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Dear Convener

This letter is to inform you that Scottish Ministers have today laid the Scottish Child Payment Regulations 2020 and accompanying documents in Parliament. As per section 97 of the Social Security (Scotland) Act we have also issued a response to the Scottish Commission on Social Security (SCoSS) recommendations on the draft Regulations and I have attached a copy of the full response to this letter.

We have also laid the draft First-tier Tribunal for Scotland Social Security Chamber (Procedure and Composition) Amendment Regulations 2020. The main purpose of these Regulations is to make minor, technical amendments to the Tribunal Regulations to ensure that the handling of appeals in relation to the Scottish Child Payment (SCP) is consistent with the other devolved benefits.

My statement of 1 April made clear that I fully recognise the additional hardship being faced by families as a result of COVID-19 and as such I have prioritised resources to ensure the SCP is launched as soon as practically possible. To that end we have worked at pace to ensure that applications for the SCP will open in November, with first payments from the end of February 2021. This is only two months later than originally planned, despite the unprecedented challenges of COVID-19.

I am grateful for the contribution that SCoSS have made in scrutinising the draft Regulations. Further to the publication of their scrutiny report, I wanted to draw the your attention in particular to two amendments that have been made to the draft Regulations.

<u>Uprating the Scottish Child Payment</u>

As you are aware when the SCP was announced in June 2019, the Scottish Government made a commitment that the assistance would be uprated annually in line with inflation. As such, the draft Regulations shared with SCoSS had placed a duty on Scottish Ministers to consider the effects of inflation and to uprate the SCP. Subsequent to this it became clear that the ability to make provision for uprating is not in the enabling powers relating to the draft Regulations.

As the full response to the Commission's recommendations makes clear, we do however, remain strongly committed to uprating the SCP. As such, I intend to bring forward an amendment at Stage 3 of the Social Security Administration and Tribunal Membership (Scotland) Bill to include benefits introduced under section 79 of the Social Security (Scotland) Act in the duty to review under section 77 of the 2018 Act, and to provide a duty to uprate SCP under section 78 of the Act. As first payments of the SCP will start from the end of February 2021, the duty to uprate would be effective from April 2022.

Fuller detail is included in the Scottish Government's accompanying response. This includes an annex setting out our position to uprating the SCP, the cost implications of adopting a double lock approach as well as our commitment to review the effectiveness of existing inflation measures to align with our social security principles of continuous improvement and advancement of equality and non-discrimination.

Given we have already made a public commitment to uprate the SCP, these costs are already included within our current forecast and our future financial plans. I will, however, be writing shortly to the Finance and Constitution Committee to confirm this and the costs involved as per the supplementary costing published by the Scottish Fiscal Commission today.

Coronavirus (Scotland) Act

Finally, given the evolving nature of the pandemic, we have included in the draft Regulations a relaxation of timescales where an individual cannot otherwise meet these timescales due to coronavirus. The provisions in Part 7 of the draft Regulations mirror the Coronavirus (Scotland) Act 2020, which relates to existing benefits.

I look forward to appearing before Committee to give evidence on the draft Regulations, in due course.

Yours sincerely

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Annex A

Scottish Government response to recommendations on the draft Scottish Child Payment Regulations

SCoSS recommendation	**Accept/ Partially accept/ Decline**	**SG Response**
1. The Scottish Government should explore whether there is any deliverable way of ensuring continuity of SCP support to those families who meet the criteria, avoiding loss of entitlement when a child turns six between the launch of the SCP and its extension to older children.	Accept	**SG response**: We have explored the potential to make continuing payments to children who turn 6 between launch and full rollout of the benefit. This revolves around the issue over accessing the data we need from the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC) to verify parental responsibility for over 6s. We are putting in place a robust new legal gateway (via a Section 104 order) to receive bulk data from HMRC for children of any age. We already have such a format for under 6s, because we have had data feeds for this age group before, for our existing benefits. But we will need to work with HMRC to ensure that they also convert their data for children aged 6 and over into a useable format, and to set up new data feeds for this age group. In addition, we would also need data from the DWP and the previous Secretary of State for Work and Pensions confirmed in August 2019 that we would not be able to get this data in time for the 2020 launch. The DWP is now working under substantial pressure as a result of the coronavirus and the subsequent increase in Universal Credit applications has resulted in the redeployment of many staff to front line service.

		Once the data has been received from the UK Government, we would still need to build the interface to accommodate transfer of the data and to make continuing payments. As such, we have explored where there is the potential to make payments “at risk.” to avoid loss of entitlement when a child turns six. This would mean placing a duty on applicants to inform us if their circumstances change, including if they lose responsibility for their child. However, our conclusion was that this presents significant audit and reputational risks for the Scottish Government and Social Security Scotland. If we are unable to prove clients’ eligibility for the benefit, we would ultimately not be compliant with the Scottish Public Finance Manual. We also considered if we could routinely ask all clients in receipt of continuing payments to provide documentary evidence of ongoing responsibility at agreed intervals. Given the scale of clients within scope (in the tens of thousands), and the clerical nature of such checks, this would place an enormous administrative burden on Social Security Scotland, with consequent staff resource and cost implications, even at a relatively low frequency of checking. Nor does manual verification of eligibility necessarily remove the risks around compliance with the Scottish Public Finance Manual as the checks would be retrospective and limited, given the administrative burden, to a only a sample of payments.
2. If and when it can be operationally delivered, the Scottish Government should give claimants a choice of more frequent payments of SCP. The Scottish Government should consider the desirability and	Accept	**SG response**: We have committed to reviewing payment frequency as part of the wider review of the Scottish Child Payment. This will take place as part of the evaluation of the policies within the *Tackling Child Poverty Delivery Plan* (the

feasibility of aligning SCP payments with universal credit in the future, including a choice between monthly or twice-monthly payments.		plan runs from 2018 – 2022). If the review concludes that the majority of claimants would like a choice of more frequent payments, then we will consider the feasibility and timescale of delivery. When we were conducting the user research on the SCP, there was no clear consensus on the favoured frequency of benefit payment, given the different ways that people manage their household budgets. We recognise, however, the value of giving clients a choice in terms of frequency of payment. This presents additional complexities from an operational perspective which will be explored more fully as part of the SCP's review and we will consider adapting our approach, should the further evidence that we gather from user research show that a choice of more frequent payments is desirable.
3. In view of the specific poverty reduction objective for the SCP, the Scottish Government should consider a 'double lock' approach to uprating the SCP, so that payments increase annually by the higher of CPI inflation or growth in median income.	Decline	**SG response**: The Scottish Government is committed to uprating certain types of devolved assistance each year to ensure that the assistance individuals receive maintains its value over time when prices are changing. Section 77 of the Social Security (Scotland) Act (the Act) places a duty on Scottish Ministers to publish a report each year that sets out the impact of inflation on all types of assistance given under Part 2 of the Act and what they intend to do for the next financial year. Section 78 also places a duty on Scottish Ministers to bring forward legislation to uprate carer's, disability, employment-injury and funeral expense assistance by inflation, which is the change in the general level of relevant prices.

		When the Scottish Child Payment was announced in June 2019, the Scottish Government made a commitment that the assistance would be uprated annually in line with inflation. As such, the draft Regulations shared with SCoSS had placed a duty on Scottish Ministers to consider the effects of inflation and to uprate the Scottish Child Payment. Subsequent to this it has become clear that the ability to make provision for uprating is not in the enabling powers relating to the draft Regulations. We, do however, remain strongly committed to uprating the Scottish Child Payment and, therefore, the Scottish Government intends to lay an amendment at Stage 3 of the Social Security Administration and Tribunal Membership (Scotland) Bill to include benefits introduced under section 79 of the Social Security (Scotland) Act – known as 'top up' benefits - in the duty to review under section 77 of the 2018 Act, and to provide a duty to uprate Scottish Child Payment under section 78 of the Act. As first payments of the Scottish Child Payment will start from the end of February 2021, the duty to uprate will be effective from April 2022. This will ensure that when assessed, as per section 77, if the Scottish Child Payment is materially below its inflation-adjusted level, we will uprate annually by inflation to protect the value of the payment from eroding when prices are rising. A short paper on the Scottish Government's policy on uprating the Scottish Child Payment, including the cost implications for public finances of 'double locking' the Scottish Child Payment has been published as an annex to

		this response. We will continue to monitor the effectiveness of existing inflation measures, and explore the development of emerging inflation measures, so that it aligns with our Social Security principle of continuous improvement and advancement of equality and non-discrimination.
4. The Scottish Government should continually review its approach to promoting take-up of the SCP with input from stakeholders, claimants and potential claimants. The Scottish Government should work proactively with the DWP with a view to making automatic awards of SCP in the future.	Accept	**SG response**: We are equipping third-sector and local authority partners with the information they need to best support their clients – through the work of the stakeholder take-up reference group, and the development of a stakeholder take-up toolkit, which will include the SCP. The stakeholder take-up group is designed so that members can bring their experience, expertise, and extensive networks to bear in supporting the implementation and monitoring of the first strategy, as well as feeding into the development of the second and subsequent benefit take-up strategies. A strategic communications and engagement plan for the SCP plan is being developed and includes messaging that has been through rounds of testing with our target audience. The key messages can be dialled up and dialled down at any time during the campaign in reaction to how effective they are. The campaign will be monitored by listening to stakeholder and client feedback as well as utilising a range of analytical tools. We will react to these findings and adapt our communications where necessary to ensure they are effective. The communications plan includes stakeholder communications, advertising, marketing and PR. We have taken what has already worked successfully to promote Best Start Grant and we have gathered further insights from our target audiences about how they usually hear about new

		services/products/support and how they would like to be communicated with. We have identified a range of stakeholders we will work with to maximise benefit take-up and we will make our campaign resources readily available to them. Our resources will be accessible and available in a range of formats and languages. We communicate with our stakeholders via a number of channels and we always encourage feedback. We considered an automated model for the SCP, however, it was rejected for a number of reasons. This included the technical complexity of designing it, the resulting risks to delivery of the other devolved benefits, and the ongoing uncertainty around delays to Universal Credit migration which would have meant that clients awaiting migration would not be eligible to receive the SCP unless additional interfaces with legacy systems were also built. We will review the feasibility again as part of the wider review of the SCP when it is fully rolled out, and we hope at that time there will be more certainty in terms of the timescales around Universal Credit migration. As part of take-up considerations we have committed to exploring where we could more readily automate payments of the Best Start Grant and Best Start Foods for those who are eligible for SCP.
5. The Scottish Government should consider the desirability and feasibility of a tapered withdrawal of the SCP, as non-social security income approaches the upper limit for eligibility for the qualifying benefit.	Partially accept	There is a case for tapering the SCP as it would allow the payment to be withdrawn gradually and avoid situations when a household does not gain from increasing hours or earnings. However, the advantages of tapering should be

This would avoid the risk of a small increase in earnings resulting in a larger loss of benefit income.		viewed in context of the size of payment and the ease of designing and implementing a taper. There are advantages in having simple and easily understandable rules to give households certainty about their entitlement, which may be more difficult to achieve with some of the more complex means-testing approaches. In theory, the most efficient approach would be for the SCP to effectively simulate an increase in the UC Maximum Award, which is tapered when a household is no longer eligible for UC, thereby creating a uniform taper with the UC. However, this approach would involve identifying and means-testing payments for households outside of the UC system, which is likely to be complex and could create confusion for claimants. For the SCP under 6s this becomes even more challenging operationally as eligibility relies on receipt of a suite of reserved benefits, including Universal Credit, Tax Credits, Jobseeker's Allowance all of which have their own separate taper rates. We would need to agree new data sharing with HMRC and design a new interface with HMRC and develop new functionality to allow the data to integrate with our systems. Even if HMRC support this it would be time consuming and costly. As SCP has been built using existing BSF/BSF system functionality this could destabilise the current system and will require extensive testing.
6. The Scottish Government/Social Security Scotland should publish the clearest possible guidance on when recovery of overpayments will or will not be	Accept	**SG response**: Guidance in relation to the recovery of overpayments is in development. In deciding what to publish we will take into account the views of SCoSS and other

pursued. The Scottish Government should also make provision for an independent review of any decision to recover an overpayment.		stakeholders such as the Agency Operations Reference Group, with whom we have been working closely. Where a debtor is not on any ongoing benefit Social Security Scotland will review the overpayment decision on request. If the debt is enforced this will be done through civil ligation, providing an opportunity for an independent review of the decision. Any decision to make deductions must form part of a determination of entitlement to that benefit. This provides a right to challenge through Chapter 3 of Part 2 of the Act, and the mirroring provisions in the draft Scottish Child Payment Regulations, in respect of redetermination and appeal to the First-tier Tribunal.
7. The Scottish Government should consider amending the Schedule to the draft Regulations, or part 2 of the Act, to clarify whether a redetermination or appeal should take account of changes of circumstances subsequent to the initial application.	Partially accept	**SG response:** The application process as set out in Regulations does not take into account any change of circumstance in relation to the applicant's circumstances up to and including the application date. If a change of circumstance occurs that may or would cause the applicant to become eligible for SCP after the application date they can and should submit a fresh application to the Agency for consideration. This will be reflected in the general guidance and in communication with the applicant. We believe that taking an approach to ensure it is as clear as possible that applicants can re-apply allows us to be comfortable that we're ensuring fairness, clarity and consistency in the application and challenge process.

8. The Scottish Government should extend the 14 day period during which a decision maker can take account of post application changes of circumstances so as to allow simultaneous applications for universal credit and the SCP.	Decline	**SG response**: The 14 day period does not mean that the Agency will disallow an application after 14 days if a UC claim has not been assessed. The 14 days allows an application for SCP to be held for processing at a later date in cases where the UC award (or other eligibility conditions) are not met on the date of the SCP application, but can be expected to be met within 14 days of the SCP application date.
9. In light of the different terms used in the Act and draft Regulations, the Scottish Government should publish guidance explaining that an award of the qualifying reserved benefit is required to confer eligibility to the SCP, or any other top-up under section 79.	Accept	**SG response**: Guidance to clients as part of the application form and the accompanying communications and take-up strategy to will make clear that an award of a qualifying benefit is required in order to confer eligibility to the SCP.
10. The Scottish Government should clarify the circumstances in which a nil award of a qualifying benefit can confer entitlement to the SCP, ideally in the Regulations but, failing that, in Decision Maker Guidance.	Accept	**SG response**: The draft Regulations set out that a nil award of a qualifying benefit as a result of sanctions can confer entitlement to the SCP (regulation 15(2) of the draft Regulations).
11. The Scottish Government should ensure the Regulations and guidance are clear on how competing applications will be resolved, including any right of appeal that the unsuccessful applicant might have, taking into account the fact that one applicant might not be aware of the other application.	Accept	**SG response**: We have considered carefully how competing applications should be resolved and the draft Regulations set out a hierarchy of benefits that will be applied in the event that we get two applications for the same child. To evidence child responsibility for the SCP, a claimant must receive a child responsibility benefit or have a legal order or agreement that evidences kinship care responsibilities. For the child responsibility benefits, HMRC and DWP would expect parents to decide between them who will claim a benefit (and will decide themselves if agreement cannot be

		reached). However, we are aware that it is possible for one parent to claim Child Benefit, while the other person claims Child Tax Credits, Universal Credit Child Element, or Pension Credit Child Addition. Where both parents are also in receipt of an eligible qualifying benefit, both could therefore claim the Scottish Child Payment. As we have set out in the policy position paper of January 2020, we will introduce a hierarchy of benefits to be used in instances of competing claims. Under UK benefit regulations, Child Tax Credits, Universal Credit Child Element, and Pension Credit Child Addition are seen as having a more robust test of responsibility, given that the child has to live with the person who is claiming the benefit. As such, in cases where there are competing claims, we will specify that the agency will pay the person receiving Child Tax Credits/Universal Credit Child Element/Pension Credit Child Addition, rather than the person receiving Child Benefit or holding a kinship care order/agreement. If one person does not qualify for the SCP as a result of this hierarchy being applied, then the client will be informed of the reason why and provided a right to challenge through Chapter 3 of Part 2 of the Act relating to redetermination and appeal to the First-tier Tribunal and the mirroring provisions in the draft Regulations
12. The Scottish Government's proposed review of the SCP should explore issues raised in the Commission's report and actively involve prospective recipients including parents of older children and other relevant stakeholders. If feasible, the review	Accept	**SG response**: We are considering when an evaluation of the SCP is best undertaken. We will begin monitoring the Payment from the initial delivery date by ensuring that appropriate data is collected. We will only be able to evaluate whether the policy has met its stated objectives,

should be undertaken before the extension of SCP to older children.		including the impact on child poverty, when the SCP is fully rolled out. This is because the objectives have been designed for the full policy and not the early introduction of the Payment to under 6s. Nonetheless, acknowledging how important it is to monitor the policy we will start estimating the actual take-up of the Scottish Child Payment once data on volume of payments become available from Social Security Scotland. In addition, we are exploring the possibility of evaluating the experience of recipients by undertaking small qualitative research with the Scottish Child Payment recipients working together with the Clients Insights team in Social Security Scotland. We will work out the details and timelines of the survey in the coming months. We have already committed to reviewing the Scottish Child Payment during the course of the next Tackling Child Poverty Delivery Plan (2022-2026) and will continue to work closely with stakeholders to ensure that support is targeted on those families that need it most.
13**.** When developing new Regulations, the Scottish Government should routinely review whether there is scope to increase consistency and coherence across Regulations, unless there is good reason for differences between them.	Accept	**SG response**: We will ensure that regulations are subject to ongoing policy and legal review, to ensure consistency as far as possible across the devolved benefits, especially in relation cross cutting issues. There are often good policy and operational rationale for diverging in relation to cross cutting issues in regulations. For example, the time limits for redeterminations across Wave 1 and Wave 2 forms of assistance are different because the complexity of the rules of the benefits in Wave 2 are much greater. As such we will keep the regulations under continual review to ensure that they best meet the client's needs.

14**.** Subject to clarification on detriment to the UK Government for the purposes of the fiscal framework, the Scottish Government should seek to maximise take-up of reserved benefits that confer eligibility to the SCP, through initiatives led by the Scottish Government or, if possible, in partnership with the DWP.	Accept	**SG response:** The Benefit Take-up Strategy focuses primarily on the devolved benefits, delivering on the duty set out in the Act to prepare such a strategy. The DWP has no published approach to increasing take-up of its benefits and we reiterate calls for the UK Government to take a more active role in the ensuring reserved benefits go to all those who are eligible. Reserved benefits are the responsibility of the DWP and we have no direct influence on how these benefits are claimed or the processes used. However, where eligibility for a devolved benefit is conditional on being in receipt of a reserved benefit we will ensure people are aware of that. In February 2020, the Cabinet Secretary for Social Security wrote to the Secretary of State for Work and Pensions to seek assurances that there will be no fiscal detriment to the Scottish Government where reserved benefit take-up increases as a result of our promotion of devolved benefits – for example Universal Credit as a qualifying benefit for the Scottish Child Payment. Following discussion with Her Majesty's Treasury, the Secretary of State has now written to confirm that the UK Government does not consider the circumstances set out to be a spill-over effect following the principles set out in the Scottish Government's Fiscal Framework. This much-needed clarification marks an important milestone as we advance our commitment to promoting benefit take-

		up, and one that could pave the way for more joint working on the promotion of benefit take-up.
15**.** Issues and learning around the future use of the section 79 top-up power more generally should form part of any future review of the SCP.	Accept	**SG response**: The SCP will be the first form of top up to be introduced under the provisions within section 79 of the Act and will enable us to get the SCP to those families most in need via the quickest possible route. However, we have been always been clear that the top up route does not afford us the flexibility of primary legislation. Where that has been the case, we have set out clearly the implications for the SCP in policy position papers that we published in October 2019 and January 2020. We are always keen to learn lessons, as we have with other devolved benefits. We will conduct a full review of the SCP, as part of the wider review of the Tackling Child Poverty Delivery Plan and the most appropriate legislative route for the benefit will be considered as part of this.
Supplementary Scrutiny on Draft Regulations (additional legal text)		
1. The Scottish Government should develop effective means of promoting both take-up and awareness of how early applications will be treated during the initial application period.	Accept	**SG response:** User insight gathering of client behaviour towards the apply now phase and message testing of how we communicate this roll-out approach was commissioned, and the feedback has been used to develop a detailed strategic communications plan. The plan includes stakeholder communications, marketing (including advertising) and PR. There will be a bank of messages that will be communicated during this period and will be monitored and further refined based on our clients understanding and how they engage with us.

2. The Scottish Government should carry out a review of the effectiveness of the initial application and payment arrangements, whether as part of any wider review of the SCP or separately. This review could then inform decisions on whether to adopt an initial application phase during the roll out of future forms of social security assistance.	Accept	**SG response**: The Scottish Government is committed to building requirements based on user needs. We will continue to conduct user research via a number of streams, including client feedback surveys, that will allow us to collate user needs and turn these into requirements for continuous improvement development teams.
3. The Scottish Government should clarify how it will identify post-application changes of circumstances during the initial application period, including whether, or in what circumstances, applicants will be expected to report any changes of circumstances to Social Security Scotland. The Scottish Government should also clarify how it will deal with over- or underpayments that result from errors in this process	Accept	**SG response**: Clients will be required to inform us of any changes to their circumstances, and make a declaration on in their application form. This will be made clear to clients during the initial application period in public facing communications. If the client informs us of a change during the initial application period, no eligibility has been determined and no payments will have been made, therefore there will be no over/underpayments. If the client fails to report a change of circumstances after eligibility period, and this failure to report results in an over/under payment, Social Security Scotland will: • for an underpayment - process the change and recalculate the benefit based on the draft Regulations. • for an overpayment - where a debtor is not on any ongoing benefit Social Security Scotland will review the overpayment decision on request. If the debt is enforced this will be done through civil ligation, providing an opportunity for an independent review of the decision.

		Any decision to make deductions must form part of a determination of entitlement to that benefit. This provides a right to challenge under Chapter 3 of Part 2 of the Act and the mirroring provisions in the draft Regulations relating to redetermination and appeal to the First-tier Tribunal.
4. The Scottish Government should consider amending the Regulations to include a method of differentiating between multiple SCP applications in respect of the same child during the initial application period, where draft Regulation 3 does not already do so. How competing applications will be treated in this period should be made clear to applicants and advice providers.	Accept	**SG response:** As set out in the response to recommendation 11 in the substantive report, we have a hierarchy in place to resolve competing claims which will also be in place during the initial application period. Eligibility for the Scottish Child Payment will not be assessed until the end of the pre-application period and the hierarchy will come into play at that point. This will be set out in communications to applicants and advice providers. We have reviewed Regulation 3 (now at Part 1 (5) of the Schedule) which sets out the provisions for dealing with competing claims and made a number of amendments. This includes removing provisions previously at Regulation 3 (4) (b) and (d) as only one payment of these benefits can be made per child. Applicants will also have a right to challenge under the provisions of Chapter 3 of Part 2 of the Act and the mirroring provisions in the draft Regulations relating to redetermination and appeal to the First-tier Tribunal.
5. The Scottish Government should consider setting a date for the automatic repeal of Regulations relating to the transitional provisions.	Decline	**SG response:** The transitional provisions in the draft Regulations will remain in force but not have any operative effect once the circumstances to which they apply have come to an end. This is acceptable from a legal perspective and it would be highly unusual to provide for an automatic repeal with the Regulations.

Uprating the Scottish Child Payment

Purpose

1. This paper sets out the Scottish Government's policy on uprating the Scottish Child Payment in the context of the Scottish Government's position on the purpose of uprating social security assistance. It also provides the illustrative cost of uprating the Scottish Child Payment with a double lock approach as recommended by the Scottish Commission on Social Security.

Background

2. Under section 77 of 'The Social Security (Scotland) Act 2018' ('the 2018 Act') Scottish Ministers must consider the effects of inflation on all devolved assistance that are being delivered and report to the Scottish Parliament before each financial year on what they intend to do as a result of the changes to inflation. Section 78 of the Act specifically commits Scottish Ministers to annually uprate carer's, disability, employment-injury and funeral expense assistance where the current rate falls 'materially below' what it would be if adjusted in line with inflation.

3. The Scottish Government's position on the purpose of uprating is that it ensures that the payment keeps pace with the change in the general level of prices. An Uprating Policy Paper and Analytical Report[1] that set out the Scottish Government's approach to uprating were considered by the Social Security Committee and the Scottish Commission on Social Security in autumn 2019. The recommended uprating policy going forward is that the assistance would be uprated with the September CPI with the payment rounded to the nearest five pence.

Uprating of the Scottish Child Payment

4. As noted by the Institute for Fiscal Studies[2], one purpose of benefits is to provide a minimum standard of living and therefore their level should reflect the cost of purchasing the goods and services required to provide that minimum standard. Uprating with price inflation protects the value of benefits from eroding when prices are rising.

5. This principle underpins the Scottish Government's position on the purpose of uprating, namely that it ensures the payment keeps pace with the change in the general level of prices, with the adequacy of benefit payments reviewed during the annual budget process. As such when the Scottish Child Payment was first announced in June 2019, the Scottish Government made a commitment that the assistance would be uprated annually in line with price inflation.

6. The argument for uprating with earnings growth, or a double lock can be more relevant for contribution-based or earnings-related benefits because their value is linked to what people have paid in, or the 'contribution base'.[3] As eligibility for the Scottish Child

[1] Scottish Government (2019), Annual Uprating of Devolved Social Security Assistance
[2] Institute for Fiscal Studies (2016), Falling sterling, rising prices and the benefits freeze
[3] Joseph Rowntree Foundation (2008), The impact of benefit and tax uprating on incomes and poverty

Payment is based on receipt of a series of means-tested reserved benefits, we believe that uprating with earnings growth is therefore less well founded.

7. The illustrative costs for uprating the Scottish Child Payment through a double-lock approach are provided from point 11 onwards. The Scottish Government has to operate within a balanced budget each financial year which needs to deliver on a range of key commitments. With only limited ability to borrow and use a reserve, any new spending commitments must be managed sustainably in line with the principles set out in the Medium Term Financial Strategy.

8. The Social Security and Older People portfolio budget covers the range of benefits devolved to Scotland including disability and carer's benefits and the newly established benefits. During 2019-20 we paid over £345 million through five benefits, notably including over £320 million to carers and £20 million through our Best Start Grant, with approximately £290 million funded from Block Grant Adjustments. Next year, as a result of the roll-out of the Scottish Child Payment we expect to invest over £180 million in benefits specific to Scotland that we do not receive a Block Grant Adjustment for. This shows the significant investment that the Scottish Government is making in social security. A double lock would have a significant and persistent impact upon the wider Scottish budget. If the additional expenditure to double lock the Scottish Child Payment were to be agreed, expenditure on the other important areas of work the Scottish Government does would therefore have to be correspondingly reduced assuming a constrained funding outlook.

9. As such, the Scottish Government intends to lay an amendment at Stage 3 of the Social Security Administration and Tribunal Membership (Scotland) Bill to include benefits introduced under section 79 of the Social Security (Scotland) Act – known as 'top up' benefits - in the duty to review under section 77 of the 2018 Act, and to provide a duty to uprate by inflation the Scottish Child Payment under section 78 of the Act. This will ensure a consistent approach to uprating across all the devolved assistance.

10. We will continue to monitor the effectiveness of existing inflation measures, and explore the development of emerging inflation measures, so that it aligns with our Social Security principle of continuous improvement and advancement of equality and non-discrimination.

Illustrative cost of double lock uprating

11. Table A shows the rates of CPI inflation and Average Earnings Growth (AEG) in the financial years 2022-23 to 2024-25. The CPI rates are the central scenario estimates in the Office for Budget Responsibility's fiscal sustainability report[4], whereas the AEG rates are calculated from the central scenario estimates of average earnings level in the same report.

[4] Office for Budget Responsibility (July 2020), Fiscal Sustainability Report

Table A: CPI inflation and Average Earnings Growth estimates

Uprating Year	CPI	AEG	Double lock
2022-23	1.4%	5.1%	uprating with AEG
2023-24	1.9%	2.8%	uprating with AEG
2024-25	2.0%	2.9%	uprating with AEG

Note: In calculating illustrative costs of the double lock, we have followed the DWP approach to state pension triple lock as closely as possible. This is in line with the three month average growth in earnings from the previous May to July and the annual CPI rate from the previous September.

12. As the AEG rate is forecast to be higher than CPI from 2022-23 onwards, under a double lock approach the Scottish Child Payment is uprated with AEG and it could result in an additional cost of £9 million in 2024-25. Table B shows the illustrative costs of uprating the Scottish Child Payment with AEG under a double lock approach and the additional cost compared to uprating with CPI.

Table B: Uprating Scottish Child Payment with double lock

Uprating Year	Weekly payment (uprated with CPI)	Annual cost	Weekly payment (uprated with AEG)	Annual cost	Additional annual cost of double lock uprating
2022-23	£10.15	£111m	£10.50	£114m	£4m
2023-24	£10.35	£184m	£10.80	£192m	£8m
2024-25	£10.55	£179m	£11.10	£188m	£9m

Note: The costs of uprating with CPI come from the forecast caseload and expenditure published from the Scottish Fiscal Commission in September 2020.[5] *The illustrative costs of uprating with AEG and additional costs of double lock uprating are based on Scottish Government analysis using the Scottish Fiscal Commission's forecasts.*

13. It is noted that the estimated effect of double lock is based on provisional estimates of inflation and earnings growth. Considering how uncertain the current economic environment is, the trajectory of either rate and corresponding effect of double lock approach may be different.

[5] https://www.fiscalcommission.scot/forecast/supplementary-costing-scottish-child-payment/