



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Social Justice and Social Security Committee

Thursday 7 October 2021

Session 6



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Pàrlamaid na h-Alba

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Thursday 7 October 2021

CONTENTS

DECISION ON TAKING BUSINESS IN PRIVATE	Col. 1
PRE-BUDGET SCRUTINY 2022-23	2

SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE
7th Meeting 2021, Session 6

CONVENER

*Neil Gray (Airdrie and Shotts) (SNP)

DEPUTY CONVENER

Natalie Don (Renfrewshire North and West) (SNP)

COMMITTEE MEMBERS

- *Jeremy Balfour (Lothian) (Con)
- *Miles Briggs (Lothian) (Con)
- *Foyso Choudhury (Lothian) (Lab)
- *Pam Duncan-Glancy (Glasgow) (Lab)
- *Marie McNair (Clydebank and Milngavie) (SNP)
- *Emma Roddick (Highlands and Islands) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Eilidh Dickson (Engender)
- Lawrie Morgan-Klein (StepChange)
- Claire Murdoch (Scottish Fiscal Commission)
- Satwat Rehman (One Parent Families Scotland)
- Professor Alasdair Smith (Scottish Fiscal Commission)
- Jon Sparkes (Crisis)
- Professor David Ulph (Scottish Fiscal Commission)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 7 October 2021

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Neil Gray): Good morning. Welcome to the seventh meeting of the Social Justice and Social Security Committee in 2021. Apologies have been received from Natalie Don.

Our first item of business today is a decision to take items 3 and 4 in private. Is that agreed?

Members indicated agreement.

Pre-budget Scrutiny 2022-23

09:01

The Convener: Our next item is an evidence session on the committee's pre-budget work in preparation for the Scottish Government's publication of its 2022-23 budget. I am pleased to see that we have our first panel of witnesses online today. The focus of the first panel is to take a broader look at the budget and to further explore child poverty targets. The focus of the second panel is the Scottish Fiscal Commission's forecast social security spend, particularly its forecast for the adult disability payment.

I welcome to the meeting our first panel of witnesses, who are joining us remotely: Eilidh Dickson, policy and parliamentary manager at Engender; Satwat Rehman, director of One Parent Families Scotland; Jon Sparkes, chief executive at Crisis; and Lawrie Morgan-Klein, public affairs officer at StepChange. Thank you very much for joining us.

I have a few housekeeping points to mention before we kick off. Please allow our broadcasting colleagues a few seconds to turn on your microphones before you start to speak. Witnesses can indicate with an R in the dialogue box in BlueJeans or simply with a show of their hand if they wish to come in on a question. Do not feel that you have to answer every question if you have nothing new to add to what has already been said by others; that is okay, too. We have around an hour for this session and, as I have intimated to them already, could colleagues in the committee direct their questions to whichever witness they would prefer to answer, or to all the witnesses, whichever the case may be?

Pam Duncan-Glancy will ask the first set of questions.

Pam Duncan-Glancy (Glasgow) (Lab): Thanks very much for joining us and for the submissions that you have sent in, which have been very helpful.

At the beginning of this week, as you will know, the Joseph Rowntree Foundation reported on poverty as part of challenge poverty week. It highlighted the importance of lifting people in the six target groups in Scotland out of poverty. Could the panel say something about what would be needed in employment support to do that for lone parents, for women and for disabled people? What role does social security have in that context?

The Convener: As that is directed to all panellists, could I start with Eilidh Dickson, please, followed by Jon Sparkes, Satwat Rehman and Lawrie Morgan-Klein?

Eilidh Dickson (Engender): Thank you very much, convener and the rest of the committee, for inviting Engender today.

On Pam Duncan-Glancy's question about labour market support for women, I think that it is vital first to point out that women exist in every single priority group. We need to take an intersectional approach to the labour market support that we are putting in place to support each group. Close the Gap is Scotland's gender and labour market expert, and I highly recommend that the committee looks at some of the work that it has done, which demonstrates that women, particularly younger women, who are most likely to correlate with the age group who have children, and black and minority ethnic women, who are statistically likely to have larger families, are likely to work in the sectors that have been most affected by pandemic-related restrictions.

Although furlough has been a useful tool in suppressing the higher rates of unemployment that we might have otherwise expected to see because of the disruption that those sectors have experienced, furlough is now coming to an end and we are still waiting to see what the future holds in relation to labour market disruption. Women have also experienced labour market disruption because of the distribution of care, which was removed from the state back into the household over the pandemic: care for children, care for older people and care for disabled people. We need to take a whole-system look at this problem, and social security will play a vital role in that. Women are more likely to work part time and are therefore more likely to use social security to top up their income, both through universal credit and through other payments to support families, including the Scottish child payment and the best start grant.

There is an important role for social security to play. We need to support some of the sectors that women's employment is found in through budget-related measures. It is important at this stage to make the point clearly that we will not reach the child poverty targets unless we support women's labour market access and social security access to income. We need to bear in mind that children do not care for themselves and we need to pay attention to the fact that mothers still do the vast majority of unpaid care for children and take on the mental load as well of support for children.

I will leave it there, but I might come back on more specific points that we can look to. I will leave it to others who work more closely with the labour market to come in before I say any more.

Jon Sparkes (Crisis): I support everything that Eilidh Dickson has said about disproportionate impacts. Certainly, from a homelessness point of view, although the single biggest reason we see

for women becoming homeless relates to domestic abuse, it is too easy to assume that that is everything, whereas the underlying causes relate to poverty—[Inaudible.]—in the workplace, in family and so on.

I will highlight a couple of points. One is the knock-on impact on children and why this line of questioning is so important. Last year, there were 11,800 children in families who were assessed as homeless; that is, of course, devastating at the time for those children, but the impact is very long term. All the research shows us that the two biggest predictors—not necessarily causes—of homelessness as an adult are poverty as a child and adverse childhood experiences. Such adverse childhood experiences may include being homeless, so you can see that there is an intergenerational cycle here. That is why it is so important to tackle this.

The thing that I would stress is the impact of housing costs. Over the past couple of decades in Scotland in particular, and particularly in the private rented sector, we have seen very high increases in the housing cost to income ratio for working-age households. Clearly, that is a driver of poverty that needs to be addressed.

I would point to a couple of things. One is the evidence that One Parent Families Scotland gave about increasing the discretionary housing payments budget and directing local authorities to target additional funds towards people who are affected by the benefit cap, thereby mitigating the impact of the cap, as one way of closing that ratio between housing costs and ability to pay. The other piece that I would point to is the Chartered Institute of Housing saying that the Scottish Government should consider making use of its social security powers to top up support for housing costs in the private rented sector as a direct way of addressing this.

I will stop there. There may be some more specific points to come back on.

Satwat Rehman (One Parent Families Scotland): Thank you very much and hello. I am thinking about the current situation we are in and what we are trying to do on child poverty. Many of the families we work with are seeing a loss of income with the £20 cut to universal credit. We are seeing increasing household costs and concerns about further increases in household costs; for example, fuel is a big issue. Things could get a lot worse before we begin to see how we can provide support to make them better.

In the short term, social security plays a critical role in this, as does the work that we have done with partners who are here giving evidence and others on the need to double the Scottish child payment and so on. We need to support the

families we work with to be able to stabilise their income before we can start to look at employment, training and qualification support for the longer term. As Jon Sparkes said, all these things are fundamental—housing, adequate income and so on.

What many of the parents we work with have told us is that Covid-19 and the measures that were taken to restrict the spread of Covid-19 have created a situation in which they have been at home alone, home schooling, trying to look for work, trying to work and so on, and that has had an impact on health and wellbeing. What many of them have said is, “Don’t expect us to be able to pick up from where we left off at the start of this. We feel that we need further support before we can do that.” When we are looking at employment and training initiatives, we need to be building that in. We need to be looking at this in a holistic way so that we have family support and health and wellbeing support all part and parcel of what we see as employment support for the families we work with.

On the specifics, we were very pleased to see an increase in the parent employability support fund and, within that, a bespoke offer for single parent families. If we are going to tackle child poverty effectively in the short and medium term, although we need the general overall employability initiatives, we need to drill down into what the specifics are for each of the priority groups and how we can support them and address some of those specifics.

To go back to Eilidh Dickson’s point on intersectionality and intersecting inequalities, many of the families in poverty cut across more than one of the priority groups. We need to look at how we can come up with a programme that recognises the specifics of the experience. What is also critical for employment is ensuring that the support is integrated and aligned with childcare, transport links and all those things that need to be in place to make the transition to work for those who can work and want to work something relatively easy, as opposed to a series of hurdles that they need to overcome. Critical to that is training and qualifications and how we support families in the priority groups and families living in poverty on a journey towards a good job, not just any job. The work-first approach that we have at the moment with the punitive benefit system is very much about people getting any job, but we want jobs that will support single parents to balance their responsibilities as the sole carer and the sole breadwinner; we do not want one to be at the expense of the other.

We would like to see the equivalent of the young persons guarantee for young parents in the priority groups and families living in poverty, and a

pathway being developed that aligns so that, where we know that we will have growth in good-quality jobs in the future, we support parents living in poverty to be in a position to take up some of those jobs. We are not just looking at the traditional sectors that women have gone into but thinking about the green jobs and so on, as part of the just transition, and how we can make this integral and part and parcel of that journey.

The Convener: Thank you, that is very helpful. Lawrie Morgan-Klein, you are next.

Lawrie Morgan-Klein (StepChange): Sorry, convener, but I think that I have lost you.

The Convener: The video feed is struggling a little bit, but we can hear you.

09:15

Lawrie Morgan-Klein: Okay, that is good—you are spared the sight of my face. Thank you for the opportunity to give evidence. That is a crucial question from a problem-debt perspective. When we are talking about problem debt, we know that we are often talking about women. The majority—more than 60 per cent—of the people whom we advise are women. That percentage has been steady. There are many reasons behind that.

I will drill down into priority families and households with children. So far in 2021, 39 per cent of our clients come from households with children. We know that there is particular pressure on lone parents, and I am particularly concerned about the impact on age groups. We have seen a big shift in the age of our clients through last year and into this year. The trend, which is moving from an older, late middle-aged group to people in their mid-20s to mid-30s, has been long running, but the shift has been really apparent in the past year. The burden is shifting on to the younger lone parents at the moment, too.

The wider vulnerability impact cannot be understated either. The significant mental health challenges that our clients are facing is increasing, and we have more clients who are vulnerable. One of the issues is linked to what was mentioned earlier about housing costs, which are the crux of many problems. Priority arrears, council tax, utility costs and rent, which are often the most challenging area of debt for those whom we advise, are pressing heavily on people.

At this point, it is also important to say that the majority of people who come to us for help are renters, many of whom rent from private landlords. There is a real concern about how tenants can deal with those priority payments, and that pressure has particularly increased for our clients with children who are in vulnerable groups.

One way in which we can look at that is the recently announced tenant support grant—and the tenant hardship loan fund, for that matter. We need to widen the conversation around that. It is great that the grant covers rent arrears, but for the clients whom we advise, rent is not the only issue. Someone who is behind on rent is likely to also be behind on utility bills and council tax as well. We have to see all that together.

When considering the grant, we need to look at how we can also address some of those priority costs. Clients will be utilising what credit is available to them to pay the priority bills, because they recognise the importance of those bills to their safety and security, and to the safety of their children, for those clients who have them. We need to look carefully at what more we can do.

The longevity of support is crucial. Furlough has been mentioned as being good for sustaining employment, and it has been. Obviously, that has come to an end. The cut to universal credit, which I hope that we can talk a bit more about later on, will have a huge impact. That will impact on vulnerable clients who make up the priority group in particular. My hope would be that we can maintain the tenant support grant beyond March 2022.

We also need to look at putting more funding into the grant. One of the crucial things that I really want to land about problem debt is that it has a long-term impact on finances. Clients who have maybe just kept their heads above water over the past 18 months have lost their financial resilience and will be vulnerable to further financial shocks. The ordinary life events that we all sometimes experience will continue to leave households vulnerable for a number of years. We must make sure that we do not just see this in terms of our moving away from supporting households that have been impacted by Covid because—we hope—the public health consequences are receding.

We will have clients coming to us for help from those households for years to come, who will be able to trace their issues with debt right back to what has happened over the past year. There is a particular pressure on lone parents, which we are concerned about, and we know that there is a particular vulnerability for families with children. That is definitely something that we can see in our statistics.

The Convener: Thank you very much, Lawrie. Eilidh Dickson, I think that you want to come back in briefly.

Eilidh Dickson: I do, thank you. I just want to make a quick point in relation to some of what Satwat Rehman, in particular, mentioned around childcare and support for labour market access for

women. We need to ensure that we are aligning, and there is coherence between, policies such as the gender pay gap action plan and employability support and programmes such as the living wage. Some 60 per cent of the workers who are paid less than the living wage are women, which, obviously, has a huge impact on the ability to meet the child poverty delivery targets. When we are discussing about what more is needed, we must ensure that the policy frameworks that are in place align well.

I fully agree with the point about the immediacy of looking at social security. That might not be the only lever, but we perhaps need to look at it urgently, as we wait to see some of the pay-offs in measures such as the gender pay gap action plan.

Marie McNair (Clydebank and Milngavie) (SNP): I will direct my first question to One Parent Families Scotland. Despite our best efforts, the United Kingdom Government is going ahead with the biggest-ever cut to social security since the 1930s by removing the £20-a-week uplift to universal credit. How big a blow is that to everyone's efforts to reduce child poverty?

Satwat Rehman: It is a significant blow to the efforts to reduce child poverty. As I said in my introduction, that it is one thing that will make it harder for us in the short term, while we consider what we can do about that.

I will quote a parent who says it better than I can:

"How will I manage once the additional £20 benefit money stops? I have a child off school self-isolating. I have had a benefit check and I am getting what I am entitled to, but I do not have enough money to live on? I am feeling overwhelmed with worry about COVID-19 and the cost of Christmas looming. I feel a failure as I cannot afford to buy Christmas presents."

That person is thinking about Christmas in September. We have been hearing that same story through our local services from parents. There is concern about what the impact of the cut will be and about the number of families who will be impacted. There will also be a disproportionate impact on single parent families.

I want to briefly mention that we have been running the #EndtheYoungParentPenalty campaign. A young parent on UC gets a lower allowance because age is a factor. A whole series of disadvantages and disconnects are built into the current system.

Yes, the cut will make things more difficult, but we have a national mission in Scotland to end child poverty, which we have all signed up to. Therefore, we must look at what we have and how we can use that to support families who will be affected not only by the cut, but by not having had enough income to live on over time. As I have

said, in the short term, we need to look at what we can do with social security in Scotland. The Scottish child payment is critical, as are some of the other benefits that we have here.

We must ensure that we are supporting families living in poverty to access all that they are entitled to. I know that one of the things that was in the budget papers was around advice and information services. Those will be critical to supporting families to get what they are entitled to. That is the starting point. We then need to consider how we can build on that to support the parents we are working with into good quality work. The impact of the cut will be significant.

Jon Sparkes: I want to reinforce a comment that Lawrie Morgan-Klein made about the longevity of support. First of all, this is not just about the pandemic. Over a couple of decades, we have already seen significant—and growing—increases in the proportion of renters in Scotland who had a shortfall between their housing benefit and their rent. Now, of course, over the past 18 months, we have seen record numbers of people falling into rent arrears and teetering on the brink of homelessness.

I will cite some research from our colleagues at Shelter Scotland. They have estimated that the cost to the public purse of somebody being evicted is £15,000. That, in addition to the very obvious human need to step in, reinforces the financial need to step in.

A theme running across everything that everybody says will be that, although the Scottish Government has put in place significant support, longevity is the issue. We cannot imagine for a second that the ending of the public health element of the pandemic is the end. The economic emergency for the people who we are talking about—that is, people on the lowest incomes—will last for years and that is where the support needs to go.

Lawrie Morgan-Klein: Frankly, the impact that will see from the universal credit cut will be calamitous. We know that the average deficit budget for our clients in Scotland goes from minus £33 to minus £119. We know that our clients on universal credit whose budget was positive previously—that is, they had a surplus and room to manoeuvre—have gone from 56 per cent to 31 per cent. As for the negative figures, while 44 per cent of universal credit clients had a negative budget previously, that figure has jumped to 69 per cent.

The figures might make that sound a bit dry, but that means a complete cutting off of options for those households. Ultimately, that means that insolvency will be their main option for resolving

debt. We cannot overestimate the huge impact that that is having.

Eilidh Dickson: I will not restate everything that everyone has already said, although I obviously agree that the impact of the cut for women is, to borrow a word, calamitous. Women are also more likely to rely on public services, which have been affected by a decade of cuts: 86 per cent of the net cuts in the decade of austerity came out of women's budgets and that was before the pandemic. Women are already facing a squeeze on income, which is coupled with rising consumer costs.

There are actions in Scotland that we need to prioritise. There has been a commitment to split the universal credit payment to reduce the impact of the household payment, which denies women access to an independent income. Action on that has been slowed. That is not the fault of the Scottish Government; it is a result of the pandemic. However, we must see rapid progress on that, as well as on how we can better target measures such as the Scottish child payment to support primary caregivers and on addressing some of the chronically low value of benefits that carers receive. I wanted to add that to the point about the universal credit cut.

The Convener: Many thanks—that is helpful. Marie McNair has a supplementary question.

Marie McNair: I actually want to pose another question, which I direct to Crisis. I noted your comments regarding the housing costs. Joseph Rowntree Foundation, when giving evidence at one of our previous meetings, shared the same view that single parents face very high housing costs. How much has freezing the local housing allowance rates contributed to that?

09:30

Jon Sparkes: That is certainly part of it. If I step back and look at homelessness more broadly, strong progress is clearly being made in Scotland. If we compare the position across the UK, the proportion of households in Scotland experiencing the worst forms of homelessness is significantly lower than it is in either England or Wales. That is based on policy decisions that have been taken in Scotland.

That said, the progress is by no means complete. Partly because of the pandemic and partly because of trends that were already in place before the pandemic, there are still record levels of households in temporary accommodation. About 15 per cent of people who are experiencing homelessness had already experienced homelessness previously in the past five years, so we clearly have not broken the cycle of poverty for those people.

There are three measures to address homelessness in Scotland that are working, that need to be backed and that need the longevity of funding. The first measure is local authorities moving to an approach known simply as rapid rehousing. That programme makes the transition away from the default being a temporary accommodation option to the default being a permanent, settled housing option. The Scottish Government backs that approach, but it needs to continue to back it because, in some ways, the pandemic has thrown that slightly off course.

The second measure is the housing first programme, which, again, is a success. So far, the programme has housed more than 500 people with the most complex sets of support needs. Their tenancy sustainment is between 85 per cent and 90 per cent across the programme. That needs to continue, and longevity needs to be part of that, too.

The third measure is around prevention. Part of prevention, of course, is everything we have been talking about on income. Primarily, homelessness is an issue of poverty; it is an issue of not being able to afford a place to live. All the mechanisms that we have talked about need to be backed, because refreezing the local housing allowance will continue to have a worsening impact as prices go up.

I will give one example of the opposite of success. Last April or May, local housing allowance was moved back to the 30th percentile of the local market level that it used to be in 2012. Our team in Edinburgh counted the homes that would be available to our clients who were experiencing homelessness at LHA levels. The figure went up from an average of about 20 or 30 at any one time prior to the change to more than 400 after the change. Clearly, we can see that LHA and the 30th percentile has a significant impact on tackling homelessness.

My final point on homelessness is that a lot of good work has been done on tenancy sustainment and on preventing homelessness. I am very pleased to see that the Scottish Government will be consulting on the far-reaching homelessness prevention duties that are coming. The proposals include starting to address and prevent homelessness six months before it happens rather than when it becomes an emergency, and making sure that other public services are also involved where it is clear that people are at significant risk of homelessness. On the latter aspect, in effect, there will be ask and act duties on, for example, prisons, social services and the health sector.

The emphasis on prevention will need to continue. There is a financial element to that—we can do all we like on debt advice and so on, but we must also ensure that the debt does not

happen by supporting the income of those families.

The Convener: I am conscious of time, but I have a brief question for Satwat Rehman and Eilidh Dickson, sticking to the theme of employability and child poverty targets. Starting with Satwat Rehman, how much of an impact will extending universal free childcare to most one-year-olds and two-year-olds have on employability and on the child poverty targets?

Satwat Rehman: I think that it will have a significant impact on employability because it will provide a space for the parents who we work with and others within the priority groups to be able to look at getting qualifications. That is critical because we need to develop a skills and qualifications pathway for the families that we work with. If parents are comfortable and confident that their child is somewhere safe and secure and that they do not have to pay for it, that will provide opportunities for them to engage in learning earlier if they choose to. The costs of under-threes childcare is one of the biggest costs that the families we work with have, so we welcome the extension of free childcare, alongside the 1,140 hours for three and four-year-olds and the commitment to look at out-of-school, wraparound childcare.

We need to look at childcare in the round. We need to start from the family's perspective. They may have children across those age ranges, so we need to make sure that what we have is a childcare service in Scotland that is able to meet the needs of families coherently to support families to be able to engage in learning and to be able to work. It will have an impact on employability and on costs. Again, I will quote something a parent said, which I thought was interesting:

"Childcare costs are crippling—I earn what I always considered to be a reasonable salary, but it costs more than I earn to send my two children to nursery for only 3 days a week."

That is where the extension will make the significant difference. The parent also said:

"I'm too scared to leave my job as I don't want to lose the skills or have to try to break back in to job market."

If we have a coherent, comprehensive childcare offer, that will support women with progression in the labour market as well. Extending free childcare to younger children, from one-plus, is a critical part of that.

Eilidh Dickson: I agree with Satwat Rehman. Extending free and affordable childcare will make a huge difference to women's ability to undertake paid work.

Engender has called for the scale of childcare provision in Scotland to be rapidly enhanced to 50

hours per week of fully flexible, affordable childcare per child. That recognises the fact that the current childcare provision does not necessarily have the flexibility that is needed to reflect how women engage with the labour market. We understand the reasons for the pause to the roll-out of 1,140 hours, but that has meant that there are questions about the sustainability of many providers that need to be addressed if we are going to meet the targets that the Scottish Government has set out in the programme for government.

The commitment to expansion is definitely a step in the right direction. Even before the pandemic, a quarter of parents had given up work due to the cost of childcare. Scotland has some of the most expensive childcare in the UK, which itself has some of the most expensive childcare in the world. It is absolutely something to support but we need to be more ambitious and think about how we can meet all parents' needs through our provision.

Jeremy Balfour (Lothian) (Con): Thank you for your answers so far. I want to discuss income maximisation, particularly in relation to the situation that we will have in Scotland with more benefits being run from Scotland and benefits also being run from Westminster. Even before the pandemic there were lots of figures out there about how much money was not being taken up because people were not applying for it. I am surprised by how many people still do not know that they are entitled to benefits or to different types of benefits. How do we maximise the benefit take-up by people who you are dealing with? I ask Jon Sparkes to respond first, and others on the panel can jump in if they want.

Jon Sparkes: That is a vital comment. The ability of Scotland to use its powers also depends on people being able to access that money. Although I support the need for things like discretionary housing payments and for those budgets to be increased, I worry about the discretionary nature of those measures and, therefore, that that might exacerbate the issue that you are raising.

We are in a position now where the risk of eviction is very high. We have seen some success in, for example, jobcentres where there has been good integration of jobcentre staff, people dealing with benefits and people dealing with housing, so that people can make sure that those things are better joined up. At this time in particular, although this is always the case, supporting someone to ensure that they have housing stability has to involve, almost as a prerequisite, supporting them into employment and making sure that they get the benefits and the social security support that they need along the way. Let us make sure that we are

not dealing with housing over here, welfare over there and employment over there. That integration is important because it means that people will be able to access the support that they need, and that access will be more automatic.

At the risk of repetition, I will just say that the longevity issue is important as well. Things like tenant support and hardship grant funding need to be extended. The key thing for me is that we are helping people with housing stabilisation, rather than going straight to employment when that is not the right thing for them, and making sure that we join up those support services.

Lawrie Morgan-Klein: The income maximisation piece is really important. As has been stated, there is an issue around uptake, which ultimately comes down to public awareness. There are two parts to that. First, people simply do not know what payments exist that could support them. Our written evidence includes two case studies of situations where our welfare advice team went through an income maximisation process and made a difference of several hundred pounds to the households in question, which has a massive impact on a family's ability to cope with problem debt. There is a significant challenge for the Scottish Government to address how it reaches out, ultimately. Too often—all sectors are guilty of this—we expect people to come to us first. We need to reach out, Government needs to reach out, to let people know what their entitlement is. There is a big issue around that.

The second order issue to that, though, is that stigma plays a significant part. It certainly does in terms of people accessing debt advice, and benefit and welfare payment uptake is also linked in with that. Again, that comes down to how we talk about welfare, how we communicate about welfare, how the Government does that and what channels we use. Jon Sparkes made a good point earlier about having integrated responses. Rather than seeing social security over here, debt advice over there and housing support over there, we have to integrate those things because, certainly from the problem debt perspective, they are all thoroughly intertwined. If we can provide debt advice to a client and help them to maximise their income at the same time—this is one of the tenets of debt advice—that is absolutely key. We need to have a strong focus on income maximisation.

Satwat Rehman: I will be brief because a lot of the points have been covered. I absolutely agree that one of the big issues that comes up with the single parents who we work with is that of stigma and how that can put them off seeking help, information and advice. We need to look at how we can get debt, money and welfare rights advice firmly located within communities, with trusted organisation intermediaries that people might go to

already for something, and where they know the individual worker.

The benefits system is complex to navigate. A lot of the application processes for UK benefits are not simple and people require support to be able to navigate them. Some parents might start off themselves and then think, "I cannot do this" and put it to one side.

Ease of application is critical for anything that we are developing in Scotland. Social Security Scotland goes out and works with groups to check out application processes. We would welcome that sort of thing so that we get something that is simple to fill in and means that people get the right information, advice and support. The point about integration has been made already. There has to be coherence and we need to look at how we can simplify processes to ensure that the families we work with are getting what they are entitled to.

09:45

Eilidh Dickson: The only point that I will add is that a lot of the conversations around take-up and maximisation have to have regard to the access of data and evidence, which is still largely collected at household level, and the quality of data that we have about who we need to be targeting some of the measures towards, both in the design of payment and in some of the signposting programmes. We might come back to the conversation around data later.

Jeremy Balfour: A yes/no answer might suffice for my next question. I am conscious that we now have the Scottish Government providing some benefits and the UK Government providing other benefits. That could mean that people have to go to two different websites, or perhaps a lot more than that. Would it be helpful for the people who you are working with to have one website that had all the benefits that they could apply for, so that they did not have to go through lots of different websites or fill in lots of different forms? If all the information was in one place, would that make benefit uptake more likely?

Eilidh Dickson: I have no particular view on this. I think that having multiple channels has been quite effective, but I can see arguments for streamlining.

Satwat Rehman: I agree with Eilidh Dickson, but I would add that what is critical in all these things is having specialist advisers working alongside families when they are applying for various benefits. I think that getting advice about the information and being able to talk through things is critical, and one of the key ways that we can maximise take-up of benefits is to make sure that it is a supported process, irrespective of whether it is on one or multiple websites.

Jon Sparkes: I do not know whether what you suggest would be the right mechanism, but it is important to remember that when people are reaching out for advice, guidance and support to access welfare they may well be going through a very traumatic situation. Anything that makes it easier for them to access the help that they need is important. I guess that the cliché is the no-wrong-door approach. Any public service that someone is accessing needs to be able at least to signpost them to the support that they might need for another part of their life, while recognising that they will be going through a very traumatic, stressful and difficult time when they are doing that.

Miles Briggs (Lothian) (Con): I want to ask a couple of further questions on debt and potential new models. We know from some of the evidence that you have provided that council tax debt, for example, is sometimes one of the first that starts to build up and non-payment of council tax becomes problematic for people in managing their debt. I would like to hear people's views on potential changes that could be brought forward to deal effectively with debts like that. I ask Lawrie Morgan-Klein to start, and then others can come in on the specific question of council tax debt.

Lawrie Morgan-Klein: The council tax debt has for years been a pressing concern of ours. It is the most common priority area of household expenditure that people come to us with. It is the third most prevalent debt type that our clients have, after credit cards and loans. The reason council tax debt causes such concern to us is because of the penalties for non-payment and how local authorities approach those. I always try to caveat this by saying that I am not looking to bash local authorities. They are in an incredibly difficult fiscal situation, as we are all aware.

With families who are struggling to pay, it often feels like that first missed council tax payment is the first domino toppling. It ends up in wage arrestment and a level of enforcement action that is available to public sector creditors—Her Majesty's Revenue and Customs and the Department for Work and Pensions—which means that they are able to collect debt in ways that no commercial lender would be able to. Clients can also be put in a situation where they have to repay that debt at a much higher level than is affordable for them.

Crucially, we need to get in after that first domino falls and we also need to ensure that there is integration between advice and collections within local authorities.

We worked on a best practice toolkit with the Improvement Service, which we launched just before the pandemic and which I am sure we will be revisiting. Obviously, with 32 local authorities

there are 32 different approaches. The toolkit looked at the best ways of communicating with local authority residents who were struggling with council tax, recognising that missed payment of council tax is evidence of wider problems and wider difficulties, rather than focusing specifically just on that one difficulty. We need to get advice integrated.

I do not want to get too far into the long grass with this, but there is another issue that should be borne in mind. Someone who is in receipt of the full council tax reduction is not liable to pay council tax. The client will go forward with that understanding, but they might not realise that they do not have the full reduction for water and sewerage charges that are billed with their council tax. That means that they receive a bill that they think that they are exempt from, not understanding that the bill is for the water and sewerage cost. One way of dealing with that would be to give those people a full reduction from all of those charges. The present arrangement certainly leads to confusion, with clients saying, "I am not liable to pay council tax. Obviously, this is an error." In the meantime, they are liable and that debt is mounting in the background.

Of course, local authorities, too, have to spend resource. Debt enforcement involves spending a significant amount of money—sheriff officers are not cheap. That is why we urge a more preventative approach, addressing where the issues are and, linking back to my earlier points around the tenant hardship grant, understanding that renters particularly will not just be in difficulty with that one bill. We need to view the whole issue holistically and try to interdict that process.

The situation with council tax debt moves very quickly. After the first bill is missed, the full amount for the year is then billed and, for someone who is in problem debt and desperately trying to juggle things, the choice becomes, "Do I extend high-cost credit further, which I know is unaffordable, or do I miss this bill and suffer real penalties?" We have done research with clients on the hierarchy of bills, and they know that rent, council tax and utilities costs are their first priority. They understand the importance of those.

What results when we take that heavy enforcement action is a debt spiral that worsens and worsens as someone uses high-cost credit, for instance, to cover one of those essential bills. The next month, things are no better, they need to extend more credit, and more credit upon more credit, with spiralling interest costs, until they hit a point of crisis. We need to prevent people hitting that point of crisis.

The Convener: Thank you. Of course, that debt spiral is exacerbated when you consider that sheriff officer costs are added to the arrears of the

tenant rather than being absorbed by the local authority or whoever it may be.

Mr Briggs has a supplementary question, and then I will bring in Mr Sparkes.

Miles Briggs: It is about the concerns that were raised yesterday about energy costs. In one day, gas prices jumped 40 per cent, although the impact will probably be felt next spring. My question is on preventative models. Jon Sparkes touched on what we can do with preventative models for homelessness, but does any of the panel members have suggestions as to preventative models for debt management? Consumer advice is readily available online, but what work should we do in relation to people who do not have access to online services or those who have reading difficulties?

Jon Sparkes: I will partly reinforce Lawrie Morgan-Klein's previous response and join some things together. Lawrie's comment about council tax debt sometimes being the first domino is really important. To join that to the forthcoming consultation on homelessness prevention, if that debt is the first domino, it is likely to be the trigger for the duty on public services to take action to prevent homelessness six months out. Of course, it is a local authority debt, and the actions around homelessness prevention will sit with the same local authority. That is not even an issue about joining up across public services; it is about joining up across the same organisation. That reinforces the need for good debt advice at the earliest possible opportunity, to deal with the issue of spiralling debt and to avoid the person or household becoming homeless, with all of the human and economic costs that go with that.

Lawrie Morgan-Klein: The energy issue is a huge concern. We knew that there would be wider inflationary pressures, as well as the support measures beginning to fade away. We are going into a concerning period for people, particularly this winter although, as Miles Briggs said, the pressure will likely arise next spring. Early advice is important. We also need to look at what duties we place on providers. What approach are they taking to clients? Are they communicating with their clients in a preventative way? Are they saying, "If you're in difficulty, please talk to us about it"?

We know that the energy increases can be difficult. Can we look more widely at the role of the regulators on prices? The price cap rise is concerning and the huge increases will be passed on to consumers. We need to try to get a bit of a handle on how the market is operating. A big deal is made about freedom of choice and switching energy supplier but, if someone switches their supplier now, they will pay far more. We have to make sure that people get advice early and that

we avoid people having to choose between heating and eating. That is the reality of the choice that people are making now, particularly with £20 less a week in universal credit. We have to see utilities costs as built into the wider pressure.

There is a natural focus on people in poverty here, but I will make a brief point about precarity. The vast majority of our clients are in work, although it can be precarious work. That is what makes budgeting month to month such a difficult challenge for them and why they fall into problem debt. They have had steady commitments that they have been able to manage, but then things have been thrown into difficulty. We have to understand that adding to energy bills affects not just people who are in the most extreme poverty but people right across the income brackets.

The new group of people who have fallen into difficulty during the pandemic and who have not accessed advice before are not necessarily aware of the pathways, so we have to think carefully about how we provide access for them. Miles Briggs's point about digital literacy and general literacy is also crucial. We need to have multiformat and multichannel avenues of support for people.

10:00

Satwat Rehman: I will build on those points about early intervention and prevention and what we can do. It comes back to looking at how we develop whole-family support models and ensuring that support for families includes specialist information and advice on income maximisation and, if there is debt and problem debt, what can be done about that. It is complex, and not many of us would feel confident about advising people on it.

There is a budget commitment to have a whole family wellbeing fund. When we are looking at family wellbeing, we need to look at the whole picture, including emotional and financial wellbeing. Support with debt needs to be integrated into the other support for families. We need to consider how we can minimise the stigma around the issue and around talking about it. If people can start a conversation with somebody who they trust and have a relationship with, that is critical to their being able to speak about it at an early stage rather than when it becomes overwhelming, as colleagues have said so eloquently.

Emma Roddick (Highlands and Islands) (SNP): My first question is for Crisis. The committee has had a lot of discussions about poverty proofing. What has the lack of poverty proofing led to historically? Can you see from legislation so far in the current and previous

sessions of Parliament what impact the input from people with lived experience is having on preventing homelessness?

Jon Sparkes: We have seen the impacts in some of the figures that I have talked about, such as the record high levels of temporary accommodation and, probably more crucially than that, the figure that 15 per cent of people who are experiencing homelessness have previously experienced it within the past five years, so clearly there is a cycle of poverty that has not been broken. There is significant progress on the issue in Scotland, and that needs to continue. Everything that I have talked about in relation to homelessness prevention needs to continue.

The provisions that the Scottish Government can put in place using its social security powers are vital, as the link between poverty and homelessness is very clear. It is not just about housing; it is about the ability to afford the housing. A lot of that is either in place or coming.

The work of local authorities on rapid rehousing has been vital. They have been reconfiguring everything that they do in order to provide permanent settled homes, which are the basis for people to move on and move out of poverty and homelessness, rather than managing homelessness through temporary accommodation. There is change of emphasis towards preventing and ending homelessness.

We also need to look at the disproportionate impact on different groups. We are not talking about a homogeneous group. We have talked about the impact on women and the causes of homelessness for women. Men are more likely to experience repeat homelessness, more likely to be in that cycle of poverty and homelessness and more likely to sleep rough. The nature of support for people is different.

For people from black, Asian and minoritised ethnic groups, there is a disproportionate effect as well—87 per cent of homelessness is among white individuals, when they make up 95 per cent of the population, which is clearly disproportionate. Many of the prevention mechanisms and poverty avoidance mechanisms are universal, but they also need to be focused on those who are at higher risk.

Emma Roddick: My next question is for Satwat Rehman and Eilidh Dickson. Much of the evidence that we have received so far has had a focus on the importance of lived experience. In considering child poverty, is it enough to speak to the parents or do we need to hear from kids who are currently in poverty, or folk who were kids who grew up in poverty?

Satwat Rehman: We need to hear from the whole family. We need to look at how we can

support children and young people to engage. There have been some good initiatives to ensure that children and young people are an integral part of designing the solutions and not just defining the problem. For example, there is the work that the Child Poverty Action Group has done on the cost of the school day and other specific initiatives involving children and young people.

The important thing about involving experts by experience and those with lived experience is that it should be an end-to-end process. It is not just about having a chat, going away and doing something and then coming back and saying, "We have to do this." It should be an end-to-end process. We need a collaborative design process, where testing happens with individuals from the six priority family groups within the child poverty sphere and they are asked, "What is the impact going to be? How is this going to land in your life? What matters to you? What will make a difference to you?" That is effective co-production and co-design of solutions that families feel will work for them. You can do that only if you look at the whole and work with the whole family, from very young children right up to parents.

We are beginning to look at policies, actions and finances through the lens of how they will impact on those in poverty, and that is making a difference. I will leave the issue of gender budgeting to Eilidh Dickson, who is much more expert in that than I am, but all that work will be effective. However, it will take time to bed in, because it is about changing how we currently work to something that, in the long run, will be more effective although potentially more resource intensive.

Eilidh Dickson: I echo everything that Satwat Rehman said about genuine participation and co-production. In order to do that effectively—particularly with women—we must make sure that facilitators have the gender competence that enables them to understand how access to income is different for women, the impact of men's violence and the different standards of health and wellbeing that women experience, and how all those issues interact to affect women's material conditions and possibly their ability to participate in some discussions, given the dynamics that sometimes manifest in them. For example, women often talk about having women-only sessions when interacting with lived experience programmes.

There needs to be a bit of a question around how to combine that gender competence or other competence with the perspectives of those with experience or experts by experience, because one individual's perspective is only their perspective, no matter the extent to which it is inevitably

informed by structural discrimination and oppression.

We still need to have a conversation about how to frame individual experience, particularly when we are talking about things such as poverty, which is so gendered, and when there are so many structural barriers to income and health and wellbeing. We need to be mindful of how those fit together in an effective way to give us a true and accurate picture.

Foysoil Choudhury (Lothian) (Lab): What percentage of BME families with children are claiming the new Scottish child payment?

I can see that Satwat Rehman is shaking her head.

The Convener: I see Eilidh looking to come in.

Eilidh Dickson: I am happy for Satwat to come in first.

The honest answer is that I do not have figures to hand and the data that we have is still very new. When it comes to Scottish benefits, for a long time, we did not ask mandatory questions on protected characteristics. That was changed in 2019. The Scottish child payment has rolled out much more recently than that. I do not have figures to hand, but there are perhaps broader questions that we could return to on the quality of data and how much we can gather from the data that is currently being collected and monitored.

Satwat Rehman might have more accurate figures.

Satwat Rehman: I do not have any figures, so I apologise for that. The committee might want to ask those who administer the benefit whether they have that disaggregated data. It is critical that we are driven by how the Scottish child payment is working and that we look to see where we need to improve communication or support to ensure that take-up is as far-reaching as it can be and that we get to as many families as we can.

I apologise for not having the statistics to hand. The agency that is administering the payment needs to do that level of analysis in an on-going way to inform the roll-out of the benefit as well as the publicity and the targeting of support for people to claim the benefit.

The Convener: Thank you very much indeed to all our witnesses for taking the time to answer our questions in such an informed and helpful manner. We are grateful for your time and for your written submissions, which will form a large part of our consideration over the coming weeks.

I now suspend the meeting briefly to allow for a changeover of witnesses.

10:11

Meeting suspended.

10:14

On resuming—

The Convener: I welcome to the meeting our next panel. Claire Murdoch is head of social security and public funding at the Scottish Fiscal Commission, and Professor Alasdair Smith is a commissioner at the Scottish Fiscal Commission. Professor David Ulph, who is joining us remotely, is also a commissioner at the Scottish Fiscal Commission.

I invite Professor Smith to make a brief opening statement, after which members will ask questions.

10:15

Professor Alasdair Smith (Scottish Fiscal Commission): Good morning, and thank you for the invitation to this evidence session. It is our pleasure to be here, and we look forward to working with the committee throughout this parliamentary session.

We recently published two reports that should help to inform the committee's pre-budget scrutiny. In July, we published our forecast evaluation report, which looked back at the forecasts that we made in February 2020 on social security spending in 2020-21. I will refer to that report briefly at the end of my opening remarks, but first I will summarise our most recent economic and fiscal forecasts, which we published in August.

We saw then that the outlook for the Scottish economy had improved significantly since our February 2021 forecast. In our August forecast, we have gross domestic product getting back to its pre-pandemic level in the second quarter of 2022 and the unemployment rate peaking at 5.4 per cent in the last quarter of this calendar year. We do not know exactly how the labour market will develop now that the furlough scheme has ended, but we do not expect significant changes in eligibility for devolved social security payments from that.

One element in our economic forecasts that affects social security spending is inflation, because many social security payments are increased by inflation each year. Significant price rises have been a recent feature of the Scottish and UK economies. In our August forecast, we said that we, like the Bank of England, expected that inflation would peak at 4 per cent by the end of this year. The number of people who receive support will also rise over time. Because of that, together with inflation, we are predicting that spending on devolved social security payments

will increase from £3.7 billion in 2021-22 to £5.2 billion in 2026-27.

The overall outlook for the Scottish budget is still very uncertain, and our forecasts are just one component of that budget. The UK Government's budget on 27 October and the associated updated forecasts from the Office for Budget Responsibility will determine the level of block grant funding to the Scottish Government next year, including the block grant adjustment for social security.

To turn to our forecasts in more detail, from next summer the Scottish Government will gradually replace the UK Government's personal independence payment with its own adult disability payment. That is a major step in the devolution of social security, and we have, for the first time, estimated the additional spending associated with it. Although there are no changes in the overall structure of the payment as we move from PIP to ADP, there are significant changes in the processes for application, review and appeals and in how the payment is promoted. We expect that, by 2026-27, spending on ADP will reach £3 billion, which is about £0.5 billion higher than what would have been spent on PIP. We also expect spending on the carers allowance to increase as more people become eligible through larger numbers of adults receiving disability payments.

The Scottish Government receives funding from the UK Government that is based approximately on what would have been spent on PIP in Scotland, so the additional spending on ADP and the carers allowance will need to be met within the Scottish budget, by raising taxes or by reducing spending elsewhere.

Spending on the Scottish child payment, which is a payment that is not funded by the UK Government, is forecast to increase to £165 million in 2023-24 following the roll-out to children under 16. We expect spending to be broadly flat after that point, with uprating increases offset by a falling child population, but that is based on existing policies for the Scottish child payment.

My last remark about social security spending is a reminder that the Scottish Government has other commitments to increase social security spending, including—this is important—the doubling of the Scottish child payment. We have yet to include those changes in our forecasts.

Finally, our forecast evaluation report shows that spending was £100 million higher in 2020-21 than we expected when the budget was set. That is a 3 per cent forecast error. About half of that increase is because of increased Scottish Government spending in response to the pandemic. Our forecasts are, by their nature, uncertain and forecast errors are likely to be larger when we are looking at new payments. Next

year's budget will include the new child disability payment and the adult disability payment. Initially, we expect higher forecast errors because we have only limited information to guide our estimates of how the delivery innovations will affect the caseload and average payments but, in time, those forecast errors should reduce as we get figures for actual expenditure.

We are happy to answer any questions that members have. If it would be helpful, convener, I would be happy to direct questions to David Ulph or Claire Murdoch, or, indeed, to myself, if I must.

The Convener: I appreciate that, Professor Smith. That will help our timely progress through this session. Our first set of questions are from Pam Duncan-Glancy.

Pam Duncan-Glancy: The papers that were provided in advance of the meeting, including your submission, were really helpful. I hope that I have enough grasp of a complex paper on what is a complex area to get hold of to ask useful questions.

My first question is about forecasting in the fiscal context. How much advance notice of policy implementation or policy intention do you normally get or would you expect in order to be able to forecast?

Professor Smith: I suppose that it would be useful to answer that question in relation to social security spending, so Claire Murdoch might want to address it.

Claire Murdoch (Scottish Fiscal Commission): There are two parts to the question: how much notice we have and the level of detail that we need. Once the Government tells us what its firm policy is, we can include that in our forecast, as long as it is within the five-year horizon. However, I assume that your question relates to the Scottish child payment, for example. We would need to know when and how the Government planned to double the Scottish child payment and what the rates would be in each year. We would then include that information in our forecast.

On when we get information from the Government, with the Scottish budget, for example, we start the process 10 weeks in advance. We go to the Government and say, "Can you tell us what your policies are going to be included in the budget?" The Government has an opportunity to tell us what it can tell us firmly at that time. We will include in our forecasts anything that will be in the budget. If other policy changes are made during the year, the Government can come to us and tell us whether it plans to make changes through legislation. If it is not at the right time for us to include that in a budget forecast, we will do a supplementary costing to accompany the

legislation to make sure that Parliament has access to an independent forecast of any policy changes that the Government is making.

Pam Duncan-Glancy: Thank you very much—that is really helpful. If you have not yet forecast for the doubling of the Scottish child payment, is it unlikely that that payment will be doubled in this budget?

Claire Murdoch: We are currently at the start of our 10-week process in the run-up to the budget, and we will ask the Government what its plans are. We will be able to tell the committee on 9 December whether the Government is including that. At this point, we would not necessarily know; that happens as we get closer to the budget.

Pam Duncan-Glancy: To follow on from the point that you made earlier about being able to do a supplementary forecast, does that mean that, if there was a decision or a policy change between budgets, the information would be available to the Government to be able to adjust its spending appropriately?

Claire Murdoch: We will produce a forecast of the spending if a change is being made to legislation. We do not produce a forecast every time the Government says that it wants to introduce a new policy, otherwise we would not stop working at any point. If the Government said, "This is our policy change, and we are introducing legislation to Parliament to implement that change," we would produce a forecast at that point.

Pam Duncan-Glancy: I presume that, as the Government gradually uses or chooses to use more social security powers, it will need to carry out similar forecasting exercises before taking decisions on how to do things differently from how the United Kingdom Government does them. What discussions have you had with the Government on forecasting further changes to social security? Have any particular areas of potential spend for new benefits been identified?

Professor Smith: I am not sure that we discuss future forecasts with the Government in the way that your question implies, because it is our job to do the forecasts. There is more of a hands-off dialogue. When the Government has formulated its policy on the Scottish child payment or if other policies that are currently managed by the DWP are handed over to the Scottish Government, the process is that the Scottish Government tells us what its policy will be and we will make the forecast at the time of the budget or, as Claire Murdoch said, outside the budget cycle. It is then up to the Government, in discussion with the Parliament—not with us—to work out how the increased expenditure will be managed within the budget.

Jeremy Balfour: It is nice to see you back. I would like to pursue the differential that you foresee with the Scottish Government's move from PIP to ADP. The regulations are similar for both benefits, so there will be no differential in that regard. Could you give me a bit more on why you think that it will cost more?

My second question might be outside your remit—if it is, I apologise. If take-up is higher, will the cost have to be met by the Scottish Government or can it go back to the UK Government and say, "Another 5,000 people have applied for this benefit. Can you give us the money for it?" How do the Governments work that out, whether it is a result of natural take-up or a deliberate policy decision?

Professor Smith: Those are important questions. Our forecast is that ADP will, at the end of the five-year period, cost a lot more than PIP—it is probably the biggest single element in our forecast. I will hand over those important, tricky questions to David Ulph.

Professor David Ulph (Scottish Fiscal Commission): We went through a number of steps to forecast the implications of the changes to the way in which the Scottish Government plans to deliver ADP.

We first looked to see whether there were any equivalent changes in benefits that we could rely on as a way of trying to gauge the extent of the increased expenditure. For example, we looked at the shift from DLA to PIP to see whether that could give us any comparable lessons. However, in many cases, there was nothing that was exactly comparable to what we were seeing in these proposals.

The important point is that the Scottish Government proposed a significant number of changes, so in our forecasting efforts we broke them down into nine separate elements that we thought we had to understand to come to a forecast. For each of those elements, we first tried to see whether there was anything comparable that we could use as a basis for coming to a number. When we found that there was not, we had to make a judgment—and a judgment, of course, is potentially liable to error.

We then shared our judgments with people in Social Security Scotland and the Scottish Government and with other people who were experienced in forecasting. We set out all our judgments, and we listened very carefully to their comments on and criticisms of those judgments. We then modified some of our assessments and judgments in the light of those comments.

For example, quite an important component of the increase in funding for ADP comes because we forecast that there will be an increase in the

average level of payments in the move from PIP to ADP. That was based on the move from DLA to PIP, when 43 per cent of people had an increase in payment, based on an average payment, of 19 per cent. By analysing the data, we worked out that half of that increase was attributable to the fact that when, moving from DLA to PIP, there was a change in payment rates. If that change in payment rates is eliminated, you can see that the remaining half was due simply to the fact that people moved from one benefit to another.

10:30

Following discussions with various groups of people, at the end of the day we came to a figure of 8 per cent for the increase in the average level of payment award that would arise because of the transition and the way in which the benefit was administered.

In that way, we systematically looked at all the components of the change in policy. We thought through the potential impact on the number of people who might claim, the timing of when those people would claim, how long people would remain on benefits for and the impact of the change in the definition of terminal illness. We went through each and every one of those elements of the proposed changes. We went through the potential implications, looked for evidence, shared our thinking with our colleagues in other institutions and organisations and then modified our judgments in the light of what we heard from them.

I think that that answers your question about how we arrived at our judgment, but I do not think that we can necessarily help you with the question of how you sort out whether the increase is attributable originally to PIP or to ADP. Given that it is part of what we forecast as attributable to the shift to ADP, it will fall on the Scottish budget at the end of the day. I am not sure that there is any scope to go back and say that it is not attributable to Scottish Government policy.

Jeremy Balfour: I have two quick supplementary questions.

First, I think that what we are trying to do with the transfer comes under the terminology of "safe and secure", which is used a lot. Everybody who is on PIP will just transfer straight across. Are you then forecasting that, once people are transferred across, they will look to have their decision reviewed, and thus we will see people moving to a higher rate?

Secondly, is it your expectation that there are a substantial number of people out there who are not applying for PIP but who will apply for this different benefit? If so, why is that the case? Is it because they are holding off, because they think

they have more chance with the new agency? Will it be a result of advertising and awareness-raising campaigns? How did you come to that conclusion—if, indeed, that was your conclusion?

Professor Ulph: To answer the first question, certainly one part of what we thought might go on is that, when people are moved across, they might challenge the level of benefit that they are awarded and that there might be an increase in the number of challenges. We also thought that there could be some process by which people who were turned down for PIP might start to apply for ADP. There is also a sense that people might anticipate that the benefit will be administered differently, that they will have more support in applying for it and that there will be a wider range of evidence that they can provide in order to support their application. That could encourage applications from people who otherwise would not have applied, and there would be some increase in take-up. We forecast a significant increase in the overall ADP caseload as a result of the switch from PIP to ADP.

A number of different components fed through into our thinking about the way in which the system will actually operate. As I said, for each component, we looked at evidence that could provide a number; we provided our judgments; we shared our judgments with other people; and we modified our judgments in the light of comments that we got back.

I hope that that answers your questions.

Professor Smith: This is a very important issue, both monetarily and in terms of policy. I will add to David Ulph's answer by quoting what the Cabinet Secretary for Finance and the Economy said in response to our forecast when we published it. She said: "We"—that is, the Scottish Government—

"are delivering a social security service based on dignity, fairness and respect, rather than taking an austerity-led approach, as the UK Government has done, where all that matters is driving down the cost of supporting those who need it most. Social security is an investment in the people of Scotland and we are committed to making sure everyone can access the financial support they are entitled to."

We obviously make no comment on the policy as a policy. The policy is as stated by the cabinet secretary. In forecasting the effects of that policy, we took the intention behind the policy seriously, and it is clearly the intention of the Scottish Government, in designing its devolved social security policies, that everyone who is entitled to payments should receive them. It is reasonable to suppose that, if that approach is successful, there will be an increase in take-up rates. That is fed into our forecasts in the way that David Ulph has described in detail.

The Convener: That is very helpful.

I have a brief follow-up to Mr Balfour's questions before I bring in Marie McNair. From your perspective, the large additional spend is associated with the smoother, better supported application process—that is before we look at policy change. Given that, and given that the additional amount for the "safe and secure" transfer that Mr Balfour talked about has to come from elsewhere in the Scottish budget, how important was it, from a fiscal perspective, that the Scottish Government took the approach of transferring cases first, rather than changing eligibility for ADP?

Claire Murdoch: All these changes are difficult to forecast, and our forecast has a high level of uncertainty attached to it. The more changes you make at any point in time, the more difficult it is to understand what is changing and what the effect will be. The Government has changed the way in which it will deliver and administer the benefit. We think that that will increase the spend. If eligibility changes, that will obviously change spending in the future.

We hope that, when Social Security Scotland administers the payment, it will collect data. We can then use that data when future costings are done to look at how many people are receiving benefits and get more information on which categories they become eligible for and the payments. In that way, if things change, we will have more data about Scottish claimants.

Marie McNair: The removal of the £20 universal credit uplift will take many people out of UC and, therefore, eligibility for the Scottish child payment. How has that been factored into your projections?

Professor Smith: It is the case that the £20 change, which will have a big impact across the population of people who receive UC, will take some people out of eligibility for benefits. However, the effect on devolved social security expenditure is actually relatively small. It is a very significant change, but it does not have a significant impact on our forecasts.

Claire Murdoch: We factored it into our eligibility estimates for the Scottish child payment. I saw that the Cabinet Secretary for Social Justice, Housing and Local Government had written to you last week to say that the Government estimates that 2,000 children would no longer be receiving the Scottish child payment. We agree with that number.

Miles Briggs: Thank you for joining us. As my colleague Pam Duncan-Glancy said, the briefing that you provided has been really useful in helping us to get into the granular detail of the cost projections for new benefits and the setting up of services.

I have two specific questions, the first of which is about Social Security Scotland's costs and your original forecasting on those, in which you looked at the Government's potential costs. I believe that those were set at £307 million, but the figure has now doubled to more than £651 million. Do you have any insight into where the Government's forecasting on the initial set-up costs may have gone wrong?

My second question is about adult disability payment. From the information that you have given the committee, the scale of uncertainty around that is such that the costs are not clear. What impact might that have on Social Security Scotland and the benefits that it currently administers?

Claire Murdoch: I will answer the first question briefly. We forecast only the spending on the payments that are made to people. We do not get involved in forecasting Social Security Scotland's administration budget. That is for the Scottish Government. Any questions on how that budget is set, or what the forecast is based on, should be directed to the Government rather than us.

Professor Smith: Thank you for your complimentary comments about the briefing. I am pleased that it made it clear that the ADP forecast has a very high degree of uncertainty in it, for all the detailed reasons that David Ulph mentioned. We cannot know exactly, or even approximately, how many of the various elements will work out. It is our best guess. The comfort in it all is that the changes will accumulate over time, and it is towards the end of the five-year period that we see the big changes coming.

Over that five-year period, we and the Scottish Government will get information about how ADP and the child disability payment are working, so we will be able to make more reliable forecasts. If, for example, the estimates that we have made for the position in 2026-27 turn out to be accurate, the Government has a period of years in which to work out how to incorporate those estimates into its budget.

It is as well that the Government does that, because it is very important to understand two things about how we think about the social security budget. That budget grows over time, not for reasons of arithmetic, but because, once some people become eligible for ADP payments in one year, most of them will be in the bill for the next year, and the people who join the programme in the next year will then be in the following year. The programme accumulates. Once the Government has learned what its commitments are, when it finds people who are eligible for payment, the Government will have them for the longer run and will not have the option of cutting back on them. It will not have the option of cutting back in other

areas of the social security budget if the ADP budget ends up being bigger than expected, because in the other areas of social security, the payments are to people who are entitled to them.

As we have tried to emphasise in our report, it is quite a big budgetary challenge. However, if, in the end, the Government has to make budget adjustments or tax adjustments elsewhere—the budget adjustments would probably have to be, for the reasons that I have just indicated, not in the social security budget but in other budgets—it has time to think about those decisions.

Miles Briggs: That was very helpful—thank you. You answered my question about when you expect the uncertainty to be cleared up. Your projection for that is five years, once the benefit is established.

I want to look at some of the drivers for increased costs. You outlined additional successful applications and higher average payments. Are there any other areas that you think that it is important to make the Scottish Government aware of—and, perhaps, for the committee to investigate—with regard to the long-term sustainability of payments?

Professor Smith: David Ulph, are there any other areas that you would like to highlight?

The Convener: I am conscious of the fact that Professor Ulph was looking to come in at an earlier stage, so perhaps you could address both those aspects, Professor Ulph.

10:45

Professor Ulph: In answer to that last question, the three big drivers of increased costs are the increase in the number of awards that we think will be made, which adds £164 million to the budget; the increase in the average award that I talked about before, which adds £104 million; and the initial spike in applications that we think that there will be once the programme is introduced, which will add about £83 million. Those are the three big drivers of the increase in costs.

I want to go back to the point that Alasdair Smith made about the persistence of the increase in costs. Once people get on to ADP, they will potentially stay on it for a long time. Along with that, there will be future inflationary uprating, which will make the cost grow as well. Part of what is driving the difference between PIP spending and total ADP spending is our forecasts for future levels of the inflationary uprating that will take place. Those are the main points that I wanted to make in answer to Mr Briggs's question.

The Convener: I want to be clear about what you said about people remaining on ADP for longer. Is that because the difference between PIP

and ADP is such that there is an expectation of longer awards?

Professor Ulph: That is certainly part of it. The nature of ADP is such that it is not a one-off payment. Once people become eligible for ADP, they will remain eligible for a period of time. That has to be factored in as one of the things that will drive up costs. In addition, the changes in the review period will have an effect on the length of time for which people remain on the benefit.

The Convener: We move on to questions from Emma Roddick.

Emma Roddick: The difference between the cost of PIP and the cost of ADP is quite significant. Do you expect that, if social security were to be devolved in its entirety, the cost of delivering the benefits would be less?

Professor Smith: As Claire Murdoch said, it is not our job to get involved in commenting on the Government's costs and the delivery of the programme. We focus on what the cost is of the payments from the programme, not on the Government's costs.

The Convener: Do any members have supplementary questions?

Pam Duncan-Glancy: Thank you for your responses to my questions and those of other members.

Your paper notes the significant challenges around the predictions on the adult disability payment. We have heard a lot about the volatility around that. Can you tell us a bit about what you have done to get the information that you have and what further information you think could help you? I note what Claire Murdoch said about data collection from Social Security Scotland. It would be helpful for the committee to get a better understanding of the sort of data that you feel that you will need in order to be able to predict future costs.

Claire Murdoch: As far as the data that we use at the moment is concerned, we have information on the PIP—we know how many people are receiving it, and we know which level of award they have. We also know which category they fall into. By that, I mean whether they previously received DLA, whether theirs is a new claim or whether they are in receipt of DLA or PIP under special rules, if they have a terminal illness. We look at those different categories of people because they have slightly different characteristics when it comes to how much they receive and for how long they will receive the payment.

When Social Security Scotland delivers the new payment, we would like to get the same information that we get from the DWP. If it is possible, we would also like to get additional

information that we could use. For example, there are correlations between people's gender and age, and that affects how much people receive and how long they receive the payment for. That type of information would be useful, as well as information about the level of award that people receive for daily living care or mobility. In some cases, if we can get information on which points they scored, if there is a policy change, we can assess how many people are more likely to fall under that category of change. That is the sort of information that we are after from Social Security Scotland.

With regard to the information that we used to forecast ADP, as David Ulph set out, we have spoken to a lot of different people. We have spoken to the Government; obviously, we read its position papers; and we have had discussions with colleagues in the OBR and the DWP who have experience of forecasting the change from DLA to PIP. As far as additional information that we could get is concerned, we really need the payment to launch and then we will see what happens in practice. At that point, we can start to understand what it is like for people who go through the application process. We will see what that means for the number of applications and the number of people who receive the payment from Social Security Scotland.

Pam Duncan-Glancy: That was helpful.

On the issue of policy change, Professor Smith, you mentioned that a long-term approach would be needed, given the finances involved. Do you have an idea of the timescales that would be needed in order to change, for example, eligibility for ADP? When should the questions start to be asked in order that the forecasting can be suitable and the budgets can be moved as and when they are needed?

Professor Smith: Because the budgets in question respond over time to policy changes, the earlier thought is given to policy changes and the possible long-run effects, the better. One of the risks is that although a change in policy might not be very expensive in the first two or three years—even the proposed big shift to ADP will not start to incur big costs in the first couple of years—the costs can increase further down the line. Therefore, the sooner you start to think about those implications, the better.

That will be an issue not just with the policies that the Scottish Government has currently taken over. When policies such as attendance allowance are devolved to Scottish Government control, the Scottish Government will undoubtedly want to think about how it wants those policies to be implemented. Indeed, it has already said that, as further social security policies get devolved, it will want to change how they are administered. At that

point, it will be very important for it to think about the long-run implications, in the same way that we and the Government are thinking about the long-run implications of ADP.

Such implications need to be thought about all together, because there may be trade-offs to be made between policies. The more one spends on some things, the less one has to spend on other things. When it comes to the expensive policies down the line, such as attendance allowance, a lot of the big policies on the devolution agenda are associated with age and disability, so they have the long-run property that David Ulph and I mentioned. They also involve inherent uncertainties, because it is hard to predict. When we have data, it helps us to do a better job of forecasting. Even when we look at established policies, such as PIP, where the UK Government had data on PIP recipients, when policies changed, it was surprised by the way in which the costs changed. Therefore, there is quite a challenge ahead as further policies get devolved to the Scottish Government.

Marie McNair: Adult disability payments will not be assessed by the private sector. Have you anticipated any movement in the costs associated with that policy change?

Professor Ulph: We took that factor into account when thinking through the implications of the take-up assumptions that fit into our calculation of the likely costs of ADP. We looked at the fact that people will be able to call on a wider range of support. We thought that that would be a factor in driving the potential increase in take-up of ADP and, hence, the increase in the case load that we have forecast. I do not think that we ever went down to the specific issue to which you are pointing. We just recognised that people will be able to call on a wider range of support than was previously available and that that will have an impact on the case load. We then tried to find numbers from past experience to help us to identify the potential increase in case load associated with that widening range of support.

Claire Murdoch: As David Ulph said, we considered the changes that are being made to the application and assessment process. We obviously do not consider the cost of delivery; it is for the Government to consider the administration costs for Social Security Scotland compared with those for the DWP.

Marie McNair: Is the more compassionate approach that Scotland is taking to terminal illness claims a possible factor in some of the cost increases that are projected?

Professor Ulph: We looked very hard at that issue. The Scottish Government did a Delphi analysis in which doctors were asked how they

might change their classification in the light of the changed rules. We drew quite heavily on the findings from that Delphi study in coming to our views on what the likely impact of that change to terminal illness claims will be on ADP costs.

Miles Briggs: I will follow up on the questions from my colleague Marie McNair. The Scottish Government has pointed towards other potential benefits—just yesterday, we received a letter from the Minister for Social Security and Local Government with regard to the young carers grant. In your evidence, you have said that there could be 70,000 additional successful applicants for ADP. Are you doing any other work on potential future benefits and what those would look like?

Professor Smith: In general, as Claire Murdoch said, we wait until the Government sets out its policy in enough detail—including its timing—before making a forecast. That does not mean that we do not think about what is in the pipeline, but we do not produce forecasts at that point.

Claire Murdoch might be able to answer in more detail.

Claire Murdoch: A specific example relates to the devolution of cold weather payments, to which the cabinet secretary referred, which will start in the next budget year. That is not currently in our headline forecast, because the payments are not devolved yet and are not in the Scottish budget. We produce an illustrative forecast of spending on cold weather payments, but if the Scottish Government announces plans for those payments in the budget, we will factor those into our forecasts that will be published in December.

Miles Briggs: How did the figure of 70,000 additional applicants come about?

Claire Murdoch: As David Ulph said, we think that more applications will be made for adult disability payments and that there will be more successful applications. The Scottish Government has now published the regulations for adult disability payments—it has a firm commitment to introduce them next year—so we feel that enough information is available on the policy direction that the Government is taking and on the implementation plans for us to factor that in.

The Convener: Your very helpful briefing points to changes that have had to be made to inflation forecasts. There are obvious reasons for that: volatility in the economy that is driven by residual and continuing effects of Brexit and the pandemic. I have two points. First, as we look ahead to the Scottish budget, how difficult will it be for you to predict inflation rates, given where we are with the fuel crisis, rising energy costs and other costs that are having an impact on households across Scotland? Secondly, where do you expect inflation

to be around the time of the Scottish budget and Christmas?

11:00

Professor Ulph: One point to make at the outset is that, in relation to uprating social security benefits, what matters is the inflation forecast in September of the year before the benefits are uprated. Our forecast was that consumer price index inflation in September 2021 would be 2.7 per cent. We will get the exact figure very shortly, so we will know whether that figure was accurate. The change between that and the actual figure for September is likely to be quite small.

Back in August, we forecast that inflation would peak at 4 per cent in the final quarter of this year. Given how things are going, it is conceivable that inflation might carry on into early next year. That would have an implication for future years only if it affected the level of inflation in September 2022, because that would affect the uprating that would apply in April 2023. At the moment, we are forecasting that inflation in September 2022 will be 3.3 per cent. If inflation rose higher or persisted for longer, our figure of 3.3 per cent, which would apply to the 2022-23 budget, would be out by a more significant amount. However, the degree of error in our forecast for September 2021 is likely to be quite small.

The Convener: What about the projected trends towards Christmas?

Professor Ulph: That is harder to say. The figure in our last forecast was 4 per cent. It could be slightly higher than that, but we will not be making another forecast until we publish our December forecasts, after we get figures from the Bank of England or the OBR. We do not have an official view on that at the moment.

Professor Smith: I can add two points of slight comfort. First, as David Ulph said, we will produce a revised inflation forecast in December, with forecasts to go alongside the Scottish budget.

My more general second point is that there is a lot of uncertainty about inflation forecasting at the moment. Inflation has been pretty stable for a long time. The general effects of inflation on the budget are complicated. One would like to say that inflation should not really matter, because everything inflates—tax revenue, Government expenditure, social security expenditure and earnings all go up. However, such things do not go up by the same rate as inflation. Social security benefits are uprated in different ways. Some tax allowances are adjusted for inflation; others are not. Therefore, the effect of inflation on the forecast is quite complicated, but quite a lot of the inflation effects will wash out. In the end, it is the

real-term effects on the economy that are most important.

The Convener: Inflation will clearly have an impact on Government priorities. If inflation squeezes household budgets as well as affecting the delivery of social security benefits, it will surely also affect the Government's considerations.

Professor Smith: Absolutely. That is a good example of the fact that it is the difference between rates of increase that really bites. If prices in the shops go up by more than wages or social security benefits, household incomes will take a painful hit.

Claire Murdoch: From a Scottish budget perspective, inflation will increase the funding that is received through the block grant adjustment, because the UK Government will be spending more on its social security payments. In relation to the Scottish Government's new payments that do not have corresponding funding—the Scottish child payment and the additional costs of adult disability payments, for example—the inflation effect will push up spending. Those costs will have to be met elsewhere in the Scottish budget, rather than being directly funded by changes in the block grant adjustment.

The Convener: That is very helpful and a good conclusion to this morning's session. On behalf of the committee, I appreciate your time, the answers that you have given and the briefing that you provided in advance. Thank you very much indeed. We will no doubt be in touch very soon to discuss these matters again.

We now move into private session.

11:05

Meeting continued in private until 11:32.

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The deadline for corrections to this edition is:

Tuesday 9 November 2021

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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