



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

WELFARE REFORM COMMITTEE

Tuesday 11 November 2014

Session 4

© Parliamentary copyright. Scottish Parliamentary Corporate Body

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

Tuesday 11 November 2014

CONTENTS

	Col.
SUBORDINATE LEGISLATION	1
Discretionary Housing Payments (Limit on Total Expenditure) Revocation (Scotland) Order 2014 (SSI 2014/298).....	1
FURTHER DEVOLUTION OF WELFARE RESPONSIBILITIES	11

WELFARE REFORM COMMITTEE
17th Meeting 2014, Session 4

CONVENER

*Michael McMahon (Uddingston and Bellshill) (Lab)

DEPUTY CONVENER

*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

COMMITTEE MEMBERS

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

Linda Fabiani (East Kilbride) (SNP)

*Alex Johnstone (North East Scotland) (Con)

*Ken Macintosh (Eastwood) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor David Bell (University of Stirling)

Professor Ken Gibb (University of Glasgow)

Owen Griffiths (Scottish Government)

Dr Jim McCormick (Joseph Rowntree Foundation)

Professor Nicola McEwen (University of Edinburgh)

Professor Paul Spicker

Nicola Sturgeon (Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities)

Dr David Webster (University of Glasgow)

CLERK TO THE COMMITTEE

Simon Watkins

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Welfare Reform Committee

Tuesday 11 November 2014

[The Convener opened the meeting at 10:15]

Subordinate Legislation

Discretionary Housing Payments (Limit on Total Expenditure) Revocation (Scotland) Order 2014 (SSI 2014/298)

The Convener (Michael McMahon): Good morning, everyone, and welcome to the 17th meeting of the Welfare Reform Committee in 2014. I ask everyone to please ensure that mobile phones and other electronic devices are on silent or switched to aeroplane mode. Linda Fabiani has sent her apologies, as she is busy with work related to the Smith commission.

We have a slightly unusual meeting today, to take account of the fact that it is remembrance day and we are marking 100 years since the start of world war one. The Presiding Officer has invited everyone to the garden lobby to take part in a special wreath-laying ceremony and to observe two minutes' silence. To allow the committee to participate, I will call a break at 10.40. After the ceremony, we will reconvene and move straight to our final agenda item.

Our first agenda item is to allow members to ask the Scottish Government questions on the Discretionary Housing Payments (Limit on Total Expenditure) Revocation (Scotland) Order 2014. I welcome the Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities, Nicola Sturgeon, who is accompanied by her official Owen Griffiths.

On 12 August, the committee considered the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc) Order 2014 (SI 2014/2918), which enabled the Scottish ministers to determine the limit of local authority discretionary housing payment expenditure and which will apply from 2014-15 onwards. The order came into force on 5 November 2014, after approval by the Privy Council. Now that the power has been devolved, the Scottish Government has laid a second order, which is subject to the negative procedure and which revokes the enactments that imposed the cap on DHPs.

The Scottish Government gave the committee advance notice of the order before it was formally laid, to facilitate its quick progress through Parliament. That is the version of the order that

was included in the papers in advance of today. The committee thanks the Deputy First Minister for extending us that consideration. We will report formally on the order in a couple of weeks, once we have the report from the Delegated Powers and Law Reform Committee. However, we thought that we had better take the opportunity to hear from the Deputy First Minister while we still can—so, over to you.

Nicola Sturgeon (Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities): Thank you. You have ably covered the reason for our being here today and the background to the issue. I am grateful to the committee for giving me the opportunity to come along, and I will be happy to answer any questions that members have.

I thank the committee for its scrutiny of the section 63 order on 12 August, and I thank you, convener, and the committee for the part that you played in helping to secure the smooth passage of that order through its parliamentary stages. It is also appropriate for me to put on record my thanks to David Mundell at the Scotland Office and to our respective officials, who worked to a very challenging timescale to get that order through its parliamentary stages so that we could lay the policy order that we are here to talk about.

To recap briefly, the section 63 order was made by Her Majesty in Council on 5 November, and it came into effect on 6 November. It transferred the power in section 70(3)(a) of the Child Support, Pensions and Social Security Act 2000 to set the cap on the amount that local authorities may spend on discretionary housing payments in a financial year. On 6 November, under the powers newly transferred to the Scottish ministers, I made the Discretionary Housing Payments (Limit on Total Expenditure) Revocation (Scotland) Order 2014, which will come into effect on 9 December.

As the committee can see, it is a simple order. It will revoke two provisions that set the cap on local authority discretionary housing payment expenditure at two and a half times the total that the Department for Work and Pensions allocates to local authorities to spend on DHPs in any financial year. Those provisions are being revoked so that, in the future, there will be no limit on the amount that local authorities in Scotland can spend on DHPs. The committee will note that that is in line with the intention that I set out on 12 August, when I stated that the DHP cap would be removed in its entirety rather than simply being set at a higher level.

Local authorities have already acted to spend funds that are distributed by the Scottish Government to mitigate the bedroom tax. They have done so on the basis of assurances that the DWP, the Scottish Government and the Scotland

Office offered back in June this year. I understand that DHPs are being made to those who need them, and I await the publication of the latest statistics on 25 November, which I anticipate will confirm that.

Given that local authorities have been mitigating in that way, individuals who are affected by the bedroom tax should not notice any difference after the order comes into effect. However, the order meets the commitment that was made to local authorities so that they can continue making payments up to the end of this financial year and in future years with confidence that they can spend what is needed.

As the committee will be aware, funding has been provided in the draft budget for next year—I understand that the committee will consider the draft budget next week—that will allow the bedroom tax to be mitigated next year. The order will simplify the distribution of funds to local authorities and ensure that payments to individuals need not be interrupted.

That is the background to and the effect of the order that we are discussing. I would welcome any views from the committee and, as I said, I am happy to answer any questions.

The Convener: Thank you, Deputy First Minister.

To clarify, are there any on-going discussions with officials from the DWP on the order, or have the discussions concluded? Is there anything that remains to be finalised, or are we progressing on the basis that things will take their course?

Nicola Sturgeon: The power has now transferred from the United Kingdom Government, or the DWP, to the Scottish Government. The policy order that we are discussing relates to what we need to do to remove the cap, which we have been given power to do. It is not dependent on on-going discussions with the DWP.

Just to be clear, one point that is still dependent on DWP decision making, although it is not related to the order, relates to the decision on the amount of money that the DWP will allocate to local authorities for discretionary housing payments next year. That is not yet finalised. Obviously, the money that we provide tops that up. We have to wait and see what the final decision on that is, but the order that we are considering is purely within the Scottish Government's remit.

The Convener: Obviously, at the other end of the process are the local authorities, and discussions must still be on-going with them. Are there any issues that it might be worth while our being aware of now in case we have to consider them at some point?

Nicola Sturgeon: Again, the key issue is not related to the order; it is the allocation of funding for next year. A proposal has been prepared for consideration with the Convention of Scottish Local Authorities, because we seek to do these things by agreement. It has not yet been finally agreed, but it recommends the allocation. Broadly speaking, it recommends that a significant chunk of the money is allocated, with some held over so that we can see the actual pattern of local authority spend throughout the year and adjustments can be made at a later stage to take account of that. I am happy, by correspondence, to keep the committee updated on progress in those discussions.

The Convener: That would be welcome. I open up the discussion to members.

Alex Johnstone (North East Scotland) (Con): There were fears that some local authorities might become reluctant to go on paying out if they reached their limit before the change took place, in spite of the assurances that were given. I take it from your opening statement that no local authority will have spent more than the limit before the new arrangements come into place.

Nicola Sturgeon: Owen Griffiths might want to add some detail on that, but the letter of comfort that was issued with assurances from the Government, the DWP and the Scotland Office was intended to take account of that. It gave local authorities an assurance that, should they get into a position in which they were overspending, they would be able to do that without fear of overstepping their remit. Of course, once the order is in place, there will be no limit, so local authorities will be free to spend however much they want.

Alex Johnstone: Yes, but I take it that no local authority has got to that position.

Owen Griffiths (Scottish Government): We expect that a number of authorities will have reached the cap level, but we will not know for sure until we get the statistics at the end of November. However, the projections that we made at the beginning of the year showed that a number were expected to reach the cap last month, this month and over the next couple of months. We understand that local authorities have continued to make discretionary housing payments over the cap. That is not especially unusual, as a similar situation applied last year when the DWP made changes to the DHP cap and assured local authorities that they could spend money in that year in anticipation of the legal change. The situation is the same as that.

Nicola Sturgeon: The statistics are due out on 25 November. They will show whether the projections have been accurate, whether local

authorities breached the cap and, if so, which ones did so.

As you will recall, the DWP made some changes last year to how the cap was calculated. Previously, it was calculated in such a way that local authorities could spend two and a half times the initial DWP allocation at the start of a financial year. That was changed last year, because authorities had themselves made some top-ups to make the spending two and a half times the total amount from the DWP. The same assurance process was put in place so that local authorities could do that if they breached the cap before that change was formally made.

The key point for us—I am sure that it is the key point for the committee with regard to the impact on individuals—is that, because of the letter of reassurance, no local authority has in effect put payments to individuals on hold because it was reaching or had reached a cap.

Alex Johnstone: The situation with funding is now well understood. We have spoken to people with housing-related debt from a previous year. Are the funds that are made available through this measure designed to deal specifically with liabilities incurred in the current financial year? Can they be used against debts accrued in previous years?

Nicola Sturgeon: The principal objective of the funds that the Scottish Government is making available is to mitigate the bedroom tax in the financial year to which the funds relate. As I think I said on the previous occasion on which I was in front of the committee on the issue, local authorities have discretion to spend more or to use underspends from previous years, if they so wish, to make payments to individuals relating to arrears accrued because of the bedroom tax. That would be a decision for local authorities to take.

The money that we are providing to local authorities is for the mitigation of the bedroom tax in the financial year to which the money relates. In the year ahead, it will be for 2015-16.

Alex Johnstone: Sufficient flexibility would exist among individual local authorities in relation to other parts of the budget that goes into the discretionary housing fund to allow them to decide whether they wish to pursue that.

Nicola Sturgeon: There is £50 million available between the DWP allocation—I caveat that immediately by repeating that we do not yet know what the final DWP allocation will be this year—and the £35 million top-up from the Scottish Government.

Our estimate of what the mitigation of the bedroom tax will cost is just under £44 million. There is other funding within that total for other

uses. In a previous year, there was an underspend on the £20 million—as you may remember, the Scottish Government made £20 million available in 2013-14. The underspend on that was not clawed back by the Scottish Government; that money remained with local authorities.

There would be discretion in that regard. I am not saying that I expect local authorities to act in that way—it is entirely a matter for local authority discretion to decide whether they wish to make payments relating to any legacy arrears.

Alex Johnstone: So flexibility exists and discretion lies with local authorities.

Nicola Sturgeon: There is flexibility. We have made the point repeatedly that, ultimately, the responsibility—indeed, the right—to decide how discretionary housing payments are used lies with local authorities, although we are making it clear that the money that we are providing is for the mitigation of the bedroom tax.

Ken Macintosh (Eastwood) (Lab): I wish to clarify a couple of points. I understand that, under the section 63 order, the power to lift the cap is now permanently with the Scottish Government. However, the revocation order before us applies for one year. Is that right? Does it apply simply for the year 2014-15? If we wish to lift the cap on discretionary payments by local authorities next year, the Scottish Government will have to produce another such order.

Nicola Sturgeon: No. The order that is before us will continue unless it is repealed.

Ken Macintosh: So it is permanent. It is just that I read one version, which says that the order applies from the financial year, while another one says that it applies within the 2014-15 financial year. It will apply from now on, anyway.

Nicola Sturgeon: Yes—it is a permanent order until such time as a Scottish Government chooses to repeal it.

Ken Macintosh: I will look backwards, to follow up the point that Alex Johnstone raised. I see that you intend it to be entirely up to local authorities to make discretionary payments as they see fit, but I want to double check that point. Are any moneys from the DWP or the Scottish Government ring fenced for DHPs, or can they be used by a local authority to mitigate other things?

10:30

Nicola Sturgeon: In the allocation that the DWP makes—“ring fenced” is not the correct term for it, because it is still up to local authorities to make DHPs as they see fit—particular amounts are nominally allocated to things such as the bedroom tax and the benefit cap, for example.

Legally, the responsibility for deciding how to spend DHP money lies with local authorities. However, the Government and I have made it clear to local authorities that the money that we provide to top up the DWP allocation for DHPs is for mitigation of the bedroom tax and that we expect everyone who is affected by the bedroom tax who applies for a DHP to get one. In other words, no other means test should be applied to such decisions.

Ken Macintosh: The concern is that some people will not apply for a DHP. There are two elements, the first of which is helping those people. The second element is that you passed the £50 million to the local authorities and you have not clawed such funding back in previous years, so the expectation is that it will not be clawed back now. Can local authorities budget on the basis that they have £50 million to allocate through DHPs or other welfare mitigation schemes and that, if they do not draw it down, you will not ask for it back?

Nicola Sturgeon: We want the money to be spent on helping people with the impact of welfare cuts. We are in as good a position as it is possible to get us into, given that we are dealing with a policy that is not of our making.

Your point that people still have to apply for DHPs is absolutely correct and is a point that I laboured in the statement that I made to Parliament when we got the agreement to transfer the power—I think that I answered a question from you on the issue. Local authorities, housing associations and all of us must encourage people who are affected by the bedroom tax to apply for that help.

I will not beat about the bush: this is the best position that we can be in given what we are dealing with, but it is second best. The best position would be not to have a bedroom tax in the first place, so that no one would have to apply for help. However, I cannot abolish the bedroom tax—if only I could—so I have to find the best way to mitigate its effect. Inevitably, the solution will be imperfect in some ways. One of the imperfections is that it relies on people applying for help. Unfortunately, that is the position that we are in.

Ken Macintosh: You have made your position clear. I suppose that my point relates to the certainty that local authorities will have over control of the particular budget. If, for example, the cost of mitigating the bedroom tax comes to £44 million, but the Government is providing £50 million, local authorities will have £6 million extra to use to help residents in their area, through DHPs or other devices. I want to check that you have no intention of clawing that back.

Nicola Sturgeon: Local authorities can have certainty about the £50 million. For understandable and legitimate reasons, the bedroom tax has captured much of the focus in the issues that people are getting into here, but there are other consequences of the welfare cuts that will lead to people applying for discretionary housing payments. Local authorities have certainty about the £50 million and are also free—although I accept that local authority finances are strapped, as are everybody's—to top up that budget further if they so choose. That is the beauty of taking away the cap completely. If local authorities want to and can access the resource, they can spend even more than the £50 million that we are, through the DWP and the Scottish Government, making available.

Kevin Stewart (Aberdeen Central) (SNP): You have partly answered the question that I want to ask. The money is extremely welcome, but the best solution would be to abolish the bedroom tax completely and utterly. Will the Scottish Government continue to lobby the Westminster Government for that abolition so that we do not have to tinker around at the edges, as we are doing with the transfer of powers to allow the DHP cap to be lifted?

Nicola Sturgeon: Yes, I will. As I said to Ken Macintosh, we are getting ourselves into the best position that we can for the people affected, but it is not an ideal position. I will do two things. First, I will continue to argue strongly that the UK Government should repeal the bedroom tax. I do not hold out too much hope of that happening at this stage, but I will continue to make that case. Secondly, I will continue to argue—I hope that others will argue the same case—that power over housing benefit should be devolved to the Scottish Parliament as part of the process that is under way.

There is an issue that I was going to say is subsidiary, but it is more than that. There are parties involved in the Smith commission process other than the Scottish National Party that advocate the devolution of housing benefit. If that is to be meaningful, we need to stop or at least put on hold the process that is under way to abolish housing benefit by subsuming it into universal credit. If we are to have a meaningful discussion on devolving housing benefit, we need not only to argue for that devolution but to stop things that are happening in parallel that would make it impractical.

Annabelle Ewing (Mid Scotland and Fife) (SNP): Good morning, Deputy First Minister. I have a brief question on the timing of the section 63 order. I understand that the UK Government agreed to devolve the power at the beginning of May. Am I right in saying that the timetable

thereafter has been dictated by the processes involved, particularly as far as the Westminster end is concerned?

Nicola Sturgeon: Yes, in short, although to be fair to the UK Government and the Scotland Office, it is reasonable to say that the transfer has happened as quickly as the processes allow. We can argue that the processes are too long and cumbersome, but they are the processes that are there.

The timetable that David Mundell and I set out in May has largely been adhered to. In fact, we built in a bit of contingency to allow the order to be passed in the Privy Council in December if we did not meet the November timescale, but we did meet it. There might be an argument for shortening some of the processes generally, but I am satisfied that we have stuck to the timetable that we thought we would need.

However, you are right that it has taken a long time. From May to November is not a short time for something that is relatively straightforward. That is why the letter of assurance became so important. We projected that local authorities would start to hit off the cap, so it was important that they had the comfort that they needed so that that did not start to interrupt payments to individuals.

The Convener: We are about to hit our time limit for the session, but I want to clarify something that Ken Macintosh touched on in relation to local authorities. We know that money has been available through DHPs, but some local authorities have made representations to the committee that they had alternative options that they would have preferred for getting money to those who are being hit by the bedroom tax. Are there on-going discussions with those local authorities, or have they accepted that the DHP is the only way in which the money can be provided?

Nicola Sturgeon: Since we issued the letter of comfort, no alternative ways of mitigating the bedroom tax have been raised with us by local authorities. The proposals that were mooted at an earlier stage were alternatives or contingencies if the power to lift the cap was not transferred. There is no doubt in my mind that the best option is to abolish the bedroom tax but, short of doing that, our approach is the best way to mitigate the bedroom tax. Local authorities have not put forward any alternatives to that but, if any local authorities want to discuss something along those lines with us, we will of course be happy to do that. As far as I am aware, local authorities are content that our approach is the correct way to mitigate the bedroom tax, given the confines of the policy that we work within.

The Convener: Okay. As I said to the committee earlier, we will deal with agenda item 2, which is consideration of the order, at a future meeting.

Before I suspend the meeting for a short break to allow people to attend the remembrance day ceremony in the garden lobby, I thank you, Deputy First Minister, on the committee's behalf for the way in which you have engaged with us and made yourself readily available when we needed to discuss issues and for the level of communication that you have had with us. I know that my clerks appreciate the support that they have had from your staff, under your leadership. On the committee's behalf, I thank you for how you have engaged with us.

Nicola Sturgeon: I thank the committee. You have been a pleasure to work with.

10:40

Meeting suspended.

11:15

On resuming—

Further Devolution of Welfare Responsibilities

The Convener: We resume the meeting with agenda item 3, which is an evidence session on further devolution of welfare powers to Scotland. We are joined around the table today by a range of academics. I welcome Professor David Bell, who is a professor of economics at the University of Stirling; Professor Ken Gibb, who is a professor in housing economics and director for public policy at the University of Glasgow; Dr Jim McCormick, who is Scotland adviser to the Joseph Rowntree Foundation; Professor Nicola McEwen, who is a professor of territorial politics at the University of Edinburgh; Professor Paul Spicker, who was previously our adviser on the budget and who is appearing this morning in a personal capacity; and Dr David Webster, who is honorary senior research fellow in urban studies at the University of Glasgow. I thank you all for making yourselves available to us this morning to discuss this very important issue.

To start the ball rolling, I will go back to the discussion that I had last week in my capacity as a member of the Finance Committee, at which we also had a number of eminent academics who wanted to discuss wider fiscal issues—although not specifically welfare issues, which we are focusing on here. However, during the discussion last week, we got on to welfare issues and one of the academics, Professor John Kay, boiled down the argument quite simply to saying that it is difficult to unpick welfare issues from everything else. He suggested that we are faced with a choice of all or nothing as regards what to devolve.

Given that your submissions have various takes on and caveats attached to the prospect of various welfare responsibilities being devolved, do you agree with Professor Kay, or do you have your own perspectives on the areas that could be devolved fairly easily and the areas that would be practically impossible to devolve within the United Kingdom setting? To start the ball rolling, I will put our former budget adviser, Professor Spicker, on the spot, although the question is open to all of you.

Professor Paul Spicker: Thank you for the invitation to be here. I certainly have some sympathy with John Kay's position. The difficulty is not simply that the benefits system is complicated, but that all changes, whatever they are, run considerable risks for some of the most vulnerable and disadvantaged people in our society, so we

have to approach whatever is done with great care.

The benefits system is complex and there are many interactions. The benefits interact with each other, they interact with the tax system and they interact with other social services—most notably health and social care. Whatever we do, it is likely that the benefits will be tied to, and have implications for, other parts of the system, so we must always be aware of that.

There is some consensus in a number of the documents that have been produced that we may get devolution of housing benefit and the attendance allowance. Both those benefits—although housing benefit, less so—are tied to other benefits in important ways. However, it is quite clear that it is not possible to devolve housing benefit without reconsidering the structure of the universal credit system.

The attendance allowance has a substantial overlap with the disability living allowance and the personal independence payment because of the particular situation of people over retirement age getting extensions when on DLA or PIP. Those sorts of things have to be thought through. Often, people have the idea that a benefit is somehow detachable from other parts of the conditions that are being dealt with, but typically those benefits are not detachable. Either one must look at an entire client group's set of circumstances and consider how the links can be severed, or one must transfer things together—or not transfer them.

The paper that I submitted is very much concerned with the implications of partial devolution—the devolution of some powers without the devolution of others. The sorts of problems that immediately arise are to do with financial co-ordination. We cannot have a situation in which one Government gives benefit and another Government takes it away or taxes it.

There are also administrative complications. It is often not as simple as saying, "This person will receive benefits from us", when the person might also receive benefits from another source in another territory. There are also the perennial problems of the interaction between one benefit and another, especially when the benefits are alternatives to one another. For example, it would be very difficult to manage pension benefits separately, because of the direct interaction between pension credit and the state pension. It is not impossible, but it must be done with great care and one must always consider what the outcomes would be for the people who would most likely be affected.

I say in general, as a principle of devolution, that if there is to be devolution of benefits we need to

accept that the terms of benefits will vary. There is not much point in devolving benefits if the terms do not vary and benefits remain completely uniform. Therefore, what I propose to anyone who is thinking about the matter is that you consider an approach that is almost the opposite of the parity principle that is used in Northern Ireland. Northern Ireland works on the principle that the system must be unified and must be the same, so what it does is close—often identical—to what happens in London. That is not really a principle of devolution. If we are to look at any form of devolution, we need to talk about the opposite approach, which is the presumption that it is legitimate and desirable for benefit conditions to be different.

Professor David Bell (University of Stirling): I had the pleasure today of travelling with a retired professor of history at Stirling university, who reminded me that Scotland's poor law was, certainly until the pre-war period, different from that of the rest of the UK.

Paul Spicker has illustrated the huge difficulties to do with the interaction between different benefits and between benefits and the tax system. Irrespective of that, any new system is going to have a cost—there is no question about that.

In my paper I perhaps glossed over those issues slightly, which are very real, and tried to think about the macro implications. If it was decided that some part of the welfare system could be devolved, what implications would there be for public funding and the UK Government's overall macroeconomic stance? If we think about that in relation to Scotland, the issue is probably relatively small, but if we start thinking about having different welfare systems across different parts of the UK, the issue becomes much more important.

Let us take the example of attendance allowance. In essence, what would need to happen would be a transfer from the Department for Work and Pensions and, implicitly, from the Treasury, to the Scottish Government. The Scottish Government would then have a cash sum, which it would decide to allocate in its own way to meet the needs of people who require personal care. The question is how that adjustment would be done. We encounter the same issue that we have with the Scottish rate of income tax: how do we adjust the block grant to reflect the new reality?

You would be making a decision about what risks you would share and what risks you would take on and deal with in your own way, through the Scottish Government. With attendance allowance, we already have the free personal care policy and it might be argued that there is an overlap there and that people's circumstances could be improved. Equally, that might not

happen, but you would be taking on the risk of dealing with that situation.

Professor Ken Gibb (University of Glasgow): I would like to talk about housing benefit in particular, since it is the example that most people have said is a readily devolvable benefit. I should also say that I have not submitted written evidence because I am working with my colleague Professor Mark Stephens from Heriot-Watt University for Shelter Scotland on a report about the options for devolving housing benefit. We will make that report available when it is done.

The thing about housing benefit is that we have got to ask why you would devolve it. What would be the benefit or the advantage of that? Originally, it was being discussed in terms of its being a way in which the Scottish Government could get rid of the problem—as it sees it—of the bedroom tax. Of course, in a few months that might not be a live issue, if the UK election changes the Government's attitudes about that. That is one issue.

A second issue is that a number of parties, people, and submissions to the Smith commission have put the Institute for Public Policy Research's argument, which is that responsibilities can safely be devolved when there is a kind of complement between the policy issue that is being devolved and the funding stream for it, and also when there is stability around funding levels. The IPPR made the case that those two arguments apply to housing benefit and that housing benefit should therefore be devolved.

That argument is certainly questionable on the grounds that the private rented element of housing benefit is not stable, and that parts of the housing system are reserved. Everything that happens in the mortgage market is reserved, which impacts on private renting, which in turn impacts on social renting. The situation is a bit more murky than it appears.

To go back to the question why housing benefit should be devolved, in previous work that I did with my colleague Mark Stephens, we argued that housing benefit could be devolved in order to reform it and to make it better and more progressive in some sense, and so that some issues of inequality, efficiency and the like could be tackled. When we looked at the issue in 2012, the problem that we had was that if housing benefit is to be made more progressive, any control over it would almost certainly lead to spending more money or having the scope to do so. That cannot really be done if housing benefit alone is to be devolved, so you would get into issues about whether you would use other spending priorities or tax powers. Alternatively, if more benefits were to be devolved, would you consider pooling that benefits income and

redistributing it in some way in order to increase housing benefit?

To cut a long story short, it might seem that it would be simple and easy to devolve housing benefit, but as with many issues, including those that David Bell raised about attendance allowance, all sorts of complexities and knock-on effects have to be considered. The universal credit issue that Paul Spicker raised has also to be considered.

Dr Jim McCormick (Joseph Rowntree Foundation): Before we get into specifics, I guess that our starting point would be that there are feasible options between the two extremes that Professor Kay has suggested. You could read the mandate of the referendum as saying that people want to remain in some kind of social and economic union with the UK, but they also want that union to change and they want further devolution in this area to be a reasonable and feasible part of that change process.

Before we start unpicking bits of the settlement and asking which benefit looks right, we need to think about the tests that we might apply to make sure that further devolution is feasible, affordable and will help with issues including poverty reduction, which is our primary purpose. Will further devolution help to achieve those ends?

One of the most important principles in our embarking on further devolution is that as far as possible the demand-side drivers that add pressure and costs to the system ought to be managed at the same time. For example, if we are looking at how the working age offer might be reformed, there is a proposal to devolve the work programme, produce a Scottish version and perhaps decentralise it. That would be fine as far as it goes, but in order to add to that pot and to make it more coherent, it would be better to look at the benefits and conditionality regime that would go along with devolution of the work programme, so that there would be opportunities and responsibilities alongside it.

Ultimately, we want further devolution to be financed in a way that means that the savings that would flow from better programme performance in Scotland would flow back into Scotland. There would therefore be an incentive to invest in social investment approaches, including training and childcare. Any additional costs, through higher expenditure or poorer performance, would also be within that core part of the Scottish budget. It is a grown-up approach to further devolution. That would be in everyone's interests.

11:30

The arguments for further devolution are probably strongest of all in housing, labour markets and childcare, because of the ways in

which those markets vary and because they add costs into the system, which it is important to manage. We would say that it is tricky, but feasible, to map out a coherent approach to further devolution, particularly in housing, labour markets and childcare.

Dr David Webster (University of Glasgow): As Jim McCormick does, I flatly disagree with Professor Kay. I point to the fact that the Scottish Parliament has already varied the social security system in three important respects: the bedroom tax, which you were talking about this morning; the council tax rebate scheme; and the abolition of the social fund.

I do not think that anybody really claims that the knock-on effects of variation in those areas are anything to worry about. In fact, I cannot recall anybody mentioning any knock-on effects. There clearly are things that we can do to vary the social security system without causing any ill effects, although I thoroughly agree with Paul Spicker that we have to be very careful about knock-on effects because social security systems are complicated and interact with other services.

I will highlight a disagreement with Professor Bell, with whom I normally agree about almost everything. In his submission to the committee, he says that variations in the social security system

"should not be based on dissatisfaction with aspects of existing policy".

I say the absolute opposite: as you will see from my paper, I think that it is clear that differences in attitudes to social security have caused enormous friction and tension in the union. It is important to provide a mechanism whereby those frictions can be mitigated.

I have suggested in my paper that there should be a general presumption that, in a political union, we share a common social security system, for the reasons that I mentioned in my first paragraph, including mobility of labour, social solidarity and so on. However, there should also be a general power for the Scottish Parliament to vary any aspect of the social security system, provided that it meets the cost of doing so.

I have suggested also that it should be a two-way street. Ken Gibb mentioned that the bedroom tax issue, for instance, may disappear after the next UK election. I think that there should be provision for things to be undevolved and recentralised. If the need for different provision in Scotland disappears, why continue with a separate system? It should not be a case of looking at things and thinking, "We can devolve this and we can devolve that", and that is it forever. Why should it be? In my opinion, there should be a presumption that we are running a common social security system. In so far as it is

possible, that is the goal that should be held in sight. There is no point in people blinding themselves to the fact that social security is one of the issues that has caused the most ill feeling in the union, particularly in the period since 1979. I think that that has to be addressed.

Professor Nicola McEwen (University of Edinburgh): I agree with a lot of what my colleagues have said, and I have sympathy with Professor Kay's perspective, given the complexity that partial devolution would inevitably bring. However, even if all social security were to be devolved, we would still have complexity, because of the interdependence and interaction between social security and broader economic factors such as mortgage rates, macroeconomic policy and so on.

I want to make two points. First of all, we have talked a lot about devolving benefits, but we need to make a distinction between devolving benefits and devolving the function that those benefits serve. They are very different forms of devolution and have different implications. For a start, if the benefit by itself were devolved, the Scottish Parliament might have many more constraints on what it would be able to do with the new power than if the function that the benefit served were to be devolved. That might also affect further devolution to meet the kind of challenges that Jim McCormick has set out; indeed, I think that identifying the challenges that you are trying to address is a really good approach.

Secondly, greater complexity will inevitably result in a greater need to manage the interdependence between what is devolved—if, indeed, there is more social security devolution—and what is reserved. Social security would effectively become a shared or concurrent policy area. We do not have very many such areas in the UK system of devolution, although I think that we are about to get some, and we need a way of managing them. As that usually happens in a very informal and ad hoc way in the intergovernmental system, there is never much of a role for the Parliament or for parliamentary scrutiny, and you might want to be careful about that. Nevertheless, managing interdependence is going to be a key challenge.

The Convener: I open up the questioning to committee members.

Kevin Stewart: Professor Spicker mentioned universal credit and personal independence payments. As we are having this discussion about further devolution, welfare reforms are going on. Do the panellists think that it would be wise to halt the roll-out of universal credit and personal independence payments in Scotland until we get the devolution settlement to ensure that we do not

have to do any more unpicking? Perhaps Professor Spicker could go first on that.

Professor Spicker: I am in something of a quandary here, because my general view is that universal credit should be halted regardless. [*Laughter.*] That creates a difficulty if you are asking me to consider whether there could be a more effective mechanism for universal credit. The great difficulty with universal credit is not only that it is meant to supplant a wide range of other benefits but that it is supposed to introduce a marginal rate of deduction that would mean that, as people's income increased, they would not lose more than 65p in the pound. However, that principle was breached immediately when council tax reduction was introduced. Moreover, taxation has not been included in the marginal rate of deduction.

The fact is that housing benefit cannot exist side by side with universal credit as it exists because you cannot manage the interaction between something that takes 50p in the pound and something that is supposed to take 65p in the pound without substantially altering the rates. Somebody might well come up with a complex mathematical formula to make that possible—we have seen lots of those things in the past—but it would be extremely difficult to introduce universal credit in Scotland in anything like its intended form if housing benefit were not part of the scheme.

As a general statement, my reservation is that, as we are already seeing, universal credit is compartmentalised and contains different aspects that all have to work to different rules. The problems of managing that have made it all but impossible to administer the benefit in its intended format, and I am surprised that it has not undergone very substantial reform to cope with that.

Dr McCormick: In a sense, all roads lead to universal credit and the need to make decisions about different parts of working-age benefits. This might be a minority position on the panel, but the JRF supports many of the principles behind universal credit. That said, we feel that, to give it a fighting chance, it should be designed in, say, the very different way in which Northern Ireland might be able to design it, with regard to the treatment of housing costs, payment frequencies and whether individuals or couples in a household will receive it. If those and other issues were freed up, it could give universal credit a fighting chance. Why is it important? It is important because the people at the bottom end of the jobs market who move in and out of work frequently and who stop and start benefit claims are those who face the biggest poverty traps and the biggest problems with insecurity of income, never mind insecurity of

earnings, and for them something like universal credit could be a big step forward.

As far as the Scottish debate is concerned, it is worth while going back to the report of the expert working group on welfare and constitutional reform, which was published last June. Although it was produced in the context of Scotland having voted for independence, its analysis nonetheless contains many strengths. For example, it talked about the creation of a social security allowance in Scotland that would have universal-credit-like features but which would have housing costs taken out of it.

There is a very strong case for having more rather than less integration by, for example, bringing council tax reduction into the fold, allowing for future reforms to local taxation in Scotland and allowing for a more generous approach to work allowances or childcare. We in Scotland could do a lot in the long term to keep and improve the principle of integration and make things more generous for lower-paid workers, and I am loth to ditch the principle that I mentioned. In response to Mr Stewart's question, therefore, I think that it would be much better if we were further down the track and saw what the thing was like in practice not just for single unemployed claimants, who are the easier cases, but for people with children, people with disabilities and so on. It is important that we understand the early evaluation evidence and take an informed view.

As for timescales, the question is whether we want to devolve aspects of universal credit in Scotland, keeping them together as far as possible, or whether we negotiate with DWP the kind of concurrent approach that Nicola McEwen suggested to allow us to vary if not the benefit rates to start with then certainly some design principles. In that respect, I suggest that Northern Ireland provides an interesting potential precedent with regard to the devolution of the power to design the benefit.

Dr Webster: I agree with what has been said, although I note that an important practical difference between the PIP and universal credit is that, as I understand it, universal credit has been extended to only 12,000 claimants and none of the computer system has been commissioned. In that respect, it would be quite easy to have a moratorium for universal credit. With the PIP, however, we have the opposite problem, in that there is a backlog of several hundred thousand people who have made new claims but who have not been assessed and who are waiting in considerable hardship for their benefits to be paid. As a result, we would not want a moratorium for the PIP; indeed, we should speed up its roll-out and then talk about altering the rules later.

Kevin Stewart: But there is always the possibility of reverting to the status quo. With both universal credit and personal independence payments, the system seems extremely bureaucratic; in fact, in the case of universal credit, the system itself is not even complete. Professor Spicker referred to complex mathematical formulas, but is the system as it stands under those welfare reforms so overly bureaucratized that we might reach the point at which we spend as much money on the bureaucracy as on helping the people who need that money most?

The Convener: Does anyone want to answer that? The issue has been raised before in relation to the Scottish welfare fund. Information has come to us from COSLA that the administration of that £33 million fund costs £4.8 million to £8.3 million. Questions have been asked about the extent of the bureaucracy to administer what is a relatively small fund. Do colleagues have a view on that?

11:45

Professor McEwen: My point is not so much about that; it is a related point that is more to do with administration. My understanding is that, once universal credit is established, because it is a new system, it will be able to accommodate moderate regional differences, but not substantial ones, within England and potentially within the devolved areas. That is not likely to be as possible with some of the older systems for processing benefits, which limits what could be achieved if you wanted to go down the road of continuing to share bureaucracy in order to share some of the costs.

On Kevin Stewart's original question about halting the roll-out, I am not going to comment on the PIP or on whether the reforms are good or bad, but it seems to me eminently sensible to pause and await the outcome of the current process of reforming devolution. After all, it is pretty speedy—we will probably not have to wait too long under the current timetable. It is not going to be easy at all, but it would be much harder to start to unpack things after, rather than before, they have changed.

We can revert to the status quo, but my concern about a lot of the discussions about the devolution of social security and some other things is that there is a bit of a tendency to want to halt changes, revert to a status quo and preserve certain things. If there is further devolution, I hope to see a rethinking and consideration of other possibilities, such as what you might be able to do with powers and how things might be redesigned within Scotland to suit Scottish needs, rather than always reverting to a status quo. That is a capacity issue for the Scottish Parliament, think tanks and so on—and for us as well.

Kevin Stewart: Convener, just to clarify—

The Convener: Paul Spicker wants to come in on that point.

Professor Spicker: I want to reply to the important point about complexity. Obviously, it is not a straightforward topic. Certain benefits, such as the state pension, are too complicated for people to work out for themselves, but it seems not to matter when it comes to delivery. Other benefits—or the benefit rules—are in some ways oversimplified. I am tempted to say that the sanctions rules have been disastrously oversimplified, which has caused people terrible problems. It is not a straightforward matter of saying, “We must avoid all calculations.”

The great difficulty comes when we try to personalise benefits—when we try to tailor them carefully and sensitively to the needs of an individual on the basis of real time, as the Government has suggested. The difficulty with that is that lots of people are unable to say what their income is, where it comes from or what the sources are. For example, that is what the accountants have said about the position of self-employed people in relation to universal credit. Rules that may seem to make sense can be hugely difficult to implement in practice. One reason why I call in my submission for caution and for time to be taken to get this right is precisely that there are so many wrinkles of that sort.

Kevin Stewart: Just to clarify my point about reverting to the status quo, I was referring to doing that until we know what powers we are going to get.

Professor McEwen: Sure.

Kevin Stewart: We could then design the system around the needs of the people of Scotland, rather than having something thrust upon us that many of us think will not work and will actually be detrimental to people.

Professor Spicker talked about personalising things to meet folks’ individual needs. Is it possible to do that if we do not have full control of both the benefits system and the tax system so that we get this absolutely right in terms of meeting each individual’s needs?

The Convener: Does anyone want to have a go at answering that? David Bell looks interested.

Professor Bell: I guess that what Kevin Stewart says is true, but it still might be a challenge for the Scottish Government to find a system that will meet everyone’s needs. That could be almost beyond the complex mathematical formulae or the information technology systems that are in place at the minute. It is an interesting idea, but it would have its limitations.

Professor Spicker: There are stronger arguments for the devolution of power and responsibility. The principal question, to address a point that Professor Gibb raised, is about why we would want to devolve housing benefit. As much as anything else, it is because we would not necessarily wish to maintain housing benefit in its existing form. What we may want to do is reallocate the budgets and responsibilities between housing benefit and other forms of housing subsidy and provision. That ability to do things differently becomes possible with a devolved power. However, I would not necessarily wish to see a different system that was even more personalised than the real-time failures of universal credit have been.

Professor Gibb: Paul Spicker is absolutely right. The issue is whether you want to devolve or make changes to housing benefit in order to improve the system. You can think about that in relation to the overall housing budget and how you allocate resources, or you can think about the fact that housing benefit is itself fundamental to income maintenance. We are unusual in the UK in that we do not have a general housing part of the income support system; we do it all through housing benefit. One could imagine a world in which you returned an element of that housing funding to the general cash payment and had a separate, new housing allowance that did different things—a gap system, or something of that kind.

However, as with all these issues, that raises long-term questions. Surely one of the lessons of the introduction of universal credit over the past three or four years is about how long it takes to do such things properly. I could not imagine a quick turnaround.

The Convener: We will move on to another committee member. If we have time, I will come back to that question.

Alex Johnstone: I have a couple of more general points, but I want first to mention a slightly more specific point that arose from our earlier discussion and relates to the idea of devolving housing benefit initially. When we first talked about the support structures when council tax benefit was devolved, we got evidence from some people that suggested that there was a significant inefficiency, in that the synergies between housing benefit and council tax benefit were lost. Are there significant gains to be achieved by managing them in the same channel in Scotland?

The Convener: Is your question directed at a specific witness?

Alex Johnstone: It is for anybody who is willing to answer it.

Professor Gibb: One of the things about council tax benefit is that it is on a radically

different taper from housing benefit. There is clearly a question about the opportunities for integrating that a bit more.

The broader issue is one that Jim McCormick brought up: you may want to take the opportunity to link property taxation to the benefits system as well. The council tax benefit operates for the council tax system and the Scottish Parliament already has powers to consider local government finance and local taxation more broadly, so that might be something that you would want to think about in an integrated way, with council tax benefit on the one hand and council tax on the other, to see how they could be reformed. They are both housing-related benefits, so it makes sense to think about how they affect low-income households at the same time, although there is a broader agenda for housing benefit than there is for council tax benefit.

Alex Johnstone: Does anybody else see a synergy? Is there anything else that could be brought together in that area?

Professor Spicker: There is some synergy, but I would not suggest that, of itself, it would lead to any substantial savings. In Scotland we have seen an expertise developing in certain forms of benefit management in local authorities, although clearly there is variation between local authorities.

We should not underestimate the overall administrative capacity in Scotland to tackle the problem. In many benefit offices there is a very substantial competence. The view from the central DWP seems to be that things go wrong because officials get it wrong all the time, but there is a very different view from people behind the desks, who work extremely hard to get it right. Whenever a new direction cannot be managed, it has to be dealt with in a different way. The DWP substantially underestimates the strength and competence of its local staff.

Equally, how much local authorities have adapted has been underestimated. We can cope with a great deal more. That is not necessarily an argument for doing more; it is an argument that there is no such obstacle, should there be a desire to develop more by way of benefits, either locally or at the Scottish level.

Alex Johnstone: Would there be an efficiency at the local government level? If there were additional responsibilities at that level, could people manage more than one responsibility? At the moment, people seem to work on the few responsibilities that they have.

Professor Spicker: I am staggered by their capacity to deal with what they have, so I would not necessarily say that.

I am not sure that we can link the issue to productivity in quite that way, because what one tends to get with all these things is the creation of new systems, and new systems always create new problems.

Dr McCormick: I agree with Ken Gibb. There is a judgment call to be made on the all-important principle relating to how much integration will be more efficient and lead to better outcomes for claimants, but I am almost certain that we are nowhere near the optimal point of integration. Whatever we do in the future, better integration of the different elements of housing finance would be good in principle. How that is done depends on capacity and on investment at the local level to maintain that capacity. Integration is a good thing in principle.

It is worth saying that overall housing costs in Scotland are relatively lower than they are in the rest of Britain. That is a real advantage: for example, it has led to relatively lower poverty rates over the past decade than we have seen elsewhere.

A major cause of concern is what has been happening in the private rented sector, which has doubled in size. A lot of people who should not be in the sector are stuck there long term, because of the lack of other tenure options. We might need to look at our licensing, regulation and planning powers or at what we could do with our borrowing or bond-issuing powers to maximise our existing housing stock and increase the supply of affordable housing.

Ultimately, in the long term those aspects are as important to reform; we should not just look at housing benefit or council tax reduction in isolation, as there are other powers, such as those that relate to infrastructure and capital investment. We might place affordable housing at the top of the list, which, in the long term, could reshape the market and drive down costs.

Broadly, we should think about the drivers of cost inflation and about whether, in addition to the benefits system, we can use powers over, for example, planning, licensing and regulation to manage the costs more effectively.

Alex Johnstone: Professor Spicker said that new systems produce new problems. I had in mind for you a definition of complexity: "simplicity with patches". The problem is that there are two alternative views of how the revolution might be achieved. I would argue that the right way for responsibilities in this area to be passed to the Scottish Government is for the baton to be passed and for a change in direction to take place after that. However, in certain circles there appears to be an appetite for a line-in-the-sand, year-zero approach, in which all responsibilities are passed

and we have a completely new system from the very start. How do you compare those alternative approaches to how change might be achieved in Scotland?

12:00

Professor Bell: Sorry, are you talking on the one hand about a more incremental approach?

Alex Johnstone: Passing the responsibility and then allowing decisions to be made. There seems to be an appetite to make some radical decisions to end the process that we are going through and start with something completely different.

Professor McEwen: I again come back to the recommendations of the expert group on welfare, which was thinking about how to adapt in the context of independence. Even under those circumstances, the group recommended that a more incremental approach be taken, with continuity and a longer-term view on how to implement change.

Although I said in response to Kevin Stewart's previous point that I hope that new powers would stimulate the imagination and enable ideas to be produced about how to redesign things and do them differently, that has to be a longer-term prospect, because it would require policy thinking and development and it would also require institutions and bureaucracy to be in place. It would be essential that vulnerable people who are dependent on benefits do not have those disrupted by political change. I personally favour a more gradualist approach.

Alex Johnstone: Gradual divergence rather than one-day revolution.

Professor McEwen: Gradual devolution, I guess.

Professor Bell: We want to deliver the best system that we can, but a critical question is how that is to be funded. Does the Scottish Government have the power to add to existing benefits? How would any allocation from the UK Government to the Scottish Government to fund welfare benefits be managed? That seems to me to be extremely important.

A similar issue if there was independence is how we would generate the revenues that would fund the welfare system. Scotland has never really had to think about that before and, indeed, the Treasury has not had to think about such issues. In the same way as the rather boring block grant adjustment in relation to the Scottish rate of income tax is critical, so too is how any change in the powers over welfare benefits is funded.

Alex Johnstone: I suggest that Scotland's answer to the revenue question may perhaps be

different from the one that many expect. However, that is perhaps an issue for the Finance Committee.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): The submissions from Professor Spicker and Professor McEwen mention the parity principle in relation to the responsibilities that have been devolved to Northern Ireland. I was very taken with the comments in Professor Spicker's submission that such a principle

"would not be consistent with the remit of the Smith Commission, to deliver more powers relating to welfare and to strengthen the relative position of the Scottish Parliament in this field. For devolution to be possible to any degree, it has to be accepted that benefits in different parts of the United Kingdom might reasonably differ."

You were getting to the nub of the issue when you made the point about housing benefit being matched up with other areas of housing policy so that there is the ability to do something different. Can you bottom that out a bit more? Why is the parity principle inconsistent with the remit of the Smith commission?

Professor Spicker: As I understand the remit of the Smith commission, it is to increase the powers. However, it is possible to increase powers only in a strictly formal sense. In a strictly formal sense, Northern Ireland has complete control over its social security system. David Bell's submission refers to the legality of the parity principle. The legality of the parity principle is that there should be consultation about variation.

The reality of the parity principle is slightly different. In my submission I included a quotation from the Department for Social Development, which pretty much says that there can be no variation of the criteria for benefits and the form that they take, which goes far beyond any question of consultation. In effect, in Northern Ireland the parity principle has been interpreted in such a way as to stop all variations, including any variation in response to local circumstances and conditions.

That seems to rather defeat the point of devolution. If we believe that there should be devolution, that means that there should be real, delegated power, rather than just legal authority, to vary conditions on the basis of the circumstances. There are clear circumstances in relation to which the Scottish Parliament has shown a desire to vary conditions, and the bedroom tax is an illustration of that.

The bedroom tax is a very good illustration, because a reason why it was introduced in England was as an attempt to rationalise the system in relation to rules for rent setting that applied in England but not in Scotland. In Scotland, we ended up with a situation in which

the bedroom tax was taking very much more than could be attributed to a difference in the size of properties, so the bedroom tax failed on its own terms—leaving aside all the other issues.

There are many cases in which we might reasonably wish to have some variation in conditions, and in my paper I gave a couple of examples of directions that we might take. However, to do that we must break away from the parity principle.

If the current coalition were to introduce in devolved Scotland an approach of the sort that exists in Northern Ireland, it would be easy for it to insist, as it has done for Northern Ireland, that certain rules were passed because they were being passed at UK level.

An example is universal credit, which the DWP claims is likely to benefit the UK economy to the tune of £38 billion—people asked me today how that estimate is broken down, and the answer is that I have not got a clue; the figure seems to have been plucked entirely out of the air. If the UK Government, working on that principle, said to Scotland, “You are not introducing this policy. Therefore you are not gaining something in excess of £3 billion and you will suffer a penalty,” it would put Scotland over a barrel and there would be no option for the Parliament but to follow suit.

There are many pressures towards convergence. We talked about incremental change—doing things gradually. The Republic of Ireland is not subject to the same regimes, but if we look at the history of many of the benefits in the Republic of Ireland, we see that benefits in Ireland followed benefits in the United Kingdom, almost in lockstep. The biggest difference is that Ireland did not follow us on housing benefit, but it followed us on many other things, including the Beveridge reforms and jobseekers allowance.

One therefore has to ask what the pressures are. There is huge pressure to try to do things in a particular way. It then becomes extremely important to put one’s hands on the levers and say, “This is how things might be done otherwise.”

Dr McCormick: I suppose that there are two big reasons for parity to be the default position in Northern Ireland. One is, of course, the presence of unionist politicians in permanent five-party coalition in Northern Ireland, which means that it is impossible to go in the direction of divergence, even if some politicians want to do that. Such is the nature of politics in Northern Ireland; things are a bit different here.

The second big reason, which has been hinted at, is that Northern Ireland lacks the fiscal flexibility to diverge from Great Britain in anything other than a marginal way—even if it wanted to do so. One would hope that a further devolution settlement in

Scotland would provide the fiscal flexibility to allow divergence, where appropriate, and to strike the right balance of risks, costs and rewards, to give Scotland the possibility of making different decisions.

I do not think that this is going to be about big variations in benefit rates. It is much more likely that we will take an incremental approach. It might be that changes in programme design can be made at an early stage, so that the system better reflects Scottish circumstances.

In fact, there are different circumstances across Scotland. For example, the work programme largely does not serve the needs of places such as Dundee or West Dunbartonshire, which have weak labour markets, and does not serve the needs of lone parents or disabled people well, because the conditionality regime is not suited to those people. There is a lot that we could do with a reformed welfare-to-work model. We could take a different approach to investing in training or childcare, or develop a new conditionality regime that found different ways to incentivise people to go back to work and allowed Scotland to bank most of the savings that resulted from better programme performance.

Such an approach would not necessarily be about changing benefit rates, which is quite expensive to do if we do it properly. We might get better outcomes and more sustainable job flows, and we might end up with more affordable childcare along the way. There are lots of other outcomes that we could get from a social investment approach, which further devolution could enable us to take.

My colleagues are right. Parity would not be the starting assumption in that kind of model.

Dr Webster: It is important to remember that the significance of parity in Northern Ireland is completely different from the significance of parity in Scotland, because income per head in Northern Ireland is only about 80 per cent of income per head in the rest of the UK. Wales is in a similar position. For Northern Ireland, parity means that it is getting a social security system that it could not otherwise afford, so in that context objecting to welfare reform is a relatively small grumble, because if it dissociated itself from the UK social security system matters would be very much worse.

In Scotland, income per head is almost the same as it is in the rest of the UK. Therefore, parity is about things such as equal citizenship, mobility of labour and clarity of entitlement. It is not about a major redistribution of resources.

Jamie Hepburn: Thank you, that was helpful. I suppose that the point that has been made is that if there is devolution of welfare, whether the

system changes incrementally or not at all, the decision-making responsibility should be invested in this Parliament and the United Kingdom should not have the ability to compel this Parliament to legislate in devolved areas. Was that the point that you were making, Professor Spicker?

Professor Spicker: Sorry, will you repeat what you said?

Jamie Hepburn: I was picking up on Dr McCormick's point about things perhaps changing only over a period of time—if they change at all. Were you making the point that, whatever happens, the decision should be invested here and there should not be an assumption that we cannot change things and are in some way encumbered by decisions made in another place?

Professor Spicker: It is impossible not to be encumbered by those decisions, even—

Jamie Hepburn: I think that I meant “directed”, rather than “encumbered”.

Professor Spicker: I think that, come what may, there will be attempts to direct whatever a Scottish Parliament does, and I think that that would be true almost regardless of the institutional arrangements. Why do I say that? As I said, we have seen what happened when the Republic of Ireland, as a fully independent country, was seeking to do things but constantly referring to the situation across the border, making comparisons and trying to make decisions while a great deal of influence was being exerted at all times.

I think that you are asking whether I endorse the principle of devolution. It seems to me that if there is to be any devolution, it must be on certain terms. To that extent, it is not possible to have a purely formalistic arrangement, of the sort that applies in Northern Ireland, and achieve any of the objectives to which—as far as I understand—all the main parties are now committed in the Smith commission process. To that extent, I say yes.

However, that takes a certain caution. Although there is an alternative view, put by John Kay, that everything should be held at the UK level and the devolution of powers should be looked for elsewhere, that would be extremely difficult to sustain in the current situation. David Webster made the point right at the start that we already have a degree of devolution and are operating differently in some ways. Therefore, that alternative view does not necessarily make the simple sense that it seems to make if you start from that position.

12:15

Professor McEwen: I am not sure that anyone on the commission would be seriously arguing for the Northern Ireland parity model; I do not think that anyone thinks that that would be suitable for Scotland. A suggestion has been made—

Jamie Hepburn: I want to pick up on that. Notwithstanding the comments just made about the parity model, Professor Spicker said in his submission that the UK Government's command paper said that there should be uniform terms and rates of benefit for all benefits. That seems to be inconsistent with the Smith commission.

Professor McEwen: A suggestion that has been made is about a minimum standard, so that there is a baseline with the option of flexibility, which might be to top up benefits, for example. I would be slightly wary if that approach implied constraints—in other words, if it minimised the extent to which any of the redesigns that might be beneficial could take place.

On whether Scotland could be compelled to legislate on devolved matters, the answer is—constitutionally—no. However, it is important to link the issue to David Bell's points about how you finance the devolution of social security. At the moment, it is financed according to demand. How to do that in the context of devolution would be very difficult, particularly if the benefits and the system diverge. Would it be financed on the basis of how the system diverges in Scotland? Probably not. Would it be on the basis of a form of counterfactual? Probably yes, and that counterfactual might be what would be spent on benefits were devolution of social security not in place, so you would still have an interaction between what is happening at the UK level and how much resource was made available to the Scottish Government to spend on its social security competences.

How social security devolution is financed is crucial to how the two issues interact.

Jamie Hepburn: The devolution of wider fiscal responsibilities is presumably—

Professor McEwen: That is in the absence of full fiscal autonomy. Even if you had full income tax devolution, that would not be sufficient to finance social security devolution—there would need to be a fiscal transfer.

Professor Spicker: Under the rules in the Scotland Act 1998, pretty much all activities relating to the distribution of financial assistance to individuals are reserved. That means that there is a great deal that the Scottish Parliament might think it appropriate to do that is simply counted out of court.

In my submission I gave an illustrative example entirely plucked out of the air of a new funeral grant benefit. The question is not whether we should have such a grant; rather, the question is whether Scotland should have the power to decide whether it is able to do things that are outwith the pattern of existing benefit provision. It is puzzling that an English local authority could do so but the Scottish Parliament cannot.

Annabelle Ewing: Good afternoon. The debate, in which there are many different issues, has been interesting. We have just got on to fiscal transfers—the other side of the balance sheet—which are important.

I suggest that we should be considering the transfer of welfare powers from first principles, not what suits Westminster. What are we trying to do? A couple of the witnesses have referred to the expert working group on welfare. It identified key first principles—in effect, powers for a purpose—that there should be an effective social security system to further social cohesion and that that system should be a safety net. Importantly, however, it also recognised that the system should be a springboard.

Obviously, the group's report was written in the context of the full powers of independence, but I think that the principles are still relevant to our discussion. They would seem to militate against a piecemeal, tick-box approach that involves housing benefit, attendance allowance and nothing else, which does not take into account the interaction between benefits or the way in which benefits interact with other policy areas, and which therefore defeats the securing of the worthy objectives of what a social security system should be about. Did that view inform the thinking of any of the witnesses as they came up with their submissions?

Dr McCormick: That is a good reminder of the value of going back to the expert working group, which talked about fairness, simplicity, personalisation and various other principles. They are good principles, although we should bear in mind that there might be a trade-off, with progress being made on one principle at the expense of another.

The principle of affordability is also important. It might be a bit surprising, but it is important that we talk about it. This goes back to my point about where the pressure points are in the system. Some parts of social security are about contributing across our lifetimes in order to benefit when we are older, sick or disabled. They are different from income-based benefits, which are about when we fall on hard times for other reasons. There is a mix of functions and payment types going on.

The affordability point relates to the fact that, whenever possible, we should stop paying for market failures. We see market failures in parts of the housing market and the labour market. For example, childcare is expensive and is of patchy quality, and we have little control over workforce quality and so on. There are lots of underlying pressures in our system that we pay for through the benefits system. Over time, we need to pay less of that cost, which we could do if, for

example, we invested more directly in affordable housing, affordable childcare and so on.

I am keen that we consider the underlying costs and work out what the trajectory might be and how Scotland might be more effective in an international context at tackling those costs. To do that, we need to be moving towards what would be called internationally a social investment approach, which prioritises progression into well-paid work, lower-cost and higher-quality childcare and ensuring that housing costs are under control. Those are the ways in which, over time, we can ensure that we are managing the parts of social security in which we would want to keep costs under control, as well as addressing the other principles that you talked about, such as fairness, simplicity and transparency.

Professor Gibb: I want to reinforce what Jim McCormick said. It seems to me that, to some extent, this discussion is about the Christie principle of preventative spending. We cannot look at welfare spending in isolation; we must think about how it works as a system if we want to improve the assets that exist in society. We need to think in a more holistic way about the ways in which interventions to tackle market failures and big structural problems in society are used in a coherent and positive way. One would not want to increase unendingly the level of welfare spending when it is dealing with systematic problems rather than the causes of the issues.

Professor Bell: I agree with Ken Gibb on the issue of preventative spend. The Scottish Parliament has addressed that issue over a number of years, and it is quite difficult to pin down what it actually means. It is also something that is evidenced in the long term—you do not see the benefits of preventative spending for quite a long period of time. Therefore, you have to be able to accept that one trajectory might be a beneficial for Scotland to follow but that there might be periods of time in the interim when you doubt that you are going to achieve what you have set out to achieve and you just have to stick with it. This is not something in relation to which you can go from point A to point B over a short period of time; it is a long project.

Annabelle Ewing: Thank you for that. However, if we are going to have only a piecemeal tick-box devolution of welfare powers, that is inherently self-limiting for progressing the objectives of preventative spend.

An issue that I do not think has been touched on this morning but which some witnesses raised in their written submissions is the issue of the devolution of employment policies, particularly the ability to set the minimum wage. Not all of you commented on that in your written submissions, so I would be interested to hear your views on the issue.

Professor Bell: I think that I commented on it.

Annabelle Ewing: You did.

Professor Bell: I do not have any problem with setting a different minimum wage in different parts of the UK. It seems to me quite appropriate for Scotland to do that. It has been talked about in the context of London and it seems to me that it is the sort of power that Scotland would want. The evidence that it might have a negative effect on employment, which is often the argument put forward, is pretty weak.

Surprisingly, the Confederation of British Industry argued yesterday in favour of increasing the wages of the lower paid. It is therefore not something that would threaten the stability of the UK, if we look at it from that perspective. It would be interesting to see how the Scottish Parliament would handle having responsibility for setting the minimum wage.

Professor Gibb: One of the interesting ways in which this issue links to the previous issue that we discussed is that in recent years we have seen a huge growth in housing benefit for people in work: the number of people in work who receive housing benefit has risen in the UK by more than 100 per cent. Clearly, that is a way of mitigating in-work poverty. In a sense, we have the welfare system playing a role that we might argue the minimum wage could play in a different way, but they are combining to an extent. Again, these things are a seamless web, because they all link up.

Professor Spicker: Perhaps I can add something about the work programme. It would be very easy and practical to devolve the work programme as related to the areas that currently stand. However, the difficulty is that the work programme and a number of its predecessors have not worked at all. The figures show that they have consistently fallen short of expectations and there is a great question about whether they are adding any value to the overall system.

I think that there is an argument for uncoupling employment and employability provision altogether from the benefits system. It seems to me that employment and employability provision has had a negative effect on the benefits system and that the benefits system has had a negative effect on employment and employability provision.

When we come to employability, we are often talking not really about the world of work as much as about lots of issues related to social inclusion. There is a particularly strong argument in that case for trying to establish appropriate support for people who have the greatest problems of exclusion and require more support, and to bring that to a much more local level.

Ken Macintosh: An excellent point to pick up on is the idea of the increase in housing benefit and where that money comes from. Nicola

McEwen and David Bell talked about annually managed expenditure and referred, as others did, to the difficulty in coming up with a mathematical formula for that. Do any of the witnesses have a suggestion as to how fairness can be maintained when devolving cyclical benefits?

12:30

Professor Bell: In a previous version of my paper I had a number of formulas, but I think that it was Nicola McEwen who managed to persuade me to take them out. *[Laughter.]*

There is a big issue here, because one of the functions of social security spending is to act as a stabiliser in the economy as a whole so that, if there is a rise in unemployment because of a recession of some kind, spending increases to compensate. We could think of that as a kind of insurance policy.

With the kinds of risks that are close to the market and the performance of the economy as a whole, there is a little more difficulty in trying to figure out how the money for the benefits could just be handed over. If, say, there was a fixed sum over a period of time, how would you deal with it if a recession hits? That is less of an issue with things such as attendance allowance: it is another insurance policy, but the risk that is faced is disability and that will not vary much. The benefits that are, in a sense, sensitive to the way that the economy is performing have to be handled pretty carefully.

Maybe the overall welfare bill has to be thought about carefully, too, because it is about a third of total public expenditure, whether we are talking about an independent Scotland or the UK as a whole—if an independent Scotland carried on with existing policies, that would be about the size of the bill.

There is the issue of whether there should be overall control over the amount of money that is sent to Scotland to allow it to pursue its own welfare policies. I suspect that, although there might be workable formulae that would work from year to year, there would need to be some overall cover to ensure that public spending as a whole did not become unsustainable or, on the other hand, if the economy got into big trouble and suffered a negative shock, that there would be perhaps a bigger flow. That would require some very complicated formulae, and I am not sure that my ones were the right ones, but there we are.

Professor McEwen: I mentioned the possibility of establishing a counterfactual, involving what the expenditure would have been under the system that we have now and using that as the basis for transfer. Any sort of annually managed expenditure system would become much more difficult if some powers and responsibilities were

also devolved within England, which is another possibility further down the line.

I guess that another option is to shift spending to departmental expenditure limit expenditure. In essence, that would make it an opt-out of a UK programme, with fiscal compensation for it. However, there would then be the problem that David Bell talked about of geographic shocks and how to manage them.

The DWP has told me that it is aware of a system in the Netherlands that is the equivalent of JSA, and that is managed at local level. There is a mechanism or solidarity pact so that, if the burden in an area becomes greater than a certain percentage of the average, a supplementary payment is made. There are therefore ways to manage the issue. However, as I mentioned in my submission, if those cyclical benefits are devolved, it is absolutely crucial that there is a mechanism in place to manage the risks, which could go in either direction. That might mean that Scotland would be expected to contribute in reverse if the shocks were felt elsewhere.

Ken Macintosh: I want to refer to something else that you said earlier about the appetite for reform in Scotland. As David Webster pointed out, council tax, the social fund and the bedroom tax have all been devolved—along with various taxes, for that matter—but they have not actually been reformed, certainly not radically.

What has really happened is that we have mitigated the bad effects of reforms elsewhere. This question is perhaps going ahead a bit, but what do we need to do to actually reform things? If we are agreed that some policies need reform but all we are doing is acting in a conservative—with a small c—way, what do we need to do? Is the issue to do with the principle that we need to apply in relation to the devolution of policies? Rather than picking at one or two for political reasons, should we take a principled approach in dealing with all working-age policies, all housing policies, all pensioner policies or all disability and incapacity policies? Are we going about it the right way?

Professor McEwen: I do not think that we are going about it the right way. The arguments that were made about attendance allowance and housing benefit were about the links with areas that are already devolved. You can probably say that about almost any aspect of social security, in that it has a link with social policy, which is already devolved. Those two benefits in particular have been selected partly because of their symbolic significance, I think, referring to the bedroom tax and free personal care. I do not think that that is necessarily the right way to do it.

I am not sure what the right way to proceed is, but a more principled approach would be nice. Perhaps it is a matter of identifying client groups in order to avoid some of the inevitable complexities

that come with changing one bit of the system and seeing the knock-on effects for other bits of it.

I do not have a magic formula or the answers—Paul Spicker might—but we need to invest in policy capacity, to innovate and to develop new policy ideas that are suitable for a Scottish environment. We do not have that in place yet.

Ken Macintosh: You were nodding there, Paul—do you wish to contribute?

Professor Spicker: Yes. I very much agree with your question, and Nicola McEwen has made the point that this must be about devolution in relation to functions rather than in relation to specific benefits. There is a very serious risk that, if we cherry pick three or four benefits, we fix everything as it is.

The greatest risk of doing that relates to housing benefit, which it has been extremely difficult to reform over 40 years—and it has never actually worked properly. That is because dependencies are built up on the benefit, which makes it hugely difficult to change. Housing benefit is now a principal means of supporting social housing; it is not designed for that purpose and, in many ways, it is not fit for that purpose, but we are stuck with it.

It is difficult, while stuck out on the lake with a leaky raft, to say that we should not have set out this way. Time and again, however, we find ourselves stuck with benefits because they are the way that they are.

We need to understand that lots of benefits have lots of overlaps. I am rather concerned about the idea that we may have the devolution of income tax but not the devolution of child benefit. Those two run very closely together. Child benefit is a very substantial part of it—the equivalent of the child tax allowance—and it is treated as such for many purposes. The idea that we try to uncouple those two things could cause huge problems, especially, given how things currently stand, as the tax system is being used to moderate entitlement to child benefit.

We must start considering those things as packages. It is only when we have the package that we can start to think about what we really need to do, which is to reallocate, at a Scottish or local level, certain types of expenditure so that they better serve their purposes.

Dr McCormick: There is a question that we have danced around here today, which is, “Where would we all set the boundary?” That is a question of judgment. The answer should be led by tests and principles, and directions and outcomes, rather than by unpicking bits of the settlement because they look doable or politically low risk.

In our response to the Smith commission—and this is not comprehensive—we said that you might want to have an offer around work, an offer around housing and an offer around childcare. Although

the bulk of those offers are about working-age benefits, we are not suggesting leaving out older people. A large share of housing benefit goes to older people, and it might go into pension credit in the future, based on UK Government plans.

There are also things you could do with winter fuel payments and even cold weather allowances. They are quite small in the greater scheme of things, but you could still make them fit better to Scottish circumstances if they were devolved. You could make winter fuel payments taxable, for example, so that you can target them without using a means test. Taking an approach of identifying the long-term objective that we seek to achieve, and taking the thematic offer from that, is a promising way to work.

It almost goes without saying—but I will say it anyway—that the important part is that fiscal responsibility and accountability go hand in hand with whichever powers are devolved. Paul Spicker is right: this cannot be about just income tax powers. It has to be a mix of an AME settlement and maybe a DEL settlement too, along with income tax and other taxes. Assigned revenues also ought to be in the mix; they are not a step forward in terms of autonomy, but they can still provide, in the short to the medium term, some important breathing space in budget flexibility. The more resilient and robust and the lower risk the fiscal settlement is, the more we can start adapting those thematic offers to Scottish circumstances.

Professor Spicker: I want to add something about the resilience and robustness from the point of view of claimants.

One of the great difficulties that we have made for ourselves is going for huge portmanteau benefits, throwing in one rule after another. For example, employment and support allowance now includes sickness benefit, severe disablement allowance and, in effect, provision for early retirement. We try to do everything all at once, and the almost immediate effect of that, from the point of view of claimants, is that they become extremely dependent on specific, individual benefits in a specific, individual form. It becomes hugely difficult to change things but it also makes them hugely vulnerable at points when the benefits are stopped.

I have argued in my submission for moving to a more fragmented system. It is certainly not a popular position, but by fragmenting it becomes possible to seek to adjust benefits at a smaller level without creating a devastating situation in which a claimant can lose all their money at once.

Ken Macintosh: Yes, I have seen the paper. I have a lot of sympathy for that view.

Dr Webster, you present a different analysis, which is a quite political one. It is to recognise that, if we accept the principle—which clearly will not be

accepted by everybody—that we pay into the United Kingdom through our taxes and we take out through pooled benefits and pensions, and we want to maintain that system but also address the fact there is huge political friction over the neoliberal reforms, as you call them, that have been driven through by the current UK Administration, then what is needed is flexibility. You would keep the current system but you would have flexibility. I think that you were suggesting that we should have the ability to top up benefits by up to 10 per cent, in effect, or something like that—in other words, what we have done with the bedroom tax but across all benefits.

Dr Webster: Yes. I suggest that there should be a general power to vary social security provision, subject to some overall limit, which I suggest might be 10 per cent of expenditure—and that would have to be either way.

That raises the question of what would happen if Scotland wanted to do a total redesign of some aspect of the benefits system and the new system actually cost the same. There would suddenly be dramatic divergence, but that would be allowed within the system. I suppose that I would be happy with that—happy but a bit sceptical about whether that would be attainable.

I am retired now, but I worked for 40 years or so in housing and a lot of my work was about social security. The fact is that most systems have something wrong with them. Governments come along and propose radical reforms that deal with certain deficiencies in the current system, but then they tend to introduce other problems. Therefore, one has to be sceptical about whether the idea of a total redesign that costs the same, or costs no more than 10 per cent, is attainable. However, I do not see why the Scottish Parliament should be prevented from doing that if it wanted to. It would then, in effect, be acting as a laboratory for innovation in social security, which would be thoroughly healthy.

12:45

Ken Macintosh: What about the power without any limits—just the power to vary any?

Dr Webster: The power to do what?

Ken Macintosh: What if Scotland operates within the UK but with the power to vary any welfare benefit that it chooses?

Dr Webster: That is what I am suggesting.

Ken Macintosh: I think that you were suggesting that there could be a cap, or a parity, as you mentioned in your comments on Northern Ireland.

Dr Webster: There should be an overriding principle that the long-term object should be a common social security system, but it must be recognised that there will be differences of opinion

about what social security provision should be, and there must be some provision for variation and flexibility. You would have to restate the parity principle. You would have to restate the object as being common citizenship facilitating mobility of labour and so on, but within that there could be a power to vary the system. That might conceivably involve quite radical change.

Ken Gibb is certainly suggesting that, although in principle it might be possible to design a much better housing benefit system, in practice one would be rather sceptical about embarking on that path. However, if the Scottish Parliament felt, after considering everything, that there was a much better system to be had at broadly similar cost, and that the benefits outweighed the considerable upheaval and development costs that would be involved—computer systems are a major source of problems in trying to innovate in social security—I do not see why it should not go ahead. Then it would be a case of suck it and see, to find out whether the system worked a lot better than the UK system over a decade or two. If it did, the UK would probably want to adopt the Scottish system.

Ken Macintosh: I suppose that the attraction is that, if Scotland is given the power to vary any benefit, there might not need to be a limit on it. Several contributors have pointed out that we have powers to vary many taxes and benefits already and we choose not to use them. The Republic of Ireland has chosen to follow the example of its neighbours, and it has the choice about whether to do that. We could have the choice, but would it necessarily lead to the break-up of the welfare system? Does it lead to the break-up of the principle that we are pooling and sharing resources if we have unlimited power to change benefits?

Professor McEwen: It depends on what you think needs changed. If your gripe is with the level of benefits, the power to vary the level of benefits might be satisfactory. If your gripe is with the system of benefits or the principles underlying the system, the power to vary levels would not allow you to do anything about those issues.

There is an underlying issue about self-government, which is not necessarily about the power to change but about the power to decide. You might decide to do things in a very similar way, or you might end up doing things in a very similar way because of all the constraints that have already been mentioned and presented, and because of public pressure. Nevertheless, this Parliament would have the power to decide what to do if self-government was one of the underlying principles.

People are coming to the table to discuss devolution in all sorts of areas with different

principles and long-term objectives in mind, and that is part of the challenge.

Dr McCormick: There probably ought to be a red line around the national insurance fund and contributory benefits, because those are benefits that we contribute to and can receive on the basis of our contributions, not on the basis of our country of residence. I would therefore argue for a red line around the national insurance fund; in fact, I would like to see it improved and enhanced rather than whittled away, as has happened in recent decades. You could have the power to supplement those benefits, but not—I would argue—to vary the base rate, because they work on a different contributory basis from other benefits. For other income-based benefits, the power to vary, ideally with as much integration as possible, is a different order of issue from state pensions, contributory JSA and contributory disability benefits.

Professor Spicker: There is limited scope to top up or vary rates of benefits in administrative terms. We cannot have a benefit that is distributed simultaneously by two agencies; it has to become two benefits. You have to have within one system the capacity to identify who is entitled, as opposed to who is not entitled, as well as the ability to apply the variation of conditions, circumstances or levels of benefits to those people. That means that there has to be the capacity for a dual system. However, lots of our benefits are simply not built that way, and it would be hugely difficult to have a dual system in practice. Therefore, one reason why a power to vary benefits might be little used is that, when it comes down to cases, the ability of the agencies to do what is required just might not be there.

The Convener: We are really up against the clock, and Dr McCormick has to leave, so I thank him for his contribution. We have had a broad discussion, but there may be issues that our witnesses wanted to discuss but which have not been touched on this morning. We will come back to the subject, because the Smith commission will obviously be reporting and we will continue to look at its findings on any issues relating to welfare. I thank all the witnesses for their contributions and papers, and we look forward to Professor Gibb's paper becoming available, because it will be useful to us in our deliberations.

Our next meeting will be on 18 November, when we will hear evidence on the budget and consider a draft report on the Welfare Funds (Scotland) Bill.

Meeting closed at 12:52.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by APS Group Scotland.

All documents are available on
the Scottish Parliament website at:

www.scottish.parliament.uk

For details of documents available to
order in hard copy format, please contact:
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@scottish.parliament.uk

e-format first available
ISBN 978-1-78534-274-5

Revised e-format available
ISBN 978-1-78534-290-5