

## **Submission from Emma Congreve, Fraser of Allander Institute ahead of the Social Justice and Social Security Committee meeting, 17 March 2022**

The Fraser of Allander Institute is an independent research institute based within the University of Strathclyde. We carry out research to inform the big challenges facing our economy and society in Scotland. We are not politically aligned and we do not campaign on any issues.

This submission covers a number of points on how spending on social security has been presented in the Medium Term Financial Plan and the Resource Spending Review Framework and further information that may be helpful.

### **Analysis of social security spend as set out in the MTFS and the Resource Spending Review Framework document**

There is relatively little analysis on the outlook for social security within the MTFS.

There is more explanation in the Resource Spending Review Framework document. However, the analysis is hard to follow. There is a tendency to refer to social security expenditure as wholly outwith the control of government (for example: “we must meet expenditure as it arises”) and it is unclear how well the upside and downside scenarios relate to specific risks for spending in Scotland in the future.

### **Understanding ‘forecast error’ as defined**

Caseload and benefit expenditure will of course change if eligibility or payment rules change. If this happens after an official forecast has been made, then the forecasts will be different from what turns out to be the case. It seems this variation between forecast and outturn is part of what the Resource Spending Review Framework refers to as ‘forecast error’:

“The SFC has calculated that there was a variation of 3% between forecast and actual spend in 2020-21, over half of which reflected new Scottish Government spending decision during the pandemic...

...we do not yet have the data to assess forecast errors across the benefits over more than one year. Instead we have analysed variation between UK benefits payments and OBR forecasts over a number of years”

There are a number of issues that would be helpful to clarify in order to understand how well the scenarios capture potential under or overspend risks:

- Whether this variation between UK benefits payments and OBR forecasts covers means-tested and non-means tested benefits (and hence whether risks around the Scottish Child Payment is captured)
- The extent to which this variation has been due to policy change after the forecasts were made (which is within the control of government) or other, less controllable factors
- Whether inflationary pressure and changes to uprating is part of the variation captured

It is noted that Scottish benefits tend to have higher expenditure than the UK benefits that they replace, and some more analysis of the extent to which that has so far been the case would be useful particularly given that many benefits have not yet been modelled.

The Scottish Government also has a policy to increase benefit take-up which itself could impact on caseload and expenditure. Again, it does not appear that this has been considered.

### **Uncertainties linked to the fiscal framework**

There is no discussion over risks to the BGA due to spillover which remains a key question for some key benefits such as Carers Allowance where increasing eligibility will have a direct impact on reserved benefits that use Carers Allowance as a passport.

### **Linking preventative spend to social security**

Whilst both the MTFS and the Resource Spending Review Framework document mention preventative spend, there is no analysis of the extent to which a sufficient social security system can reduce demand on services.

"...vital to ensure that people receive the support they need within an affordable system that does not impact of the quality of wider public services they may also rely on"

The connection of social security to the wider economy and public spending over the term of the spending review is not considered. For example, investment in social security could reduce costs on other services, such as the NHS and social care by ensuring people can afford the goods and services they need to live well, and are not faced with unnecessary stress and uncertainty that can affect their mental health.

Better social care provision may limit the deterioration of health conditions and the need for social security to provide support. This link also does not appear to have been made.

### **Conclusion**

The MTFS and the Resource Spending Review Framework document could do more to fully encapsulate the risks, uncertainties and opportunities relating to social security spend in Scotland.