26 June 2019

Dear Convener,

In light of the Cabinet Secretary for Communities and Local Government’s statement to Parliament today, we are writing to update members on the Scottish Government’s plans for the Scottish Child Payment and implications for the delivery of the programme of devolved benefits.

In 2017, the Scottish Parliament unanimously passed the Child Poverty (Scotland) Act which set challenging targets to ensure that income inequality for families is significantly reduced by 2030. Our ambition, set in law, would reduce relative child poverty from one in four now to one in 10 by 2030. As set out in the statement today, we are delivering on the actions as set out in our first Tackling Child Poverty Delivery Plan (TCPDP) in order to make progress on that ambition.

Child and in-work poverty levels in Scotland are currently lower than in the UK as a whole, suggesting that our policies are already contributing to positive impacts. However, a quarter of children living in relative poverty in a country as prosperous as Scotland is not acceptable. We are doing what we can to tackle poverty but with one hand tied behind our back given the devastating impact of the UK Government’s welfare cuts and benefits freeze – policies the Scottish Government has consistently called for an end to.

While advice from the Poverty and Inequality Commission made clear that reductions in child poverty could not be secured through devolved social security alone, making social security payments to low income families is one of the direct ways for governments to influence child poverty. In recognition of this, the commitment to work towards introducing an income supplement - a regular payment for low income families - is the TCPDP’s flagship policy.

The Scottish Child Payment

Today, the Cabinet Secretary for Communities and Local Government set out the detail of how we will deliver early on our commitment to introduce an income supplement. This new
benefit – the Scottish Child Payment will be delivered by our agency Social Security Scotland, and has the potential to be a transformative measure for children and families in poverty.

Since the publication of the TCPDP, significant work has been undertaken to develop the payment without jeopardising the clear government priority to ensure the safe and secure delivery of the benefits devolved under the Scotland Act 2016. The detail of this work is set out in the policy position paper [www.gov.scot/publications/scottish-government-position-paper-scottish-child-payment] and accompanying Analysis of Options for the Income Supplement report [www.gov.scot/publications/analysis-options-income-supplement] both of which were published today.

The Scottish Child Payment will be made to children under the age of 6 before the end of this parliamentary term (March 2021) to ensure that we make good progress towards our interim child poverty targets in 2023-24. We know that almost 60% of children in poverty live in a household with a child under 6 years old. So policies that help families with children in the early year’s age group are likely to be impactful. The Scottish Child Payment will then be rolled out to all eligible children aged under 16 by the end of 2022. We anticipate that an estimated 410,000 children will be eligible for the benefit, with the potential to bring 30,000 children out of poverty and reduce relative poverty by 3 percentage points.

Eligibility for the Scottish Child Payment will be based on receipt of existing qualifying benefits and delivered on a regular basis for each eligible child through an application-based process. You will see from the policy position paper and the analytical paper that various options were considered. We will build on our experience of developing a multi-channel application process for the existing devolved benefits, delivered by our own social security agency, Social Security Scotland. Taking this approach is an efficient and timely option, whilst ensuring that clients are treated with dignity, fairness and respect.

In terms of the legislative basis for the Scottish Child Payment, in recognition of the urgency to introduce the new benefit, we will do so through secondary legislation, using our powers to top up reserved benefits. We will introduce regulations by the end of 2019 and these will be submitted to the Scottish Commission on Social Security for scrutiny.

Clearly the Scottish Child Payment is a significant investment in our lowest income families, and that will have an impact on the Scottish Government’s budget. In the first full year of payments to under 6’s (2021/22) policy costs are expected to be around £70 million, rising to £180 million in the first full year of full roll-out to under 16’s (2023/24) – that is a significant investment in our children and families. The total establishment cost of the new payment to the end of this parliament, including implementation and administration, is estimated to be in the region of £32.5 million (across 2019/20 and 2020/21).

The Scottish Government set out in our Medium Term Financial Strategy a commitment to a Spending Review. In committing to this new benefit we will have to consider other spending priorities to ensure a balanced budget position. We will also ensure the Scottish Parliament has the opportunity to scrutinise these spending commitments and priority in the course of the Spending Review.

The programme of devolved benefits

As members are aware, delivery of the Scottish Child Payment will take place at the same time that the Scottish Government is also taking over delivery responsibility for many of the benefits devolved under the Scotland Act 2016, including the complex disability and carer
benefits. Audit Scotland recently highlighted the additional delivery challenges which these benefits present, and noted that:

“Given the emphasis on safe and secure delivery and the complexity and scale of work ahead, it is difficult to see how the programme could progress more quickly.”


We agree with that assessment. As we have repeatedly stressed, the safe and effective delivery of social security is of the utmost importance. In deciding to take forward such a substantial commitment as the Scottish Child Payment, sooner than planned, we therefore know that we will need to make adjustments to delivery of the current social security programme to accommodate the introduction of this new benefit. This is the only realistic and safe way to introduce the Scottish Child Payment early.

The Cabinet Secretary for Communities and Social Justice set out in her statement to Parliament today that we expect that the timings for our introduction of two benefits, Disability Assistance for Older People and Scottish Carer’s Allowance, will need to change to accommodate the new Scottish Child Payment. Introduction of Disability Assistance for Older People would move from winter 2020 to 2021, while Scottish Carer’s Allowance would be introduced in early 2022 instead of late 2021.

In addition, we anticipate that the transfer of people’s existing cases from DWP to Social Security Scotland will now be completed in mid-2025, rather than 2024 as we had previously expected.

We will test these and our other assumptions over the summer as we assess the detailed impact of the new Scottish Child Payment on our plans for delivery of the devolved benefits. We anticipate that there will be implications for our resourcing and supplier arrangements, as well as for Social Security Scotland’s estates and recruitment planning. As with all our benefits, we will also need to work closely with the Department for Work and Pensions and have commissioned DWP officials to work over the summer to assess the expected impact of the Scottish Child Payment on their business processes. We will of course keep the Committee updated on the findings from these assessments.

The Scottish Child Payment is a major commitment of this Government. It will raise a potential 30,000 children out of poverty and provide vital support to our lowest income families. While its delivery will be hugely challenging, its potential for helping some of the most vulnerable in our society is equally great. We would be happy to appear before the Committee to discuss the Scottish Child Payment with you in more detail following the summer recess.

Yours sincerely,

SHIRLEY-ANNE SOMERVILLE
AILEEN CAMPBELL