



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# WELFARE REFORM COMMITTEE

Tuesday 1 May 2012

Session 4

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**Tuesday 1 May 2012**

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**WELFARE REFORM COMMITTEE**

**6<sup>th</sup> Meeting 2012, Session 4**

**CONVENER**

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

**DEPUTY CONVENER**

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

**COMMITTEE MEMBERS**

\*Margaret Burgess (Cunninghame South) (SNP)

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

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

Drew Smith (Glasgow) (Lab)

\*Kevin Stewart (Aberdeen Central) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Jackie Baillie (Dumbarton) (Lab)

Dr David Bell (British Medical Association Scotland)

Chris Boyland (Scottish Government)

Dr Stephen Carty (Black Triangle Campaign)

Owen Kelly (Scottish Financial Enterprise)

Dermot O'Neil (Scottish League of Credit Unions)

Laurie Russell (Wise Group)

Nicola Sturgeon (Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy)

**CLERK TO THE COMMITTEE**

Simon Watkins

**LOCATION**

Committee Room 2



**Scottish Parliament**  
**Welfare Reform Committee**

*Tuesday 1 May 2012*

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

**Decision on Taking Business in Private**

**The Convener (Michael McMahon):** Good morning, everyone. I welcome our witnesses and members of the public to the sixth meeting in 2012 of the Welfare Reform Committee and remind everyone to turn off all electronic equipment.

Apologies have been received from Drew Smith, who is attending the Health and Sport Committee. Jackie Baillie is in attendance as his substitute.

Agenda item 1 is to decide whether to consider in private at future meetings a draft report on the Welfare Reform (Further Provision) (Scotland) Bill. Do members agree to do so?

**Members** *indicated agreement.*

**Welfare Reform (Further Provision) (Scotland) Bill: Stage 1**

10:00

**The Convener:** Under agenda item 2, which is our substantive item of business, the committee will take evidence on the Welfare Reform (Further Provision) (Scotland) Bill. There will be two panels, the first of which comprises Dr Stephen Carty, who is a general practitioner representing the black triangle campaign; Dr David Bell of the British Medical Association Scotland; Owen Kelly, who is the chief executive of Scottish Financial Enterprise; Dermot O'Neil, who is the general manager of the Scottish League of Credit Unions; and Laurie Russell, who is the chief executive of the Wise Group. I thank you all for agreeing to come to the meeting. The panel is diverse.

**Kevin Stewart (Aberdeen Central) (SNP):** To be on the safe side, I had better declare an interest as a member of the St Machar Credit Union Ltd.

**The Convener:** Thank you. That is helpful.

We have received one written submission, but I would like to give each of the witnesses the opportunity briefly to say something about the bill from their own perspective, which might help members to understand exactly where you are all coming from. Does Dr Bell want to start?

**Dr David Bell (British Medical Association Scotland):** I am very happy to say a few words.

A lot of the committee's work is to do with the mechanism for getting the Welfare Reform Bill enacted in Scotland, but the BMA is not so concerned about the mechanism; we are much more concerned about the provisions and the impact that they will have on people in Scotland.

The idea of saving £2 billion, say, from the group of people in question seems to be inhumane and unreasonable to us. We have no concern at all about the simplification of the benefits system—in fact, we welcome that—but that should not happen to the detriment of recipients.

The worries are numerous; I will give members about half a dozen of them, for a start. The work capability assessment that will use computer algorithms is inadequate, particularly in respect of mental health problems, for which it does not really cater. We are also concerned that the one year cap on benefits is too short for many physical and mental problems.

We know from experience that claimants, particularly those who have prolonged issues and comprehension difficulties, are often distressed

when they are called in—I can return to that later—and we think that the system is insensitive to the feelings of individuals.

The frequency of successful appeals seems to us to demonstrate the mechanism's shortcomings. There would not be a 60-plus per cent success rate with appeals if the system worked properly in the first place.

The effect on families of the removal of, or reduction in, benefits—even temporarily—can be catastrophic, and the knock-on effects on passported benefits can exaggerate that effect.

It was intended that removal of certification from the general practice part of the medical profession would reduce the workload, but it has done exactly the opposite: it has brought in people who are suffering from anxiety who have concerns, and who request us to do something about the mess that they have found themselves in on the basis of assessments. The workload reduction has therefore been negative, and the knock-on effect is reduced availability of general practitioners to the wider range of patients.

**Owen Kelly (Scottish Financial Enterprise):** Good morning, and thank you very much for inviting us to the meeting.

Scottish Financial Enterprise is the representative body for the financial services industry in Scotland. We have members from all sectors, but I think that the sector that is of most interest to the committee is banking—especially personal banking.

Obviously, the introduction of the universal credit and, in particular, the proposition that payments will be made monthly in single payments, raise questions about what sort of banking products will be necessary to facilitate management of that income. The Department for Work and Pensions has been reasonably clear about the characteristics that are necessary for such a product.

For a start, the product must be portable so that people can take it with them when they move off universal credit, and it must allow people to build up a credit rating and offer them protection not only against mispending on their own part, but against the account provider seeking to recover from one pool of money against another. The product must also allow more than one individual to have access to the account, must manage a number of payment systems to allow people to budget and set up various payment arrangements, and it must be able to receive income from multiple income streams, including benefits and work.

However, although the characteristics are reasonably clear, the industry is still very much

waiting for the DWP to be more specific about policy requirements. I am very happy to help the committee as much as I can. If we get into any questions of technical detail, I might have to take them away, pursue them elsewhere and respond to the committee in writing. Generally, all I can say is that we are still waiting for the DWP.

**Dermot O'Neil (Scottish League of Credit Unions):** Thank you for inviting us this morning, convener.

Many aspects of the legislation will affect many credit union members, but any comments that we make or questions that we raise this morning will pertain to the part relating to payments, which we feel will predominantly affect credit unions and their members. First of all, we believe that, with the adjustment to the monthly cycle of benefits payments, there will be a need for crisis support, so we must ask what plans are in place to provide such support.

Moreover, given that the changes that the legislation will make will potentially result in some of the biggest behavioural changes that have been seen in our communities in decades, some financial re-education will be required. The question is whether individuals and the organisations that support and work with them are ready for such change.

Ultimately, benefits changes that will reduce household incomes will have a direct negative impact on credit unions' capacity to lend, and are likely to increase incidence of arrears and defaulting on loans. Furthermore, benefits recipients will require a bank account. Approximately 1.5 million such people in the UK are unbanked, which raises the question of how we bank the unbanked and whether that is for banks and/or credit unions to address.

More positively, we should consider whether opportunities exist to get the paying-out part right and to develop a credit-union facilitated budgeting service. How would such a service work? What benefits would it bring? What would be the practicalities of operating it and how would it help credit unions to recover, for example, rent payments from housing associations?

We are conscious of the resources that are currently available to credit unions: the fact is that if they are going to have more input, we will need to think about what additional resources will be required to support the sector and we need to ask from where they will come. Despite the expectation both within the sector and among external stakeholders that credit unions will be involved in the process, we need to realise that there are limitations on their resources.

**Laurie Russell (Wise Group):** The Wise Group is a social enterprise that supports people in

getting off benefits and going into work, so my experience is mainly to do with that transition. I am sure that members know that about a year ago, in parallel with the welfare reforms, the DWP introduced the mandatory work programme for all people who are unemployed for six months or more, with the timescale depending on which benefit they are on. That was a very significant change in the way people have been supported off benefits and into work. After a competitive tendering process, two private sector companies now run the programme. One of its biggest characteristics is that it is mandatory.

Alongside that, a much higher proportion of people are having their benefits sanctioned for relatively minor offences. As members know, the DWP believes that 16 hours a week constitutes a full-time job for getting off benefits, but I recently spoke to someone who had managed to get a 14-hour-a-week job and was sanctioned for not looking for another job to make up the two-hour shortfall. People in part-time jobs can get extra hours if they prove to be successful. However, instead of being supported and helped for getting a job, the individual in question was sanctioned.

Broadly, we think that we need to simplify the transition from benefits to work. It is an absolute myth that people do not want to work; they do, but the question is whether the jobs are out there and whether people can find one that fits their lifestyle and ability to work. That is a particular problem for people who have been on incapacity benefit or who have health issues. However, I think that if we can work with people and if the jobs exist, we will be able to find work to suit most people.

In certain parts of the benefits system, people rely on payments to others. For example, housing benefit is paid directly to landlords and is therefore not a concern to the people who are on benefits, but the situation changes when people move into work. The proposed housing benefit changes, with payments being made in arrears and monthly, will have a major impact on people who are already poor and who find it difficult to budget on a weekly basis—let alone monthly.

**The Convener:** Dr Carty has already made a written submission.

**Dr Stephen Carty (Black Triangle Campaign):** Yes, I have, but I would like to speak for a couple of minutes, if that is okay.

**The Convener:** That is fine.

**Dr Carty:** First, I thank the committee for the invitation to attend.

I am a general practitioner in Leith and a member of, and medical adviser to, the black triangle campaign, which is a grass-roots organisation that is run by and for disabled people.

It was founded two years ago by John McArdle—who, I am sad to say, cannot make it today—following the suicide of Paul Reekie, an author and poet in Leith who took his own life after a work capability assessment. Mr Reekie did not leave a suicide note; instead, he left side by side on his desk two letters, one of which was from the DWP informing him that his incapacity benefit had been stopped and the other from the council informing him that his housing benefit had stopped.

As a GP, I echo many of the views and concerns that Dr Bell has expressed. I have been staggered by some of the DWP's decisions in finding that patients who are clearly severely ill are fit for work. As I have found out more, I have become increasingly concerned at the extent of the problem and so I felt compelled to act.

The recent General Medical Council publication "Good Medical Practice" states clearly that a doctor must—and has an overriding duty or principle to—take prompt action if they

"think that patient safety is or may be seriously compromised by inadequate ... policies or systems".

In our view, work capability assessments are "inadequate".

At the recent Scottish local medical committees conference in Clydebank, the Lothian branch proposed

"That this conference, in respect of Work Capability Assessments ... as performed by Atos Healthcare, believes that:

- i. the inadequate computer-based assessments that are used have little regard to the nature or complexity of the needs of long term sick and disabled persons
- ii. the WCA should end with immediate effect and be replaced with a rigorous and safe system that does not cause avoidable harm to some of the weakest and most vulnerable in society".

Both motions were passed with an overwhelming majority.

10:15

We are calling on the Scottish Government to make a statement of support for Scotland's general practitioners, who have called for the work capability assessment to end with immediate effect. We are also, in part, calling on the BMA and the GMC to make specific statements in response to the grave concerns that were expressed in the LMC motions.

I find the current situation to be intolerable. Now that claimants are to be assessed for the personal independence payment, Westminster has announced that preferred-bidder status has been granted to, among others, Atos Healthcare. No details have been made available about how those assessments are to be performed, but Linda

Burnip of the disabled people against cuts campaign has seen the pilot forms and they bear a striking resemblance to the work capability assessment.

As a GP, I am in a contractual arrangement with the DWP to provide information, so I feel as though I am complicit in a system that has been shown to be harmful. I am calling on the Scottish Government to join the medical profession and disabled persons' organisations in fighting back against what appears to be an inhumane system. I believe that it is both possible and appropriate to withdraw co-operation unless there are clear changes. As a campaign, we insist on a fair and just Scotland. I feel that it is now time to stand up for Scotland's sick and disabled people and to resist some of these sinister reforms.

**The Convener:** Thanks. I will kick off with a question for Mr O'Neil. You talked about a crisis point, and Mr Russell referred to the fact that the new benefits will be paid one month in arrears—I think that that is correct. Can you clarify for me that that is the problem you have identified?

**Dermot O'Neil:** Yes.

**The Convener:** At the outset of the changes, will there be a period in which people will not be in receipt of benefits, although they will be entitled to them?

**Dermot O'Neil:** Yes. Our concern is that there will be a gap in the receipt of moneys, which will potentially create cash emergencies. Such scenarios would ultimately feed into the hands of pay day loan lenders or other providers of high-cost credit. Credit unions are not naturally positioned to service that short-term needs market, either operationally or legislatively. Crisis or top-up loans could be used as a short-term solution to assist with cash deficits, but that would create a longer-term problem of indebtedness not through choice, but through necessity. That would increase the crisis or, at the very least, would create a treacherous situation for those people. Therefore, crisis support would be required in the form of some sort of transitional protection for people moving from a different payment arrangement, or from a benefit to a work scenario in order to ensure that there are no cash losses to the recipients at the point of transition.

**The Convener:** From where would the funding for that transitional support come? Should a system be put in place by the DWP?

**Dermot O'Neil:** That would be one solution. We have to understand where the obligation lies for assisting in that transition. Credit unions will always attempt to support their members, but there must be capacity to repay. At that point, our members would be borrowing for survival or out of everyday necessity, which is different from a

conscious decision to borrow from a credit union for a provident and productive purpose, which would normally be the reason for borrowing.

**The Convener:** Where would credit unions get the finance to support people in such situations? If public funds were available, what proportion of them would come from Westminster departments and what proportion would come from Scottish Government departments?

**Dermot O'Neil:** Ultimately, that would be determined by the respective Governments according to their inclination to support the people who need support at that point. The DWP recently concluded a growth-fund type initiative whereby it allocated moneys that credit unions could lend typically to members who would not otherwise be served by banks or by credit unions. A similar loan guarantee fund may be required, so that credit unions could be the vehicle for delivering that emergency credit without jeopardising their own funds.

**The Convener:** That is helpful.

Before I pass over to the deputy convener, I have a question for Mr Russell. Have you noticed training providers or companies deliberately restricting the number of hours that are available to people? If that is the case, what impact is that having?

**Laurie Russell:** I am not sure that hours are deliberately being restricted, but there is a trend for companies to employ people on zero-hour contracts so that they maximise flexibility for themselves. That presents a difficulty for people on benefits, because they might be invited to work a certain number of shifts one week, only for that to change the following week, so it is difficult for them to manage their benefits and their income over that period.

The 16-hour rule has been around for a long time. Anyone who is involved in training and employability would see it as an inflexibility in the system, partly because many jobs are not full time. People are offered part-time jobs or a certain number of hours, especially in retail, hospitality and the care world. The nature of that employment is that people do not work a traditional 35 or 40-hour week.

I have something to add to what Dermot O'Neil said. It is not just payments' being made in arrears that is the problem; the DWP will also pay all benefits to one individual in a household, which could cause difficulties in households in which individuals have received their own benefits. In addition, housing benefit will be paid to the household rather than to the landlord, so it will be difficult for people to manage rent and expenditure on every other household item over a month rather than over a shorter period. As Dermot O'Neil quite



rightly said, that will lead to people taking out more high-cost loans and taking out types of loans that we would prefer them not to take out. Unfortunately, not everyone is a member of a credit union, so not everyone has access to low-cost and more established community-based funds. I think that that could lead to more people losing their housing and their tenancies, to more family breakdowns and to other social problems that everyone here would want to avoid.

A further factor is that it is now mandatory for short-term prisoners, who get no statutory support, to go on the work programme from the moment they are released if they are eligible for benefits. A significant number of such prisoners are homeless or have health issues and require to be supported into services in the community before they can look for work. If they do not attend the work programme, they will lose their benefits. I think that a knock-on effect of that will be increased reoffending. The Scottish Government is strongly supportive of efforts to reduce reoffending, as we would expect. I give that example, because I think that the DWP's decision and the way in which it is administering the process will have secondary and tertiary knock-on effects.

**The Convener:** Some decisions by the DWP will change the ability of certain people to access training programmes that the Scottish Government provides. What changes in criteria might be required in order to allow those people to continue to access training? Has any analysis been done of that? What is the perception in your sector?

**Laurie Russell:** That is a complex issue, because the benefits system is mixed up with the work programme. Some public authorities take the view that they will not train a person only for a private sector company to make a profit out of getting that person into work. That has caused some difficulty.

The work programme was introduced without sufficient consultation of and collaboration with the Scottish Government and the other devolved Governments in the UK. In my view, the different system in Scotland was not taken into account when the work programme was introduced UK-wide. We are working through some of the difficulties that inevitably result from that.

I do not think that it is in anybody in Scotland's interest to prevent any person, of whatever age, from having access to training that could lead to work. I do not sense that there is a failure to understand that in Scottish organisations, either at Government level or at local level. It is about ensuring that we give the right people access to training without impacting on their benefits. The 16-hour rule is the main thing that has, in the past, impacted on access to training.

**Jamie Hepburn (Cumbernauld and Kilsyth) (SNP):** I will pick up on the convener's first question and address a point that a number of witnesses have made, and which Mr Russell has reiterated, about the major impact that changes to the system of paying benefits will have on individuals and their families. I was struck by a comment that Mr O'Neil made in his opening remarks. He posed the question, "Are individuals and organisations ready for the changes?" I pose that question back to you.

**Dermot O'Neil:** Do you mean from a credit union's perspective?

**Jamie Hepburn:** Yes. I mean from your perspective and that of other witnesses. I am particularly interested in Mr Kelly's perspective.

**Dermot O'Neil:** Uncertainty around what will actually happen is preventing organisations from fully readying themselves. We are still not sure how the programme will be delivered and what the actual changes will be. Only when we have definite clarity about the final outcome can we fully ready ourselves.

From a credit union perspective, we will continue to do the best that we can to service our members' needs, but the challenge for our sector is that their needs are likely to change. There is currently a general requirement for access to affordable credit, but in the future we envisage a landscape emerging that is more about reacting to cash crises. That will require our sector—the credit union sector—to change how we deliver our services. Historically, credit union services are delivered on a "save first, borrow later" basis. If credit unions are to be expected, minded or required to service intervention in cash crises, that will require us to change quite dramatically how we operate.

**Jamie Hepburn:** What about the other side of the equation? You asked whether individuals are ready for the changes. Do you have a perspective on that? Mr Russell is indicating that he does not think that they are.

**Dermot O'Neil:** It is difficult to quantify, but we suggest that people are less ready than they should be for the significant changes that are being made, in particular the reduction of benefits, which will result in lower household incomes. What steps have been taken to address how that will change the realities of people's lives? If budgets are already stretched and managed the best that they can be, what will be the consequence for budget management among lower-income households? We suggest that that will not be a good place to be.

**Jamie Hepburn:** I am interested to hear Mr Kelly's perspective.

**The Convener:** Mr Kelly and Dr Bell want to comment.

**Owen Kelly:** I will not comment on how individuals might approach the changes, except to note that the DWP's own figures indicate that approximately 3 million claimants will need some support to move to a monthly budgeting system, and that approximately 1.5 million claimants do not have transactional bank accounts, but have Post Office type savings accounts, so they cannot manage transactions. That suggests that the transition for individuals, in terms both of how individuals are affected and the scale of the issue, is pretty significant.

I come back to Mr Hepburn's question on readiness. It is fair to say that the banking industry stands ready to discuss and be helpful, but the DWP still needs to clarify some very significant policy issues—I echo what Mr O'Neil said—before banks can respond by considering specific products, changes to products or, indeed, how some of the costs of such products would be met. The UK has been very unusual in European terms in being used to having free personal banking, but there are cost issues.

10:30

**Dr Bell:** The University of Glasgow is currently preparing a series of reports, as part of its deep end project, on 100 GP practices in the most deprived areas in Scotland. I have seen a draft of some of that work.

In a significant number of families, money management towards the end of the week leads to a choice between heating or eating for perhaps two days. If a family has a monthly income, they will not manage it so that they starve for two days in a week, but rather they will starve for eight days at the end of the month, and we are greatly concerned about that. No family in the land will spread out a month's money to allow for gap days during each week, so I have major concerns about people's physical welfare if they are surviving on that money.

**Jamie Hepburn:** Mr Kelly reiterated the stark fact—which I think Mr O'Neil also mentioned—that 1.5 million people across the UK do not have access to a bank account. This might be an unfair question, and I understand why you might not have an answer, but the committee must reflect on the issue. Do we have any idea what proportion of those people are in the welfare system?

**Dermot O'Neil:** I do not have that information available today.

**Jamie Hepburn:** Would your supposition be—as mine is, although I do not know whether it is

correct—that a significant proportion of those people are in the welfare system?

**Dermot O'Neil:** Absolutely.

**Jamie Hepburn:** Okay. You have spoken about the readiness of credit unions and banks for the change, notwithstanding the fact that some of the detail is not clear. How are the banks and credit unions seeking to deal with the specific issue of people who do not have a bank account?

**Owen Kelly:** I will go first. I do not want to be unhelpful to the committee, but, while there is no doubt that the banks are willing to engage in discussions and consider how to deal with that issue, we are waiting for the DWP to be clearer so that those discussions can move forward.

The question of how people who do not have a bank account might be encouraged to have one—assuming that they want one—is not a new one. However, you have put your finger on an important point. In a way, there is a double task that involves the issue of people using a bank account when they have not done so in the past and the need to mesh that with the benefits and payments system.

As Laurie Russell and others have said, people have very limited discretion in budgetary terms. The DWP's figures from its own survey showed that 81 per cent of those asked were worried about running out of money before the end of the month under the new system.

The task is sizeable. We must not only bring people who have never been there into the world of banking as customers, but do so when they are in receipt of benefits and face those budgetary challenges. It is a double challenge, rather than simply the challenge of bringing people into the banking system in the first place.

**Dermot O'Neil:** There is some commonality there. It is important to look at the reasons why people remain unbanked. The issue is not just access to bank accounts, but people's inclination to have a bank account.

To be realistic, it is also about profitability for organisations that provide basic bank accounts, and the lack of inclination among those organisations to provide such accounts. In recent years, more questions have been asked of the credit union sector with regard to whether it can serve that gap and provide access to credit union current accounts. A number of credit unions in Scotland and across the UK now provide full current account-type transactional accounts.

We must ask, however, whether there is an obligation or responsibility on credit unions to create new products in the absence of organisations that would be better placed to provide bank accounts but are not inclined to do so. A number of credit unions have aspirations to

expand the range of products and services that they offer and provide, for example, bank accounts, but such expansion requires a level of capital investment that is beyond their current stage of development. If the Scottish Government and similar stakeholders are looking to the credit union sector to step up and deliver, they must be partners in that approach and they must be prepared to invest the capital that is required to upskill and upscale credit unions to become full providers of financial services.

**Jamie Hepburn:** I suppose that it is not so much that the Scottish Government is looking to credit unions to step up in that way, as it is the DWP that is forcing through the changes. It is clear from what Mr Kelly said, which reflects what almost every other witness has told us, and indeed our own experience, that details are somewhat scant. We await more information with more than a little interest.

In that vein, it is clear that you have had some dialogue, but will you tell us what kind of dialogue you have had, what information you require that has not yet been forthcoming, and whether you feel that you were consulted on the principle of direct payments? Given that it is pretty clear that the UK Government is determined to go down that line, were you consulted on the matter before it came to that position?

My question is especially for Mr O'Neil and Mr Kelly, but I would be interested to hear the other witnesses' perspectives as well.

**Owen Kelly:** We as an organisation were not consulted, but that is not a problem, because our UK big brother organisations were involved in discussions, although I do not think that they preceded the policy decisions.

I will add a little to what Dermot O'Neil said about bank accounts, costs and so on. Only a year or so ago, Vince Cable proposed a Post Office bank, which would have been partly aimed at bringing banking to people who are unbanked, but the proposal did not go anywhere. Many of the big questions that we are facing have been aired already, including how we manage the month-in-arrears problem.

From our point of view, the overall issues are what expectations the Government has of the commercial businesses that are in the business of banking, and the balance between the Government's responsibility, the benefits system's responsibility and the responsibilities that the Government is perhaps looking to private companies to accept. My organisation is different from Dermot O'Neil's, but I think that those points are similar to the ones that he made.

**Dermot O'Neil:** Owen Kelly mentioned the proposal for a Post Office bank. The credit union

sector awaits the findings of the feasibility study that the DWP has undertaken on a potential credit union modernisation project, which are due at the end of May. I suggest that the outcome of that study will determine what role the UK Government sees credit unions playing in the delivery of a Post Office bank type service. That label is perhaps a wee bit unfortunate, as the idea is more about using the nationwide Post Office network and allowing credit unions to plug into it, thus increasing access to credit union services.

**Alex Johnstone (North East Scotland) (Con):** My experience of the retail banking industry in the past four years is that it has become significantly more risk averse and has been less willing to tolerate those who occasionally slip into overdraft, but we are talking about a group of people coming into the banking sector who are likely to be higher-risk clients. In his initial remarks, Owen Kelly spoke about the development of banking products, and I understand what he means by that, but in the context of the past four years, is the banking industry ready to step into a new, higher-risk marketplace? Is it prepared to take on the difficulties that will be associated with that?

**Owen Kelly:** On its own terms, no. That is why it is very important, as I said, to understand the precise nature of the relationship with the benefits system and with the Government. The models that have been touched on could involve some kind of a loan guarantee fund—I am just making that up, but we can imagine such arrangements. You are right to highlight risks. You are also right that the banking industry has completely rethought its approach to risk, as it should have done.

The honest answer to your question is that it is not ready to do so right now, but let us hear from the DWP on how such a transition could be managed and how such products could be prepared. If one looks at the issue in straight commercial terms, the points that you make are absolutely right.

**Alex Johnstone:** That more or less answers my next question. You said that you still do not understand what is required of you. Is what you are looking for from Government some kind of assurance on how any deficit will be financed under such an arrangement?

**Owen Kelly:** That is certainly a large part of it.

**Kevin Stewart:** I will follow up on that. Although there have been discussions with the DWP, it seems that there is no clarity at all.

I have not been overdrawn for a wee while, thank God, but when that occurred in days gone by, the charges used to be excessive. If, for example, someone's housing benefit was paid into their bank account and they took it out and spent it before the landlord took their cash by direct debit,

standing order or whatever, what charges would that customer be likely to face? Is it likely that they would face lower charges than a normal customer? Have such discussions been had with the DWP?

**Owen Kelly:** My honest answer is that I do not know, but I would be happy to go and find out whether that level of detail has been discussed. My understanding is that that level of detail has not been reached. That may be because all banks are different—they are in competition with each other and bank charges vary from one bank to another. I would have to take that question away and write to the committee, because I am afraid that I do not know the answer. My suspicion is that the discussions have not reached that level of detail.

**Kevin Stewart:** Do you agree that if one such charge were imposed on a customer, it might well lead to more charges being imposed, with the result that the customer could spiral into debt?

**Owen Kelly:** It is difficult to imagine how the accumulation of bank charges would help the sort of people who are in receipt of benefits, so that issue should form a significant part of the discussions with the DWP about how the system could work.

**Kevin Stewart:** Earlier, you spoke about the tailoring of specific products. Has there been any discussion with the DWP about the possibility of setting up different accounts for different benefits, whereby housing benefit would go into an account that would remain largely untouched? There could be other accounts to deal with pay-outs to other family members. Have there been any such discussions?

**Owen Kelly:** My understanding is that the policy is very much geared towards a single monthly payment. I am not speaking for the DWP, of course, but as I understand the matter, it sees a single monthly payment of the sort that people who are in work receive as an important part of the overall policy. I do not think that there has been a debate about fragmenting that into hypothecated payments for particular areas of expenditure. That is possible, but it might conflict with the DWP's basic policy approach, as far as I understand it.

**Kevin Stewart:** A single monthly payment will be made into a single account. If transactions took place that led to the banking sector imposing charges, that could lead to a continuing debt spiral. In the situation that Dr Bell referred to, it might well be the case that, at the very start of the month, there will be no money in the account because it will all have been cleared out because of the possibility of charges.

10:45

**Owen Kelly:** As I said, I do not think that bank charges have yet been the subject of detailed discussion, but I will confirm that and come back to the committee.

In theory, you must be right, but I suspect that at present that situation is more of a theoretical possibility. It would so obviously be unhelpful that I would hope that the DWP would look at ways to avoid it.

**Kevin Stewart:** It bothers me that discussions on bank charges with the DWP have not taken place. I imagine that your industry will want to clarify those issues, because otherwise you—rather than the Government that is contracting the entire benefits system—may become the bad guys. I am sure that you will have those discussions.

I will move on to Mr O'Neil, who described the short-term market needs and the cash crisis situation that may well occur. Let us be honest: no one around the table would want to see some of the dodgy folk in the market benefit from the situation any more than needs be. There is obviously a risk to credit unions in entering that market as some of those loans will not be paid back. Has there been any discussion with members of credit unions throughout the country to find out how they feel about credit unions entering that area?

**Dermot O'Neil:** The important thing is to start that conversation now with those people who are likely to be affected by future changes. We would encourage the habit of saving as early as possible, however small the amount. The lead-in time of a year and a half before the programme is due to be deployed offers a period in which savings—albeit modest ones—can be accumulated to provide a buffer at the initial point of transition. The habit of saving also has wider benefits beyond simply providing a buffer for cash crisis, as it enables the member to borrow on a basis that suits them.

The single payment, which Kevin Stewart mentioned in his question to Owen Kelly, is essentially how the universal credit is likely to be delivered. A single payment is made to the recipient, and they must manage it and use it to pay their various creditors.

One solution—or an aid to that process—could involve the creation of a budgeting service that is facilitated by credit unions on behalf of the member. The credit union could receive the universal credit as a single payment and disburse the moneys to the relevant creditors—for example, loan repayments to credit unions, or moneys paid to housing associations or utility companies. The remaining free moneys could be loaded on to a relatively cheap pre-paid debit card that would

make them available to the member in the form of credit.

Such a new service would, like anything, require to be costed and funded. One solution to that dilemma could involve the creditors who are most interested in continuing to receive the payments that are due to them—housing associations, for example—working in partnership with credit unions on some type of transactional cost basis. The housing association could pay a transactional cost to receive those funds, and that cost could in turn pay for—or help the credit union to pay for—the delivery of that service.

We must be clear that the only income stream that credit unions have comes not from the receipt of moneys, in a climate of zero interest rates on deposits, but from the lending of moneys at 1 per cent—or up to the legal maximum of 2 per cent—per month. Any new initiative that we are asked to deliver would need to be funded in some way.

**Kevin Stewart:** Mr O’Neil suggests that the moneys are paid direct to the credit unions to help individuals and families to budget. Has the DWP given any indication that it would be willing to pay moneys directly to credit unions rather than to banks?

**Dermot O’Neil:** The DWP has intimated that it would like a jamjar product—which, under its definition, would mean that the moneys received would be split into various component parts for, say, council tax, housing benefit or utility payments.

**Kevin Stewart:** That is fair play, but has it said that it is willing to pay the money directly to credit unions rather than just to banks? To me, the key point, particularly for those who are on their uppers, is that those who have a number of accounts tend to juggle money between them to keep the debt collector, whoever that might be, away. However, that can lead people into even worse debt. I suggest that if money paid into a bank is expected to go directly to a credit union some payments will come off before that happens.

**Dermot O’Neil:** The outcome of the feasibility study, which the DWP expects to receive at the end of this month, will give our sector more clarity on what the department expects from credit unions. However, the jamjar accounts deal with the kind of juggling that you referred to, as they allow credit unions to take from individual members the burden of juggling money and to make disbursements on their behalf.

**Kevin Stewart:** I can see exactly how that would work, but surely that money would need to go directly to credit unions without first going into a bank account. While the money sits in that account, people will always be tempted to use some of it for some other purpose—to feed their

kids or whatever—before you can use it to help them through your jamjar account. For you to do as you have described, the single payment would have to be made directly to you in the first place. I will be interested in the findings of the report on the credit union modernisation project when it is released at the end of the month.

I come back to my point that credit union members have a say in how each credit union operates. Some of those folks, who might well be some of the poorest in society, might be a bit risk-averse with regard to, say, the crisis loans that you have proposed because that money might be very difficult to recover. Are you aware of any discussions with members in individual credit unions about the tailoring of such products?

**Dermot O’Neil:** That is a really pertinent point, because it comes down to the question of what a credit union is—or, to be more relevant, what a credit union can be. Ultimately, given that every credit union is an independent, autonomous organisation that is owned and controlled by members, members themselves will determine the types of services that they want or need to deliver to their communities.

**Jackie Baillie (Dumbarton) (Lab):** I want to ask the GPs on the panel a brief question about health. [*Interruption.*]

**The Convener:** Annabelle Ewing has indicated that she would like to ask a supplementary on the credit union issue.

**Annabelle Ewing (Mid Scotland and Fife) (SNP):** I think that Margaret Burgess, too, has a question. I will be very brief, because many of the points that I want to make have already been made and I do not want to reinvent the wheel.

I wonder whether Mr Kelly and Mr O’Neil can tell us what detailed discussions they have had with housing associations and other social landlords on the practical implementation of the payment of housing benefit and the like. Mr O’Neil suggested, for example, that housing associations could pay a transactional cost. One of the key concerns in the debate is the possible impact on homelessness in Scotland if, at the instigation of the UK Government—which, regrettably, still retains control of benefits—money is not paid directly to landlords.

**Dermot O’Neil:** There are already partnerships between credit unions and housing associations and our sector expects that number to increase, particularly as housing associations become aware of the potential risk to their revenue streams with regard to rent payments. They see credit unions as potential vehicles for facilitating the recovery of rent moneys. If it comes down to housing associations having to choose between being prepared to pay transactional charges or not

receiving rent, I think that they will see that there is a natural fit with credit unions. Credit unions can provide such services but, in isolation, they create no income or revenue; however, partnering with housing associations will have a mutual benefit in that respect. The credit union member and the housing association continue to be served, in that they both continue to receive rent payments.

**Annabelle Ewing:** Mr Kelly, can you explain the situation regarding the banks?

**Owen Kelly:** Although we have not had discussions with housing associations, that does not mean that they have not happened at a UK level. I am very happy to find out and respond to the committee in writing.

**The Convener:** Margaret, is your question on the finance aspects?

**Margaret Burgess (Cunninghame South) (SNP):** A lot of what I wanted to ask about has been answered, but I would like to pursue the issue of people's difficulties in accessing bank accounts. Many of those who have a post office account do so either because they cannot get a basic bank account or because, when they had one, they incurred charges or other bills and other creditors took their money. The UK Government has said that it wants everyone to be banked and, as Mr Kelly indicated, the banks are involved in that move. However, it has also said that it wants direct debits to be used in order to protect housing associations and social landlords. According to Mr Kelly, that is not something that the banks do; indeed, it is almost like the bill-paying account that Mr O'Neil suggested. Will the banks be able offer everyone a bank account in the way that the DWP has suggested?

**Owen Kelly:** I think that the policy objective is achievable, but it will have to be subject to quite a lot of detailed discussion, not least with regard to the impacts on the banks' other customers. As I said, we are used to having free bank accounts, but there are costs involved in serving customers of all kinds and, if all this becomes more complicated and expensive for the banks, the costs will have to be covered somehow.

I suppose that it comes back to the question of where we want responsibility to sit and how much of this is just something that we expect the banks to do. It is theoretically possible, but I would need to understand just how far the DWP was willing to depart from the policy position behind the universal credit, which, as I understand it, is the provision of a single unsecured payment. Dermot O'Neil is quite right to refer to the jamjar model, which I, too, have heard the DWP refer to. However, as I understand it, even in that model the individual has discretion as to where the money is put. It seems to me that moving to the

sort of system that has been suggested might conflict with the essential policy objective of making an individual responsible for their money on a monthly basis. Whether or not that is realistic is really a policy question for the DWP and others. As I said, it is theoretically possible, but I am not sure whether it fits with the policy.

**The Convener:** Jackie Baillie will now ask some questions about health.

**Jackie Baillie:** In your opening remarks, Dr Bell, you said that GPs were already seeing increased numbers of patients about work capability assessments, never mind the further welfare reforms that are coming down the line. Has the BMA or indeed anyone you are aware of done any scoping work on the likely increase in demand for individual GPs and health services in general? If so, have they even begun to guess at the costs for those GPs and services?

**Dr Bell:** I am not aware that scoping has been done but, at this stage, I would not even understand what question to ask. For example, it is extremely difficult to scope changes in activity in general practice because of the way that the system is set up. Anecdotally, there has already been a lot of increase. However, that is anecdotal evidence and no one has actually measured the increase in a way that we could put sums or timings to.

11:00

**Jackie Baillie:** It would be useful if that anecdotal evidence could be turned into something a bit more concrete. If there is already an impact, there is likely to be a future impact. I am not sure whether GPs, as independent contractors, would absorb all the cost.

**Dr Bell:** I think that they would. I could take the issue to Graham Watt and his colleagues at the University of Glasgow, who are doing a lot of work on the issue in relation to deprived populations and who have the best handle on it at present.

**Jackie Baillie:** That would be helpful.

**Dr Carty:** Disability Rights UK has produced an assessment of the impact on healthcare of the proposed PIP reforms. That is another report that might inform the issue, but it has not been submitted to the committee. If I understand the figures from the DWP correctly, it is estimated that 0.5 million people who claim disability living allowance will not be eligible for the PIP. The report contains figures that suggest that there will be an increased reliance on the health service. I fail to see how withdrawing funding for the support of some of the most needy in society will not result in increased hospital admissions as a result of a collapse in social support, at a time when the

Scottish Government is working hard to focus on prevention of hospital admission and readmission.

In relation to the financial sector, which I know nothing about, I have concerns about how some of the patients that I see will negotiate the complexity of holding a bank account. They are people with low educational attainment, low IQ, poor coping skills, emotionally and intellectually, and poor levels of literacy. Where is the safety net?

To return to the impact on hospitals, over generations, we have moved from institutional care for those with high-level disability to a situation in which care is provided in the community. It took decades to correct the problems that existed when places such as Gogarburn hospital closed. I have patients who lived in Gogarburn and who now live in the community. They include people whose IQ is considerably below 70, who cannot read or write and who have other complex health problems. Some of them have been through a work capability assessment, as a result of which, on the basis of information that they provided—bearing in mind that they cannot read or write—they were found fit for work. Those individuals have found themselves without benefits for upwards of nine months because the tribunal appeal system is absolutely logjammed, with 330,000 people awaiting appeal.

There will be a massive increase in preventable hospital admission. Social workers who work in hospitals will find it difficult to discharge some people with complex needs into the community, because the same level of social support will perhaps not exist. I work as a hospital practitioner in rehabilitation, which involves discharging people with complex needs. To do that successfully and avoid hospital readmission requires a lot of co-ordinated and joined-up thinking.

If the 20 per cent cut happens, that will have a real impact on our patients and on the provision of elective hospital work. After all, if hospital wards are full of bed-blocking patients who cannot be discharged because of a lack of social support, elective procedures will end and waiting lists will rise.

**Jackie Baillie:** To take that a step further, is it not the case that we perhaps face a perfect storm in relation to that 20 per cent, because part of the social care package that such people would expect on discharge relies on their being in receipt of the benefit, so they will be charged for that package?

**Dr Carty:** Undoubtedly.

**Jackie Baillie:** You mentioned a figure of 0.5 million people. Is that across the UK or just in Scotland?

**Dr Carty:** It is for the UK.

**Jackie Baillie:** So there is not a figure for Scotland.

**Dr Carty:** I can get back to the committee with the breakdown. Some of the report by Disability Rights UK was speculative, but some was highly detailed and would be informative.

**Jackie Baillie:** Okay—we will have a look at that.

NHS Lanarkshire suggested in its submission to the committee that it anticipates significant increases in demand for mental health services and for aids and adaptations, and it expressed concerns about the lack of budget for those purposes. Do you agree with that?

**Dr Carty:** I certainly support that view; I do not know whether Dr Bell would like to add anything.

**Dr Bell:** It is hard to quantify what the impact will be, and to know what the baseline is and whether we are assessing the right people at present. We are certainly aware that problems will arise that will hit health, social and organisational factors very hard, but the main impact will be on vulnerable people themselves, who will lose out. As our colleagues have said, those people do not easily find their way around a system, and many of them need help with that.

**Jackie Baillie:** I have a specific question for Dr Carty. You invited us to consider whether the time is now right to withdraw co-operation. In what way? To nail that down, are there specific things that you want the Scottish Government to do?

**Dr Carty:** The LMC conference is the political representative wing of general practice, and it made an unequivocal statement calling for the assessment process to end because it perceived that process to be harmful. That same motion will go to the UK conference in Liverpool in May, and I certainly hope that it will be supported there.

The contractual arrangement between general practice and the Department for Work and Pensions existed when there used to be a safe system. If a patient required an independent medical assessment, they saw a consultant or a senior occupational health physician who made balanced decisions and would often inform the GP of concerns that they had picked up during the assessment.

I know of examples of patients who went for what was formerly an incapacity benefit medical, with the doctor who carried out the medical writing to the patient's GP and saying, "I am very concerned about your patient's mental welfare and I recommend that you arrange a psychiatric assessment".

The people who are currently carrying out the work capability assessments have no system by which to inform GPs of concerns. Indeed, I am led to believe that they are trained to ignore extraneous information, and to focus simply on a tick-box exercise.

**Jackie Baillie:** So the statement was a call to general practice rather than the Scottish Government. I just want to be clear about that; I am sure that the BMA will answer in due course.

**Dr Carty:** I feel as if I am complicit in a system that is harmful by continuing to provide information. The information is sought using inadequate paperwork: the employment support allowance form covers only two sides of A4, and there is only half of one side in which to summarise the person's entire health history. We know all that.

The information is provided free of charge, which is hardly an incentive for the form to be completed comprehensively. Most GPs feel that where information is provided either it is not understood or it is ignored. Frequently, the decision maker does not understand the medical terms that are included.

The assessment system is not fit for purpose. I am seeking some direction from the senior political figures in medicine, who must make a statement. As health is a devolved matter, the system should be renegotiated as part of the Scottish GP contract.

**Kevin Stewart:** Convener, in terms of—

**The Convener:** The member should not jump in. Dr Bell, do you want to comment?

**Dr Bell:** Yes, if I may.

I take issue with a few things that my colleague said. Our contractual arrangement is to provide reports without charge when they are requested from certain bodies, including the DWP. We do not have a contractual relationship with those bodies to make decisions—we have to give reports, which is different.

I absolutely agree that we are concerned about assessments of people's capability being carried out by people without the training to be able to make those decisions, particularly around complex physical needs, chronic illness and—exceptionally importantly—mental health. The assessments are done in a very poor way—that was the crux of the debate that took place in Clydebank.

As our statement said, we reject a system that allows a computer-based decision-making protocol, with someone who may have no medical training making decisions about people's lives, which leads to a tribunal and delays in receiving benefits. That snowballing effect leads to people

becoming more and more disadvantaged by the system. We want to obviate that.

**Annabelle Ewing:** The submission from the black triangle campaign says:

“We implore the Scottish Government to halt the implementation of the Welfare Reform Bill”.

I am confused, because your answer to Jackie Baillie suggested that you are not saying that. I put it to you that the voluntary organisations from which we have taken evidence are anxious that the enabling legislation that we are talking about today be enacted as soon as possible so that there is no negative impact on passported benefits. That was a clear message from all the voluntary and third sector organisations to which we have spoken. I am not quite sure how those views sit with what you state in your written submission.

**Dr Carty:** I took particular interest in the submission from disability history Scotland, many of whose views are shared by the black triangle campaign. Like Dr Bell, my view on welfare reform is to do with the assessment end of things and whether general practice can take a stand to prevent harm.

**Annabelle Ewing:** I thank you for that, but just to clarify, am I right in thinking that you are not actually calling on the Scottish Government to halt the bill? If the bill is halted, that will impact on people getting passported benefits next spring. I assume that nobody wants that outcome.

**Dr Carty:** I understand the nature of your question. Clearly, there is no straightforward answer. I am not a constitutional lawyer, so I do not know what situation the Parliament would be put in if you were to withhold your assent to the bill. However, there is a lack of detail—to my mind, speaking as a general practitioner—about how the reforms will impact on patients and on the health service in general. The legislation appears to have been put through at a time when distraction was caused by a lot of other political issues that were affecting the health service. I do not think that general practice has been allowed to contribute in detail, other than, perhaps, in this forum.

**Annabelle Ewing:** We can agree that there has been a disgraceful lack of detail from the DWP during and after the passage of the legislation at Westminster, which still, sadly, retains jurisdiction. That point has been fairly made by everyone this morning.

With regard to the motion that was passed at the recent GP conference, to which Dr Carty referred, I ask Dr Carty and Dr Bell to assure the committee that, as far as appeals are concerned, the very useful information from GPs and consultants will still be available. My



understanding is that that information can make the key difference to the success of an appeal.

**Dr Carty:** I estimate that, in my practice, I spend around two and a half hours a week providing information and reports related to appeals. The workload implications across general practice are enormous. All that time is given because it is the right thing to do, and that will continue, but we are looking for some direction and guidance about how to address what appears to be an escalating problem.

**The Convener:** We are really up against the time, as the cabinet secretary is sitting outside waiting to come in. Does Dr Bell want to make a final brief comment?

11:15

**Dr Bell:** I just wanted to say that this is priority work for general practice—and indeed for secondary care, I hope, although I cannot speak for all my consultant colleagues. It has to be done, and quickly. There is an opportunity cost for everyone else. I think that that is what Ms Baillie was asking me to quantify, and I will attempt to do so.

**The Convener:** I will take one final contribution, from Alex Johnstone.

**Alex Johnstone:** I will make this extremely brief. I have questions on a couple of issues that follow from the financial discussion that we had earlier.

First, I would like the necessary assistance in relation to financial matters to be achieved as efficiently as possible. Do the retail banks have any plans to make staff available on a voluntary basis to work with citizens advice bureaux or credit unions in order to ensure that there is a mutual understanding of the position that people are likely to be in? The line that I have used in the past, half tongue-in-cheek, is that future banking executives would perhaps benefit from spending six months or a year working in a citizens advice bureau.

My other question leads on from that, to some extent. We have heard a lot about partnerships today. In particular, we heard Dermot O'Neil's comments on partnerships with housing associations. If there is an issue about preparing a banking product to suit the purposes of the group that we are talking about, is there room for the retail banking sector and the credit unions to work in partnership to jointly provide a product that can be financed and administered in a way that will help to plug the gap?

**Dermot O'Neil:** First, we will accept volunteers from any walk of life, including the banking sector.

On the creation and delivery of a product, it might be the case that such products already exist but there is no appetite to deliver them. We should explore that rather than expending energy on duplicating what already exists.

**Owen Kelly:** I know that banking staff across the industry already engage in an awful lot of volunteering. However, I will find out whether there is involvement with that specific focus, and I will include the issue in my letter to the committee.

**The Convener:** Before I close the session, I have a small question for Mr Russell. We have heard a lot about the interaction between the banking sector, credit unions, the DWP and the Government. Is your sector involved in those discussions, or even in discussions with Atos, to get an understanding of what we are looking to do in getting people off benefits and back into work?

**Laurie Russell:** The third sector is involved in discussions across the board, whether with the Government or at a local level, and it is often involved in the partnerships that we have discussed this morning. That ranges from the kind of organisations that Dr Carty mentioned and the work of Disability Rights UK, through to involvement at a very local level.

Consultation with a big Government department is often difficult. The question is more whether we feel that our comments are being listened to, rather than whether we are being talked to. I am not sure that people feel that they are being listened to as much as they would like in the current debate.

**The Convener:** I thank you all for your evidence. If you want to send us any further, supplementary evidence or submissions based on the discussion that we have had or things that you wanted, but did not get the opportunity, to say, that would be great. It would be helpful if you could get that evidence to us quickly, because we are trying to get our report done within the next fortnight. If you could get them to us by Thursday—[*Laughter.*] If you speak to the clerks, we will try to work round that, but we are up against a tight timescale. I think that people understand and appreciate that. We have to do what is required in the circumstances.

Your evidence this morning has been very helpful. Thank you for taking the time to come. No doubt we will have an opportunity to have more discussions in future as things develop.

11:19

*Meeting suspended.*

11:23

*On resuming—*

**The Convener:** I welcome to the meeting Nicola Sturgeon MSP, the Cabinet Secretary for Health, Wellbeing and Cities Strategy, and accompanying Scottish Government officials. As I serve on three committees that have considered the bill, the officials are becoming very familiar to me; indeed, they are probably sick of the sight of me by now. Nevertheless, I welcome them to the meeting to continue our discussions and deliberations on the matter.

Before I invite the cabinet secretary to make some opening remarks, I must thank her for her patience this morning. As colleagues will confirm, we have just had a very substantial discussion on certain aspects of the bill—as, indeed, we have had in previous weeks—and it is becoming very clear just how important the bill is. In that light, we certainly welcome the cabinet secretary's comments on the issue.

**The Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy (Nicola Sturgeon):** Thank you very much, convener. First, I thank the committee for inviting me to discuss some of these issues. When I wrote to the committee last month, I said that the involvement of stakeholders lies at the very heart of the bill process and I am pleased to see that, in quite a limited time, the committee has already stimulated a wide-ranging and, from what I have seen so far, very well-informed response to the consultation. As I was at another committee meeting this morning, I saw only snippets of the previous evidence session. However, I look forward to reading the *Official Report*, because it certainly seemed as if the discussion was getting to the guts of some of these issues.

With regard to the committee's work so far, I am also pleased to see that the stakeholder responses that have been received have broadly supported the Scottish Government's approach. Indeed, I understand that every submission that expressed an opinion on whether they agreed with the Government's position in introducing the bill and whether ministers should be given the powers delegated in the bill supported the Government. That provides a good consensual basis on which to proceed and, with your permission, convener, I want to take a wee bit of time to tell the committee what we are going to do and how we are going to proceed from here.

As the committee knows, we are expecting further information from the Department for Work and Pensions around June about the operation of

universal credit but, as we currently understand it, we do not expect the DWP to lay its regulations on the new system's operation until the autumn. As a result, we will not be able to finish our work on the new entitlement criteria for passported benefits until towards the end of the year, which means that it is likely to be early 2013 before Parliament sees the draft subordinate legislation. However, I make it clear to the committee that we will share as much information with it as we can and keep members as up to date as possible about our emerging thinking as the DWP fills the still significant gaps in information. It might also help the committee to know that we intend to consult publicly on passported benefits later in the year, probably over the summer and into the autumn.

I also want to say something about what will happen when we bring our subordinate legislation to Parliament, particularly with regard to the parliamentary procedure that will apply. Like me, the committee will have seen the Subordinate Legislation Committee's report, which says that it should be possible to make regulations that do not amend primary legislation under either the affirmative or the negative procedure. I intend to fully consider all the Subordinate Legislation Committee's recommendations, including that one, and to discuss the matter further with it. I am also happy to keep the committee informed of those discussions.

Nevertheless, I should say something about my current thinking because we need to be clear about what will happen and when it will happen. For that reason, I think that it makes sense for the bill to set out the parliamentary procedure that will apply to the instruments that we introduce. The advantage of such an approach is that it provides clarity ahead of a process for which the timetable will necessarily be tight. Doing anything else will risk delay and, as we and a number of stakeholders have made clear, the overriding interest is to ensure that there is no risk to the provision of these important passported benefits.

I know that concerns have been expressed on the scrutiny that will be carried out on these changes. All I can say is, first, that we have undertaken to have regard to the Scottish Parliament's need to scrutinise and consider the detail of the changes. Indeed, we make that commitment in the policy memorandum and I have also made clear our intention to consult publicly.

Secondly, we have looked at the original procedure for making the subordinate legislation that we will have to review and perhaps change. That research is not yet complete, but I have been advised that only two of the 120 or so pieces of legislation that we have identified as perhaps requiring to be reviewed were subject to the affirmative procedure when originally introduced.

That appears to support the approach that we have set out for introducing subordinate legislation, with the affirmative procedure used for amendments to primary legislation and negative procedure for the rest. However, as I have said, we will consider the Subordinate Legislation Committee's views and discuss the matter further with it.

While we are working on this, we will of course be working on the changes that are required to deliver on our new devolved responsibilities for elements of the social fund. Although those responsibilities are new, they do not necessitate additional primary legislation, which is why the bill contains no provision for the social fund. However, as I realise that there might be questions on this matter, I should set out our intention with regard to the journey to the new arrangements.

We have been discussing with the Convention of Scottish Local Authorities our intention to introduce interim arrangements in April 2013 that will be delivered by local government but which will be set firmly within a national framework of criteria. We will allow those arrangements to work and will review and monitor their operation. The intention will be to put those arrangements, as amended—if that is considered necessary as a result of our experience of them in practice—on a statutory footing. At this stage—although this is not finalised—we will look to introduce a social fund bill in 2013-14, with a view to its coming into force in April 2015. That is our present thinking on that journey.

COSLA has agreed to work in partnership with us to put in place the arrangements that are necessary for the social fund in time for April 2013. Such a partnership emphasises what I said at the beginning about the importance of stakeholders to this work.

11:30

The final point that I want to make before we start our discussion relates to what will happen once the Parliament has voted on the bill. That brings me back to the report of the Subordinate Legislation Committee. It has expressed concerns about the ancillary provision that will allow us to adjust the entitlement criteria for our passported benefits in the future. More specifically, it is concerned that the bill will delegate to ministers

“the power to make substantial revisions to the criteria by which entitlement to passported benefits is assessed for the foreseeable future.”

I understand those concerns. As I said on another matter, we will discuss the issue further with the committee. However, at this stage, I do not know that those concerns are entirely justified. The fact is that the power is needed to allow us to make

adjustments to, for example, an income threshold without always having to return to the Parliament with further primary legislation. I think that that approach is sensible. Once it has been set up, the system should be able to run without us having to pass a new act of Parliament every time the rate of inflation goes above a certain level.

We will respond to the Subordinate Legislation Committee in due course and will discuss the matter further with it. At this stage, all that remains for me to do is to thank the committee for stimulating what, so far, has been a very good and intelligent debate on the bill and the issues that it seeks to address. I will be happy to enter into discussion. There are some big and complex issues to address, many of which are driven by policy that many members here do not agree with, but we have a duty to ensure that we implement it in a way that is fair and just to the people whom we were elected to serve. That is what the Scottish Government aims to do.

**The Convener:** Thank you very much, cabinet secretary.

We understand the difficult situation that you are in, given the lack of information from the DWP about what it intends to introduce, so I suppose that we are focusing on speculation about what will happen if certain things do or do not come about. Although a lot of the evidence that we have taken so far has included a recognition that we have to get things in place quickly, people have erred on the side of making haste slowly, so that we carry out proper scrutiny and know what the full impact of any changes will be. Can that approach work within the structure that you want to see as we take the bill forward?

**Nicola Sturgeon:** We will have to strike an extremely difficult balance. I should say at the outset that the process is not necessarily driven by what I want to see—it is driven by the timetables and timescales that are being set by the DWP.

On the one hand, we have a paucity and scarcity of information—we still do not know how much will be paid under universal credit, to whom it will be paid, what the conditions for entitlement will be or how it will interact with other things. We do not have any of that information and, as I said in my opening remarks, it may be the autumn before we start to get the level of meaningful information that allows us to take our decisions.

On the other hand, we know that the system will start to be implemented from April next year. Therefore, from April next year, we will require to have in place arrangements that mean that people do not lose out on the passported benefits for which we are responsible. There is a tension between what I—and, I am sure, the committee and the Parliament as a whole—would like, which

is ample time for consultation and scrutiny, and the timetable that says that we must have arrangements in place by 2013, which is being driven from elsewhere. We will do everything that we can to maximise the time and the opportunity for scrutiny.

On the social fund, as I indicated, we are seeking to manage that tension by putting in place interim arrangements but allowing some time for us to improve on or to tweak those interim arrangements before we fix them in statute. However, with passported benefits, we will need to ensure that we get new arrangements in place and that we provide the statutory underpinning for them in the timescale that we have set out.

**The Convener:** This morning's evidence has reflected the concern of various organisations that, although the Government and individual organisations representing people who will be affected by the changes might understand the process, there is clearly unreadiness for the changes among individuals. Have you considered how the bill process could inform those who will be impacted?

**Nicola Sturgeon:** The short answer is yes, those are the kind of things that we are thinking about. I am happy to give that further consideration and to work with the committee to see what we can do to use the process as an educational and awareness-raising process. It is no secret that I was keen to see this committee set up because, not just for the passage of the bill but on an on-going basis, there will be a need to keep a focus on, and ensure a profile for, some of the issues.

The primary responsibility for informing people about the changes lies with the people who are making those changes. That is not the Scottish Government but the UK Government and the DWP. Whether they discharge their obligation to a degree that we would consider adequate remains to be seen, but they have an obligation to ensure that people understand and are aware of the changes that are being made. We will play our part in augmenting that as much as we can. Obviously, we have a responsibility to ensure that some of the knock-on effects of the changes that they are making into our devolved responsibilities are properly handled and dealt with.

**The Convener:** Before I come to other members, I want to ask you about COSLA's preparedness. We have seen from other discussions, the Finance Committee's report and elsewhere that, although there is an understanding of what passported benefits are, they differ from local authority to local authority. Will information come from you or from COSLA about how the passported benefits will be brought forward?

**Nicola Sturgeon:** The consultation that I mentioned is the key vehicle for doing that. COSLA is being extremely constructive and we are working in close partnership with it. Like us, COSLA is a victim of the lack of information and detail. However, we are trying to work together as closely as possible in our engagements with the DWP and in the preparations that we are having to make.

On your specific question about passported benefits, I have said already and no doubt will say again that none of what we are talking about today originated in things that the Scottish Government wants to do. In a sense, all of this is being forced on us by the UK Government's welfare reform agenda. That said, it gives us an opportunity to look at the range of passported benefits in Scotland, which have grown up in a fairly ad hoc way, with not necessarily a great deal of coherence or consistency.

In looking at passported benefits as a result of the welfare reform agenda, we have an opportunity to look at whether that range of passported benefits is right for us and whether we could make it better or join it up better. We should take that opportunity as well as doing the bit that we will have to do, which is to look at the triggers for eligibility that flow from the changes to the headline welfare benefits. We are still unable to be precise about those because of the lack of detail that we have spoken about.

**Jamie Hepburn:** I thank the cabinet secretary for her opening statement, which I think pre-empted many questions and was very helpful.

I repeat the declaration that I made when the Scottish Government officials gave evidence here last, which is that I know Chris Boyland outwith the work of the committee, as he is one of my constituents.

Cabinet secretary, you just raised an issue that I want to touch on. You correctly identified that this whole process has not emanated from anything that the Scottish Government wanted to drive forward but that there is an opportunity to look at the range of passported benefits and potentially make them work better. When you set out the regulations for the bill, how far will you seek to ensure that there is a specific, peculiarly Scottish system of passported benefits, as opposed to following what is happening elsewhere in the UK?

**Nicola Sturgeon:** That is a good question. We will look to do a range of things. We will start the work in the consultation that I spoke about and it will run through until we have sufficient information in detail to produce the draft regulations early next year. As I said in response to the convener, we definitely have the opportunity to look at the range of passported benefits and to ensure that we have

a package of passported benefits and individual components of that package that meet the needs that we should meet and take a particularly Scottish approach, to use Jamie Hepburn's words.

Passported benefits as they operate in England already differ from those in Scotland. For example, exemption from prescription charges is a passported benefit in England, but such exemption is universal up here. The education maintenance allowance provides another example—it no longer exists in England, but it still exists in Scotland. We have seen the embryonic shape of something that looks different.

The consultation will definitely allow us to consider what else we might want to do. As I said, there is not always a lot of rhyme or reason to how the existing passported benefits have grown up. They might be right and we might want to keep the range that we have, or we might want to look at doing things differently. We should take that opportunity.

The second thing that we need to do is to look at what triggers eligibility. I share the concern that has been expressed that, if people lose entitlement to benefit as a result of the UK-led welfare changes, they will risk losing the knock-on entitlement to passported benefits. We will want to look at whether we can do anything to minimise that impact. We cannot be specific about that until we know more about who will get universal credit and in what circumstances they will get it, but we will need to look at such general matters and we will have the opportunity to look at them as we find our way through passported benefits for ourselves.

**Jamie Hepburn:** I will pick up on a point that you just made. It is clear that Scotland's policy agenda already diverges to a degree from what Westminster might pursue. A number of witnesses have said that the broad thrust of welfare reform from London takes no cognisance of the policy agenda in the homelessness legislation in Scotland, for example. What is your perspective on that? What has been the Scottish Government's thinking on that?

**Nicola Sturgeon:** I largely share those concerns. One reason why the Scottish Government came to the view, which Parliament ultimately shared, that we should withhold legislative consent on universal credit and personal independence payments was that, whatever the stated objective of welfare reform might be, we were concerned that it would not translate into reality in the way that we would want it to.

You cited the example of homelessness. I am concerned that there is a risk that changes to housing benefit—we should remember that some of the changes do not lie in the future but are in

place and are taking effect—will at best frustrate our work to tackle and eradicate homelessness and at worst make the homelessness problem worse. A range of changes could contribute to that. One of the changes that give me greatest concern relates to underoccupancy, which will have significant impacts on people who live alone or in underoccupied premises.

Welfare is reserved—I do not agree with that—and, from the Scottish Government's perspective, the overarching general frustration that has run through the entire exercise is that the impact of a lot of the changes to that reserved issue will be felt in areas that are within our devolved responsibility. That will not only make some of our policy objectives more difficult to achieve but create difficulties for us in trying to deal with the impact within the fixed budget that we have.

11:45

**Jamie Hepburn:** My next question is on communication with the DWP, which the committee has certainly found to be an interesting task. We have written to the DWP a couple of times but, as far as I am aware, we await a response to both letters. To an extent, that suggests that the DWP does not have a sense of the urgency of the circumstances that it is creating through welfare reform.

The cabinet secretary referred to the fact that the DWP is not likely to lay its regulations until the autumn. One of our letters was written on the back of our earlier evidence session with her officials, in which a concern was expressed that not enough detail was coming to the Scottish Government. We wrote to support the Scottish Government in getting that information, but we await a response. What has communication been like? Is the Scottish Government experiencing the same problem?

**Nicola Sturgeon:** If we have not already done so, we can provide a comprehensive list of engagement between us and the DWP. There has been extensive engagement at ministerial level and between officials, and that is on-going. My engagement at ministerial level has been amiable enough, in that the intention has been expressed that ministers want to keep the Scottish Government informed. However, we struggle with the fact that the detail simply has not been forthcoming. We sometimes find that the DWP is keen to communicate when it has something to tell us, but not so keen to communicate when we are trying to get information out of it. The lack of detail makes life extremely difficult in trying to do the work that we have to do. I set out in my opening remarks just how challenging the timescale is. We continue to press for as much detail as early as possible.

On the social fund successor arrangements, a key bit of information that is not yet absolutely nailed down is on the transfer of resource that goes with the transfer of responsibilities. We are waiting for final confirmation on that, which makes our planning difficult. It is often a frustrating process that makes the work that we have to do all the harder.

**Margaret Burgess:** You mentioned the plans for the social fund. Will you say a bit more about your thinking on that? I understand that the scheme will be operated locally, but will it be a national scheme? Many of our stakeholders have said clearly that they want a right of appeal in the scheme. How do you envisage the scheme progressing?

**Nicola Sturgeon:** Before I answer that question as well as I can, I point out that COSLA is taking part with us in a design and implementation group on the social fund, which is at a relatively early stage. We will keep the committee informed as the detail of the successor arrangements starts to shape up.

At this stage, I can say a couple of things clearly. First, I agree that we should have a clear national framework. I do not agree with a system that leaves the issue to the discretion of individual local authorities. The system will be delivered through local authorities, but I believe that it is in the interests of potential recipients of the funds, and of those who deliver and administer the arrangements, to have a clear set of criteria. I envisage an appeals mechanism as part of that.

The second point is on the arrangements, which I outlined briefly in my initial remarks. As with universal credit and passported benefits, we are operating to a tight timescale. We can put in place arrangements for social fund successor schemes without primary legislation, through the general power of wellbeing of local authorities, along with a section 30 order to facilitate that. We intend to use that route to put in place interim arrangements.

As I described, a clear national framework will be delivered at local level. We will then take time to monitor, in partnership with stakeholders, how the scheme is working and whether we need to change it along the way. Ultimately, our intention is to put the arrangements in statute. Although we do not need to have them in statute, once we are sure that we have them right, there is a lot to be said for taking the opportunity to legislate and ensuring that the arrangements have a statutory footing.

**Annabelle Ewing:** We have sought information from the DWP on various matters, such as what modelling it has conducted. Are you privy to information on modelling that the committee does

not have, or do you know whether the DWP intends to do modelling? How can it anticipate the detail of what is needed as it drafts regulations without modelling the impact on different groups? I am at a loss as to how we can make sense of the regulations if they are not based on a detailed assessment of the situation.

**Nicola Sturgeon:** I cannot speak for the DWP—that is probably a relief. I am not aware that we have information on modelling or proposed modelling to which the committee is not privy, but we will double-check that and make the committee aware of anything that we think would be helpful to you.

The ability accurately to assess the impact of what we are talking about is a real issue. I assume that, even though the information is not yet public, the DWP has a better idea than we do about the arrangements for the operation of universal credit in relation to who gets paid how much money—that is a basic set of facts that we do not currently have. We can estimate impacts and we can start to look at actual impact in relation to changes that are already in train, such as changes to housing benefit, but without detailed information we are not able to make proper, accurate assessments of the impact.

I am not aware that the DWP has made such assessments, which makes the issue difficult and concerning for the Government, our partner agencies, who will have to deal with the impacts as they emerge, and the individuals who will be affected. Given that the system will begin to be implemented in April next year, I wish that we were not sitting here in May without having possession of some of the basic facts.

**Jackie Baillie:** Evidence from Professor Paul Spicker suggested that the Scottish Government does not have the power and competence to deliver benefits and the replacement social fund, and you appear to have opted to use local government powers, through a section 30 order. Is that why you said that you are considering introducing a social fund bill in 2013-14?

**Nicola Sturgeon:** We would need the section 30 order to legislate, as well. We have chosen the approach that I described partly for reasons of speed, so that we can get the interim arrangements in place, and because we are confident that we can do it in such a way. Our preferred approach of legislating later is just that—a preferred approach—and is not being taken because we consider that we require primary legislation. However, because of the interaction with social security we need a section 30 order, combined with the general power to advance wellbeing that local authorities have, to put the arrangements in place.

**Jackie Baillie:** Was he correct to say that there are issues of competence, which you have managed to overcome?

**Nicola Sturgeon:** To whom are you referring?

**Jackie Baillie:** Professor Paul Spicker.

**Nicola Sturgeon:** Before I could say whether he was correct I would need to look at the evidence. I would be happy to do so and to tell the committee what we think of it, if that would be helpful.

**Jackie Baillie:** It would be helpful to our consideration to understand what powers the Scottish Government has and for what purpose you would seek a section 30 order.

Does the same approach apply to, for example, the replacement for council tax benefit, whatever the successor arrangements are? We had a discussion with your officials about whether ministers were looking for a legislative vehicle for introducing the arrangements. Why was not the bill used as such a vehicle?

**Nicola Sturgeon:** The situation with council tax benefit is that we will introduce a schedule of discounts to council tax from April next year, which will be based on existing entitlement to council tax benefit. That can be done through existing powers under the Local Government Finance Act 1992 and does not need a section 30 order.

That gives me the opportunity to say, with regard to council tax benefit, that although there are other issues that we will seek to mitigate, the substantial announcement that was made around council tax benefit a couple of weeks ago gave a clear indication of the Government's determination to do as much around mitigation as we possibly can, even though we have to do all that within a fixed budget.

**Jackie Baillie:** I was not aware that the cabinet secretary would take this opportunity to raise that issue, so she will forgive me if I tease out some of the detail around that. I understand that the Scottish Government's contribution to the £40 million gap is £23 million, but that local government has to find £17 million out of its existing resources. Is it the case that that might pose a challenge that will cause unintended consequences?

**Nicola Sturgeon:** I do not necessarily agree with the point about unintended consequences, but we are not talking about something that has been imposed on local government by the Scottish Government; it is an agreement—COSLA has fully signed up to the partnership. It is an excellent example of partnership working between the Scottish Government and local government in order to deal with a situation that is not of our making but which, if we had not taken action,

would have adversely affected half a million vulnerable people in Scotland. It is an excellent and positive example of what can be achieved when national Government and local government are prepared to work together, and national Government is prepared to invest significant additional resources.

**Jackie Baillie:** I invite you to look again at that positive relationship. Obviously, taking £17 million out of a budget, whether there is agreement about it or not, still represents a challenge. You and I have discussed previously how we are approaching what could be a perfect storm, in which local authorities are charging people for the delivery of social care services based on their receipt of DLA or the independent living fund, which we know will be transferred with a cut of 20 per cent. How does the Scottish Government work positively with local government to mitigate that? I suspect that that will cause difficulty to some people who will no longer receive benefit but will be expected to pay for services.

**Nicola Sturgeon:** All of this will cause difficulty. I think that Jackie Baillie is getting close to making an argument that I make often and which I will come on to in a second.

Jackie Baillie talks about the money from local government coming out of existing budgets. The £23 million from the Scottish Government is coming out of our fixed budget. We operate within a fixed budget, so anything that we do to mitigate the impact of benefit cuts or the other welfare changes comes from somewhere else.

The argument that I often make, which Jackie Baillie sounds as if she is getting close to making, is that I wish we did not operate within a fixed budget; I wish that we had greater fiscal and financial independence that would not only allow us greater fiscal flexibility, but would give us control over welfare and perhaps get us into a position in which we were not being forced to deal with some of the implications of a Tory Government's welfare reforms.

On the question about the cut to DLA as it translates to personal independence payments, that 20 per cent cut is severely concerning and is one of the main reasons why most of us have significant concerns about this agenda. We will work as constructively as we can with local government, the health service and other partner agencies to mitigate problems and protect people as much as possible. However, nobody should be under any illusions about what we can do. Within a fixed budget and having no powers over welfare, we cannot completely and utterly take away the impact of what the Tory Government is doing. We would be able to do that only if we had independence of decision making, as well as the financial flexibility that would allow us to do it.

**Annabelle Ewing:** I entirely agree that if we do not have the powers to make decisions on welfare and other issues in our country, we are at the mercy of decisions that are made elsewhere, and with which we do not necessarily agree. Many members of this committee take that view with regard to the detail of the Welfare Reform Act 2012.

The cabinet secretary mentioned the consultation that is planned for the summer. An important feature of this committee is that we have not only sought views from the larger organisations that are involved, particularly in the voluntary sector, but have gone out of our way to seek the views of individuals and smaller voluntary organisations. Can you provide a bit more clarity about the extent and scope of that consultation—in particular with regard to the stakeholders who will be involved?

12:00

**Nicola Sturgeon:** We intend that there will be a full public consultation. We are happy to talk to the committee about how best to facilitate input to it, given the timing and so on, but I do not anticipate that the consultation will be limited to parliamentary scrutiny. We want as much input as possible. As I said earlier, I hope that we will by the time we consult have more detail from the DWP on eligibility for passported benefits, but we will perhaps not have all the detail that we need. We will need to manage that as we get the information.

The consultation will also be an opportunity to look at passported benefits in the round and—to reflect the point that Jamie Hepburn made earlier—to consider whether our current range of passported benefits is the right one or whether we should change it or add to it to make it more coherent. It is important that we get as much evidence and input on that from as wide a range of people as possible.

**Kevin Stewart:** As we have strayed into local government matters, I had better declare—probably for the last time—an interest as a member of Aberdeen City Council.

I welcome the co-operation between COSLA and the Scottish Government on council tax benefit, and I am pleased to hear that there is also consultation with COSLA on the social fund. Community care grants have been eroded under the current UK Government and the previous UK regime. Do we have an indication from south of the border about what moneys we are likely to have for the social fund, or is that yet another area in which we will have to use other budgets to mitigate the effects of the changes? I, too, agree

that it is difficult to deal with them under a fixed budget and wish that the situation were otherwise.

**Nicola Sturgeon:** That is a good question. As I said, we do not have final confirmation of the resource transfer that will take place. The DWP says that the amount to be transferred will be the amount that is being spent at the point of transfer, which will be in the last quarter of the financial year 2012-13. We therefore expect to be transferred to us a sum equivalent to what is spent in 2012-13. I cannot give a precise figure, but we anticipate that it will be about £20 million to £25 million. There is also a commitment to fund the set-up costs of our successor arrangements, and the sum of money that will be involved in that is the subject of negotiation.

The DWP's approach allows it to say that, unlike in the case of council tax benefit, there will be no cut in the money at the point of transfer. What it does not show—or what it masks—is what I think Kevin Stewart is getting at, which is that the budgets have been eroded over years. In the case of community care grants, that process started under the Labour UK Administration and has continued under the current UK Administration. The erosion is more acute in the case of crisis loans, the sum of money for which has been diminishing quite dramatically. Although there will be no cut at the point of transfer, the fact is that the sum of money has been reducing, so a reduced sum will be transferred to the Scottish Government.

**The Convener:** Do members have any other questions?

**Jackie Baillie:** I am sorry, but I do. I want to ask the cabinet secretary about the work that is being done in Scotland on the impact of the welfare reform changes. My understanding is that you are modelling households. You might well have seen the report from the Welsh Assembly Government which, rather than just modelling households, looks at the wider economic and social impacts and the impacts on devolved services. Are we likely to produce something similar in Scotland? I know that many of the organisations that are grappling with the implementation of the reforms would find that useful.

**Nicola Sturgeon:** One of my officials will say a bit more about the modelling that has been done and that will be done. I have an open mind on suggestions on doing as much modelling as we can reasonably do, because it is in our interests to understand as much as we can about the impact of what is happening so that we can prepare best for dealing with that impact.

**Chris Boyland (Scottish Government):** I will comment briefly on the material that has been produced for the Welsh Assembly Government,



which was based largely on an Institute for Fiscal Studies study—I think—last year. We have put papers in front of the Health and Sport Committee that I think this committee has also seen and which cover very similar ground to the Welsh analysis.

**Jackie Baillie:** In a very late submission to the committee, the Scottish campaign on welfare reform pushed that point and said that it would be particularly helpful.

**Nicola Sturgeon:** I am happy to look at that to see whether there is more that we can and should do.

**Jackie Baillie:** That is appreciated. I invite you to look at evidence from the previous panel and at written submissions from national health service boards, which estimate that there will be additional costs for things such as mental health services, and indicate that GPs are already reporting increased footfall at their surgeries. There has also been a suggestion that there may be a requirement for an increased level of aids and adaptations. I do not know what dialogue there has been on how you can—in the context of restricted resources—protect budgets and allow flexibility to meet such requirements.

**Nicola Sturgeon:** The committee can be assured that I will look at all the evidence that has or will come to it. I heard a wee bit of the last part of the previous evidence session. I cannot remember which witness it was—one of the GPs, I think—who said that it is very difficult to assess the impact at this stage and gave the same reasons that we have experienced in terms of the lack of available detail and information. However, as members will understand and appreciate, I have regular discussions with people in the NHS about a range of things, including the impact of welfare changes. We will therefore continue to monitor that and try to react to it as best we can.

Members will appreciate why I make this final point. We can talk about the situation and, as we have demonstrated with the council tax benefit, we will act where we can to mitigate the worst effects, but I come back to the point about there being a fixed budget. If we have to increase one part of a budget to deal with the impact of a policy that is not of our making, by definition another part of our budget takes the strain. That is the real and inescapable difficulty that we face in all this, but we will continue to work with partner agencies. For example, I met not that long ago with Citizens Advice Scotland to discuss its concerns about the increasing impacts of the changes. We will continue to have such discussions and to work as closely as possible with those organisations in order that we deal with the issues as best we can.

**Jackie Baillie:** I try to appreciate the cabinet secretary's direction of travel in terms of mitigation and I understand her point about fixed budgets, but it strikes me that there are three affected cohorts. There are the people who used to be in receipt of DLA who will now be in receipt of a PIP, and there are those who used to be in receipt of DLA who will now not receive anything, within which category are people who have learning disabilities and who currently qualify for concessionary travel but who will not qualify for it in the future because they do not have the DLA passport. However, you will retain the budget, which has not disappeared. Finally, there is a third cohort of new applicants coming into the system who were previously not in receipt of DLA or a PIP. I wonder where among those three cohorts you are trying to mitigate. Your points about the budget do not hold in relation to people who previously received concessionary travel, for example.

**Nicola Sturgeon:** My earlier point—which I am sure members were listening to—addressed the second cohort. There are people who will not be affected at all and there are things that we could do to mitigate that would extend eligibility; and there is the middle area, which is people who are currently eligible but who will lose eligibility because of changes to their headline benefit. When I talked earlier about the consultation on passported benefits, I deliberately said two things: it is an opportunity to look at the range of passported benefits and to look at the hook for eligibility to see how we can mitigate for people who will lose eligibility for passported benefits because they are losing their headline benefit—in other words, people for whom we have already budgeted to provide passported benefits. I deliberately addressed that point; I hope that that gives the committee some indication of my thinking and direction of travel.

**The Convener:** Everyone has asked their questions, cabinet secretary. I thank you very much for finding the time to come this morning. You suggested that you may want to give us updates on a few areas; we would welcome that. I appreciate that the timescale is tight, but we will start to consider our report next week, so anything that you can provide before that will be very welcome.

**Nicola Sturgeon:** We will provide as much information as we can. If there is anything that the committee feels it needs, by all means get in touch and we will do our best to help.

12:10

*Meeting continued in private until 12:29.*



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