

EXPLANATORY MEMORANDUM TO
THE STATE PENSION CREDIT PILOT SCHEME REGULATIONS 2010
2010 No. 1925

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The instrument makes provision for a time limited pilot exercise to trial making payments of State Pension Credit to a sample group of pensioners without them having first claimed the benefit.

2.2 The instrument sets out the provisions for identifying potential participants in the pilot, calculating the amount of any benefit payable and the manner of subsequent payments.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 Section 1(1) of the Social Security Administration Act 1992 provides that no person shall be entitled to any benefit unless they make a claim for it in the manner, and within the time, prescribed in relation to that benefit. However, a fundamental element of the pilot exercise is to trial making payments of Pension Credit based on information to which we already have access, and without the need for a claim. We have therefore taken the necessary powers in the Welfare Reform Act 2009 to provide for making payments of Pension Credit, without the need for a prerequisite claim, for up to 12 months from the commencement date of this instrument.

5. Territorial Extent and Application

5.1 This instrument applies to Great Britain.

6. European Convention on Human Rights

Steve Webb MP, Minister for Pensions, has made the following statement regarding Human Rights:

“In my view the provisions of the State Pension Credit Pilot Scheme Regulations 2010 are compatible with the Convention Rights”.

7. Policy background

- *What is being done and why*

7.1 Pension Credit is a non taxable, income-related benefit available to people aged 60 or over living in Great Britain. It was introduced in October 2003 to replace the Minimum Income Guarantee (Income Support for those aged 60 and over).

7.2 The responsibility for claiming Pension Credit lies with the customer, but the Department for Work and Pensions seeks to ensure that customers are aware of the benefit and to encourage those eligible to claim.

7.3 In 2008 the then Secretary of State for Work and Pensions, the Right Honourable James Purnell MP, commissioned DWP officials to investigate new and innovative ways of using data already available in order to further improve take-up of Pension Credit. DWP is therefore planning to run a pilot in 2010 to look at ways of making better use of the data we hold about individuals, both from our own administrative records and those of Her Majesty's Revenue and Customs.

7.4 This pilot will involve making awards of Pension Credit to a randomly selected sample group of some two thousand pensioners for twelve weeks without them having first made a claim. It is envisaged that the pilot will run in the autumn of 2010. Upon its conclusion there will then follow extensive evaluation of the pilot. This should help to assess the viability of any future initiatives to use existing data sources to improve take-up of income-related support for pensioners, and provide evidence for any future debate on whether we should seek new or better data sources, or simplify the benefit rules so that the Pension Credit claims process can be streamlined in the future, and more pensioners receive the help they are entitled to.

- *Consolidation*

7.5 None.

8. Consultation outcome

8.1 Previous DWP research and consultation with external stakeholders has shown that significant support already exists for exploring what scope there might be to improve take up of Pension Credit along the lines of the pilot. Given this fact, coupled with the small scale of the pilot, the detailed evaluation that will happen upon the pilot's conclusion, and the fact that there are no plans to roll out the model more widely, our Ministers agreed that formal public consultation is not appropriate at this stage.

8.2 The pilot aims to add to the evidence base for any future policy development in this area and any such changes would be subject to a full consultation exercise.

8.3 A discussion paper setting out the key design features of the pilot was published on the DWP website on 13th October 2009, with a four week deadline for comments. Key stakeholders were alerted to this. This document can be found at

<http://www.dwp.gov.uk/consultations>. Officials have also subsequently discussed the pilot design with external stakeholders at the DWP Policy and Strategy Forum, the PDCS Partnership Communications Senior Steering Group and the Local Area Authorities Steering Group. Discussions with external stakeholders are ongoing.

8.4 A consultation response paper was published on 8 January on the above internet web page. Twenty responses were received. There was considerable support in principle from respondents to the initiative. The main concern of respondents was that it will be crucial for communications in general, and with pilot participants in particular, to be extremely clear in order to avoid any possible confusion and distress. We see external stakeholders having an ongoing and valuable role to play here. In particular we wish to draw on their expertise to help in developing customer-friendly products such as the pilot payment notification letters.

8.5 Having previously exchanged correspondence informally with the Social Security Advisory Committee, we met the Committee at their March hearing to discuss these Regulations. The Committee decided that formal referral for consultation was not required.

9. Guidance

9.1 A centralised team will be set up to administer pilot payments and deal with pilot-related enquiries. It is intended that there will be a dedicated telephone number for enquiries. DWP staff will be made aware of the pilot in advance of its commencement. Information about the pilot including its run dates and the telephone hotline for enquiries will be placed on the DWP website and we will contact external stakeholders to notify them of this.

10. Impact

10.1 There is no significant impact on business, charities or voluntary bodies.

10.2 The impact on the public sector is that around £1m has been allocated from DWP DEL expenditure to fund both the administration of the pilot and the awards of Pension Credit made.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 At the end of the twelve week pilot period there will be a detailed evaluation of the pilot, which it is anticipated will take some eighteen months to complete. Amongst other issues in the evaluation process we will look at:

- participants' reactions to receiving a payment they have not claimed, which we have estimated using the personal data we hold about them;

- the quantitative impact of the pilot on subsequent Pension Credit claims;
- the logistics of running a streamlined payment system on data already held; and
- the quality of administrative data used to make awards.

13. Contact

David Tottey at the Department for Work and Pensions can answer any queries regarding the instrument. Tel: 02074497150 or email: david.tottey@dpw.gsi.gov.uk