



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Social Justice and Social Security Committee

Thursday 25 September 2025

Session 6



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SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE
24th Meeting 2025, Session 6

CONVENER

Collette Stevenson (East Kilbride) (SNP)

DEPUTY CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

COMMITTEE MEMBERS

*Jeremy Balfour (Lothian) (Ind)

Michael Marra (North East Scotland) (Lab)

*Marie McNair (Clydebank and Milngavie) (SNP)

*Carol Mochan (South Scotland) (Lab)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Julie Humphreys (Scottish Government)

Shirley-Anne Somerville (Cabinet Secretary for Social Justice)

James Wallace (Scottish Government)

CLERK TO THE COMMITTEE

Diane Barr

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 25 September 2025

[The Deputy Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Deputy Convener (Bob Doris): Good morning and welcome to the 24th meeting of the Social Justice and Social Security Committee in 2025. We have apologies from our convener Collette Stevenson and from Michael Marra.

Agenda item 1 is a decision on taking business in private. Do members agree to take items 3 and 4 in private?

Members indicated agreement.

Pre-budget Scrutiny 2026-27

09:00

The Deputy Convener: Agenda item 2 is our final evidence session on pre-budget scrutiny. I welcome to the meeting Shirley-Anne Somerville, Cabinet Secretary for Social Justice, who is joined by her team of officials: Julie Humphreys, director, tackling child poverty and social justice; James Wallace, deputy director, social justice finance lead; and Ian Davidson, deputy director, social security policy. Thank you, cabinet secretary and your team, for joining us this morning. I believe that you have a brief opening statement before we move to questions.

The Cabinet Secretary for Social Justice (Shirley-Anne Somerville): It is always a pleasure to be able to take part in the committee's pre-budget scrutiny period.

Let me begin by reiterating a fundamental point that I made at the Finance and Public Administration Committee last Tuesday. Investment that we are very proud to be making in the people of Scotland through our social security expenditure is absolutely essential. It is essential to tackle the worst impacts of United Kingdom Government cuts, essential to tackle inequality and child poverty and essential to provide vital assistance for older people to heat their homes, to help disabled people live independent lives and to help Scotland's unpaid carers, who provide such vital support to those they care for and who, in doing so, contribute over £13 billion to the Scottish economy. Every single pillar of that investment package directly results, of course, from the bold and deliberate policy choices that were proposed by this Government and supported by Parliament, and which are founded on the unanimously passed Social Security (Scotland) Act 2018,

The impact of that spending includes keeping 40,000 children out of relative poverty this year through our investment in the Scottish child payment alone, which stakeholders across the UK are urgently calling on the UK Government to match. A fortnight ago, the children and young people's commissioners for Wales and Northern Ireland spoke about that at the House of Commons Work and Pensions Committee, with the commissioner for Wales stating that matching the Scottish child payment would be

"one of the most effective ways of getting money right to the places where it is needed the most".

Meanwhile, the Scottish Government's modelling estimates that our action to mitigate the pernicious two-child limit will result in 20,000 fewer children living in relative poverty in 2026-27 compared to the situation had the cap not been mitigated.

One of the key points is that investment today to mitigate the harmful effects of poverty can lead to reduced demand for and expenditure on a wide range of other public services, such as healthcare. It can lead to improved productivity through a healthier workforce and greater participation by reducing labour market barriers, particularly for disadvantaged groups. To put that another way, as Emma Jackson of Citizens Advice Scotland said at the committee in May, the cost of not mitigating damaging UK Government policies would be

“astronomical and the long-term impacts would last for generations.”—[*Official Report, Social Justice and Social Security Committee*, 15 May 2025; c 35.]

While we have set up a social security system that is intentionally fair—and we are proud to have done so—it is also robust, with applications assessed thoroughly so that those who are not eligible for support do not get it, but those who are eligible do. All our benefits are subject to rigorous evaluation to test whether they are working as expected.

In 2025-26, we are investing £1.2 billion more than the block grant adjustments that we are forecast to receive from the UK Government for social security. Of that, £649 million is to mitigate the worst impacts of the UK Government measures, such as the bedroom tax and the benefit cap, as well to address the totally inadequate standard of living provided by universal credit—we established the Scottish child payment to help to combat that. That investment is possible precisely because we have balanced our budget every year despite more than a decade of welfare cuts from successive UK Governments.

We recognise the fiscal challenges facing the public finances and we have a clear strategy and plan in place to ensure that the public finances are on a sustainable path, including actions set out in the medium-term financial strategy and the fiscal sustainability delivery plan. It is important to emphasise here that the proportion of the resource budget that the Scottish Government has chosen to invest in enhancing social security in Scotland compared to the situation in England and Wales is projected to increase by less than 1 per cent by 2029-30 compared to this current financial year.

That provides the context in which to view the latest Scottish Fiscal Commission forecast, based on which the Scottish Government anticipates spending about £8.8 billion on social security assistance by 2029-30. In 2025-26 our spending will support about 2 million people, which is one in three of the population. I encourage those who think that our spending should be reduced to take part in the future budget discussions that the Cabinet Secretary for Finance and Local Government and I will be hosting, and help us by

determining which groups among those 2 million people they would like to see help removed from.

Earlier this year, the First Minister said that our decision to invest in Scotland’s social security safety net and to target help at those who need it most reflects the values that are fundamental to who we are as a nation. I could not agree more and it is exactly because of those shared values that we are intent on delivering this vital investment through social security benefits on behalf of so many people and families in Scotland.

The Deputy Convener: I will start by asking you about the language used around social security spend. Depending on who is talking, it is an “overspend”, a “black hole”, an “investment” or “planned expenditure” by the Scottish Government and Social Security Scotland. That language is quite important. Do you consider there to be an overspend in the social security budget or do you believe that it is planned expenditure beyond what would have been spent anyway had we just followed Westminster’s policy agenda? Given that the language is quite important when we talk about our budgets, could you comment on that?

Shirley-Anne Somerville: The language is very important. It is not just important as we sit in committee in this Parliament, but important for the people that we are here to support. I am reminded of a recent round-table discussion that I had with disabled people’s organisations and others who talked about their worry that the stigma that we had hoped to take away from the social security system in Scotland is coming back. I fear that that is because of the language that is being used, particularly in connection with some of the most recent UK Government welfare changes, some of which have been scrubbed, while others are ongoing. The language makes a real difference to how people feel about themselves and how they feel that they are perceived by others.

I think that this is an investment. In my introductory remarks I set out some of the ways in which the investment that we make in social security moves directly into people’s pockets to support them to get out of poverty or to stay out of poverty. It is also an investment to ensure that we are not having to spend the money elsewhere in our public services. We are making proactive decisions: I have sat in front of the committee for every eligibility Scottish statutory instrument that we have had, and we have discussed and debated them. Out of all of that secondary legislation, there are exceptionally few examples where anyone has dissented and voted against the SSI. We have come to the committee and to Parliament with the areas of eligibility and Parliament has voted on them.

The Deputy Convener: That is helpful. It is worth putting on the record that the near half a

billion pounds a year that is spent on the Scottish child payment is not an overspend—that is planned expenditure. Of course the planned expenditure means that if you are spending £600 million on that, the forecast would be inaccurate and then that might be seen as an overspend. The reason that I am stressing the point that it is planned expenditure is because politicians and others do not see what the alternative choices are—I get that. If we are making that planned expenditure on the Scottish child payment or planned expenditure of £640 million to mitigate the worst decisions of Westminster, those are pounds and pence that we are not spending on other things. Some of the narrative that we have heard from witnesses so far is that, if we do not invest in other things that also support children and families and the most vulnerable—classroom assistants or health and social care support—that could also have a detrimental impact on the life experience of people who might otherwise have to rely on the social security safety net and that investment.

When you make planned investment in the social security budgets, do you look at the relationship between other budgets that could otherwise have more investment and could also help the same people that the Social Security Scotland budget spend helps? That theme came up time and again during our pre-budget scrutiny.

Shirley-Anne Somerville: You mentioned forecasts and it is very important to recognise that the budgets that we have are based on the Fiscal Commission forecasts. We work very closely with the commissioners, who look at the assumptions for the forecasts that they produce. It is exceptionally challenging to forecast demand-led budgets, particularly for new benefits. The level of error in forecasting is reasonably small but you are quite right to point that out.

There are different ways to tackle the wider aspects of child poverty in particular, as you mentioned. Overall this financial year, we will spend approximately £3 billion to assist those on low incomes and with the cost of living crisis, which is impacting on many families. Social security is just one part of the investment that we make. In the work on the child poverty delivery plan—and we are just going through the drafting of the next one—we will look at different policies from different parts of Government and work out what the impact is and the best way to spend that money. I will bring in Julie Humphreys to expand on that a little bit further.

Julie Humphreys (Scottish Government): The key thing to think about is the three drivers of poverty reduction and the level of investment that is made across them. The three drivers are: income from employment; the cost of living; and income from social security and benefits in kind. If

you look at “Best Start, Bright Futures”, you can see that the balance of investments across those three poverty drivers is incredibly important, which has a cumulative impact that we can see in the number of children being kept out of poverty. For example, on helping to increase incomes, we can think about parental employment support, fair work or the extra time programme; on the cost of living, there is affordable housing support, the baby box, the cost of living guarantee and free bus travel; and then there is social security. Having that blend of options and working out what makes the biggest impact for the greatest number of children and parents across Scotland is what drives our decision making.

The Deputy Convener: We are hearing that it is about getting the balance right.

I mentioned that we spend nearly half a billion pounds on the Scottish child payment and £649 million to mitigate Westminster decisions. That is cash in the system at play. Given that this is pre-budget scrutiny, have any of the parties in the Scottish Parliament suggested that we should divert the half a billion pounds, or a portion of it, from the Scottish child payment, or that we should divert the £649 million, or a portion of it, to other endeavours rather than make the planned investment that the Scottish Government has currently outlined for those funds?

Shirley-Anne Somerville: The budget discussions have not provided me or, as far as I am aware, the Cabinet Secretary for Finance and Local Government with any details yet from any other party about what changes they would like to make on social security, whether those relate to the mitigation measures or other measures. We are still very much in the foothills of those discussions and my door remains open. Clearly, when we are looking at the fiscal sustainability of social security, there are some areas where the expenditure that we have to provide as the Scottish Government could be freed up if we did not have to do the UK Government’s job for it. If the UK Government were to mitigate the two-child limit—and I notice some press activity that suggests that it may be coming to that decision—the First Minister has already said that we would be able to reinvest the money that we plan to spend mitigating the two-child limit on other anti-poverty measures. Imagine what we could do if the UK Government also took away, at source, the bedroom tax, which we currently spend another £80 million on. I could go on about the different mitigation measures. Those are the ones where we could free up money and allow the Scottish Government to invest it elsewhere.

09:15

The Deputy Convener: I know that the budget negotiations are private but the committee would be very interested to know if suggestions are made to nibble away at that investment in Social Security Scotland.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning, cabinet secretary. Given all the noise that is going on about the budget, have you received representations from anybody—I mean anyone and not necessarily people who are in this committee room—calling for your social security policies to be reversed?

Shirley-Anne Somerville: If we want to move past the back-and-forth critique that the Scottish Government's social security expenditure is unaffordable or unsustainable, the answers must come back about what policies people want to be changed—even if I fundamentally disagree with the proposals that are made—so that the trajectory changes.

The approach is based on eligibility. I might fundamentally disagree with suggestions that are made, but suggestions would at least move us past the discussion that we are having at the moment, which does not take us far. That is exactly why we have set out in the MTFS and the fiscal sustainability delivery plan how we propose to look at the financial sustainability work. It is for others to come up with other suggestions; my door is always open.

Marie McNair: No one is asking for policies to be reversed.

Shirley-Anne Somerville: At this point, no.

Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP): Good morning, cabinet secretary. I want to spend a bit of time on understanding the evidence about impact, as assessed by the Scottish Government. What is the Scottish Government's strategy for assessing the long-term impact of its additional spend on social security? We know that the Joseph Rowntree Foundation has estimated that child poverty rates, as modelled in 2030-31, will be 3 per cent lower than perhaps they otherwise would have been. Will you talk a bit about how the Scottish Government is assessing the impact?

Shirley-Anne Somerville: There is a number of layers to that. We can start with the evaluation of benefits that we have undertaken to date. There have been 14 evaluations across disability and the five family payments. The disability evaluation showed that we have reduced the barriers to applying for benefits through improving support and making changes to the application process, which I hope that the committee finds to be a welcome change. The five family payments

evaluation demonstrated a significant positive impact and showed that the investment that we are making will assist in mitigating the most harmful effects of poverty.

We have been able to provide for people who are in work and people who are out of work—as the committee knows, a large number of people are in in-work poverty. We have evidence that the Scottish child payment is reducing poverty, positively contributing to reducing financial pressures on households and reducing debt, material deprivation and food insecurity.

Work that has been undertaken through the Scottish Government and the Institute for Fiscal Studies indicates that changes that were made to the tax and welfare system in previous budgets have contributed to reducing inequality and targeting financial support to those who need it most. That report points to social security benefits promoting equality for women, disabled people and ethnic minorities, who experience higher rates of poverty.

We are seeing improving health outcomes from the early evaluation of the Scottish child payment, best start foods and best start grants, which are enabling parents to provide more and better-quality food for their children. Professor Linda Bauld has done work to look at the impact of social security, and it showed a very positive evaluation.

Elena Whitham: In its audit of adult disability payment, which was published in September, Audit Scotland recommended that the Scottish Government should include

“regular reporting”

on

“how ADP spending is working alongside other spending to support disabled people, and what differences it is making”,

so that we make the links. Is the Government thinking about further evidence on how that spending sits with other spend to improve lives?

Shirley-Anne Somerville: That is an important aspect for the Government to look at. We also have evidence from disabled people's organisations, which has come through loud and clear, not because of changes that we were looking to make to ADP but because DPOs were concerned about changes that the UK Government was due to make. They spoke clearly about how taking away a disability payment could reduce disabled people's ability to get into or stay in employment.

As for what the Scottish Government is undertaking, Professor Linda Bauld is already looking at research on expenditure in the Government on ADP. That requires further

investigation and support not just to demonstrate the impact that is being made but to ensure that we have a positive narrative—this goes back to the convener’s first question—about why this is an investment in the people of Scotland that we should be proud of making, rather than something to be chipped away at, as appears to be the case elsewhere in the UK.

Elena Whitham: We have heard that sometimes there is missing data, so that data linkages cannot be made. It has been asserted that data from Social Security Scotland, His Majesty’s Revenue and Customs and the Department for Work and Pensions could be linked to show a wider evidence base for decisions that are made on social security spending. Is the Scottish Government looking at that?

Shirley-Anne Somerville: We are looking at and acting on that. Yesterday, when the First Minister and I were at the whole-family support event, I was in a workshop with the chief statistician about the work that he is taking forward to ensure that the Scottish Government has access to DWP data, to allow us to drill into such information, which would provide further evidential support and information and help with policy development. I am happy to provide further details of the work that the chief statistician has done.

I know that a number of other projects are being worked on. We are having to work with the DWP and HMRC to get the data, but both the UK and Scottish Governments are working on that. We can provide further information about what we are doing to support evaluation and the evidential base, which will help us with policy formation in the future.

Elena Whitham: I think that the committee would really welcome that. Finally, I will speak a bit about the evaluation of the five family payments, including the Scottish child payment. That evaluation showed that 29 per cent of people said that the Scottish child payment had had a major impact on their ability to stop work or work fewer hours or their ability to stay in work and work more hours, or that it had helped them to start looking for work and gain employment. Concern has been expressed about the payment enabling individuals to reduce their hours. Has the Scottish Government evaluated that? Are you concerned about that, or do you feel that that adds to a family’s ability to make choices?

Shirley-Anne Somerville: It is important that we look at the figures in the round. Of the clients who responded, 69 per cent said that the SCP had had no impact on their decisions about employment or that it was not applicable. For the 29 per cent who reported an impact, the most common impact was that the payment was helping them with work costs such as travelling or clothing,

followed by enabling them to stay in work or work more hours. It is important to look at how the payment has helped people to get into employment, stay in employment or increase their hours, but the analysis that the Scottish Government published in 2024 concluded that, at the current levels, the payment is not negatively affecting labour market outcomes at scale.

I know that people ask us to increase the Scottish child payment. As well as considering the budgetary impact of that on the Scottish Government, we would look at any impact that that might or might not have on the labour market. That is an important aspect but, at this point, it looks as if the payment is, in the main, having no impact or having a very positive impact on families by allowing them to make choices about staying in employment.

Elena Whitham: Thank you—that is helpful.

Marie McNair: The Scottish Parliament information centre briefing included a case of someone who is in employment and on universal credit, who fears that the harsh earning tapers will end entitlement to the Scottish child payment. When we are looking at other ways to take people out of poverty, including employment, do you share my concern that universal credit is not fit for purpose?

Shirley-Anne Somerville: The analysis that I just referred to pointed to evidence on the labour market impact of a cliff edge, and it does not appear to support a compelling policy rationale for implementing a trigger. That is an important aspect of that evaluation. Even if people wished to see a taper, they would need to think about how that would be done. That could not be done with the processes that we have, so it would require new systems in social security.

Some people say that we should look at people’s incomes, that we should have more means testing and that we should taper or look at further targeting—I am not saying that Marie McNair is suggesting that for all benefits or one benefit, but it ties into the question that she asked. That approach would require information that we do not have, because we do not need to collect people’s income data at this point. If we needed that, it would have to be collected and analysed. That would have an impact on how complex the process was and therefore on its cost. For all such aspects, as well as the impact on individuals, we would need to think about the impact on cost of delivering a system that included tapers or an analysis of anybody’s income.

The Deputy Convener: Marie McNair and Elena Whitham spoke about potential cliff edge concerns in the future, particularly if the Scottish child payment became much higher. There is a

tipping point in the labour market impact. A taper is one way to militate against that, once universal credit entitlement has ended. There is also the idea of a run-on for a number of months, which is a wee bittie different from a taper. I know that that all costs money, so I am not asking you to commit to any of that, but does the Scottish Government look at those things in the round to future proof the direction of travel for policies?

Shirley-Anne Somerville: You are quite right to point out the cost—before I have mentioned it—of a run-on, for example, but we also have to bear in mind that the legislative foundation of the Scottish child payment is being eligible for universal credit. Someone who is not eligible for universal credit is not eligible for the Scottish child payment, because of how the legislation was developed. We developed that foundation because it was the quickest way to deliver the Scottish child payment. Any changes would have to take advantage of the legislation that the committee scrutinised and change the legislative basis for the Scottish child payment. After that had been done, you could look at changes that allowed a run-on, but that is not possible under the current system.

Jeremy Balfour (Lothian) (Ind): Good morning, cabinet secretary, and to your team. I want to follow up on that question. I think I am right in saying—I am just looking to get this on the record—that, at the moment, we have no way of knowing the income of those who are in receipt of ADP, which I am, and what they are earning. Neither you nor the DWP holds that information—is that correct?

Shirley-Anne Somerville: The DWP does not hold that information for the personal independence payment and we do not hold it for ADP. It is not part of the application process because ADP is not means tested. We would not collect that information.

Jeremy Balfour: Okay, that is helpful. I will move on.

The Scottish Government is introducing lots of new spending—investment, as you like to call it—which I think is good, such as the winter heating payments, the carer additional person payment and the two-child limit payment. You could have chosen other areas. Why, in your analysis, are those the areas where the money will be best invested in future?

09:30

Shirley-Anne Somerville: It is fair to say that there has been a fair level of scrutiny of and discussion about winter heating payments. I do not think that it is going too far to say that there is a consensus that there should be winter heating payments for pensioners. I think that we are all

agreed on that—I hope we are, but you never know these days. If we agree with that premise, it is then about which pensioners should receive that benefit. The Government has proposed targeting the spend at those on the lowest incomes.

The carer additional person payment is a long-standing Government commitment. We have discussed this at various points, so the committee is well versed in the fact that a number of carers are living in poverty and carers organisations have grave concerns that the current system does not reflect the additional burden that people face if they care for more than one person.

On the two-child limit payment, it is about the impact that the payment will make on child poverty. Just last October, the IFS said:

“the single most cost-effective policy for reducing the number of children living below the poverty line is removing the two-child limit.”

It is far from the only organisation, charity or think tank that would point to that impact.

That is why those decisions have been taken.

Jeremy Balfour: If the Cabinet Secretary for Finance and Local Government came to you and said, “Here’s an extra £20 million, £40 million or £50 million that I have found under the couch”, what would be your next priorities for spending?

Shirley-Anne Somerville: In that exceptionally hypothetical situation, the discussion that we would be having would be about how to spend the finances that the Scottish Government has to make the most impact and whether we thought that such spending should be on social security or on other areas. Given that I am also responsible for the “Tackling Child Poverty Delivery Plan 2022-26” and that I have responsibility for equalities as well as social security, I am sure that the finance secretary and I would get into a discussion about where the maximum impact would be and whether it would be in social security or elsewhere.

Jeremy Balfour: That was an excellent political answer.

Shirley-Anne Somerville: Thank you.

Jeremy Balfour: We have heard some evidence over a period of time that a greater proportion of the Scottish child payment should perhaps be targeted at certain groups. For example, I think we had a submission that those who are aged zero to one might need more support than those who are slightly older. Have you done any more thinking about targeting the child payment at particular age groups or to address other factors?

Shirley-Anne Somerville: As we develop the budget for this year, we would welcome submissions on these issues not only from other

parties—or indeed those who are in no party, Mr Balfour—but from a number of organisations. You pointed to the work on children aged zero to one. I know that Save the Children has submitted evidence on that aspect. We have received calls from other organisations on how to make changes both within and outwith social security. I reassure all those organisations that I take such calls very seriously. The committee will not be surprised to hear that if I totalled up the amount that people wish us to spend on social security and all other aspects of my portfolio, never mind what is in other people's portfolios, it would not be possible to spend that, but we take those calls very seriously. We look to see what our response would be and to see whether there are ways that we can spend the money that we are already spending, not just in social security but in other areas, more effectively.

Jeremy Balfour: One of my personal frustrations is that none of us seems to be willing to talk about the difference between universal and targeted payments; it seems to be a subject that very few politicians want to talk about. How do you come to a view on which benefits should be universal and which benefits should be targeted? Is there any thinking, not only in the short term but in the longer term, on whether we have the balance right between universal and targeted benefits?

Shirley-Anne Somerville: I am not here to speak on behalf of Liz Smith, but she continually probes on that issue, too. She is particularly astute in the challenges that she has put to Government on that, as you have been for some time, Mr Balfour. As I have said in the past, the Government has a range of different policies, some of which are universal and some of which are targeted.

I would say at the outset that all social security expenditure is targeted. People might wish it to be targeted at different people or in a different way, but it is targeted. The universal services that we have are a very important part of the Government's commitment to our social contract with the people. We have a more progressive tax system in Scotland, and aspects such as the concessionary travel scheme, free prescriptions and free tuition are an important part of the social contract. Others might have different views on that, but that is certainly the Government's position.

We have also been very clear that we do not plan to take away entitlement from people. That is an important reassurance, because, although we talk often and quite rightly about people who are in poverty or whom we are trying to keep out of poverty, I am conscious that many of our constituents, while not in poverty, are still being

impacted by the cost of living crisis, and we have a responsibility to those people, too.

When we look at how we target social security expenditure, we look at the impact that it has on particular groups. If people wish to see different proposals coming forward, I say again that my door is open to that, but I have laid out the principle of where the Government stands on universalism and the importance of targeting in certain areas.

The Deputy Convener: Budget time must be just around the corner because I think that is the first reference that we have heard to the finance secretary's sofa. Well done to Mr Balfour for that.

Alexander Stewart (Mid Scotland and Fife) (Con): We already know that there is an increase in the number of individuals who are receiving disability benefits. It would be good to get a clear understanding of what the Scottish Government is doing, what drivers are behind the increased number of people receiving disability benefits, and how the Scottish Government's work is helping to inform policy.

Shirley-Anne Somerville: We are undertaking work. As I alluded to earlier, the Scottish Fiscal Commission's forecasting for disability benefits, and indeed other benefits, is based on a number of assumptions about the growth and reasons for expenditure. The increase in the Scottish Fiscal Commission's forecast to the end of the decade in the main is due to factors common across the UK, which I am sure will not be surprising to the committee. We are looking at the increasing demand for carer and disability benefits, the impacts of the increased cost of living crisis and the rises in payments due to uprating.

The Scottish Government has also undertaken work to identify the different drivers of demand for devolved disability benefits in Scotland and it is our intention to publish that analysis in autumn 2025. We know that some of the reason why we have increasing demand in Scotland in particular is that we have developed a system in which we encourage people to take up support and in which there is less stigma. That is part of the reason why there is more of an increase in Scotland than is anticipated in the rest of the UK. There is also an impact from the number of claims that are now being received to do with mental health or behavioural conditions.

Those are some of the underlying issues that underpin the assumptions in the Scottish Fiscal Commission's work and the work that the Government has been undertaking.

Alexander Stewart: You touched on underlying issues. The Scottish Government's policy aimed at improving health in the population, which is very much one of your priorities, goes hand in hand

with what you are trying to do with social security. The support mechanism that you are trying to put together will help a number of people through the disability benefit process. What knock-on effects are the policies that the Government is pursuing to improve health and to address health inequalities having in terms of driving the increase in the benefits that are being claimed?

Shirley-Anne Somerville: An important point is that the devolved disability assessment is not linked to employment. We have many people in receipt of ADP who are in employment and feel that ADP is what allows them to stay in employment because of the additional support provided. I will bring in Julie Humphreys on this aspect.

Julie Humphreys: You will be aware that the Scottish Government recently co-published the population health framework with the Convention of Scottish Local Authorities. It sets out five interconnected drivers of prevention in health and wellbeing, which are very closely linked to the drivers of poverty reduction. It is worth thinking about the preventative spend in this space to support people into employment and keep them healthy and well. The five prevention drivers are prevention-focused systems; social and economic factors; places and communities; enabling healthy living; and equitable access to health and care. There is a huge amount of information in the population health framework about the policy interventions and we can certainly write to the committee with further details. I could bore you with it for hours, but there is something really important there about the connectivity and cumulative impact of the data and the evidence and how that links clearly into our child poverty programme. If you are not healthy, you will not be able to go into employment and take up opportunities, even with the support that is available at the moment.

Alexander Stewart: You touched on the fact that there has been an increase in mental health inequalities. Those are obviously having a detrimental effect; some people are not getting back into work because of disability and they have now found themselves under the mental health processes. Are you looking at any measures specifically to tackle that, to ensure that people have the support mechanisms to get them through the process and back into employment?

09:45

Shirley-Anne Somerville: An important aspect of this that I will come back to is that many people who are applying due to a mental health condition or behavioural conditions are already in employment. One of the reasons why we have seen an increase in people coming forward for

ADP because of mental health issues or neurodiversity is that we are increasing the support for people to come forward for something that they have always been entitled to but never felt that they could apply for because of the stigma or the judgment. The fact that we have a system that encourages people to apply for benefits to which they are entitled is really important; it is about taking stigma away.

The work that is being done overall, not just by Government but in society, whereby we have a much more open discussion about mental health, is particularly important. We need to have supportive employability schemes to allow people who are not in employment back into the labour market. Social security is one aspect, but employability schemes that support and wrap around a person are also particularly important. Very recently I announced the additional investment that the Scottish Government is undertaking to ensure that employability support for disabled people in particular is available right across Scotland. It is about employability linking in with social security to ensure that support is provided for those who can get back into the labour market or those who wish to do so but do not have the ability at this time.

Carol Mochan (South Scotland) (Lab): Thank you for the evidence so far, cabinet secretary. I want to touch on some of the evidence that we have received from witnesses, with which I am sure that you will be familiar. We talked about an increase in the need for social security spending in the future, and some of our witnesses said that, if we are to make the difference that you are so committed to making, we would need to look at that and at how we fund it in the devolved Parliament. We talked about taxation. The committee has heard calls for substantial extra investment in social security and has heard that there is scope to fund that through the tax system. Do you have a response to some of the points that we have heard in the evidence sessions?

Shirley-Anne Somerville: I have looked at that evidence, which reiterates the points that many organisations have made to the Scottish Government and directly to the Cabinet Secretary for Finance and Local Government about their desire to see changes in the tax system in Scotland. I pointed earlier to the decisions that the Scottish Government has already taken on income tax since devolution that are different from the current UK set-up. Those are estimated to raise up to £1.7 billion in additional income in 2025-26 in comparison with what would have been raised if we had implemented the same rates and bands as the rest of the UK. That demonstrates that the Scottish Government is willing to look at, and indeed has implemented, a more progressive and ambitious taxation system.

The First Minister and the Cabinet Secretary for Finance and Local Government have set out in Scotland's tax strategy our next steps in our approach to taxes. We think that it is very important that taxpayers and, in particular, businesses have some knowledge and confidence about what will happen. That is why we are providing stability in income tax for the remainder of this session of Parliament and there is no intention to increase the number of bands or rates of Scottish income tax. As I have said, without sounding too repetitive, if the committee will forgive me, I am sure that there will be discussions in which proposals will come forward on other changes that could be made, but the Government has been very clear on the Scottish tax strategy and some of the points where we felt that it was important to provide taxpayers and businesses during the cost of living crisis with some certainty for the remainder of the session of Parliament.

Carol Mochan: One of the other things that the stakeholders raised was the fact that disability and carer benefits do not reflect the extra costs of being disabled or the value to the economy of unpaid carers, which is spoken about a lot in the Parliament. I am interested to know whether the cabinet secretary and her team have looked at the long-term costs of that. Should we be seeking to find the money for that or has the team looked at other things that need to be done? Does it need to be done differently to support that group?

Shirley-Anne Somerville: It is very important that we listen to stakeholders about their asks of the Government to go further, whether it is on social security policy or elsewhere. I am very conscious of the support that social security provides. We discussed earlier the impact that it has for disabled people, carers and those on low incomes in assisting and supporting them. Given everything that I said at the start of the evidence session, I absolutely recognise the impact that that investment has had and I recognise the calls for us to go further.

This comes down to the decisions that the Government will have to take, looking not just at the calls on us to increase social security payments for people but at the additional asks that are coming in from Government. The calls that come from all political parties are for us to look in the round at our expenditure and assess whether additional expenditure on social security would be the best way to support an individual or a group of people or whether that best way would be an investment elsewhere or a change of policy elsewhere.

Those are the types of discussions that we will be having during the budget to ensure that we are spending the money effectively, because I take very seriously the challenge that is rightly put to

Government about the fiscal sustainability of our plans. That is exactly why we have the MTFs there to look at those, because we have additional asks of what people want Government to do but we also have a challenge that we must balance the budget.

Jeremy Balfour: I want to pursue one area. Mr Wallace is sitting here very quietly, so maybe he can help us out. As I said previously, thanks to Social Security Scotland, I transferred very smoothly from PIP to ADP. I got a letter a few weeks later saying the agency was going to carry out a review and then, a few weeks after that, I received an eight-page letter that simply said, "Has your condition changed, yes or no? Tick a box." I asked you, cabinet secretary, how much that cost and we are told that Social Security Scotland does not keep that cost. It seems to me a very inefficient system if we are printing eight pages of a letter for something that could be done with a phone call or email or in some other way. If that is one cost that Social Security Scotland is incurring and we do not know how much it is, are we confident that the systems that we are using are efficient with money that could be used for other things?

Shirley-Anne Somerville: I will bring in James Wallace, if he wishes. You will notice from his title at the start that he is no longer in Social Security Scotland but has a wider remit to support me in all things budgetary now. He is well versed still in all things agency if he wishes to contribute.

We are looking very closely at the agency's ability to communicate effectively with people. That has two benefits. One is that it is more cost effective and the second is that it may be what people would prefer. That clearly needs us to have the right information from individuals. For example, the agency would never move from a letter to an email if that is not people's desired preference, because we are always keen to use the channel that is appropriate. We are looking at and the agency is already instigating work on moving, where supported by client decisions, from paper to emails for certain aspects. We are also keeping a close eye on the impacts of how we communicate and the cost of that.

James Wallace (Scottish Government): I will add to that slightly, cabinet secretary. Value for money was a key component of Social Security Scotland as we set up the systems and processes and the point that the cabinet secretary makes is about effectiveness, efficiency and economy—it is all three together. Although one element of the process may cost more and may appear to cost more than it otherwise might, doing it right the first time prevents additional costs further down the system. If you get the wrong information and make a wrong decision and it leads to an appeal, that is

worse for the client and it is worse for expenditure. A key component of Social Security Scotland systems is value for money. The Scottish public finance manual is considered as we build, operate and refine the systems as we go.

Jeremy Balfour: My concern is that we do not know whether it is value for money because Social Security Scotland does not know how much it costs. How do we know that it is value for money if Social Security Scotland does not know how much it costs to carry out this procedure?

Shirley-Anne Somerville: We do not analyse every single part of the process and how much each individual staff member costs, because that staff member can move across different benefits and different parts of the system. That is to allow them to be more efficient and effective, rather than everyone sitting in their silos being told, "You must only do this." That would be easier for us to measure, but that individual would not be effective and efficient. The agency looks at the impact and how we can save money if it is right for the client, and changes in communication with clients are an important part of that. I do not know whether James Wallace wants to add anything.

James Wallace: That is exactly right, cabinet secretary. In a macro sense, we know exactly what the agency costs and we publish annually what the agency costs and there is disaggregation of the costs in there. On the cabinet secretary's point, people work across streams. We would have to engage in some type of costing that might be quite arbitrary to get down to an individual level and find out what the individual process for an individual client costs.

Jeremy Balfour: That is not what I am asking. I am asking for a total cost, and my understanding from the cabinet secretary is that there is no cost. We cannot put a cost on how much it is costing Social Security Scotland to do these reviews—or are you saying that that information is available?

James Wallace: No. In a macro sense, the cost of the agency is available, but reviews are one part of what the agency does. The same individual will also analyse brand new applications for ADP as they come in. They may also be analysing applications for child disability payment and the SCP. It is difficult to break it down to a micro level and say what this small component of a much larger process costs; it is about cost allocation, which can become quite arbitrary.

Shirley-Anne Somerville: An example is how much is spent on mailings. We know that the agency has quite a significant cost attached to simply mailing out to individuals, which is why it is looking at changing the processes to have more email traffic, for example. Those areas are analysed and we recognise that that is a cost that

we can make savings on, and indeed the agency already has a workstream to reduce those costs.

Jeremy Balfour: I am finished, convener.

The Deputy Convener: I was going to say that we were getting into a bit of a niche matter, although an important one.

Cabinet secretary, if you and your officials want to let the committee know examples of how you seek to drive efficiencies within Social Security Scotland, I am sure that that would be welcome. I am conscious that there is also a cost to auditing and budgeting individual items. There must be a balance made between how much it will cost for officials to get the cost of something, which could be greater than the cost of the thing in itself. I am sure that any reflections that you want to give us in correspondence about the efficiencies in the agency would be very welcome.

Marie McNair: I want to speak about the changes to social security block grant adjustments. The PIP cuts that the UK Labour Government proposed—until its screeching U-turn—would obviously have impacted negatively on the block grant adjustments. How concerned are you about further changes to the policy at a UK level?

10:00

Shirley-Anne Somerville: We have had an unfortunate run of changes to UK Government policy. To be clear, they have been unfortunate, most importantly, for the people that would be impacted by them. However, secondary to that has been the unfortunate impact on the ability of the Scottish Government to set a budget. We had in-year budget changes in the past year or so in relation to the pension-age winter heating payment, which made a significant change to the Scottish Government budget for the financial year that we were in. Our policies had been set, and, in order to balance the budget that year, we had to change those at pace and in ways that were uncomfortable for us. We must also take account of the changes that will affect the block grant adjustments over a longer period. The most obvious one of those concerned the proposed changes to PIP, which have been rolled back.

Those changes are challenging, and the committee will be under some of the same challenges as we are. The work that was produced by the Scottish Fiscal Commission includes the changes that the UK Government was due to make to the block grant adjustment, and we have to wait until the next fiscal event from the UK Government to get the next set of information from the Office for Budget Responsibility that will allow the Scottish Fiscal Commission to do further forecasting, which will

assist the Scottish Government. A lot of those developments impact on the ability of the Scottish Government to make forecasts about what we will get through the BGA and, therefore, what the impact will be on our budget.

I absolutely appreciate that the UK Government needs a private space to make its own decisions, but we have asked it to find a better way of doing that. We need to find a way in which it can give us advance sight of material, because we are still at the point where I am reading about adjustments on social media before we have had the courtesy of a call from the UK Government. Indeed, I continue to read about what might or might not happen with the two-child cap as Social Security Scotland spends money this financial year to mitigate that policy. We have to speculate about what will happen. We are already spending money on mitigating the two-child cap. We will deliver that mitigation in March—we were right to make that arrangement—but I will have to wait to see whether there will be a change in the UK Government's policy.

Marie McNair: I am looking forward to that change, actually. I am interested to hear about the discussions that you have had with UK Government about it. What kind of dialogue have you had with Stephen Timms?

Shirley-Anne Somerville: I find the minister very approachable and accommodating in the conversations that we have had. It remains to be seen whether that follows through to the minister making policy decisions that the Scottish Government would support. I have had a number of meetings with him over a variety of issues. For example, I have discussed the UC review with him as well as the calls that the Scottish Government has made in relation to the five-week wait and split payments, and we have offered to share with him the work that we have already done on Scottish choices for UC. We remain ready to engage with him on the work that he will be doing on disability benefits, too.

From what I hear from disabled people's organisations—they can well speak for themselves, of course—there is a slight concern that the minister's genuine interest and knowledge in this area may not follow through to policy changes that would allow support to disabled people to be increased. That could have an impact on the Scottish Government, and I hope that the minister will find a way for us to have discussions about those types of impact before he makes decisions rather than after.

Marie McNair: Absolutely. Thanks for that, cabinet secretary.

Carol Mochan: It is quite fortunate that you were just talking about the relationship with the UK

Government, as I read in the press yesterday that the DWP will continue to provide employment injury assistance, and that there will not be a change in that arrangement for the next two years. Is there a particular reason for that, such as a technicality that needs to be followed up?

Shirley-Anne Somerville: That is a benefit that successive UK Governments have effectively not changed in 75 years or so. It is a massively out-of-date policy that is essentially based on industrial injuries sustained in heavy industry. The consultation that we recently undertook gave two options: to effectively lift the outdated system directly into Social Security Scotland; or to ask the DWP to hold that for us while we do the policy work to make the benefit fit for purpose. The results showed that there was a preference for us to look at the benefit in a more holistic sense.

That will take time because, as I said, the benefit has not been touched for decades, which means that there is a lot to unpick. We have established a committee for that which sits outwith Government, although it is supported by officials. It is undertaking a more holistic view of the benefit, given the views that were expressed in the consultation process. The benefit will carry on under an agency agreement in order to ensure that those who receive the benefit at the moment continue to receive it.

The Deputy Convener: That is all that we have, cabinet secretary; we have reached the end of our evidence session. I thank you and your officials for being here this morning for our pre-budget scrutiny.

Agenda item 3 will be taken in private, so we will move into private session. Thank you.

10:07

Meeting continued in private until 11:29.

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