

Social Justice and Social Security Committee
Thursday 6 March 2025
7th Meeting, 2025 (Session 6)

SPICe

The Information Centre
An t-Ionad Fiosrachaidh

Up-rating Regulations 2025-26

Introduction

[The Social Security \(Up-rating\) \(Miscellaneous Amendments\) \(Scotland\) Regulations 2024](#) were laid in draft on 5 February 2025 and will uprate Social Security Scotland benefits by 1.7% and increase the Carer's Allowance/Carer Support Payment earnings limit to £196 per week.

The Committee will hear from:

- Shirley-Anne Sommerville, Cabinet Secretary for Social Justice
- Kyle Murray, Procedural and International Policy Team Leader
- Gemma MacAllister, Lawyer, Legal Directorate, Scottish Government

Background

Other regulations

This paper discusses the [Social Security \(Up-rating\) \(Miscellaneous Amendments\) \(Scotland\) Regulations 2025](#).

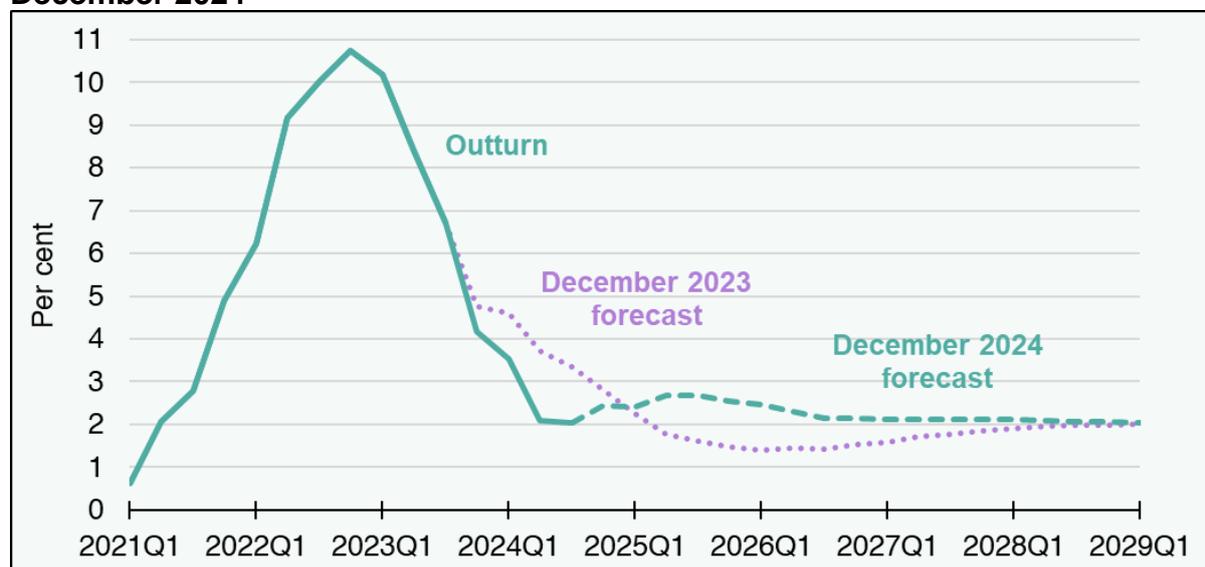
It does not cover the two other SSIs being considered today as one is a negative instrument and the other covers benefits subject to agency agreements.

- The [Council Tax Reduction \(Miscellaneous Amendment\) \(Scotland\) Regulations 2025](#) is a negative instrument, uprating elements of Council Tax Reduction by 1.7% , uprating earnings related elements by 4.9% and making technical changes to ensure the regulations match the original policy intent. Further detail is in the [Policy Note](#).
- The [Social Security Up-rating \(Scotland\) Order 2025](#) covers those devolved benefits administered by the DWP under agency agreements, for which the Scottish Government has agreed to follow UK Government policy.

Trend in inflation

Inflation has fallen steeply since 2022, from a peak of 10.7% in quarter 4 of 2022 to a low of 2% in quarter 3 of 2024. It is now forecast to rise slightly during 2025.

Chart 1: Scottish Fiscal Commission (SFC) inflation forecasts and outturn. December 2024



Source: SFC 2024, fig 3.1

In December 2024, the SFC forecast a rise to 2.7% in quarter 3 of 2025. In February, the [Bank of England forecast](#) a slightly higher rise – to 3.7% in the first half of 2025. They reported that:

“inflation is likely to rise to 3.7% over the first half of this year including because of increases in energy prices, and increases in some regulated prices such as water bills.

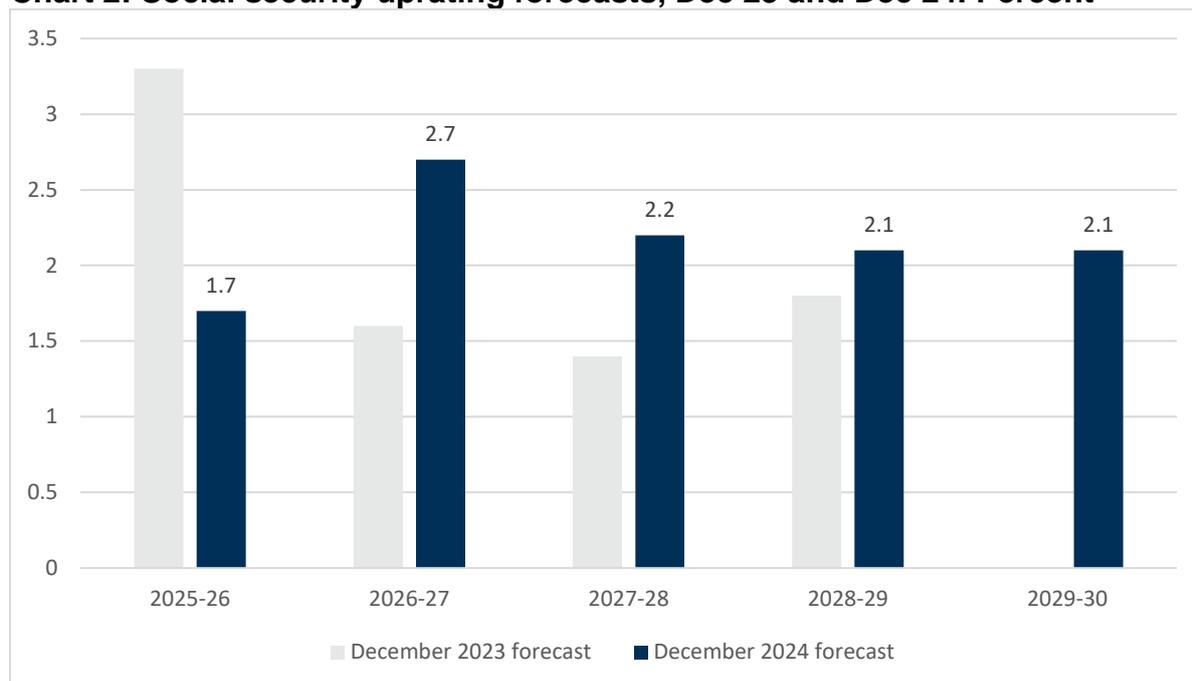
Inflation is expected to fall back to the 2% target after that. But the economy may not evolve as expected, including because there could be global shocks. For example, global trade tariffs or developments in the Middle East could impact some prices.”

Latest figures show a CPI (Consumer Prices Index) inflation of [3% in the year to January](#), which is [higher than the 2.8% increase most economists had expected](#) and higher than the 2.4% forecast in December by the SFC for quarter 1 of 2025.

Scottish Government and UK Government policy is to uprate social security benefits each April by the previous September’s level of CPI inflation. Accordingly, these regulations provide for benefits to increase by 1.7% in April 2025. CPI in September 2024 was the [lowest that inflation had been since 2021](#).

Chart 2 shows how benefits are expected to increase over the next five years. The latest (December 2024) SFC forecast is that social security will be uprated by 2.7% in April 2026, and then around 2% in the following three years.

However, as noted above, inflation is rising faster than forecast, so these benefit uprating forecasts may change. The SFC’s next forecasts are in May 2025.

Chart 2: Social security uprating forecasts, Dec 23 and Dec 24. Percent

Source: SFC, fig 5.5 December 2024 forecasts.

Cost of uprating

The SFC forecast that uprating will cost £111 million in 2025-26. They estimate that 85% of the cost of uprating is matched by an increase in the Block Grant Adjustment (BGA).

The cost of extending the statutory requirement to uprate all Social Security Benefits rather than only certain ones is £2 million in 2025-26.

Statutory requirements

[The Social Security Scotland \(Amendment\) Act 2025](#) introduced a duty to uprate all Scottish social security. Although this provision isn't yet in force (the Act received Royal Assent in January 2025), the Scottish Government's uprating policy is to uprate all Social Security Scotland administered benefits.

The Scottish Government's current [statutory duties on uprating](#) are:

- to lay a report in Parliament setting out their policy on uprating. [This year's report](#) was published on 31 January (Section 86A Social Security (Scotland) Act 2018).
- for the Scottish Commission on Social Security to report on the uprating regulations, to which Scottish Government must respond when draft regulations are laid ([Section 97, 2018 Act](#)). They [reported on 17 January 2025](#) and the Scottish Government [responded on 24 January](#).
- To uprate the following types of benefits where they are 'materially below' the inflation adjusted figure: ([Section 86B 2018 Act](#)).

- Disability Assistance
 - Carer’s Assessment
 - Funeral Expense Assistance
 - Scottish Child Payment
 - Employment Injury Assistance
- Uprate all other Social Security Scotland payments ([Section 17, Social Security \(Scotland\) Amendment Act 2025 \(not yet in force\)](#)).

The Scottish Government is also legally responsible for uprating devolved benefits administered by DWP under agency agreements. However, as those agreements require the Scottish Government to follow DWP policy, they have no policy discretion over these benefits.

Measuring inflation

Both the UK and Scottish Governments have an established policy of uprating by the previous September’s rate of CPI. CPI measures inflation in a defined ‘basket of goods’.

Last year, the Scottish Government reviewed whether this was the best measure to use, publishing results of its [‘Multicriteria decision analysis’](#) in January 2024. The conclusion was that September CPI remained the best measure. Other options considered were CPI in different months or using a household costs index. The Office for National Statistics (ONS) launched [household costs indices](#) on 4 December 2023, but they are not yet classified as official statistics.

Scottish Commission on Social Security’s Report

Uprating regulations [must be scrutinised by the Scottish Commission on Social Security \(SCoSS\)](#). They [reported on 17 January](#) making three recommendations and the Scottish Government [responded on 24 January](#).

Table 1: Summary of SCoSS recommendations and Scottish Government response

SCoSS Recommendation	Scottish Government Response
1. In the Section 86A report, signpost readers to relevant impact assessments of budget, social security assistance and uprating policy	Partially accept. Up-rating is not a policy change so does not require new impact assessments but from next year will include reference to existing assessments.
2. Undertake a policy review and further multi-criteria decision analysis (MCDA) of options to consider alternative measures of inflation.	Partially accept. Last year’s MCDA remains relevant. Already committed to considering inflation measures once case transfer complete.
3. Adopt a more predictable approach to up-rating earnings thresholds	Accept. Considering consultation responses from 2022 on Carer Support Payment (which proposed 16 hrs at Real Living Wage), experience of delivering

	CSP to date and engaging with DWP on their plans to look at earnings limit.
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For full text see: [Scottish Government response to SCoSS letter dated 24 January 2025](#)

Benefit Rates

The table below sets out how benefit rates are changing. It does not include those devolved benefits administered under agency agreement by the DWP.

Table 2: Benefit rates 2025-26

	2024-25	2025-26	frequency
Disability Payments			
Child Disability Payment			
highest rate care	£108.55	£110.40	weekly
middle rate care	£72.65	£73.90	weekly
lower rate care	£28.70	£29.20	weekly
higher rate mobility	£75.75	£77.05	weekly
lower rate mobility	£28.70	£29.20	weekly
Scottish Adult Disability Living Allowance (as CDP, above)			
Adult Disability Payment			
enhanced daily living	£108.55	£110.40	weekly
standard daily living	£72.65	£73.90	weekly
enhanced mobility	£75.75	£77.05	weekly
standard mobility	£28.70	£29.20	weekly
transitional rate	£28.70	£29.20	weekly
Pension Age Disability Payment			
higher rate	£108.55	£110.40	weekly
lower rate	£72.65	£73.90	weekly
Carer Payments			
Carer Support Payment	£81.90	£83.30	weekly
earnings threshold	£151.00	£196.00	n/a
Carer's Allowance Supplement	£288.60	£293.50	twice a year
Young Carer Grant	£383.75	£390.25	annual
Five Family Payments			
Scottish Child Payment	£26.70	£27.15	weekly
Best Start Grant			
Pregnancy and baby 1st child	£754.65	£767.50	one-off
Pregnancy and baby other children	£377.35	£383.75	one-off
Early Learning	£314.45	£319.80	one-off
School age	£314.45	£319.80	one-off
Best Start Food			
Lower rate	£5.30	£5.40	weekly
Higher rate	£10.60	£10.80	weekly
Winter Heating			
Child Winter Heating Payment	£251.50	£155.80	annual
Winter Heating Payment	£58.75	£59.75	annual
Pension Age Winter Heating			
Higher rate	£300	£305.10	annual
Lower rate	£200	£203.40	annual

Other			
Job Start Payment			
standard rate	£314.45	£319.80	one-off
higher rate	£503.10	£511.65	one-off
Funeral Support Payment			
higher rate	£1,275.75	£1,279.15	one-off
lower rate	£153.50	£156.10	one-off
medical device removal	£25.35	£25.80	one-off

Suggested Themes for Discussion

The following suggests three themes for discussion.

Theme 1: Uprating forecasts and cost

Each April, social security benefits are uprated by the previous September's rate of CPI inflation. In April 2025, this means benefits are being uprated by 1.7% at a cost of £111 million.

Because the UK Government also uprate their social security benefits, around 85 per cent of the cost of uprating is covered by the Block Grant Adjustment (BGA). The SFC December forecast report states:

“We estimate that roughly 85 per cent of the effect of any change in the inflation forecast is matched by changes in the corresponding BGA funding. The remaining 15 per cent is uprating on payments unique to Scotland or on spending above the corresponding BGA” (SFC para 5.39)

Uprating costs are lower than was forecast in December 2023 because inflation in September 2024 turned out to be 1.7% rather than the previously forecast 3.3%. The Scottish Government are therefore spending £101 million less than they expected to on benefit uprating this year (SFC 2024 forecast fig 5.2).

Looking towards 2026-27, the SFC forecast in December that uprating for 2026-27 would be 2.7% that year based on CPI in September 2025. However inflation is rising faster than expected, reaching 3% in January 2025. In February the Bank of England said it may reach 3.7% in the second half of 2025. This would not affect the 2025-26 benefit spend, but it would increase forecast spend for 2026-27.

Members may wish to discuss:

1. The cost of uprating in April 2025 is lower than previously forecast. To what extent has that eased the pressure on the 2025-26 social security budget?
2. Looking towards 2026-27, is the Scottish Government making any contingencies for benefit uprating being higher than forecast?

Theme 2: Earnings Limit

The regulations increase the earnings limit for Carer Support Payment from £151 to £196 per week. This mirrors UK government policy which increased the threshold to the equivalent of 16 hours at the statutory living wage.

This increase is similar to a previous Scottish Government proposal. In 2022, the Scottish Government consulted on the design of Carer Support Payment, which is replacing Carer's Allowance in Scotland. This included a proposal to increase the earnings limit to allow carers to work 16 hours a week at the real living wage. At that time, this would have meant an earnings limit of £158 per week.

- 82% of respondents supported the proposal to increase the earnings threshold.
- 67% agreed with basing it on 16 hours at the real living wage.

In 2023, in [their response to the consultation](#), the Scottish Government said that:

“Given the range of views on how the earnings rules for Carer Support Payment could work differently from Carer's Allowance, we are continuing to consider the responses to the consultation to inform our future approach for Carer Support Payment and once case transfer is complete.”

Since then, the UK Government has increased the earnings limit for Carer's Allowance to £196 – the equivalent of 16 hours at the statutory living wage of £12.21.

The current real living wage is £12.60. 16 hours at the real living wage would be £201.60.

In their response to the SCOSS report, the Scottish Government noted that UK Government policy means that earnings limit is “significantly closer to the 16 hours real living wage proposed in 2022 and that:

“We are continuing to consider the consultation feedback, along with learning and feedback from delivery of Carer Support Payment to date, and ongoing engagement with the DWP on their recently announced plans to carry out further work on the earnings limit for Carer's Allowance, to inform future policy and changes to earnings rules from 2026-27 onwards.”

Last year SCOSS recommended that the Scottish Government “consider the merits of making annual up-rating of earnings thresholds a requirement.” The Scottish Government accepted this recommendation stating:

“In anticipation of the completion of case transfer, we will consider our approach to up-rating of earnings thresholds for Scottish benefits.”

Asked about the issue at Committee in February 2024, the Cabinet Secretary said:

“Following case transfer, the way in which the UK Government looks at earnings limits and so on might not be the most appropriate or robust way of making earnings measurements in Scotland; it will require further analysis. When we get to the point of case transfer completion—once a safe and secure transition has been completed; I reiterate that we are on target for the completion of case transfer by the end of 2025, as we had planned— that will be the time to consider it.”

([Shirley-Anne Somerville, MSP, SJSS Committee Official Report, 22 February 2024 col 7](#)).

Case transfer for Carer’s Allowance to Carer Support Payment started in February 2024 and is [due to be completed this spring](#).

Members may wish to discuss:

- 3. Now that case transfer is coming to an end, will the Scottish Government consider a statutory duty to increase the Carer’s Support Payment earnings limit? To what extent does this depend on whether the UK Government does the same?**
- 4. Can the Cabinet Secretary give further detail of how the experience so far of delivering Carer Support Payment is informing policy thinking in relation to the earnings limit?**

Theme 3: Scottish Child Payment

The Scottish Child Payment (SCP) was introduced at £10 per week in February 2021. It increased to £20 in April 2022 and to £25 per week that November. In 2025-26, it will increase to £27.15 per week. The Scottish Fiscal Commission forecast that by 2029-30 it will be worth £29.70 per week.

At £27.15, in 2025-26 the SCP is forecast to cost £471 million.

At £29.70 in 2029-30, the SCP is forecast to cost £511 million.

Recently the First Minister was reported as having ruled out further ‘above inflation’ increases to the Scottish Child Payment ([Scotsman, 31 January 2025](#)). The focus instead is mitigating the two-child limit.

Members may wish to discuss:

- 5. Can the Cabinet Secretary confirm whether the Scottish Child Payment is limited to inflation linked increases in future and the reasoning for that?**

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SJSS/S6/25/7/3

19 February 2025