From the Permanent Secretary

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Frank Field MP
Work and Pensions Committee
House of Commons
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Dear Frank

Split payments of Universal Credit in Scotland

Thank you for your letter of 4 March 2019.

Can I start by reassuring you that we are continuing to meet Scottish Government colleagues to support the further development of their policy proposal, to help ensure it reflects what is deliverable within the UC system.

Your letter asks some specific questions but, before addressing them, it might be helpful if I clarify the difference between calculating a gross amount of Universal Credit, which does involve deciding whether certain elements are to be included, and determining the actual entitlement, net of other income, earnings net of any work allowance and/or taper. This calculation is set out in section 8 of the Welfare Reform Act 2012, which provides for the amount of an award of UC to be the balance of the "maximum amount" (i.e. sum of the elements) less the amounts to be deducted (i.e. earned income after work allowance and taper and unearned income).

An actual entitlement is determined after income and earnings are deducted from the gross amount as a whole, not an element. So, for example, if a claimant qualifies for new style (contributory) ESA and a disability element in the gross amount of UC, the ESA is treated as income not against the disability element but the gross amount of UC.

This is a fundamental building block of how UC has been legislated for and how the system has been constructed. The Department has been consistent in pointing this out to commentators and stakeholder groups. We also covered this in evidence to
the Committee on 24 April 2018, and in a letter from Kit Malthouse on 15 May 2018 which explained the only way to enable the delivery of a split payment policy is to decide to split the final award on a percentage basis.

In answer to your first question I am happy to reassure you that throughout our process of engagement with our colleagues in the Scottish Government we have pointed out this constraint, as have Ministers in their engagements with their counterparts in the Scottish administration. I am not clear why the Scottish Government came forward with proposals that do not fit with the structure of UC and how it operates.

On your second question, we have shared documents, exchanged correspondence and organised and attended workshops with colleagues in the Scottish Government to support their work. As a devolved matter, it is of course for Scottish Government officials to advise their Ministers on policy decisions.

On your third question, in a practical sense it is impossible for Universal Credit to deliver any form of split payments that reflect individual entitlements within a couple, given that the legislation does not provide for individual entitlements in this way. Doing so would require amendments to the primary legislation following a detailed policy consideration of how the system might work, and then a complete rebuild of the system from the bottom up.

Yours sincerely

[Signature]

Peter Schofield