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## Social Justice and Social Security Committee

### 5th Meeting, 2022 (Session 6), Thursday, 22 February

## Up-rating Regulations 2024-25

### Introduction

Scottish Government policy is to up-rate all devolved benefits by 6.7% in 2024/25.

[The Social Security \(Up-rating\) \(Miscellaneous Amendments\) \(Scotland\) Regulations 2024](#) were laid in draft on 5 February and will up-rate Social Security Scotland benefits and Carer's Allowance/Carer Support Payment earnings thresholds.

The Committee will hear from:

- Shirley-Anne Sommerville, Cabinet Secretary for Social Justice
- Kyle Murray, Policy Advisor, Scottish Government
- Dominic Mellan, Economic Advisor, Scottish Government
- Katie Joshi, Lawyer, Scottish Government

## Background

### Other regulations

This paper discusses the Social Security (Up-rating) (Miscellaneous Amendments) (Scotland) Regulations 2024. 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.

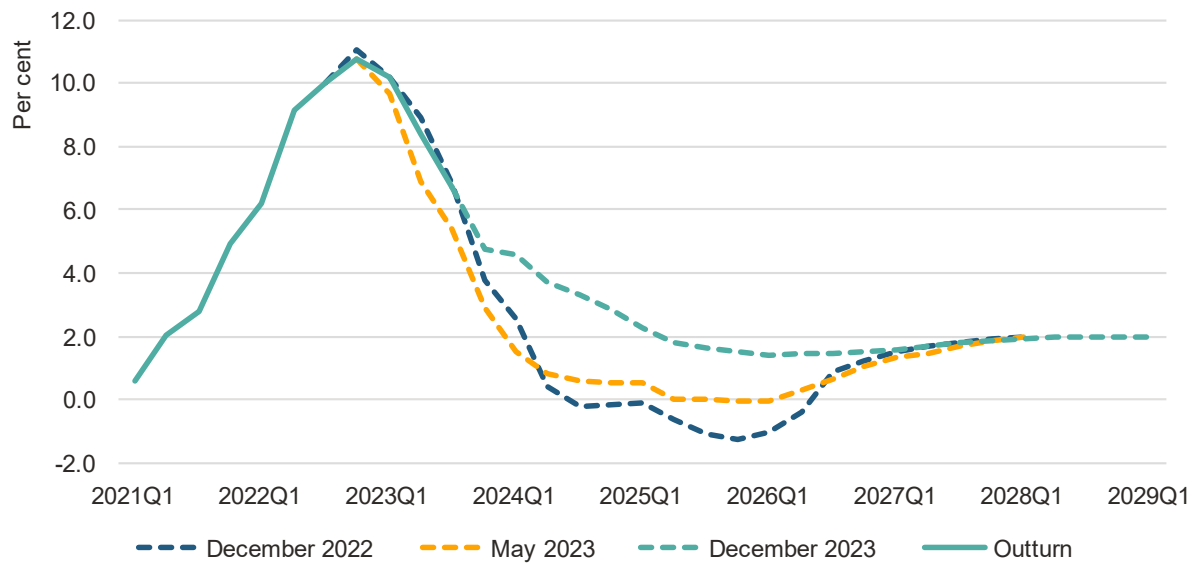
The [Council Tax Reduction \(Scotland\) Amendment Regulations 2024](#) is a negative instrument, up-rating relevant elements of Council Tax Reduction by 6.7%. Earnings related elements are up-rated by 7.8% (average earnings growth in July 2023).

The [Social Security Up-rating \(Scotland\) Order 2024](#) 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

The latest SFC forecasts show inflation falling sharply over the next year, returning to 2% in 2025. Chart 1 below shows the trend since 2021 and forecasts to 2029.

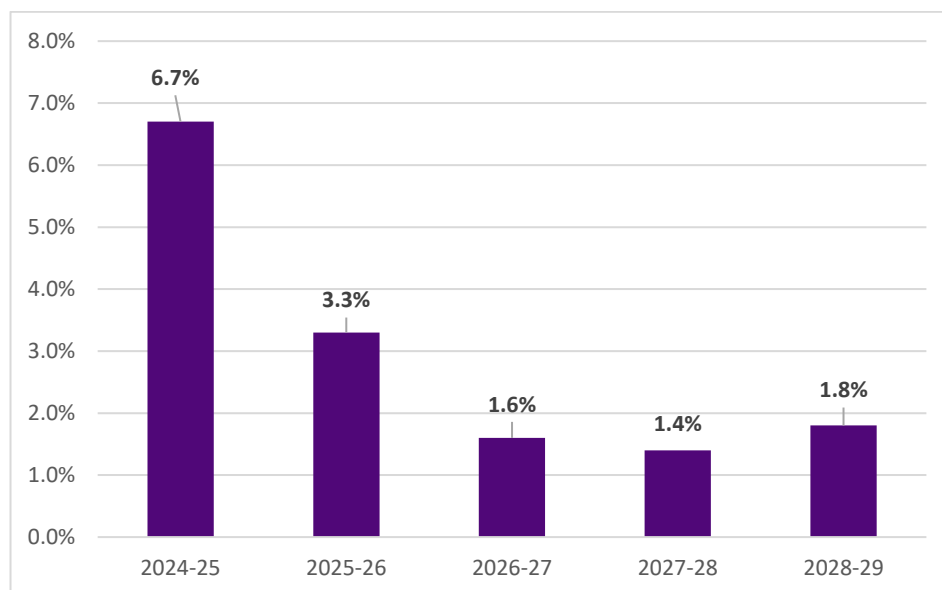
**Chart 1: Changing inflation forecasts**



Source: Scottish Fiscal Commission, December 2023 forecasts, fig 3.1

Latest inflation figures show that CPI inflation was [4% in the year to January 2024](#). Scottish Government and UK Government policy is to uprate social security benefits by the previous September’s level of CPI (Consumer Price Index) inflation. This was 6.7%. The SFC has made the following assumptions about future uprating of social security ([SFC fig 5.4](#)).

**Chart 2: Forecast social security uprating**



Source: SFC, fig 5.4. December 2023 forecasts

## Cost of uprating

The uprating policy increases devolved social security spending by £369 million in 2024-25 (SFC, Box 5.1).

The SFC forecast that the compounding effect of uprating will add around £1 billion to social security spending by 2028-29. However, they estimate that approximately 85% of this will be covered by the Block Grant Adjustment ([SFC, fig 5.5](#)).

In addition, the Scottish Government has decided to uprate those benefits where there is no statutory duty to do so. This will cost £5 million in 2024-25. (See below on discretionary uprating).

## Statutory requirements

The Scottish Government has [statutory duties on uprating](#). These are to:

- Lay a report in Parliament setting out their policy on uprating. [This year's report was published on 29 January \(Section 86A Social Security \(Scotland\) Act 2018\)](#)
- Scottish Commission on Social Security (SCoSS) to report on the uprating regulations, to which Scottish Government must respond when draft regulations are laid ([Section 97, 2018 Act](#)). They [reported on 19 January 2024](#) and the [Scottish Government responded on 26 January](#).
- 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

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 Consumer Price Inflation. CPI measures inflation in a defined 'basket of goods'.

This year the Scottish Government reviewed whether this was the best measure to use, publishing results of its '[Multicriteria decision analysis](#)' in January. The conclusion was that September CPI remained the best measure. Other options considered were CPI in different months or using 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. The September household costs measure was 8.2%. However, this measure scored poorly for delivery as it is not forecast, and as these are new statistics, publication schedules may change.

### Discretionary uprating

The Scottish Government has discretion whether to uprate other benefits (listed below). For 2024-25 it has chosen to uprate all benefits by inflation even where it has no legislative requirement to do so. The SFC forecast that this additional uprating will cost £5 million ([SFC para 5.25](#)). The payments uprated are:

- Best Start Grant
- Best Start Foods
- Child Winter Heating Assistance
- Winter Heating Payment
- Job Start Payment

The SCoSS report notes that:

“SCoSS understands that the rationale for this up-rating particularly relates to the objective of tackling child poverty, which also invokes social security principle (e) and contributes to equality in Scotland.”

The Scottish Government has also chosen to uprate the earnings threshold in Carer Support Payment by average earnings. The DWP has applied the same policy to Carer’s Allowance. This means that the amount a person can earn before they lose entitlement to either Carer’s Allowance or Carer’s Support Payment will increase in April from £139 to £151 per week, in line with the increase in average earnings in the year to May to July 2023 (8.5%).

### SCoSS Report

Uprating regulations [must be scrutinised by the Scottish Commission on Social Security](#). They [reported on 19 January 2024](#) making four recommendations and the Scottish Government responded on 26 January (table 1).

**Table 1: SCoSS recommendations and Scottish Government response**

| SCoSS Recommendation  | Scottish Government Response  |
|---|---|
| 1.Explanatory notes should refer to increases in the amount of payments rather than an increase in their value  | Rejected. The terminology must reflect that of the regulations.   |
| 2. To inform policy following the completion of case transfer, the Scottish Government should consider different measures for uprating earnings thresholds and consider the merits of making annual up-rating of earnings thresholds a requirement. | Accepted. “In anticipation of the completion of case transfer, we will consider our approach to up-rating of earnings thresholds for Scottish benefits.”  |
| 3The Scottish Government should conduct a further Multi Criteria Decision Analysis to inform its approach to the up-rating of social security payments following the completion of case transfer.   | Accepted: “As the completion of case transfer could be considered a significant change, the Scottish Government commits to carrying out additional analysis on the most appropriate measure to be used to assess inflation following this.” |

|  |   |
|--|---|
| 4. The Scottish Government should engage stakeholders with a range of expertise (including, but not necessarily limited to, the economy, social security, equality and poverty) to inform decisions on aspects of the next up-rating Multi Criteria Decision Analysis such as criteria, weighting and options to be considered.                  | Accepted: “Scottish Government officials will seek advice from not only internal but a range of external stakeholders on potential criteria, weighting and options to be considered.” |
| Observation: Given the links with the Budget, future potential changes to inflation measures or to up-rating policy should involve equality considerations. SCoSS would welcome being kept informed about the progress of the programme of improvement to equality impact assessments and its relationship with the Budget and up-rating process |   |

For full text see: [Scottish Government response to SCoSS, letter dated 26 January 2024.](#)

## 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: Up-rating required by statute**

|                                     | 2023-24   | 2024-25   | frequency    |
|-------------------------------------|-----------|-----------|--------------|
| <b>Child Disability Payment</b>     |           |           |              |
| highest rate care                   | £101.75   | £108.55   | weekly       |
| middle rate care                    | £68.10    | £72.65    | weekly       |
| lower rate care                     | £26.90    | £28.70    | weekly       |
| higher rate mobility                | £71.00    | £75.75    | weekly       |
| lower rate mobility                 | £26.90    | £28.70    | weekly       |
| <b>Adult Disability Payment</b>     |           |           |              |
| enhanced daily living               | £101.75   | £108.55   | weekly       |
| standard daily living               | £68.10    | £72.65    | weekly       |
| enhanced mobility                   | £71.00    | £75.75    | weekly       |
| standard mobility                   | £26.90    | £28.70    | weekly       |
| transitional rate                   | £26.90    | £28.70    | weekly       |
| <b>Carer Support Payment</b>        | £76.75    | £81.90    | weekly       |
| <b>Carer's Allowance Supplement</b> | £270.50   | £288.60   | twice a year |
| <b>Young Carer Grant</b>            | £359.65   | £383.75   | annual       |
| <b>Scottish Child Payment</b>       | £25.00    | £26.70    | weekly       |
| <b>Funeral Support Payment</b>      |           |           |              |
| higher rate                         | £1,178.75 | £1,275.75 | one-off      |
| lower rate                          | £143.85   | £153.50   | one-off      |
| medical device removal              | £23.75    | £81.90    | one-off      |

**Table 3: Discretionary uprating**

|                                     | 2023-24 | 2024-25 | frequency |
|-------------------------------------|---------|---------|-----------|
| <b>Best Start Grant</b>             |         |         |           |
| Pregnancy and baby 1st child        | £707.25 | £754.65 | one-off   |
| Pregnancy and baby other children   | £353.65 | £377.35 | one-off   |
| Early Learning                      | £294.70 | £314.45 | one-off   |
| School age                          | £294.70 | £314.45 | one-off   |
| <b>Best Start Food</b>              |         |         |           |
| Lower rate                          | £4.95   | £5.30   | weekly    |
| Higher rate                         | £9.90   | £10.60  | weekly    |
| <b>Child Winter Heating Payment</b> | £235.70 | £251.50 | annual    |
| <b>Winter Heating Payment</b>       | £55.05  | £58.75  | annual    |
| <b>Job Start Payment</b>            |         |         |           |
| standard rate                       | £294.70 | £314.45 | one-off   |
| higher rate                         | £471.50 | £503.10 | one-off   |
| <b>Carer Support Payment</b>        |         |         |           |
| earnings threshold                  | £138.00 | £151.00 | n/a       |

## Suggested Themes for Discussion

The following suggests two themes for discussion.

### Theme 1: Discretionary uprating

As noted, the Scottish Government has a statutory duty to uprate some types of assistance but not others. The table below sets out which current Social Security Scotland benefits require to be uprated and which are discretionary.

**Table: 4: Summary of required and discretionary uprating**

| Statutory requirement        | Discretionary                            |
|------------------------------|--|
| Child Disability Payment     | Best Start Grant                         |
| Adult Disability Payment     | Best Start Foods                         |
| Carer Support Payment        | Winter Heating Payment                   |
| Carer's Allowance Supplement | Child Winter Heating Payment             |
| Young Carer Grant            | Job Start Payment                        |
| Funeral Support Payment      | Carer Support Payment earnings threshold |
| Scottish Child Payment       |  |

This year, the Scottish Government has decided to uprate all benefits by 6.7%. Officials explained to SCoSS that:

“During the current cost of living crisis, it is vital that the real-terms value of these payments are maintained for clients. After taking into consideration the effects of inflation, this will be achieved by increasing these payments by 6.7%. These social security payments support those on the lowest incomes in Scotland, strengthen our collective action on child poverty, in particular for

some of the six priority families such as families with a child under one, and provide support for people with protected characteristics, such as disability.” (SCoSS report para 2.1)

The forecast cost of this discretionary uprating policy is £5 million in 2024-25.

### ***Earnings Threshold***

Carer Support Payment has an earnings threshold. To be eligible, an individual must be earning less than £139 per week (2023-24 rate, net after tax and certain other deductions). While the payment rate for Carer Support Payment must be uprated for inflation, there is no such requirement to uprate the earnings threshold. However, Scottish Government policy is to uprate it by average earnings and it will increase in 2024-25 to £151 per week. This is just over 12 hours per week at the statutory living wage.

The Scottish Government policy is to align Carer Support Payment with Carer’s Allowance until the completion of case transfer:

“With the introduction of Carer Support Payment (CSP), to prevent a two tier system where some people in Scotland receive CA and others receive CSP, increases in the rate and earnings limit will align with CA until the completion of case transfer. We aim to complete case transfer for all disability and carer benefits by the end of 2025.” ([Scottish Government response to SCoSS](#))

SCoSS recommended that:

“Recommendation 2: To inform policy following the completion of case transfer, the Scottish Government should consider different measures for up-rating earnings thresholds and consider the merits of making annual up-rating of earnings thresholds a requirement.”

In reply the Scottish Government said that:

“As the completion of case transfer could be considered a significant change, the Scottish Government commits to carrying out additional analysis on the most appropriate measure to be used to assess inflation following this.”

In the recent social security investment debate on 7 February, the Cabinet Secretary said that:

“I can confirm that we are on target to complete all case transfer for care and disability benefits in 2025” ([Chamber Official Report, 7<sup>th</sup> February, col 66](#)).

### ***New benefits***

The Social Security (Amendment)(Scotland) Bill, currently at stage 1, would introduce regulation making powers to create childhood assistance and care experience assistance. It does not appear that the Bill adds these forms of assistance to the list at [section 86B of the 2018 Act](#) that must be uprated to reflect inflation.



**Member may wish to discuss:**

1. **What is the policy justification for having a statutory requirement to uprate some benefits but not others?**
2. **In explaining the decision to uprate benefits such as Best Start Foods and Best Start Grant this year the Scottish Government told SCoSS that this will: “strengthen our collective action on child poverty.” If these benefits can contribute to reducing child poverty, why not have a statutory requirement to uprate them?**
3. **The Social Security Bill, currently before Parliament, would introduce two new forms of assistance – Childhood Assistance and Care Experience Assistance. Should there be a statutory requirement to uprate these for inflation?**
4. **As case transfer for Carer Support Payment is expected to be complete in 2025 does the Social Security Bill provide a timely opportunity to introduce a statutory requirement to uprate the Carer Support Payment earnings threshold?**

**Theme 2: Benefit adequacy**

The Scottish Government’s uprating policy is based on looking at the general level of CPI inflation. However, some goods have been subject to much higher inflation – particularly food and energy. This can erode the adequacy of benefit payments, even where they are uprated to reflect the level of general inflation.

The Scottish Government has reviewed the possibility of using Household Costs Indices to uprate benefits, but has concluded that CPI remains the better measure, at least for now.

**Winter heating**

There are three devolved annual payments for winter heating.

- Winter Heating Payment £55.05 this year, increasing to £58.75 in 2024-25.
- Child Winter Heating Payment, £235.70 this year, increasing to £251.70 in 2024-25.
- Pension Age Winter Heating Payment, forecast to pay on average £173.98 in 2024-25 when it replaces Winter Fuel Payment later this year.

The Office for National Statistics (ONS) reports that in the year to December 2023 gas prices fell by 31.0% and electricity prices fell by 15.4%. However, this follows a period of exceptionally high inflation. ONS also report that:

- Around one in five (19%) adults reported that they were occasionally, hardly ever, or never able to keep comfortably warm in their home in the past two weeks (survey 18 October 2023 to 1 January 2024)



- 44% of adults in Great Britain are using less fuel, such as gas or electricity, in their homes because of the rising cost of living. (Survey 17 to 28 January 2024)
- Around 4 in 10 adults (41%) who pay energy bills said it was very or somewhat difficult to afford them. (Survey 17 to 28 January 2024)

[ONS, Cost of Living Insights, Energy. 2 February 2024](#)

### **Best Start Foods**

Best Start Foods is a weekly payment for families with children under three, intended to help low-income families buy healthy food. Following the recent extension to eligibility it is available to families in receipt of low-income reserved benefits, such as Universal Credit.

The basic payment is currently £4.95 per week in pregnancy and for each child aged 1 or 2 years of age. This will increase to £5.30 per week in 2024-25. There is a double payment for babies under a year old.

Food inflation is easing, however the Office for National Statistics comment that:

“Although the rate at which food prices are rising has slowed, they remain high. The overall price of food and non-alcoholic beverages rose around 26% between December 2022 and December 2023. In the 10 years prior to this, overall food and non-alcoholic beverage prices rose by 9%.” [ONS, Cost of Living Insights, Food. 2 February 2024.](#)

### **Scottish Child Payment**

The Scottish Child Payment was introduced at £10 per week in February 2021. It increased to £20 in April 2022 and to £25 per week that November. In 2024-25 it will increase to £26.70 per week. The Scottish Fiscal Commission forecast that by 2028-29 it will be worth £28.95 per week. Ahead of the Scottish Government budget [over 150 organisations wrote to the First](#) Minister asking the SCP to be increased to £30.

At £26.70, in 2024-25 the SCP is forecast to cost £457 million in 2024-25.

At £28.95, in 2028-29 the SCP is forecast to cost £492 million in 2028-29.

**Members may wish to discuss:**

- 5. Given the recent high inflation for energy and food, will the Scottish Government review the adequacy of payments for winter heating and Best Start Foods?**
- 6. What is the scope for future ‘above inflation’ increases in the Scottish Child Payment?**

**Camilla Kidner**  
**SPICe**  
**15 February 2024**