotiate the agency agreement and so on to allow that change to take place.

10:00

As I mentioned in my opening remarks, we put the agency agreement in place to get payments into carers’ pockets quickly after the Parliament passed the 2018 act. The Government took that decision to ensure that those payments were

made. The other aspects of the rules, such as those on working-age carers, can be looked at as we move to a form of Scottish assistance to carers.

Mark Griffin: Do you not regret the fact that carers will have to ask for a reduction in their working hours as a result of the changes to the threshold combined with changes to the national living wage?

Shirley-Anne Somerville: When the act was passed, we had a choice to either sign an agency agreement with the DWP that put £442 into the pockets of carers on the lowest incomes or take time to set up the policies and implement a system that would allow us to deliver Scottish carers assistance. The pure fact is that, by doing the latter, we would not have been able to deliver the money as quickly to carers. We chose the former and the then cabinet secretary, Angela Constance, made that clear to Parliament some time before it was implemented. Mr Griffin may think that that was the wrong choice and that we should have delayed the changes to carers allowance and introduced carers assistance more quickly in Scotland, but I disagree, and the fact that we have made that quick payment to carers has been warmly welcomed. It is the first step in what we will do with carers, and it was our first priority when we took over social security powers.

Mark Griffin: Have you been in touch with the UK Government to inquire about any flexibility in the earnings threshold that would allow carers in Scotland to maintain their working hours?

Shirley-Anne Somerville: We have signed an agency agreement with the DWP that ensures that we will move forward with the carers allowance as it is currently delivered. If we want to reopen that agency agreement and discuss any changes to it, we could of course get into that, but that would take us away from delivering the disability benefits, which would take us away from plans to devolve the rest of the social security system. We could look into making those changes, and the DWP would tell us how much they would cost the Scottish Government, or we can use the interim arrangement to move forward quickly with our disability assistance packages, as we are doing.

Mark Griffin: Convener, I have questions on the other instrument, but do you want to give other members the opportunity to ask some questions?

The Convener: It is probably better if you just finish off your line of questioning, and then I will let other members in.

Mark Griffin: I have a quote here, which states that the consumer prices index

“does not adequately reflect the cost of living and ... moreover, the Treasury must already know that, because it

uses the RPI whenever it wants to justify an increase in taxation”.—[*Official Report*, 22 June 2011; c 878.]

Do you agree with that characterisation of the difference between the CPI and the RPI?

Shirley-Anne Somerville: In looking at how to measure inflation, we have taken into account the work of, for example, the Office for National Statistics, the Bank of England and the chair of the UK Statistics Authority, all of which have concluded that there are deficiencies in the use of the RPI and that the CPI is a better measure of inflationary pressures. That is the work that I have looked at in coming to the decision that we have put before the committee today.

Mark Griffin: The quote that I gave is from Jamie Hepburn, who is one of your ministerial colleagues. It reflects quite clearly the Government's position that, when it comes to taking money from citizens, it considers the RPI method to be appropriate—we see that with the increases to rail fares—but when it comes to paying citizens, it is content to use the CPI, which has been at a lower level historically.

I will ask about the process. When you appeared before us during our scrutiny of the budget, I asked you for further detail on your deliberations, your methodology and how you came to the conclusion that the CPI is the preferred option. In response, we have a single paragraph in a letter that does not go into detail about the methodology or how you came to that conclusion. Given that this is such a significant stage in the creation of social security payments in Scotland, do you not think that a wider debate—not just a paragraph in a letter—would have been beneficial? Setting the uplift rate of social security payments will set an important precedent.

Shirley-Anne Somerville: If the committee was not content with that paragraph, I would have been more than happy to respond to another letter asking for more detail at that time. I am not aware that such a response was requested from me.

I will go into the detail, if that would help Mark Griffin to understand why we have done what we have. The RPI is an erratic measure of inflation; it greatly overestimates and, sometimes, underestimates changes in prices. You can have a negative RPI rate. For example, the RPI changed over the 12 months to September 2009 by -1.4 per cent. That was mainly due to the erratic nature of housing costs, which are part of the RPI measurement.

There is no single measure of inflation, so we looked at different measures. In yesterday's debate, I mentioned that we had looked at the CPIH—consumer prices index housing—and that, if I remember rightly, in seven of the past nine years, it would have led to a smaller increase in

the payment when compared with the CPI, so we ruled it out.

As I have said, the retail prices index does not meet international standards for the designation of a national statistic. It is heavily influenced by house prices. The ONS, the UK Statistics Authority and the Bank of England have discouraged its use. Legacy requirements are allowed to be recognised in some areas, but authorities recommend that we should move away from that measure.

I hope that that gives more detail, again, on some of the aspects that we have looked at and why we came to the decision that we did.

Mark Griffin: On the issue of the uprating mechanism, your policy note mentions that you relied on the consultation on the Social Security (Scotland) Bill. Again, I ask that you reflect on the significance of the uprating mechanism that we are being asked to accept and the precedent that it will set for all devolved social security payments and whether an individual consultation on the uprating mechanism would have been more appropriate. The policy note simply says that the majority of stakeholders to the consultation on social security in Scotland agreed

“that devolved benefits needed to keep pace with the cost of living.”

That does not reflect the range of submissions that supported the RPI, the CPI and other measures. Given the precedent that we are setting and how important the uprating mechanism will be, a consultation would have been valuable.

Shirley-Anne Somerville: There is no statutory requirement to consult on this instrument, but uprating was part of the consultation on the Social Security (Scotland) Bill. That consultation included a chapter on uprating and sought the views of stakeholders on the best way to ensure that benefits keep pace with the cost of living. Mr Griffin is quite right to point out that there were differing views on that. There is no agreed definition of inflation, so it is not surprising that there was no agreement on what uprating should be done. However, that consultation was completed as the bill progressed.

The convener mentioned in questioning that, when we introduce uprating regulations under the 2018 act, they will, of course, be subject to independent scrutiny from the commission. Therefore, very clear independent scrutiny of the regulations will take place. A one-off decision will not be made today that will carry on; we will go forward on an annual basis. When we introduce regulations, they will be independently scrutinised by the commission.

The Convener: I know that that was an extensive line of questioning, but it is important that we have that level of scrutiny.

I remind members that, if they have wider comments to make, there will be an opportunity to make them under the next agenda item.

Alison Johnstone (Lothian) (Green): I appreciate that the Scottish Government is currently committed by the agency agreement with the United Kingdom Government to uprate carers allowance in line with its plans. We have had a discussion about how we uprate but, before carers assistance comes online, how can we be sure that we have the amount correct in the first place? During the debate yesterday, we heard in considerable detail about the sometimes very negative financial impact that caring can have, as carers may have to give up work. It can be costly to care for one person, if not more than one. Can you assure us that the Government will carry out extensive consultation with carers and the organisations that represent them before it comes to a decision on that?

Shirley-Anne Somerville: Certainly. I am in contact with stakeholders when we move forward with social security, and carers organisations are no different from other stakeholders. I meet them regularly to discuss that issue and many others.

Alison Johnstone is right to point out that, yesterday, quite a few members pointed to areas in which we need to take a more holistic view of what is happening with carers, and to whether the Government has got the level of the carers allowance supplement right. That is a valid debate for the Parliament to have, and it is valid to question the Government on that.

We think that the supplement has made a tremendous difference to carers. There may be people in the Parliament who think that we should go further, and it is quite right and proper that people have such views. As I pointed out in my introductory remarks, I will have such discussions on an annual basis during the budget process as we discuss all the Government's decisions on social security and whether we have got the policies and the levels right. I think that we have done a good job in delivering our first priority for carers as we move forward with the carers allowance supplement, but the Parliament and the different political parties can challenge us on whether we have got that right.

Pauline McNeill (Glasgow) (Lab): I want to get something clear in my own mind before the debate. No legislation is required to effect the uprate, but it is open to the Scottish Government in future, if it is persuaded, to make the choice to change the method that is used.

Shirley-Anne Somerville: No legislation is required in the case of the carers allowance supplement. However, as I said during the debate yesterday, I know that there are differing views on this, and we have committed to carrying on discussions and to hearing suggestions. We have already taken a great deal of time and given a great deal of thought in the Government to do that, but of course people will have differing opinions on the issue in the future—I am sure about that.

Pauline McNeill: But it is a choice.

Shirley-Anne Somerville: Yes—for the carers allowance supplement.

Pauline McNeill: I noted what you said on Mark Griffin's questions on earnings. There might be difficult conversations for some carers, who might find themselves over the threshold. Was that known about? Did that issue arise when you were making decisions about the uprating?

10:15

Shirley-Anne Somerville: The decisions that we take are, in essence, built on the fact that we have an agency agreement. I will not reiterate the point too far, but I go back to the reasons why we took out that agreement in the first place, which was to ensure that we could get money into carers' pockets. If we required any other changes that would make what we are doing in Scotland different from what is happening in England, that would involve a renegotiation of the agency agreement and the DWP would tell us whether there was a cost to the Scottish Government for changing what it is doing for Scottish clients as compared with those in England. We chose to move to an agency agreement to allow us to pay the carers allowance supplement.

Pauline McNeill: I appreciate that and I appreciate why you took the decision, but do you accept that the downside is that some carers will have to have the difficult conversations with employers that you talked about, and a lot of people will lose their entire entitlement?

Shirley-Anne Somerville: The challenge is that we either have an agency agreement or we do not. If we do not have the agency agreement, we will need to set up an entirely different system to deal with what we know people want to see in carers assistance. We could make those changes, but not at the speed that we delivered the carers allowance supplement. That is a choice that the Government made.

Pauline McNeill: I have a wee question about your point that the RPI is an erratic measure. I will confess up front that this is not my specialist subject, but I was interested that the year that was used as an example was 2009, which was the

year after the financial crash. I know that there is an on-going discussion about the question of housing costs, which are a major factor in pushing people into poverty, but have you looked beyond what happened in 2009? Do you acknowledge that that was a strange year because it was the year after the crash and the economy was erratic? Did you take that into consideration?

Shirley-Anne Somerville: That year was one year after the crash, which was a major economic event that caused great difficulty for the country. We can only imagine other examples of great economic events over which we have no control that may affect the country in the next year or two, causing the RPI to be erratic. However, it is not just about what happened after the crash; it is an on-going situation that the RPI is an erratic way of measuring inflation. That is not just the Scottish Government's view; independent agencies such as the ONS have come to the view that it is an erratic measure.

Keith Brown (Clackmannanshire and Dunblane) (SNP): I have two questions, which I will ask at the same time to be brief. They follow on from that conversation. There are reports in today's newspapers that there has been a significant setback in house prices because of Brexit. If that played out, depending on what happens with the shambolic Brexit process, and there was a substantial and sustained reduction in house prices, would that open up the possibility that, if the allowance was linked to the RPI and included housing costs, people receiving it could end up with a significantly reduced uprating or even a downrating?

Secondly, can you give us any idea of the likely cost of having a change made to the agency agreement? In my experience, that can be very expensive. What would the scale of the cost be—would it be £1 million, £5 million or £10 million? Would the Scottish Government have any say over that? Would any bargaining take place on that or would the price simply be given to you by the DWP?

Shirley-Anne Somerville: Given that Brexit is coming up, I will not even attempt to forecast what inflation might look like over the next year, when we have no idea what is going to happen in the next couple of weeks. You are quite right to point out that, when there are economic challenges and economic circumstances that are disadvantageous to the housing market, that will have an impact on the RPI but not the CPI, because housing costs are not covered by the CPI. That is why the RPI is a more erratic measure of inflation than the CPI, which is why we have not chosen to go down that route.

On the question of cost, it is not possible to put a price on a change, because we have not asked

for a change. We are concentrating on getting on with the devolution of the disability and carers benefits. Anything that involved us trying to renegotiate an agency agreement would take people away from that work. The cost of a change would need to be looked into on an individual basis, depending on what we were looking for. You are right to point out that it is not within our gift to decide what that cost would be. It would be for the DWP to suggest what the cost was. The Scottish Government would work hard to ensure that that cost was kept to a minimum and that we delivered best value for Scottish taxpayers. The cost of a change would not be chosen by the Scottish Government; it would have to come out of negotiations with the DWP.

The Convener: I have a late bid for a question. I am conscious of time, as it is important that we get the maximum opportunity for scrutiny. I apologise, Mr Balfour, but can you be quite brief, please?

Jeremy Balfour (Lothian) (Con): It is a short question that requires a yes or no answer.

Cabinet secretary, I think that you said that, if you went back to the DWP to renegotiate, that might delay progress on other benefits, such as the personal independence payment. Is that correct? Is there a danger that you would not be able to deliver the other benefits as planned if you had to renegotiate with the DWP?

Shirley-Anne Somerville: I will put it this way: I am exceptionally fortunate to be supported in my work by an exceptional bunch of civil servants and agency staff. There are no directorate or agency staff who are sitting around looking for something else to do. If anyone had to renegotiate the agency agreement, they would have to be taken off other work. Those staff are working exceptionally hard to ensure that we deliver at pace on social security, and I do not want them to have to delay any of that work because of what would be, in effect, an interim solution as we move forward with the devolution of benefits.

Carer's Allowance Up-rating (Scotland) Order 2019 [Draft]

The Convener: We move to agenda item 3. I invite Ms Somerville to move motion S5M-15926.

Motion moved,

That the Social Security Committee recommends that the Carer's Allowance Up-rating (Scotland) Order 2019 [draft] be approved.—[*Shirley-Anne Somerville*]

The Convener: We now have the opportunity to have a debate. I appeal for it to be a short debate, given the time constraints that we are under. Does any member have comments to make?

Mark Griffin: As I indicated in my questions, this is such a momentous stage in the devolution of social security entitlement that the uprating method that will be used deserves wider discussion, wider consultation and wider debate before we make the decision.

Members will know that, when the committee scrutinised the Social Security (Scotland) Bill, it was concerned about the exact position that we find ourselves in—in which a take-it-or-leave-it instrument would come before the committee without having had a high level of consultation, scrutiny or debate, because of how the legislation is drafted and how reliant it is on regulations.

It transpires that we are now in that position. We are making a momentous decision—it is a key milestone in the progress to full devolution of the social security entitlements—but, without yesterday's debate, it would be done with almost no debate at all.

The Government and the cabinet secretary and her predecessors are on record as criticising the UK Government for exactly the policy that the cabinet secretary intends to implement. Regularly, ministers and members talk in the chamber about the almost £4 billion that has been cut from social security spending. The briefings that the cabinet secretary received when she assumed her position set out clearly that the coalition's uprating policy of changing from the RPI to the CPI would cost recipients of social security in Scotland £1.9 billion up to 2021, yet we continue with the CPI, with almost no debate, in the absence of the issue being brought to the chamber yesterday. If the UK Government had continued with the RPI, carers would be almost £1,000 better off at this point.

For those reasons, I do not support the decision to uprate by the CPI. There has been a complete lack of debate and discussion and, given that this is such a huge decision, I am really concerned about the precedent that will be set.

Keith Brown: I am happy to support the motion. If the issue was hugely significant, as has just been suggested, an amendment to the budget should have been lodged. No amendment was proposed, so that level of significance was not attached to the issue at that time.

People seem quite happy to see a cumulative cut of more than £2 billion to the Scottish Government's budget—there have been no RPI increases to that budget over the past nine years—and yet, once again, more is being asked of the Scottish Government than is being given to it to undertake what is being asked.

Over the past few weeks, we have seen many demands to increase funding for all sorts of things. There was a demand for the Scottish welfare fund to be increased, even though it was underspent.

However, I have seen no suggestions about where that money should come from. It is hard to see the logic in that.

What has been said tries to take away from how much is being done for carers through the social security provisions in Scotland, which are a major step forward. If we managed to convince the Scottish Government to accede to a request to revert to the RPI and then Brexit had a major impact on the housing market, would we be here next year to demand a return to the CPI to protect carers? For those reasons, I am more than happy to support the motion.

Michelle Ballantyne (South Scotland) (Con): I have some sympathy with Mark Griffin's worries about a tick-box exercise—I get his point. The issue is fundamentally complicated because the RPI has been found to be flawed. There have been a lot of calls for it to be fixed, although those calls have been resisted.

The debate is about two things. It is about whether we should debate and look at how we uprate—I totally agree that we should do that, which is why we asked for and got a welcome guarantee from the cabinet secretary yesterday that the method will be looked at consistently as we go along. That is important.

10:30

The RPI could be fixed and the flaws corrected, although, ironically, the flaws are to do with clothing price estimates and not housing, so some of the discussion is slightly offbeat, given what the problems actually are. However, it would be irresponsible for the Government to suggest that we should use a flawed measurement as a starting point for the new system. For that reason, I support the Government's position, but it is important that we keep on reviewing that.

I doubt whether the RPI will be fixed any time soon, because it is linked to the gilt market, and there would be significant effects on that. The last gilt will expire in something like 2066, so I suspect that we will have to wait quite a long time for anybody to be willing to fix the RPI.

It is members' responsibility to have the appropriate depth of understanding when we debate a subject. I would never call for us to use a statistically flawed method of uprating. That would be irresponsible, and it is for that reason that I support what the Government is doing.

It is beholden on us as a committee and individually to bring the appropriate depth of understanding to debates. We might not like what is proposed and we might see other issues that will be caused by it, but it is incumbent on us to understand that we need to call and press for fixes

to be made or to find an alternative. We need to look at the thing in the round.

I heard what Mark Griffin said about cliff edges and so on, but that is a different issue from uprating. We should not conflate the two issues. We need to look at them separately and figure out how we can do the best for our carers along the way. For that reason, I will support the Government's position, but I empathise with Mark Griffin and see where he is coming from.

Pauline McNeill: I thank the cabinet secretary for answering our questions straightforwardly, although I do not agree with everything that has been said.

I have always recognised the importance of the work that the Scottish Government has done on introducing the supplement. I hope that that goes without saying. Through the bill amendment process, the committee and the Government were clear that there should be an annual uprating mechanism and, as Mark Griffin said, it is healthy to debate what uprating mechanism we should use to reflect the effects of inflation on people's living costs.

There is huge distrust of use of the CPI, which the UK Government adopted in 2010, and that distrust goes wider than members of the committee, as it is also expressed by a number of third sector organisations. We need to take that into account.

I see this not as a budget issue but as a matter of principle. We may have a difference of opinion, but I want us to adopt a measure that truly reflects people's costs, and people's housing costs are an essential element in the calculation. I am also concerned about the earnings issue. I noted what the cabinet secretary said about the things that she has to weigh up in relation to the agency agreement, but it distresses me deeply that, although we do not know the numbers, some carers will lose all of their entitlement because of the lack of flexibility.

I welcome the fact that we will have future discussions on the subject and I note that the cabinet secretary said that she is content that the proposed approach is correct, but I hope that she will keep an open mind. No one would want to support a statistically flawed process but, for today's purposes, use of the CPI is the wrong approach and I do not support it.

The Convener: Time is against us. I call Jeremy Balfour, to be followed by Alison Johnstone.

Jeremy Balfour: I, too, welcomed Mark Griffin's debate, because there is an issue here. I support the Scottish Government's position, but the committee will need to have dialogue with the

Government on how future regulations are considered. As Mark Griffin said, one of our concerns when the bill was going through was that we were leaving a lot to regulation, and there is a danger in that approach. We might like only 75 per cent of what is proposed, but we cannot amend it.

Other regulations will come forward, so we need to find a mechanism to allow them to be debated without our having to vote just yes or no at the end of the process. We have had a bit of discussion about using third parties to do that. It is important that we do not end up in a situation where we like a lot that is in the regulations but, because of one or two things, we have to vote against them. The committee needs to think and have a dialogue about how we deal with that in a way that is open and provides scrutiny but does not delay decisions.

Alison Johnstone: It is widely recognised that the Greens support the use of the RPI rather than the CPI in this situation, but I understand that, at the moment, the Scottish Government is locked into uprating at the CPI rate, as the UK Government is doing. I am not sure that there is an alternative to the agency agreement. The situation is difficult, and we are in an unsatisfactory situation this morning, as has been expressed fairly widely by members. For those reasons, I will abstain in the vote on the motion.

The Convener: Thank you for making your position clear.

As no other members want to comment, I will make a few remarks before the cabinet secretary sums up. I take seriously my role as convener in scrutinising the Scottish Government's work on the delivery of social security. I hope that that was clear from the extensive questioning that I allowed Mr Griffin, given his specific interest in the issue.

I am sympathetic to an evidence-led methodical approach to considering what measures should be used to uprate thresholds and levels for benefits and entitlements. If the committee wishes to carry out work on that, we absolutely should do it. However, the details of the uprating of carers allowance and carers allowance supplement were provided to the committee on 12 December 2018, some 11 weeks ago, and it was not until the past couple of days that particular issues were raised.

I read the cabinet secretary's letter when we received it, including the section on "Uprating in future years", which clearly states that, when we move from carers allowance to carers assistance and the Scottish Government and Social Security Scotland take control of the benefit, the Scottish Commission on Social Security will have a statutory role. That seems an absolutely appropriate time for the committee to have a substantial look at the level of benefits and how

they are uprated. That is the appropriate way for the committee to do our business, particularly given that we have had that information from the Scottish Government for the past 11 weeks.

The situation is disappointing, given that we are considering an investment of an additional £37 million that will go into the hands and pockets of carers, who do an amazing job. If we want to talk about the level of benefit, let us have that discussion, but that should be at budget time, when we can consider the consequences of any financial asks to the Government from back benchers or Opposition parties.

The figure that we have been given is that using the RPI would put an additional £3 million into the pockets of carers. If we are going to have a political discussion about how best to put £3 million into carers' pockets, let us have a frank discussion about where that money comes from and the best way to spend it. Is that through changing the uprating mechanism, extending the young carers grant or looking at respite care for carers? We could consider a wider package to improve the lot of carers.

The committee absolutely has to continue to scrutinise without fear or favour in relation to the level of benefits and how they are uprated but, in my opinion, opposing an affirmative instrument when that opposition would, if successful, in effect mean less money and not more money for carers is an irresponsible way of doing business.

Ironically, I commend Mark Griffin for raising the wider issue. There are underlying discussions to be had in areas of scrutiny that our committee should engage with.

Others have had the opportunity to say where they stand in relation to the debate; that was my opportunity to put my thoughts on the record. It has been a high-quality debate and the cabinet secretary now has the opportunity to sum up.

Shirley-Anne Somerville: Thank you, convener; I appreciate that opportunity. As some members have pointed out, the first time that I raised the matter formally with the committee was in the letter that I sent in December 2018, which set out in detail what we proposed for the carers allowance and the carers allowance supplement. There has been some time for the committee to reflect on that, and I would have been happy to provide further evidence or to appear before the committee earlier, had a request been made to have that wider debate. I am, of course, more than happy to do that in the future.

The debate has been informative not just on the instrument that we are looking at but on the wider points that Jeremy Balfour and others raised about how we deal with regulations as we move forward with social security. The letter of December 2018

was my first opportunity to make clear my direction of travel on the issue, but I am mindful that more might need to be done to ensure that the committee is aware of the issues and has opportunities to engage with them.

I hope that Mr Balfour and others are reassured that section 77 of the 2018 act requires me to report to Parliament, to discuss the issues and to be held accountable for them. As the convener pointed out, the draft regulations will go to the commission for independent scrutiny and they will be available for the committee and wider stakeholders to take a view on and require further evidence about. I will be more than happy to take part in any deliberations at that point.

I am mindful of the points that have been raised today and of the fact that people still have concerns about what we have chosen as a measure of inflation. As I said yesterday, I am happy to hear those discussions as we move forward. I will look seriously at and reflect on the wider point about how we deal with regulations under the 2018 act. I am available to the committee at any point should further questions be raised on that issue.

The Convener: Thank you, cabinet secretary. That concludes the debate.

The question is, that motion S5M-15926, in the name of Shirley-Anne Somerville, be agreed to. Are we agreed?

Members: No.

The Convener: There will be a division.

For

Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
 Balfour, Jeremy (Lothian) (Con)
 Ballantyne, Michelle (South Scotland) (Con)
 Brown, Keith (Clackmannanshire and Dunblane) (SNP)
 Doris, Bob (Glasgow Maryhill and Springburn) (SNP)
 Robison, Shona (Dundee City East) (SNP)

Against

Griffin, Mark (Central Scotland) (Lab)
 McNeill, Pauline (Glasgow) (Lab)

Abstentions

Johnstone, Alison (Lothian) (Green)

The Convener: The result of the division is: For 6, Against 2, Abstentions 1.

Motion agreed to,

That the Social Security Committee recommends that the Carer's Allowance Up-rating (Scotland) Order 2019 [draft] be approved.

The Convener: I thank the cabinet secretary for coming.

10:43

Meeting suspended.

10:46

On resuming—

Carer's Allowance Up-rating (Scotland) Regulations 2019 (SSI 2019/21)

The Convener: Under agenda item 4, which is still on subordinate legislation, the committee is invited to note the Carer's Allowance Up-rating (Scotland) Regulations 2019. Is the committee content to note the instrument?

Members indicated agreement.

Social Security Scotland

10:46

The Convener: Under agenda item 5, the committee will take evidence from Social Security Scotland. I welcome, from Social Security Scotland, David Wallace, the chief executive, and James Wallace, the head of finance; and, from the Scottish Government, Alison Byrne, the deputy director of social security programme delivery support.

David Wallace may like to make opening remarks before we move to the discussion.

David Wallace (Social Security Scotland): I am very conscious of time, but I will make a couple of remarks.

Thank you for the opportunity to give evidence to the committee. The privilege of being the chief executive of Social Security Scotland means that I have had lots of firsts—the first payments and so on—and this is my first formal appearance in front of the committee.

I will touch on a couple of issues very briefly, given the time and because I know that there are some areas that the committee would like to explore. I will cover where we are as an organisation and how we have got there. I will also say a bit about the culture of the organisation that we are trying to build and about the information that we expect to generate to help the committee's scrutiny of our performance.

As members are aware, Social Security Scotland opened for business in September last year with the carers allowance supplement—and I will stop there on the carers allowance supplement. We employ just over 300 staff, most of whom are based in our headquarters in Dundee and Glasgow, although we also have a small cohort of staff operating across Scotland in preparation for face-to-face local delivery.

A huge amount of work went into getting ready for the launch. I am conscious that some members have visited the programme to see some of the complexity behind what is being achieved. Alison Byrne is from the programme side of the Scottish Government, and we continue to work incredibly closely with our programme, directorate and chief digital officer colleagues to achieve what we need to achieve.

I will mention some key points in the agency's history. In March 2016, "Creating a Fairer Scotland: A New Future for Employability Support in Scotland" was published, and that was our "there will be an agency" moment. I joined the directorate shortly after that and my remit was to make that agency happen. The statement in

Parliament in April 2017 referred to our outline business case, which is published and which gives a lot of detail about how the agency will operate, including the face-to-face delivery. That was the first time that we set out that the agency would likely employ 1,500 people across the two sites and what its high-level operating model would be.

In May 2017, Angela Constance, the then Cabinet Secretary for Communities, Social Security and Equalities, announced that the carers allowance supplement would be the first benefit that we would deliver and when we would deliver it.

Swiftly after that, in September 2017, again in evidence that was published in Parliament, we explained our decision to set up in Dundee and Glasgow. I am really quite proud to say that, one year on from that, in September 2018, and essentially from a standing start in the city of Dundee, we were able to deliver the carers allowance supplement, as you have been debating, and put money into the pockets of people in Scotland.

We have been playing a key role in ensuring that our workforce is diverse and reflects society broadly, as well as the clients we want to serve. I am aware that some members have visited Dundee to see that approach in action. That is not just our ethos; there are practical measures behind that. For example, we run job adverts past stakeholders as we develop them, to try to ensure that there are no language barriers to applying for our jobs. We have removed minimum qualifications for our entry-level jobs, which has allowed us to attract people into the organisation whom the civil service would not otherwise have been able to employ. That gives us a real ability to expand our workforce.

We have also been really determined to offer people continuous feedback throughout our employment processes. I am delighted to say that we have people working in Dundee who were originally unsuccessful in applying to the organisation, but as a result of the work that we have done with them, they have been successfully employed. We are trying to embed that approach in everything that we do.

That also applies to our executive advisory body. Our advisory body and our non-executives have a broad range of experience and skills relating to the people whom we serve. Again, that is a conscious move on which we are trying to deliver.

Through the Social Security (Scotland) Act 2018 and the charter, we are building in continuous service feedback from our clients. We will do that in a number of ways as services come on stream. We may come on to discuss that in more detail,

but I am delighted to say that, so far, the feedback from clients on the services that we have delivered has been remarkably positive. We are very pleased with that.

At a more general level, we will start publishing more information on the benefit payments that we make and the impact that they are starting to have. A set of official statistics has recently been released on the carers allowance supplement. Although you are probably aware of them, I will give you the high-level figures. More than 77,000 payments of the carers allowance supplement were made in the first tranche. As you have been discussing, that gave more than £17 million of money to carers in Scotland that would not otherwise have been paid. We are incredibly proud of that. The next set of figures on the carers allowance supplement will be released in May.

Over the coming period and into April, we will produce official statistics on the best start grant. We have given early indications about how the best start grant process has worked, but we will push out official statistics in order for you to get a better feel for that.

I will also say, in terms of scrutiny and transparency, that we will of course produce an annual report and accounts. This year will be a part-year set of accounts, covering from our launch in September 2018 until the end of March 2019. James Wallace would be happy to cover those elements. We are in discussion with Audit Scotland about what that report might look like.

I hope that that has given you a flavour of some of our activity and where we are currently. I am happy to take questions.

The Convener: It absolutely has—thank you for that opening statement. I am conscious that, when committees carry out scrutiny, we sometimes look at where the strains are in an organisation, rather than accentuate the positive. Many of us took the opportunity to see the agency in Dundee, which was a really positive experience. We saw the commendations from service users and the positive feedback that claimants are giving you about their experiences. Funnily enough, I will not ask you about the positive feedback, but it is important to put it on the record.

An agency cannot get things right all the time; that is just a reality and a fact of life. Given the significant case load that has built up, have you received complaints about the carers allowance supplement or, although it is in its infancy, the best start grant? What is your experience of dispute resolution or appeals in relation to that process? Can you give us more information about that?

David Wallace: Yes, I can. We have not yet published official statistics, so I will give a rounded

flavour of where we are at, rather than specific numbers.

Is it complaints rather than appeals that you are particularly interested in?

The Convener: Because of time constraints, I was trying to roll two issues together, but let us deal with complaints.

David Wallace: For BSG and carers allowance, we have had fewer than 100 complaints.

The Convener: Is that the number for both BSG and carers allowance?

David Wallace: Yes, that is for both of them, across the piece. It is a phenomenally low level of complaints. The vast majority are being resolved at first line, as we term it. That means us acknowledging and understanding what has driven a complaint and, very often, apologising and ensuring that it does not happen again.

Without wishing to dwell only on the positive, we see the phenomenally low level of complaints as a positive. We might come on to the best start grant element of that. What particularly struck me through the launch of the BSG is that, although we had a relatively large number of calls immediately afterwards, there was only one recorded complaint, which was about how somebody had been treated on the phone. There were discussions about how the process took longer than anticipated and about people wanting to know when they would receive information, but only one individual indicated that they felt that they had been inappropriately dealt with.

The Convener: Out of the 100 complaints, 99 were about process and one was about an individual's contact with a representative of the agency.

David Wallace: Yes.

The Convener: It is welcome that there has been such a small number of complaints, given the case load. If you have determined what the issues in the complaints are at this early stage, have any themes emerged?

David Wallace: The vast majority were in relation to policy, rather than service. For example, people might lodge a complaint about the fact that they are not eligible to receive an award. We would acknowledge that as a bit of feedback and make sure that it went back into our wider discussions.

However, complaints tend not to be about service. On BSG, which I am sure that we will come on to, complaints are about people's expectation of how long it will take before they receive their payment and about the speed of processing. Remarkably, most complaints are about policy.

The Convener: I conflated complaints with appeals. Have any appeals been made?

David Wallace: People have to go through our redetermination process before they reach the appeal stage. We have had requests for redetermination in the low hundreds. We are working through them—we have set timescales for working through redeterminations—and have considered just over 100 requests for redetermination. Broadly speaking, we have changed the decision in about a third of those cases.

The Convener: For the other two thirds of cases for which you do not change the decision at the redetermination stage, how many move on to a formal appeals process?

David Wallace: I need to be careful not to tread on official statistics, because the number is one, at the moment. I cannot say too much about that one case in case it identifies them. We are into single digits.

The Convener: We will want to scrutinise this further at a later date, but there being only one appeal might suggest that the redetermination process is doing its job. Is it your feeling that, although claimants might not like being unsuccessful because of eligibility criteria or other reasons, they at least get a clear understanding of the position, which explains the low level of appeals? Apologies—I do not want to put words in your mouth. I should just ask you why there is such a low level of appeals.

11:00

David Wallace: It is probably too early to do a proper analysis of what is behind that. A range of factors are involved.

One factor is probably that the best start grant is a relatively straightforward benefit, in that there is not a huge degree of subjectivity around eligibility for it. I would obviously say that how we are dealing with the redetermination process also leads to a low level of appeals. In the feedback that we have received, people have thanked us for explaining why they are not eligible. The work that has been done in the programme, in user design and research on the way that we communicate in our letters to people, is having an impact.

The Convener: The deputy convener wants to explore a line of questioning, but I have a final question. Although really small numbers are involved, are any themes emerging in relation to successful redeterminations?

David Wallace: The main theme is to do with being in receipt of a qualifying benefit. People have to be not only eligible for an underlying benefit, but physically in receipt of it to qualify. For

example, from the information that we exchange with the DWP, we might see that somebody may have applied for UC but is not yet in receipt of it. Those circumstances, however, may have changed by the time that the issue comes through the redetermination process.

The Convener: I want to be very careful about how I ask my next question, as I do not want to politicise the matter. Are delays to UC causing an issue in relation to the awards that you seek to make? Is that what is being picked up in the redeterminations?

David Wallace: I would not categorise it as delays. In all the systems, there will be inevitable time lags. We saw early complaints about CAS, for example. We take data from the DWP and people's circumstances will inevitably change after that. People have changed their bank accounts. I think that a parliamentary question was lodged recently about whether we have paid any money to carers south of the border. A tiny percentage of people are involved, as they have moved in the preceding period. There are always movements and people's circumstances change.

Again, I think that it is too early for us to put any evidence behind what underlies redeterminations.

The Convener: Yes. You are analysing such a small sample. I appreciate that, Mr Wallace.

Pauline McNeill: It is nice to see you at the committee again.

Redetermination interests me, but I did not fully understand a statistic. Our papers say that a third of the applications for the best start grant were declined. Is the figure that you spoke about a different one? You said that a third of cases were redetermined. Will you go over that again?

David Wallace: A third of best start grant applications have been refused, and people have decided either to accept the decision or to ask for a redetermination. The number of those who have asked for a redetermination is in the low hundreds, and in a third of that subset of cases, we have overturned the original decision that the person was not eligible.

Pauline McNeill: Is that figure high?

David Wallace: Again, I think that it is too early and probably quite dangerous to say one way or the other. As was discussed during the bill process, we have been quite clear that when we see something that we think needs to be corrected, we will correct it. The redetermination process is specifically designed to make that as easy as possible. It is too early to draw conclusions from that, but we need to watch it carefully—

Pauline McNeill: I appreciate your reluctance, but from a bystander's point of view, I think that the figure seems quite high, although it might indicate that the redetermination process is working. There must be an underlying reason for that.

David Wallace: I go back to the point about UC and finding people in payment. It is not that the original decision was incorrect when it was made; rather, people have now come into payment of UC.

Pauline McNeill: Okay. I am sorry; it took me a minute to understand that.

The redetermination process is very important, and the committee discussed it at length at stages 2 and 3 of the bill. I am interested in the levels of training that staff get and how you have approached the process with staff. Obviously, the redetermination process is meant to be completely fresh and different from the DWP's process. How have you approached that?

David Wallace: The redetermination process is separate from our first decision making. Structurally, we have put the team that deals with redetermination in an entirely separate part of the organisation. Those staff have had the same training in how the system operates, so they are aware of how people go through the first case. As with the rest of the organisation, we want to instil an ethos whereby, if people are entitled to a benefit, our role is to help them to get their entitlement, not to defend a previous decision or to guard in a different way. We are talking about people's entitlements; fundamentally, our role is to check and make sure that people get what they are entitled to. We have done a lot of work in getting staff into that space.

When it comes to getting behind redeterminations and obtaining data on what is causing them, it is very early stages, which is why I am being slightly hesitant.

Pauline McNeill: If someone chooses to appeal, the paperwork is supposed to follow automatically. Has the work been done on that? Is that happening?

David Wallace: That is work in progress; it has not been finalised. We are working with the Scottish Courts and Tribunals Service on what needs to be prepared.

On the redetermination process, I should say that a fundamental aspect of what we do is that we pick up the phone to the client, if that is appropriate, so that we can talk through what further evidence they might have and why they want a redetermination. We ensure that there is personal contact with the client during that process.

The Convener: Shona Robison, Alasdair Allan, Mark Griffin and Jeremy Balfour all want to ask questions, but time is limited. I apologise to members. We will get you all in, but I think that we will be inviting Mr Wallace back in short order, because there is a desire for a longer evidence session. I realise that the delay is our issue, not the witnesses'.

Shona Robison (Dundee City East) (SNP): I thank the Dundee staff for their achievement in successfully delivering the carers allowance supplement. That is a good start for the organisation.

It would be helpful to learn more—in writing, perhaps, as time is against us—about the challenges that will be presented by the next benefits coming on stream and how you will marry that with the growth of the organisation, from the point of view not just of the new recruits but of the skill mix that will be required to deliver what is beginning to be a greater variety of benefits, some of which have different claim deadlines, which brings its own complexities. I presume that there will be an organisational plan on how to deal with that. It might be helpful for the committee to have sight of that, if that would be possible.

David Wallace: I can certainly provide further information through correspondence. I should highlight the fact that our interim corporate plan is in the public domain and that we will publish our business plan for next year shortly, which will give some of the detail that you have requested. I can set out some of those details. Would you like me to cover any of that at the moment?

Shona Robison: If time is against us, I would be happy for the information to be sent by correspondence.

The Convener: That is very kind of you, Shona. We will see whether Alasdair Allan will be as kind when he asks his question.

Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP): My question is about the local delivery of services. Social Security Scotland's website says:

"Over time, we aim to build up a network of locally-based staff".

I have two questions about where planning has got to on that front. First, where are you with planning as regards the service user? I ask my second question shamelessly as a rural MSP. Without taking anything away from Dundee, there is obviously a demand in rural Scotland for civil service job distribution. Is any thought being given to whether, around the edges of what you do, people might be given the opportunity, if they wish to move somewhere else, to take their job with them?

The Convener: I should point out that there are very rural parts of Maryhill.

David Wallace: Do you want me to answer that now?

The Convener: I will give you a couple of minutes, then we will move on to the next question.

David Wallace: Local face-to-face delivery is one of the services that will come on stream when the later benefits—those that we have referred to as the wave 2 benefits—start to come on board. It was never intended to be a service that would support the first benefits, primarily because it was not deemed necessary to support people through that process in a face-to-face environment.

We are still at a very early stage. We have 19 individuals who are our local delivery leads around Scotland. Their job is to have those conversations locally with councils, the third sector and current service providers, and to gain an understanding of the landscape.

Throughout all this, we have said that we will not design a model and plant it 32 times across Scotland. Our local delivery model involves 32 conversations—and more—around what is suitable for those environments.

You make a good point about the rural issue. In the conversations that we have started, we have gained valuable information about how services are provided in places such as Argyll and Bute, whether they are provided by the local authority or others. We are very conscious of the rural aspect.

With regard to the outline business case for the whole model, there was an evidential piece of work with regard to why Dundee and Glasgow were our main locations. However, we are open to mobile working for other parts of the organisation, where possible.

Mark Griffin: What level of detail will there be for the statistics that you intend to release for the best start grant pregnancy and baby payments? I would be particularly interested to see whether you could produce statistics that could show us how many payments were made to third and subsequent children in a family.

David Wallace: To give a proper answer to that question, I would have to discuss the issue with my analysts. One of the reasons why I am not giving specific numbers today is that there is a process that we have to go through to ensure that official statistics are robust, verifiable and evidential.

From the data that we see on a daily basis, we can identify some of those trends, so I cannot see why such information would not form part of a BSG statistics release. It would be useful if you

would allow me to take that question offline and provide an answer later.

Mark Griffin: Okay, thank you.

Jeremy Balfour: You may want to take my questions away and answer them later, too. I am happy to receive a written answer.

Yesterday, when I asked the cabinet secretary about where the new employees were coming from, with regard to diversity and how many people have lived experience and what their previous employment had been, I was slightly surprised by the answer. It may have been unfair to ask that question in the chamber. Have you done any analysis of where people have come from and what experience they had beforehand? I appreciate that you may not have the information at your fingertips, but it will be helpful if you could find it out and provide us with it.

On Tuesday, the convener and I had a helpful visit to the Scottish Government offices. I came back from it saying that it was one of the best meetings that I have had since I have been an MSP. It was interesting to see the good work that is going on between the Scottish Government and your agency. Because your agency is new, the Scottish Government is doing quite a lot of the work with regard to data protection and how we are going to design forms, although you have an input into that. Obviously, the cost of that work is being met by the Scottish Government, not your agency. I appreciate that the Scottish Government will not be billing you for that work but, in your discussions with Audit Scotland, is it suggested that that money will be indicatively shown in the accounts? Will there be something that says, "If we were doing this work, the cost would be X million pounds?" That would enable us to have a true understanding of the cost of putting everything in place.

David Wallace: I will come back to you on your first question. On your second question, we can be fairly clear that our set of annual reports and accounts will concern the expenditure for which I am the accountable officer from the point at which the agency went live.

James Wallace can tell you about the financial memorandum and the overall costs.

James Wallace (Social Security Scotland): David is right to say that he is the accountable officer for Social Security Scotland, and our annual report and accounts will report only on the costs of running the system and the payments that we have made as an agency.

Implementation costs were described in the financial memorandum for the bill. You will recall that the initial high-level estimate was £308 million for a four-year programme. The expenditure

against Scottish Government budgets for implementation is reported in the Scottish Government's accounts, which, again, are laid before Parliament.

11:15

In due course, you will see that the assets that the Scottish Government social security programme is producing will transfer to the agency and become assets on David Wallace's balance sheet. However, that will not include the full extent of expenditure on implementation. You will have to get that from the Scottish Government's accounts.

Jeremy Balfour: I have a slight concern around the transparency of that. We can find it somewhere—on page 108 of a document or wherever—but is it up to the Scottish Government to let the committee know about the budget: for example, how much of that estimated £308 million has been spent already? Is that an issue for the Scottish Government, not the agency?

David Wallace: Essentially, yes. Alison Byrne may want to come in on that. The agency does not commission the Government and bill back for services. Alison, her team and the wider directorate are Scottish Government civil servants who are working on social security.

Alison Byrne (Scottish Government): As David and James have said, the social security programme is a change programme. That is the space where we design and build the services—with David and his team, obviously—which we then pass to David to deliver. The £308 million identified in the financial memorandum is for start-up costs that the Scottish Government is driving at the moment for the development and design of the services that David and the agency will deliver.

Alison Johnstone: Local delivery is not all about stand-alone social security offices. You will be working in different venues with different organisations and I would like to understand a bit more about what that might look like. Also, with regard to the welcome focus on dignity and respect, you may be working with another organisation that does not have that same commitment. Can you touch on those two issues?

David Wallace: It is about more than just our offices and that we will work with others. The presumption is the other way around. We will be embedded where people are already accessing services. Our delivery leads have started to have those early conversations.

There are two things about our local staff: one is where we base them and the other is where they operate their services from. Across Scotland, we have seen some fantastic examples of people travelling around to libraries, health centres or

wherever to ensure that there is a joined-up service. On the whole, people are really responsive to us becoming part of a holistic joined-up service. That oversimplifies it, of course; there is an incredibly complex landscape. We have already spoken to more than 600 organisations that also view themselves as being in some way related to that sort of space, so it is phenomenally complex.

Yes, we intend to be where people are already going to access services, but I agree with Alison Johnstone's other point that those places also have to ensure that they deliver against our values of dignity, fairness and respect. We have tried to do that with our interim locations. Where we are basing people in Dundee and Glasgow, it is no accident that they are within shared local authority buildings where services are already being delivered to clients. We want to explore that theme further.

Michelle Ballantyne: I want to revisit the money. I have been looking at the figures that we have been given over the period, and in our papers for today there is an estimate of the steady-state running costs. For clarification, before we go further into the discussion, I take it that those are revenue figures and that capital does not come into it. If I am reading it correctly, there is no asset transfer of information technology, as such; that seems to be a shared service cost. Am I correct in saying that?

David Wallace: Do you mean the current IT shared service?

Michelle Ballantyne: Your running costs for 2019-20 refer to shared service costs including IT, human resources and procurement.

David Wallace: That would tend to be desktop services—the hardware and connectivity on people's desks—that are delivered to us by the Scottish Government. Aside from our arrangement to work closely with the Government's social security programme, wherever possible we take shared services, which, in the main, are from the Scottish Government.

Michelle Ballantyne: When we look at the steady-state running costs, which are estimated at between £144 million and £156 million, that is purely revenue.

David Wallace: Yes.

James Wallace: Yes.

Michelle Ballantyne: I am interested, then, in the relationship between the cost of running the agency and what you deliver. Are you comfortable that that figure is correct? Has there been any alteration to that figure?

David Wallace: Those figures come from the outline business case, which I referred to earlier. That public document is still the source of the estimate that we are working from. Because of the way in which this operates, there will inevitably be service design changes that will have an impact. Some of those changes will be very small and some will be large, for example a commitment to a freephone service. Things like what assessments look like, where they are delivered, whether we give people a choice about assessment or whether we want to move any face-to-face assessments closer to people's homes are all service design conversations that in some way will have a consequence for running costs. However, those are the current figures that we are operating against.

Michelle Ballantyne: And that is against the full delivery package of £308 million-worth of benefits—

David Wallace: I think that it would be £3.2 billion.

James Wallace: It would be £3.3 billion of benefits. The £308 million is Scottish Government implementation costs to set up the systems and processes required for delivery. There is an implementation cost to build the systems and then there is an annual running cost to pay out the benefits under that system every year. At the time that the outline business case was written, the steady-state running cost of benefits and administration was around £3.3 billion.

Michelle Ballantyne: In your planning around the relationship between cost and delivery, did you have a target figure?

David Wallace: James Wallace might correct me, but the figures were built up from what we knew about the existing operating model for DWP delivery in Scotland. In constructing that, the target was not to arrive at a ratio of administration costs to benefit expenditure.

Michelle Ballantyne: You expect it not be vastly different in the long run.

David Wallace: On those numbers, it is about 5 per cent, which is in line with the existing system.

Michelle Ballantyne: The DWP is around 3 per cent, is it not?

James Wallace: Not for non-pension benefits. In the financial memorandum to the Social Security (Scotland) Bill, the Scottish Government estimated what it potentially cost the DWP to administer non-pension benefits as a proportion of the benefits that the DWP administers in Scotland. Our estimate of that was 6.3 per cent, and our estimate for Social Security Scotland was 5 per cent. That is intended not as a stark comparison between the DWP and Social Security Scotland,

but as an indication that the basis of our estimates is sensible and reliable, and that we would expect the figures to be broadly comparable.

Michelle Ballantyne: But the current agency agreement that we have is running at about 2.2 per cent, is it not?

James Wallace: It is. As a proportion of the carers allowance, it will be in that region. However, that is not the full range of activities that are required to deliver carers allowance.

Michelle Ballantyne: We have got a good deal at the moment.

James Wallace: I think that the DWP has been fair, but the work that is involved in delivering carers allowance in Scotland is not solely the agency agreement. Work is carried out by Social Security Scotland and within the Scottish Government to ensure that Scottish recipients of carers allowance get their carers allowance, even though there is an agency agreement with the DWP.

David Wallace: To go back to the other discussion, the figures are based on that being the service. Any changes to it will be entirely out of scope.

Michelle Ballantyne: I see that we are running out of time, so I will not ask any more questions.

The Convener: Perfect timing. We had eight questions from MSPs in a relatively short period, so I thank MSPs for their focus and the witnesses for their concise answers. I thank Alison Byrne and both Mr Wallaces for coming along. We hope to see you back, probably in relatively short order, because there is a thirst to expand our lines of questioning.

We will move to agenda item 6, which we previously agreed to take in private.

11:25

Meeting continued in private until 11:34.

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