

Social Justice and Social Security Committee

**12th Meeting, 2022 (Session 6), Thursday,
31 March**

Up-rating Benefits and Doubling Scottish Child Payment

Introduction

This is a revised version of the paper issued for 17 March, taking account of the Scottish Government's decision to up-rate some benefits by 6% this year, the updated Office for Budget Responsibility forecasts and the Child Poverty Delivery Plan.

[The Social Security \(Up-rating\) \(Miscellaneous Amendment\) \(Scotland\) Regulations](#) were laid on 16 March replacing the draft laid on 28 January.

Up-rating Policy for 2022-23

On 16 March the Scottish Government [changed its up-rating policy for this year](#) and replaced the previous draft regulations. The new policy is:

- These regulations up-rate six benefits by 6%: Funeral Support Payment, Young Carer Grant, the three Best Start Grants and Child Winter Heating Assistance.
- Although not provided for in these regulations, the Job Start Payment and Carer's Allowance Supplement are also now due to increase by 6%.

The following measures remain the same as the previous draft regulations:

- Adult Disability Payment and Child Disability Payment will be up-rated by 3.1%.
- Best Start Foods is not increased.

- Scottish Child Payment is doubled. Technically this is not an uprating measure as the increase is not linked to inflation.

Cost of Uprating and SCP doubling

The Scottish Fiscal Commission forecast in December that the previous uprating policy would have added £112m to the 2022-23 social security budget. ([SFC economic and fiscal forecasts, December 2021](#), Figure 5.5). Doubling the Scottish Child Payment adds a further £103m (SFC Figure 5.5).

The Minister, Ben Macpherson told the Committee on 17 March that the new uprating policy will cost an additional £2.7m in 2022-23 and that this cost will be absorbed within the social security budget.

The cost of uprating accumulates over time. In December 2021 the SFC forecast that uprating would add £125m to the total devolved social security budget by 2026-27. Given current trends in inflation this figure is likely to be revised upwards when the SFC make their next forecast in May.

Uprating policy since 2019

[Section 86A Social Security \(Scotland\) Act 2018](#) requires Scottish Ministers to consider the effects of price inflation on most Social Security Scotland benefits and to lay a report in parliament each year. Their [report was published](#) alongside the draft budget on 9 December. [Table 1 in that report](#) gives the inflation adjusted figures for each benefit based on the rate of CPI in September 2021.

The Scottish Government set out their general approach to uprating in a [2019 policy paper](#). That is: uprating by the rate of the Consumer Prices Index (CPI) in the previous September with the benefit rate rounded to the nearest five pence.

However, in practice, this hasn't been applied consistently. Now that some benefits are increasing by 6% none are significantly lower than they would have been had a strict uprating policy been applied.

Both last year and this year some benefits have been increased by more than inflation.

In addition, three benefits have been increased outwith the normal uprating cycle: Best Start Foods was increased in August 2021 by 5.88% which means it is now almost the same value as if it had been consistently uprated by September CPI. Scottish Child Payment is being doubled and the Funeral Support Payment was increased considerably in 2020 by both DWP and the Scottish Government.

Table 1 below shows what the rate of each Social Security Scotland benefit would be in 2022-23 if had it been increased consistently by September CPI each year since it started. The table shows the difference between that figure with the actual benefit rate in 2022-23 – taking account of the new uprating policy of 6% for eight of those benefits.

Table 1: Uprating consistently by CPI (highlighting those affected by policy change to uprate by 6%).

	year started	rate if uprated annually by Sept CPI	actual rate 2022-23	difference
One-off grants				
Best Start Grant-baby (first child)	2018	£647.40	£642.35	-£5.05
BSG-baby (other children)	2018	£323.70	£321.20	-£2.50
BSG-toddler	2019	£263.40	£267.65	£4.25
BSG-school	2019	£263.40	£267.65	£1.30
Job Start Payment (standard)	2019	£259.05	£266.30	£7.26
JSP (higher rate)	2019	£414.45	£426.10	£11.64
Funeral Support Payment (standard rate)	2019	£737.65	£1,070.60	£332.95
FSP (funeral plan rate)	2019	£126.45	£130.65	£4.20
FSP (removal of medical devices)	2019	£21.10	£21.55	£0.45
annual payments				
Child Winter Heating Assistance	2020	£207.25	£214.10	£6.85
Young Carer Grant	2019	£316.15	£326.65	£10.50
Twice yearly payments				
Carer's Allowance Supplement	2018	£238.45	£245.30	£6.85
Weekly payments				
Best Start Foods (higher rate)	2019	£8.95	£9.00	£0.05
BSF(basic rate)	2019	£4.45	£4.50	£0.05
Scottish Child Payment	2020	£10.35	£20	£9.65

Based on September CPI rates since 2018 of: 3.0%, 2.4%, 1.7%, 0.5% and 3.1%. Benefit rate rounded to nearest five pence each year. Not including disability benefits as CDP has been running for less than a year and ADP is running as a pilot.

Scottish Child Payment

The Scottish Child Payment was initially set at £10 and intended to reduce child poverty by three percentage points once fully rolled out to under 16s. These regulations will increase it to £20 in April. It is expected to increase further to £25 by the end of the year.

This is not uprating for inflation as it is not linked to a measure of price inflation.

In January, the Poverty and Inequality Commission provided [advice to the Scottish Government on meeting its child poverty targets](#). This included further increases to the SCP, possibly targeted at priority families:

“Given the short time left to meet the interim targets, the Commission considers that further social security increases will be necessary to be assured of meeting them. Modelling has shown that increasing the Scottish Child Payment to around £40 per week would allow the interim targets to be met through social security alone. Alternatives would include using targeted Scottish Child Payment increases for priority families.”

The Scottish Government published its Child Poverty Delivery Plan last week which included an increase to £25.

The Committee is due to consider the child poverty delivery plan after Easter.

In advance of the full-roll out of SCP, 'bridging payments' are being provided to pupils in receipt of free school meals. These are paid in instalments at the equivalent of £10 per week. They are provided via local authority funding and so are not covered by these uprating regulations. The [local government settlement 2022-23](#) provided £68.2m for bridging payments.

SCOSS Report on Uprating

The Scottish Commission for Social Security (SCOSS) is required to report on uprating Social Security Scotland benefits. [They reported on 17 January](#) on the original regulations with four recommendations and the [Scottish Government responded on 28 January](#). In summary:

- Recommendation 1 asked for thoughts on the need for further action, given current inflation. The Scottish Government replied that uprating policy was set out in 2019 and is based on September CPI.
- Recommendation 2 asked whether the Scottish Child Payment 'bridging payment' will be doubled. It will not. It will remain at £520 in 2022, paid through four payments of £130.
- Recommendation on 3 asked whether Best Start Foods income threshold increase takes account of changes to the national minimum wage. It does.
- Recommendation 4 asked for thoughts on whether a 'double payment' of Carer's Allowance Supplement was needed in 2022-23. The Scottish Government replied that they: "will keep this under review as part of the on-going budget process."

Since that report the Scottish Government has changed its policy for six benefits. The [draft policy note to the replacement regulations](#) states that:

"As the situation requires legislation to be laid immediately, it has not been possible to allow SCoSS sufficient time for the necessary time to scrutinise and publish a report on the regulations.

[...]

As such we are laying this draft instrument under section 97(9)(b) of the Act without a report from the Commission having yet been prepared on the new version of the regulations. If SCoSS decide to provide a further scrutiny report, Ministers will respond to that report when it is published including to bring forward further legislation and to explain why they do not accept recommendations as appropriate."

Inflation Trend and Forecasts

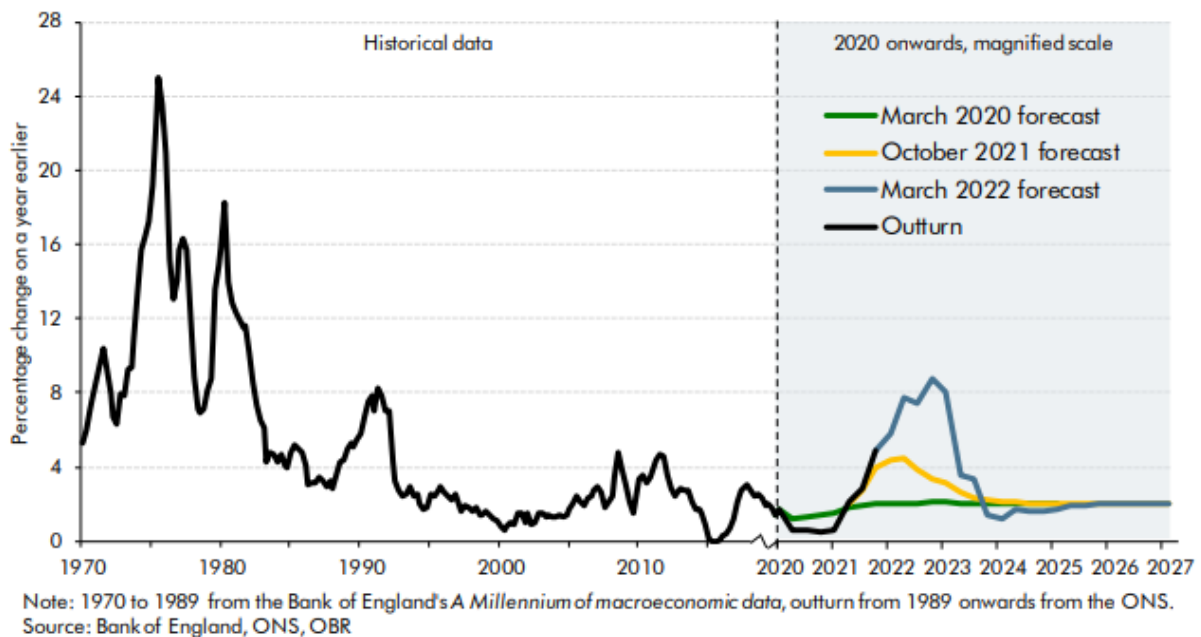
Office for Budget Responsibility (OBR) published new forecasts alongside the spring statement on 23 March. They expect inflation to average 7.4% for the rest of this year, with peak of 8.7% in the final quarter of 2022. Inflation is then expected to fall to 4.0% in 2023.

The OBR forecast a fall in living standards:

“The rise in inflation to a 40-year high this year is expected to reduce real household disposable incomes (RHDI) on a per-person basis by 2.2 per cent in 2022-23, the biggest fall in living standards in any single financial year since ONS records began in 1956-57.” ([OBR March forecast p.55](#))

The chart below is taken from the latest OBR forecasts and shows historical trend since 1970 and how recent forecasts have been revised upwards.

Chart 1: Inflation: trend and forecasts



Source: [OBR March Economic and Fiscal Forecasts, chart 2.6](#)

Committee discussion of uprating

The Committee considered the 2022-23 budget on [13 January](#) Points made by the Cabinet Secretary in January included:

- Child winter heating assistance is increasing above inflation;
“as we wanted to do all that we can to help families of the most severely disabled children and young people cope with rising energy costs. (col 20)
- Best Start Grants and Best Start Foods will be uprated ‘going forward’ (col 19)

- Best Start Foods is not being uprated but was increased in August 2021. The Scottish Government plans to extend entitlement to BSF “later in the parliamentary term” (col 19)

On not doubling the SCP ‘bridging payment’ she said:

“we have focused our doubling of the Scottish child payment in April on children under the age of six. We know that that will affect 60 per cent of households who are living in poverty, so it will have the biggest impact.” (col 8)

And on further ‘double payments’ of the Carer’s Allowance Supplement this year she said:

“We will keep the position under review as part of the ongoing budget process and, importantly, we will take into consideration the circumstances of carers. Financial constraints need to be balanced, as does where we are in the process of recovering from the pandemic.” (col 15)

The Committee also discussed uprating on [17 March](#). The Minister set out how:

- Cost of living pressures have risen since the original decision was taken on uprating and may yet rise further.
- The £2.7m cost of increasing some benefits by 6% will be absorbed in the social security budget for 2022-23.

UK Government benefit uprating

The UK Government has the same underlying uprating policy as the Scottish Government i.e uprate by the previous September’s CPI rate. This means most reserved benefits will increase by 3.1% in April. For details see: House of Commons Library: Benefit Uprating [CBP-9439.pdf \(parliament.uk\)](#)

[On 3 February](#) over 30 organisations called for UK benefits to be increased by 6%.

[On 24 February](#) the Joseph Rowntree Foundation asked for a 7% increase.

On 3 March, Child Poverty Action Group called for increases of at least 7% along with scrapping the benefit cap (Herald, 3 March 2021).

On 8 March, in its report on the cost of living (discussed above) the Resolution Foundation recommended 8.1% saying:

“Major additional benefit uprating is therefore needed this April (or, if this is not possible for some benefits, in October), likely offset by a reduced benefit rise in 2023.”

[...]

“For as many benefits as administratively possible, but at least UC and Tax Credits, uprating this April should not be 3.1 per cent but 8.1 per cent.”

At the spring statement the UK Government did not change its benefits uprating policy but did take other measures intended to address the cost of living. This includes:

- Cutting fuel duty by 5p
- The income threshold for at which point people start paying National Insurance will rise to £12,570 in July
- Local authorities will get another £500m for the Household Support Fund from April, creating a £1bn fund to help vulnerable households with rising living costs

The fuel duty and National Insurance changes apply across the UK, but it will be for the Scottish Government to decide how to spend the £41m Barnett consequential from the increase to the Household Support Fund.

Suggested themes for discussion

The following suggests two themes for discussion – uprating for inflation and benefit increases not related to inflation.

THEME 1: Uprating for inflation

As noted above, the general policy is to uprate by the rate of CPI in September.

Both last year and this, some benefits have been uprated above inflation. Other benefits have been increased, but not as part of the standard uprating cycle (eg additional Carer’s Allowance Supplement payment, August 2021 increase to Best Start Foods and doubling the Scottish Child Payment).

Other measures to address increasing costs include the policy, reflecting UK Government policy, to provide [£150 to most households through their council tax bills](#).

On theme 1 members may wish to discuss:

1. **Given the current volatility of inflation, is the Scottish Government going to review its 2019 policy of basing uprating on the previous September’s CPI?**
2. **What other measures is the Scottish Government taking to address the increasing cost of living?**
3. **Best Start Foods was increased in August 2021 by 5.88% to £18 per month. Was that increase linked to uprating for inflation? If not, is there merit in also uprating for inflation in order that the August increase maintains its value? ([BSF is available to](#) pregnant women and families with**

children under 3 who claim benefits and have income below a certain threshold. Eg Getting Universal Credit and earning under £660 per month. The Scottish Government intend to remove the income threshold by 2023-24)

THEME 2: Increases not related to uprating policy

The regulations double the Scottish Child Payment to £20. In their advice to the Scottish Government on the Child Poverty Delivery Plan, the Poverty and Inequality Commission recommended that:

“The Scottish Government is likely to need to increase the Scottish Child Payment beyond £20 per week in order to meet the interim child poverty targets.” ([Recommendation 5](#))

The Scottish Government has since announced that SCP will increase to £25 by December 2022. Internal modelling by the Scottish Government suggests that a £25 Scottish Child Payment could reduce the relative child poverty rate (after housing costs) by 5 percentage points in 2023/24 and that the interim target will be met.

The new Child Poverty Delivery Plan emphasises fair, flexible employment as a route out of poverty.

David Phillips, (Institute for Fiscal Studies) told the Committee on 17 March that a high value Scottish Child Payment creates a ‘cliff edge’ that may discourage people from seeking additional hours of work. This is because, if additional hours mean they will no longer be entitled to Universal Credit, they will also no longer be entitled to the Scottish Child Payment. At £20 or £25 per week per child, this could be a significant loss of income – particularly for large families.

[Annex 4 to the Child Poverty Delivery Plan](#) looks at the cumulative impact of all the policies including SCP and while it estimates that the interim target will be met it notes that as a whole:

“the policy package reduces work incentives for some parents in poverty”

The Committee could consider these issues in more detail after Easter.

In December the Scottish Government made a ‘double payment’ of Carer’s Allowance Supplement, but the 2022-23 budget does not include plans to repeat this. The Cabinet Secretary told this Committee on [13 January](#) that this would be kept under review. Shona Robison said:

“We will keep the position under review as part of the ongoing budget process and, importantly, we will take into consideration the circumstances of carers. Financial constraints need to be balanced, as does where we are in the process of recovering from the pandemic.” ([col 15 SJSS Committee Official Report 13 January 2022](#))

Neither of these increases were made as part of the Scottish Government's uprating policy. They raise a separate issue about the adequacy of benefit payments more broadly – whatever the rate of inflation.

On theme 2, members may wish to discuss:

- 1. What is the Scottish Government's response to suggestions that a high value SCP creates a 'cliff edge' which makes it more difficult for families to increase their working hours?**
- 2. Why is the 'bridging payment' not being increased to match the £20 SCP?**
- 3. Will the Scottish Government consider a 'double payment' of Carer's Allowance Supplement in 2022-23?**
- 4. Does the Scottish Government have any plans to consider the adequacy of benefit payment levels beyond its annual uprating policy?**

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24 March 2022