

Social Security Consultation
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Consultation on Social Security in Scotland

Reform Scotland would like to contribute towards the Scottish Government's consultation on social security. We are responding as an organisation and are happy for the Scottish Government to publish our response and/or contact us if it wishes.

Reform Scotland's response largely comes under part 1 of the consultation, looking at "laying foundations for the future" for social security in Scotland.

Introduction and need for more powers

As the consultation stresses, only a small amount of the social security expenditure currently being spent in Scotland is due to be devolved following the Scotland Act 2016. Even some of those benefits that are being devolved are linked to other benefits which will remain at Westminster. For example:

- Severe Disablement Allowance is being replaced by Employment and Support Allowance – this will not be devolved.
- Attendance Allowance can affect Pension Credit and Housing Benefit – these will not be devolved.
- Carer's Allowance can affect the Universal Credit – this will not be devolved. It can also affect the benefits of the person that is being cared for – those benefits will not be devolved.
- Cold Weather Payment comes under the Regulated Social Fund – this will be devolved. However, eligibility is based on other benefits which will not be devolved.

Basically the UK social security system is a Gordian knot and devolution of only a few of benefits offers only limited opportunity for reform. This is why Reform Scotland believes that the vast majority of welfare powers should be devolved to Holyrood. However, for the purpose of this consultation response, we are focusing only on the powers that the Scottish Parliament is about to receive and how they can be used to create a more efficient and effective system than the one in place at present.

'Accessible, user-friendly and simple to access' = One department for tax & social security

The Consultation states that the Scottish Government want to create a system which is "*streamlined*", "*meets the needs of recipients*" and is "*accessible, user friendly and simple to access*". Reform Scotland would support the Scottish Government's aims and that is why we believe that the Scottish Government should consider having a single department responsible for tax and welfare powers in Scotland.

At Westminster there is the Department for Work and Pensions (DWP) and Her Majesty's Revenue & Customs (HMRC). The former is responsible for welfare and the latter for taxation. However, it is not that simple; child benefit has switched to being an HMRC responsibility along with tax credits, though both of those benefits interact with others that lie with the DWP. Figures on benefit expenditure are often opaque where two departments are involved and produce different figures. There are clear overlaps in their roles so this split in responsibilities damages transparency, openness

and accountability, and means that recipients have to deal with two different departments to receive their entitlement.

In 2007 the Low Incomes Tax Reform Group gave written evidence to the Work and Pensions Select Committee, highlighting its concern about the then new split in responsibilities between HMRC and the DWP. It commented: “We believe that a major cause of complexity in the welfare system is the fact that it is now split between two different Government departments, each with its own policies, practices and culture developed, for the most part, without reference to the other. The fact that DWP and HMRC can adopt a different approach to the same mutual customer, in the same situation; can only result in confusing the customer as to what they are entitled to, and what their obligations are.”

This may at first seem like a small administrative point, but it is about looking to create a better, more coherent and transparent system and not simply replicating what happens at Westminster. So instead of simply following the Westminster model, there is an opportunity to examine how Scotland can do things differently. Surely we can come up with a better system and this at least should be considered.

It is also necessary to create a department now which can easily adapt to increased responsibilities in the future. Therefore, we would recommend that groundwork is undertaken now to ensure that the system that is created can easily adapt to new powers in the future. It is worth remembering that if Scotland creates two separate departments, some individuals will find themselves having to deal with four different departments in order to receive their welfare entitlements. This is not efficient and certainly not in the interests of the individual. Therefore, Scotland has an opportunity to lead Westminster by example and create a more person-centred, user-friendly and efficient system, and that means a single tax and welfare department.

‘Supported throughout the application process’ = Reform taxable benefits

Taxable benefits

Carer’s Allowance is a taxable benefit, but the UK Government will not tax benefits at source. This means that it is up to the individual to ensure the money is paid back, mainly through a change in their PAYE tax code.

The following other benefits are taxable, though they have not been devolved:

- the State Pension
- Jobseeker’s Allowance
- Employment and Support Allowance (contribution based)
- Incapacity Benefit (from the 29th week you get it)
- Bereavement Allowance
- pensions paid by the Industrial Death Benefit scheme
- Widowed Parent’s Allowance
- Widow’s pension

Reform Scotland believes that such a system is overly complicated, inefficient and not at all user-friendly. However, since a taxable benefit, Carer’s Allowance, is being devolved to Holyrood, there is an opportunity to change the way taxable benefits operate and thereby also lead Westminster by example. There is no reason why, for example, the Scottish Government could not tax this benefit at source.

Personal information

The Welfare Reform Committee in December 2015 published its Report and Recommendations for the new Scottish Social Security System. It highlighted the need for a more person-centred approach:

“The other major principle which we advise the Scottish Government to adopt is to make the new system person-centred. The current social security system often appears to be designed for bureaucratic convenience. The fact that a whole advocacy industry has grown up to support claimants

through the process is an indication of how the system is not currently person-centred. Ultimately we would like to see a system where the need for advocacy and support disappears for the vast majority of claimants.”

The consultation highlights that modern IT systems could be used to design a better way of supporting users and suggests that existing data could be shared to simplify the system for users. A common issue at the moment, highlighted by our previous recommendations, is the split in responsibilities between HMRC and DWP, which can mean vital information is not being shared. For example, it is the recipient’s responsibility to ensure that information about taxable benefits they receive from the DWP is passed on to HMRC.

As a result, Reform Scotland believes that the issue of digital personal data empowerment needs to be explored further to improve this situation.

Despite living in a digital age, social security recipients can still have face having to fax or post a large number of items. This is inefficient, wastes time and can lead to a service provider having to incur the cost of enabling paper-based transactions as well as other formats. One solution to this would be a digital system where individuals can choose whether or not to opt in, and where the individual, rather than government, is in control of their own personal data and how it is used. A person-centred, trusted electronic system would get round the paperwork problems highlighted.

In April 2015 the Citizens Advice Bureau published the report ‘Personal data empowerment: Time for a fairer data deal?’ This report set out to articulate a vision for consumer-centred use of personal data. It highlights the wide opportunities and potential for improving the digital use of information.

Scottish Community Interest Company Mydex CIC is an example of a social enterprise providing personal data stores across the UK. Each Personal Data Store is encrypted by the individual, who holds one of the keys, and Mydex itself is unable to ‘look inside’, akin to a safe deposit box system. Individuals can view, store, manage and share their personal data, including enabling verified proof of identify to be provided to a third party. For the full potential of such a system to be fulfilled, the providers of verified data attributes, such as the Scottish Government, Improvement Service, GPs, DWP, DVLA, HMRC, Professional Firms and utility companies, would need to join the trust framework as would requesters of information, such as Local Authorities, Health and Care Partnerships, Housing Associations and the voluntary and community sector. An individual would be able to control their information and decide which bits of information they wished to share with whom.

In our report, ‘*Improving Scotland’s Business Environment*’ Reform Scotland recommended that the Scottish Government set up a task force to review the way individual’s data is held by public bodies in Scotland, including across the health, education and local authority services to consider whether this could be managed with a more person-centred approach, and ultimately, what the Scottish Government could do to help promote a new person-centred data ecosystem. With the devolution of certain benefits, this is another area where such a personal data system would help create a more efficient system in Scotland.

Yours sincerely,



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