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The Information Centre
An t-Ionad Fiosrachaidh

Social Justice and Social Security Committee

**15th Meeting, 2021 (Session 6), Thursday,
23 December**

Scottish Budget 2022-23

Introduction

In advance of hearing from the Cabinet Secretary on 13 January, the Committee will hear from the Scottish Fiscal Commission on their forecasts for social security spending and from the Scottish Women's Budget Group on the 'Equality and Fairer Scotland Budget Statement'.

The [Scottish Government's budget 2022-23](#) was published on 9 December. Among a number of publications accompanying the budget were:

- [Scottish Fiscal Commission. Scotland's Economic and Fiscal Forecasts December 2021.](#)
- Scottish Government. [Equality and Fairer Scotland Budget Statement 2022-23](#)

The Committee will hear from two panels:

Panel 1: Scottish Fiscal Commission

- Dame Susan Rice DBE, Chair
- Professor Alasdair Smith, Commissioner
- Claire Murdoch, Head of Social Security and Public Funding

Panel 2: Scottish Women's Budget Group

- Sara Cowan, Co-ordinator

This paper suggests three themes for discussion with Panel 1 and three themes with Panel 2.

Panel 1: Scottish Fiscal Commission

- Theme 1: Changes since January 2021
- Theme 2: Longer term pressure on the budget
- Theme 3: Risks and uncertainties for 2022-23

Panel 2: Equality and Fairer Scotland Budget Statement

- Theme 1: Purpose of the Equality and Fairer Scotland Budget Statement
- Theme 2: Budget decisions promoting equality and social justice
- Theme 3: Budget decisions that may risk increasing inequality

Panel 1: Scottish Fiscal Commission Forecasts

The SFC forecast the amount paid out in devolved Scottish social security benefits – they do not forecast Social Security Scotland’s administration budget.

The [Committee discussed the SFC’s August forecasts in October](#) focusing on the scale and uncertainty of the costing for Adult Disability Payment (ADP).

Theme 1: Changes since January 2021

The amount paid out in Scottish Social Security is expected to be £4.1bn in 2022-23 rising to £5.5bn in 2026-27.

Changes since January 2021 have added £256m to the 2022-23 forecast and £981m to the 2025-26 forecast.

These changes are mostly due to the introduction of ADP and doubling the Scottish Child Payment.

However, data updates and changes to inflation forecasts also add considerable amounts (£89m and £60m respectively in 2022-23).

Some other factors have been revised downwards, particularly eligibility and take-up which, overall, reduce forecast spend by £13m in 2022-23.

Table 1 below shows the main reasons for change in social security spending forecasts since January 2021.

Table 1: Change in social security spending forecasts since January 2021

| £m | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| January 2021 | 3,495 | 3,614 | 3,810 | 4,020 | 4,129 | 4,249 |
| Data updates | 47 | 83 | 89 | 96 | 101 | 105 |
| Modelling changes | -7 | -3 | -5 | -6 | -5 | -3 |
| Inflation | | | 60 | 151 | 180 | 190 |
| Assumptions – eligibility and take-up | -2 | -10 | -13 | -21 | -21 | -19 |
| Assumptions - population | 0 | 1 | -2 | -4 | -4 | -5 |
| Assumptions - other | 2 | -33 | -55 | -27 | 10 | 35 |
| Policy changes – Scottish Government | 1 | 28 | 179 | 440 | 563 | 665 |
| Policy Changes – UK Government | | 1 | 4 | 7 | 13 | 12 |
| December 2021 | 3,535 | 3,679 | 4,065 | 4,657 | 4,966 | 5,230 |

Source; Scottish Fiscal Commission

Scottish Government Policy

The main reason forecast spend has increased is because of Scottish Government policy. Compared to the January forecast, this adds a further £179m in 2022-23 and £665m in 2025-26. The main policy changes are:

1. Adult Disability Payment will cost more than PIP. It will cost an additional £37m in 2022-23 rising to an additional £527m by 2026-27.
2. Adult Disability Payment also causes increases in spending on Carer's Allowance and Carer's Allowance – an additional £40m by 2026-27
3. Scottish Child Payment will be £20 rather than £10 from April 2022. This has added £103m to the budget for 2022-23. It will increase to £20.80 from April 2023 (soon after the roll-out to under 16s). In total, spending on SCP is forecast to be £197m in 2022-23 rising to £362m in 2023-24.
4. A new benefit – Low Income Winter Heating Assistance (currently out for consultation) will replace Cold Weather Payments. It will pay £50 a year to

those on certain low income benefits and is forecast to cost £21m in 2022-23. This is £6m more than is spent on Cold Weather Payments in an average year. It is £7m more than the BGA which is estimated at £14 million.

5. Extending the Self-Isolation Support Grant into next year adds £15m in 2022-23. This forecast is likely to be affected by COVID-19 developments.

Inflation

Another factor that has changed is inflation. Inflation effects have already been factored in to the 2022-23 social security budget. Where there is a statutory requirement to uprate, benefits will be uprated by 3.1% ([which was CPI inflation in September 2021](#)).

However, the change in inflation forecasts since January adds an additional £190m to the budget by 2025-26. Last week the [ONS announced that CPI inflation in the year to November 2021 was 5.1%](#). This is only one month, so it's not yet clear whether the longer term trend is even higher than the SFC have forecast.

The Block Grant Adjustment will also increase due to higher inflation. Therefore, the risk is to those benefits, such as Scottish Child Payment, which are uprated each year but are not funded by a Block Grant Adjustment.

On theme one, changes since January, members may wish to discuss:

1. How have changes since January affected the forecasts?
2. How has Scottish Government policy affected the forecasts?
3. How does UK Government policy affect forecasts?
4. Are there any payments where spending is expected to decrease? Why?
5. Does the high inflation figure for November suggest that inflation forecasts should be increased?

Theme 2: Longer term pressure on the budget

Overall, the Scottish Fiscal Commission consider that tax and social security forecasts put pressure on the budget.

“This Budget is being presented in a context where resource funding is increasing but the resource budget is forecast to face downward pressure from increasingly negative funding positions for devolved taxes and social security.” ([SFC para 2.1](#))

The UK Government provides additions to the Scottish block grant in recognition of social security devolution – the Block Grant Adjustment (BGA). This money isn't

'earmarked' for social security but can still be thought of as a baseline amount that is available to spend. Additional policy – either new benefits or different rules for existing benefits – must be funded from elsewhere in the Scottish budget. Social security is demand led, so there is no question of being able to 'cap' a budget other than by changing the rules of a benefit.

The UK Government provides a BGA for seven benefits, including PIP/ADP. There are a further six benefits that are unique to Scotland, such as the Scottish Child Payment. Finally, there are six smaller benefits, such as the Funeral Support Payment, that are funded from elsewhere in the block grant. These benefits have a DWP equivalent but, for most of them, eligibility is wider in Scotland and funding this wider eligibility must be done from within the Scottish budget.

In 2022-23 spending on these three categories of benefits is forecast to be:

- £3,626m on seven benefits with a BGA – for which £3,587m BGA is expected – a difference of £38m.
- £322m on six benefits unique to Scotland, for which no UK funding is received.
- £94m on six benefits funded through the block grant but not part of the BGA process

Table 2 below shows the difference between BGA and forecast spend for those benefits with a BGA (-£38m in 2022-23). It also shows the additional spending on benefits unique to Scotland forecast to be £322m in 2022-23). Adding these together suggests that the Scottish Government will need to find around £360m additional funding for social security above what it will receive in BGA.

For the £94m of smaller payments it is difficult to ascertain exactly how much spending is additional to the block grant. They are therefore shown separately and not included in the total. This means that the total is likely to be slight underestimate of the amount the Scottish Government has to fund social security above what it receives in BGA.

A breakdown of individual benefits is provided in the annex.

Table 2: Social security net BGA position, new payments and other payments

| Benefit | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|--|----------------|----------------|----------------|----------------|----------------|
| Net position for those payments with a BGA | -38 | -176 | -253 | -255 | -252 |
| Payments unique to Scotland | -322 | -493 | -496 | -503 | -512 |
| Total | -361 | -669 | -749 | -758 | -764 |
| Other payments funded elsewhere in block grant | -94 | -78 | -78 | -77 | -77 |

Source: Scottish Fiscal Commission. Figures are negative as they represent required spending above the amount received in BGA.

Notes: The table does not include Job Start Payment or Young Carer Grant. Spend on these is c£1m each. **BGA includes** Adult Disability Payment, Child Disability Payment, Attendance Allowance, Carer's Allowance, Industrial Injuries Disablement Scheme, Low Income Winter Heating Assistance and Severe Disablement Allowance. **Payments unique to Scotland includes:** Carer's Allowance Supplement, Scottish Child Payment, Child Winter Heating Assistance, Best Start Grant Early Learning Payment and Best Start Grant School Age Payment and spending on bedroom tax mitigation through Discretionary Housing Payments. **Other payments includes:** BSG pregnancy and baby payment, Funeral Support Payment, Best Start Foods, Other DHPs, Self Isolation Support Grant, Scottish Welfare Fund.

This gap between funding and spending is expected to grow. The SFC expect a funding gap of at least £760m by 2026-27. In their letter to the Committee they say:

“Combining completely new payments and payments with BGA funding, we expect that by 2026-27 spending on the Scottish Government's social security benefits will be £760 million more than the corresponding funding received, reducing the funding available for other parts of the Scottish Budget.”

There is reason to believe the difference could be larger than this. The table above suggests that difference between BGA and spending in 2026-27 will be £252m. But elsewhere in the report, the SFC forecast state that ADP alone will cost over £500m more than PIP in 2026-27.

SFC state:

“Overall, we would expect spending on PIP and DLA Adult in Scotland to remain broadly consistent with the rest of the UK, before accounting for the policy changes introduced through ADP. We are forecasting spending on ADP to be over £500 million more than spending on PIP by 2026-27. This is larger than the £252 million gap between the BGAs and our forecasts in the same year.”

It's likely that differences in forecasting methodology are minimising the 'funding gap.'

The SFC only forecast policy that has already been announced. There are a number of developments at both UK and Scottish level which could have a significant impact on longer term social security spending:

- the introduction of Scottish versions of Carer's Allowance, Attendance Allowance, Winter Fuel Payment or Industrial Injuries Disablement Benefits. If these are more generous than their DWP equivalents, that funding gap could grow considerably
- the independent review of ADP could result in changes to the design of ADP
- UK green paper on disability and health could lead to changes to disability benefits, this could impact on the amount of funding provided through the BGA.

On theme 2: longer term pressure on the budget:

- 1. What does the outlook for the budget suggest about the affordability of Scottish social security over the next five years?**
- 2. How useful is it to compare forecast BGA with forecast spend? Is there a better way to assess affordability?**

Theme 3: Risks and uncertainties for 2022-23

Forecasts are more accurate for the short than the long term so this theme focuses on the risks for 2022-23. Risks and uncertainties discussed by the SFC include:

1. Scottish Child Payment costing
2. Adult Disability Payment costing – [discussed by the Committee in October](#)
3. COVID-19: The SFC's assumptions were finalised before the emergence of the Omicron variant.

Scottish Child Payment

On SCP the SFC state:

"There is significant uncertainty around the costing. A larger behavioural response could lead to higher spending" (para A32)

One area of uncertainty is how people will respond to the increase to £20. UK budget changes mean that Universal Credit is now available to people on slightly higher wages – will they claim Universal Credit in order to access SCP even though the amount of UC they will gain will be quite small?

The SFC discuss this saying:

“The increase of the Scottish Child Payment (SCP) weekly rate to £20 and the changes to Universal Credit (UC) announced in the UK Budget increase the absolute and relative uncertainty around the SCP forecast. It is possible that these two changes could work together to drive higher eligibility and take-up than we have assumed in our forecast and policy costing, leading to significantly higher expenditure. It is also possible that spending could be significantly lower, for example if the higher income families newly eligible for UC tend not to claim it, or if a £20 payment does not lead to significantly different behaviour than a £10 payment.” (SFC Para 5.29)

COVID-19 Omicron variant

The SFC forecasts were published on 9 December and the situation is evolving rapidly. At that time SFC stated that:

“Current information on the severity and likely implications for restrictions of Omicron is limited, but broadly we think it remains reasonable to assume the effects of Omicron fit within our central COVID-19 judgements. More severe effects from Omicron and the emergence of further variants of COVID-19 which are resistant to existing vaccines remain a downside risk to our forecast.” (SFC para 3.5)

Adult Disability Payment

The Committee [discussed the ADP costing on 7 October](#) – focusing on the drivers of additional spend by 2025-26. For 2022-23 the additional spend on ADP and Carer’s Allowance is expected to be £38m. (Rising to an additional £567m in 2026-27).

As a new payment there is significant uncertainty about how people will respond. One factor affecting costs in the short term is whether there might be an initial spike in new claims amongst those who have been unsuccessful claiming PIP in recent years.

On theme 3, risks and uncertainties for 2022-23 - members may wish to discuss:

- 1. What are the main uncertainties about social security spending in 2022-23?**
- 2. How might the behavioural response to SCP impact on spending?**
- 3. Does the SFC expect a large initial spike in ADP applications from people who have been unsuccessful in claiming PIP?**
- 4. How might the impact of the Omicron COVID-19 variant affect social security spending?**

Panel 2: Equality and Fairer Scotland budget Statement

Background

Equality and Fairer Scotland Budget Statement

The [Equality and Fairer Scotland Budget Statement](#) (EFSBS) was published alongside the budget on 9 December.

After setting out the context (of climate emergency, COVID-19, child poverty, violence against women and girls and Brexit) and briefly describing the National Priorities and total budget it has two substantive chapters:

Budget Areas gives very high level examples of spending that could impact on equalities and social justice. For example: “Spend on fair work and employability policies aims to reduce employment barriers for people with protected characteristics or experiencing socio-economic disadvantage.”

Impacts on different groups of people describes some high level areas of spend that are more likely to affect some groups compared to others. For example, social security spending is mentioned under socio-economic disadvantage, disability and sex.

The document is descriptive rather than analytical and was compiled from templates completed by officials working in different policy areas.

Alongside this summary document is a 134 page annex “[Portfolio assessment and update to the key risks](#).” Each portfolio concludes with a statement of overall impact of budget reductions or savings on tackling inequality. These are reproduced in full in annex 2 to illustrate the different level of detail applied in different portfolios. Again, the approach is descriptive rather than analytical.

Update to ‘key risks’

Last years EFSBS identified ‘ten key risks’. This year’s statement revisits these (p. 119-134 of Annex A). It doesn’t assess whether the risk has changed, but rather highlights spending decisions intended to address each risk. The risks are summarised below along with examples of the measures taken.

Table 3: Key Risks Update

| Risk | Example from update |
|---|--|
| Structural inequalities in the labour market | Consultations on fair work and disability action plan due in the spring |
| Labour market outcomes for young people worse due to COVID-19 | Young Person's Guarantee |
| Women's caring responsibilities may increase, preventing them finding paid work | Women's Returners Programme Expansion of childcare provision Support for unpaid carers |
| COVID-19 mortality and health inequalities | Vaccine roll-out and testing programme |
| High drug and alcohol deaths | National Mission to reduce drug related deaths |
| Mental health may worsen due to COVID-19 | Mental health spend of £1.2 billion in 2021-22. 10% of frontline health spending on mental health by end of the Parliament |
| Digital divide increases | Improving access to superfast broadband Connecting Scotland providing low income households with a device, connection and unlimited data for two years. |
| Decisions about Universal Credit may increase poverty | Summarises Scottish social security and related spending as well as COVID support measures. |
| Attainment gap may widen due to virtual and blended learning | Expanding the Scottish Attainment Challenge Increasing the education workforce Free school meals, early education and childcare Widening Access programme in higher education |
| Domestic abuse and hate crime may increase | Hate crime awareness campaign £100m three year commitment to tackling violence against women and girls |

Income Tax Analysis

The Scottish Government has published an analysis of [how Scottish tax decisions impact different groups](#). This shows that, for 2022-23

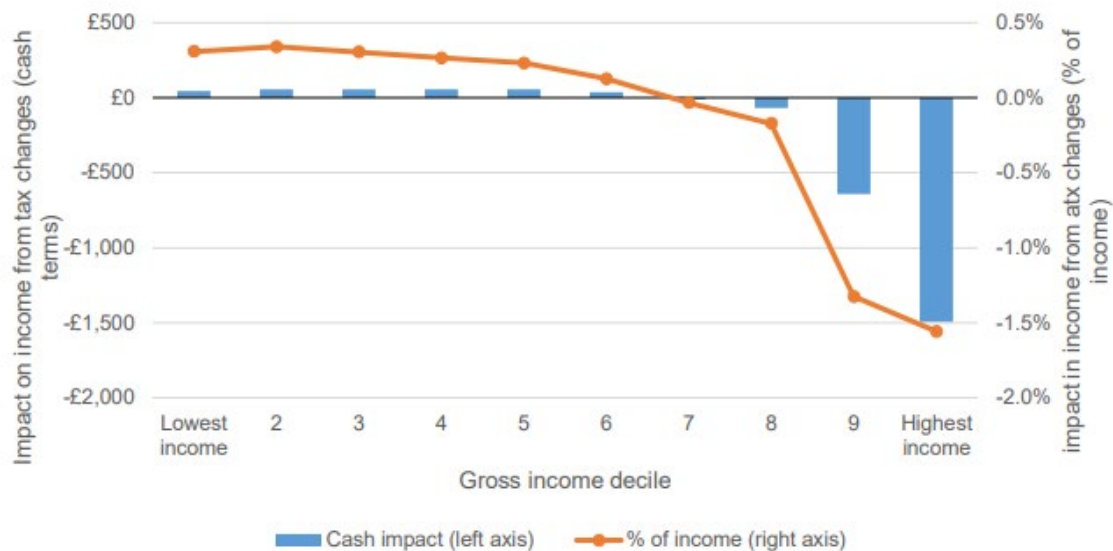
- Male taxpayers are expected to contribute around 69% to total Income Tax liabilities in Scotland in 2022-23
- Tax payers aged 45 -54 contribute more than other age groups – contributing 26% of total liabilities
- For households with disabled adults, 39% will pay less tax, 46% will pay the same amount and 15% will pay more tax as a result of changes in income tax since 2016-17.

The analysis states:

“the Scottish Government’s decisions on Income Tax over the course of the last Parliament and the most recent Scottish Budget, combined with changes in the UK-wide Personal Allowance, have been highly redistributive and protected low and middle income taxpayers.” ([Scottish Government Income Tax: cumulative impacts on income levels and equality](#))

The chart below shows the impact of Scottish income tax policy since 2016-17 on tax payers by income decile:

Chart 1: Cumulative impact of income tax policies on Scottish taxpayers in 2022-23



Source: [Scottish Government Income Tax: cumulative impacts on income levels and equality](#)

The analysis shows that, relative to their gross income, the lowest earning 20% of taxpayers will see the largest decrease in tax (0.3%). In contrast, the highest earning

10% will see the largest increase in the amount of tax paid, both in cash terms (£1,490) and relative to their gross income (1.6%).

Public Sector Pay analysis

The Scottish Government has published an [equality impact assessment of its public sector pay policy](#). This concludes that:

“introducing a £10.50 per hour wage floor and the progressive pay increases which provide a £775 pay uplift for those earning under £25,000 (full-time equivalent salary) will positively benefit lower paid staff and in particular those with one or more protected characteristic.”

Resource spending review framework

A spending review will be published in May 2022. It is the first multi-year spending review since 2011. The Scottish Government has [published a framework for consultation](#) until 27 March 2022, setting out three priorities for the spending review:

- tackling child poverty
- addressing climate change, and
- creating a stronger, fairer, greener economy.

The consultation states that:

“The Resource Spending Review’s process and findings will be subject to appropriate impact assessments, taking into account the Scottish Government’s responsibilities under both the Public Sector Equality Duty and the Fairer Scotland Duty as well as our human rights commitments.

We will work with the Equality Budgeting Advisory Group to ensure that a proportionate and robust approach is taken across the whole of the process.”

The [Committee recently agreed](#) to consider the framework and the Medium Term Financial Strategy in the new year.

Equality Budget Advisory Group (EBAG)

The Scottish Government is advised by an [Equality Budget Advisory Group \(EBAG\)](#). In July, EBAG published a detailed report on [equality and human rights budgeting](#). Amongst its recommendations were that:

- The Scottish Government should produce a pre-budget statement, in-year reports and a mid-year review, with all these including equalities analysis
- There should be a Citizens’ Budget (a condensed, accessible version of the budget, and an easy read version of each of the key budget documents).
- The Scottish Government needs to organise itself better, for example so that finance, policy and analyst staff work closely together to produce equalities

and human rights analysis of spend; and that this is backed up by investment in building knowledge and capacity

The Scottish Government has said that:

“We will respond to the recommendations in detail in spring 2022, aiming to build learning into future EFSBS products.” (Annex to EFSBS)

The following three themes are suggested for discussion:

- Theme 1: Purpose of the Equality and Fairer Scotland Budget Statement
- Theme 2: Budget decisions that increase equality and promote social justice
- Theme 3: Budget decisions that risk increasing inequality

Theme 1: Purpose of the Equality and Fairer Scotland Budget Statement.

In their submission, the Scottish Women’s Budget Group call the Equality and Fairer Scotland Budget Statement:

“an important statement of intent and commitment to equality analysis within the Budget process. This year’s main EFSBS publication gives a topline outline across portfolio areas. However, it often misses the detail on how spending decisions are set to impact on identified inequalities.”

The forward to the EFSBS states that:

“We know equality, inclusion and realisation of human rights should underpin decision-making and delivery across all the work of government. The production of this Equality and Fairer Scotland Budget Statement is only one part of this and we have committed to further embed equality and human rights within all stages of the Scottish Government’s budget process.”

The EFSBS describes how policy teams were asked to complete a template on how the budget could have a different impact on different groups.

As set out in the background section, the detailed annex to the EFSBS provides further examples of relevant policy and spend – however the approach is still almost entirely descriptive rather than analytical. The ten ‘key risks’ identified last year are updated – but by adding spending and policy announcements rather than analysing whether the nature or level of risk had changed. Nor is there any indication of the scale of the different risks.

On theme 1, Purpose of the Equality and Fairer Scotland Budget Statement

- 1. What do witnesses understand the purpose of the EFSBS to be?**
- 2. To what extent does it fulfil that purpose?**

3. **Should a more analytical approach be taken? To what extent would this be possible?**
4. **Does there need to be an independent analysis of the equalities impact of budget decisions?**
5. **What approach should be taken to assessing the equalities impact of the forthcoming spending review?**

Theme 2: Budget decisions promoting social justice and equality

The Equality and Fairer Scotland Budget Statement highlights a number of areas where the budget might be expected to promote equality and social justice. For example:

- Social security assistance and welfare payments of over £4 billion.
- Over £1.6 billion for social care and integration, including laying the groundwork for the establishment of a National Care Service.
- £831 million for affordable housing
- £304 million for bus services, which are particularly important to people on lower incomes
- £100 million over the next three years for frontline violence against women and girls services and prevention work
- £24 million for measures to help with the cost of the school day, over £40 million to continue expanding free lunches to all primary pupils, and over £21 million for free lunches during the school holidays.

Tax and pay policy

Scottish Government analysis suggests that income tax policy is progressive. At lower income levels, Scottish taxpayers pay slightly less tax because of the 19% starter rate. The SFC forecast that freezing the higher threshold will increase tax income by £106 million.

In addition to freezing the upper tax thresholds, the Scottish Government is uprating other tax thresholds by 3.1%. The [Fraser of Allander Institute have commented](#) that:

“If this policy is designed to support low-income households during a time of inflationary pressure and uncertainty, it feels underwhelming.”

The Scottish Government has published an [equality impact assessment of its public sector pay policy](#), which states that:

“The overarching aim of the 2022-23 pay policy is to set pay increases in a way that is fair, progressive, restorative and affordable, protects the lower paid and protects jobs and services. The policy also promotes the wellbeing of public sector workers.”

[...]

“introducing a £10.50 per hour wage floor and the progressive pay increases which provide a £775 pay uplift for those earning under £25,000 (full-time equivalent salary) will positively benefit lower paid staff and in particular those with one or more protected characteristic.”

On theme 2 members may wish to discuss:

- 1. Which budget decisions will have the greatest impact on reducing inequality and promoting social justice?**
- 2. Can these impacts be quantified?**
- 3. To what extent are the Scottish Government’s tax and pay policies progressive?**

Theme 3: Budget decisions that may increase inequality

As set out above, Scottish Government analysis suggests that income tax policy and public sector pay policy is progressive – benefiting people on middle and lower incomes.

What is absent is an analysis – particularly a quantitative analysis - of any decisions that risk increasing inequality.

For example the Scottish Government has given local authorities [‘complete flexibility’ to raise council tax rates](#). If councils decide to use this to increase council tax this may lead to people on lower incomes paying more council tax. On the other hand it may also increase spending on local services and people on the lowest incomes are protected by the Council Tax Reduction scheme.

Another difficult issue is universal compared to targeted policies. For example, those on the lowest incomes are already [entitled to free school meals](#). Expanding universal provision up to primary 5 has the advantage of removing any stigma associated with free school meals but does also provide free meals to families regardless of income. Those on the lowest incomes are also entitled to: [free early learning and childcare from age two](#) rather than age three and meals in the school holidays.

The submission from the Scottish Women’s Budget Group refers to:

- The importance of the local government settlement for women, as the majority of employees and service users. While the Scottish Government highlight a cash terms increase, COSLA believe there is a £100 million cash terms cut.

- More needs to be done to “champion a feminist just transition”
- There is little in the budget for unpaid carers
- Further funding is needed for health and social care, above the £800 million additional funding provided

Note on local government budget: COSLA published a [‘budget reality’](#) report, setting out their view that there is a £100 million cut. The Scottish Government’s headline is a £791.4m increase in revenue funding. COSLA compare this to £891 million assigned to new policy commitments such as additional teachers and the £10.50 wage commitment. They conclude that the budget has not increased by enough to cover these new commitments and pressures, and therefore consider this to be a ‘cut’.

For more detail on the local government budget see [SPICe briefing on 2022-23 budget](#).

On theme 3: members may wish to discuss:

- 1. Are there any budget decisions that risk increasing inequality?**
- 2. We know that data in some areas is limited, but is the Scottish Government making best use of the data that it does have in order to analyse the potential for unintended consequences of its policies?**
- 3. What more could be done to ensure that Scottish budget decisions do not inadvertently cause inequalities to increase?**

Camilla Kidner, Senior Researcher, SPICe Research

20 December 2021

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Annex 1: Forecast spend by benefit

Table 1: Benefits with a BGA: forecast BGA, forecast spend and net position.

| £ million | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|--|------------|------------|------------|-------------|-------------|-------------|-------------|
| Attendance Allowance | | | | | | | |
| BGAs | 521 | 521 | 545 | 579 | 605 | 630 | 648 |
| SFC forecast | 528 | 519 | 545 | 575 | 600 | 628 | 653 |
| Difference | -6 | 2 | 0 | 4 | 5 | 3 | -5 |
| Carer's Allowance | | | | | | | |
| BGAs | 291 | 295 | 323 | 351 | 378 | 413 | 453 |
| SFC forecast | 296 | 301 | 315 | 348 | 380 | 412 | 445 |
| Difference | -5 | -6 | 8 | 3 | -3 | 0 | 8 |
| Disability Living Allowance[1] | | | | | | | |
| BGAs | 721 | 687 | 687 | 692 | 664 | 639 | 657 |
| SFC forecast | 722 | 700 | 710 | 721 | 712 | 699 | 687 |
| Difference | -1 | -13 | -23 | -29 | -48 | -61 | -29 |
| Industrial Injuries Disablement Scheme | | | | | | | |
| BGAs | 81 | 79 | 79 | 80 | 78 | 77 | 75 |
| SFC forecast | 83 | 81 | 81 | 81 | 80 | 79 | 78 |
| Difference | -1 | -1 | -1 | -1 | -2 | -2 | -3 |
| Cold Weather Payment [2] | | | | | | | |
| BGAs | | | 14 | 14 | 14 | 14 | 14 |
| SFC forecast | | | 21 | 21 | 21 | 21 | 22 |
| Difference | | | -7 | -7 | -7 | -7 | -8 |
| Personal Independence Payment [3] | | | | | | | |
| BGAs | 1,585 | 1,723 | 1,933 | 2,176 | 2,390 | 2,619 | 2,820 |
| SFC forecast | 1,626 | 1,734 | 1,948 | 2,322 | 2,588 | 2,806 | 3,034 |
| Difference | -41 | -11 | -15 | -146 | -198 | -187 | -214 |
| Severe Disablement Allowance | | | | | | | |
| BGAs | 8 | 7 | 6 | 5 | 4 | 4 | 3 |
| SFC forecast | 7 | 7 | 6 | 6 | 5 | 5 | 4 |
| Difference | 0 | 0 | 0 | 0 | -1 | -1 | -2 |
| Total social security payments with BGAs | | | | | | | |
| Block Grant | | | | | | | |
| Adjustments | 3,207 | 3,313 | 3,587 | 3,898 | 4,134 | 4,395 | 4,670 |
| SFC forecast | 3,262 | 3,343 | 3,626 | 4,074 | 4,387 | 4,650 | 4,922 |
| Difference | -55 | -30 | -38 | -176 | -253 | -255 | -252 |
| Sources: Scottish Fiscal Commission, Scottish Government | | | | | | | |
| Shaded BGA and Scottish revenue values show outturn | | | | | | | |
| [1] SFC forecast includes spending on Child Disability Payment, the Scottish Government's replacement for Disability Living Allowance (Child). [2] The SFC forecast for Low Income Winter Heating Assistance is compared against the Cold Weather Payment BGA. [3] The SFC forecast for Adult Disability Payment forecast is compared against the Personal Independence Payment BGA. These Block Grant Adjustments are calculated based on the OBR's October 2021 forecasts. | | | | | | | |

Table 2: Benefits unique to Scotland. Forecast spend £m

| £ million | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|--|------------|------------|------------|------------|------------|------------|------------|
| Scottish Child Payment | 6 | 56 | 197 | 362 | 360 | 362 | 363 |
| BSG: early years | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| BSG: school age | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| Carers Allowance | 59 | 60 | 42 | 46 | 50 | 55 | 58 |
| Supplement Child Winter Heating Assistance | 3 | 5 | 4 | 4 | 4 | 4 | 4 |
| DHP: bedroom tax | 63 | 67 | 68 | 70 | 71 | 73 | 76 |
| Total | 142 | 198 | 322 | 493 | 496 | 503 | 512 |

Table 3: Benefits funded elsewhere in the block grant. Forecast spend. £m

| £ million | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|------------------------------|------------|------------|-----------|-----------|-----------|-----------|-----------|
| BSG pregnancy and baby | 6 | 7 | 7 | 7 | 7 | 7 | 7 |
| Other DHP | 18.6 | 10.9 | 10.9 | 10.9 | 10.9 | 10.9 | 10.9 |
| SWF | 58 | 36 | 36 | 36 | 36 | 36 | 36 |
| BSF | 12 | 15 | 13 | 12 | 11 | 10 | 9 |
| Funeral Support Payment | 11 | 12 | 12 | 12 | 13 | 13 | 14 |
| Self Isolation Support Grant | 4 | 32 | 15 | | | | |
| Total | 110 | 112 | 94 | 78 | 78 | 77 | 77 |

Annex 2: Extract: Equality and Fairer Scotland Budget Statement: Portfolio Conclusions

Constitution, External Affairs and Culture: The 2022-23 CEAC budget is focused on maintaining and protecting spend that tackles inequality. The CEAC budget has avoided reductions in these areas, but has phased the implementation of some increases, for example the £5 million increase to the International Development Fund will be brought in across the term of the Parliament. The first phase will see the International Development Fund increase by £1.5 million in 2022-23.

Deputy First Minister and COVID Recovery; Not applicable as this is a new portfolio.

Education and Skills: Savings have been made in some aspects of the Education and Skills portfolio. We are committed to minimising the impact of any saving on disadvantaged groups

Finance and Economy: There have been budget reductions to some areas of the Finance and the Economy portfolio. Whilst we have sought to protect employment and skills programmes designed to respond to the ongoing impacts of the pandemic on disadvantaged groups this has been challenging when the consequential funding which supported those programmes this year is no longer available despite the continued impacts of COVID-19 on the labour market.

Health and social care: There are no budget reductions or savings within the Health and Social Care portfolio that impact on our ability and aspirations to tackle inequality

Justice and veterans: The portfolio's budget for 2022-23 represents an increase of 7.1% which will allow the justice system to continue addressing the substantial backlogs that have built up following the pandemic. It is for our justice partners to prioritise their budgets with due regard to the need to eliminate discrimination, advance equality of opportunity and to foster good working relations; as well as ensuring that they are meeting the requirements of the Public Sector Equality Duty and the Fairer Scotland Duty when taking strategic decisions.

Net Zero, Energy and Transport: There are no budget reductions or savings within the Net Zero, Energy And Transport portfolio that impact on our ability and aspirations to tackle inequality.

Rural Affairs and Islands: Overall the portfolio budget has had a slight uplift of around £5 million, from £962 million in 2021-22 up to £967 million in 2022-23. However many of the individual lower level budget lines have very little, if any, change. Historically, this stability was a reflection of the long-term nature of EU funding, however this now represents an active choice to maintain the largest spending lines – Basic Payments, Greening and LFASS which form 60% of the portfolio are identical in 2022-23 to in 2021-22. The largest changes on the resource budget are in the Agricultural Support and Related Services lines. The single largest change is an accounting adjustment on EU income, which represents a third of the overall adjustments. The next largest change is the introduction of the National Test Programme with funding of £10 million as a part of a wider package on agricultural transformation. This is a new experimental programme designed to support more climate and biodiversity sustaining farming approaches. This is additional to money being targeted through the traditional Agri-Environment schemes and should help improve the farming environment with the net benefits for the wider community. However as this is targeted at the same farming population it is not expected to have significant changes to equality impacts. The largest apparent change in the portfolio resource spend in the Rural Affairs and Islands is due to accounting changes following EU Exit. The most important change in actual budget lines is in the establishing of the National Test Programme to establish carbon positive and

biodiverse farming initiatives, which is in addition to traditional agri-environment schemes so should bring environmental benefits. This means there is little change to the equalities impacts of these funds overall. However as the new programme is targeted at the same farming population it is not expected to result in significant changes to the equalities impacts of the portfolio budget.

Social Justice, Housing and Local Government Portfolio Funding for child poverty and homelessness reflects continued spend to fulfil commitments to invest £50 million in each area over the parliamentary term. Careful consideration continues to be required to ensure investments from these budget lines successfully tackle inequality and assist in meeting our statutory child poverty targets. In addition to retaining funding levels for child poverty, our separate investment in the Scottish Child Payment will increase overall funding to tackle child poverty and assist in meeting our statutory targets. Social security investments reflect benefit forecasts from the Scottish Fiscal Commission. While some lines will be lower than 2021-22 this reflects anticipated need rather than any decision to reduce budgets. Work to maximise uptake of benefits will continue and should benefit equality groups.”