Social Justice and Social Security Committee
Thursday 11 September 2025
22nd Meeting, 2025 (Session 6)

Pre-Budget Scrutiny – themes for discussion

The Committee will hear from:

- Chris Birt, Associate Director for Scotland, Joseph Rowntree Foundation
- Stephen Sinclair, Chair, Poverty and Inequality Commission
- Emma Jackson, Head of Social Justice, Citizens Advice Scotland
- Edel Harris, Chair of the Independent Review of Adult Disability Payment

Introduction

This is the second of three stakeholder sessions on pre-budget scrutiny. This morning's session will be an opportunity to consider the impact of social security spending and calls for additional spending. This paper sets out brief background before suggesting themes for discussion.

Background

The table below looks at the projected growth of social security compared to other policy areas:

Table 1: Projected resource spending and funding 2025-26 to 2029-30

£m	2025-26	2026-27	2027-28	2028-29	2029-30	% change 25-26 to 29-30
Social security	6,772	7,544	7,976	8,379	8,825	30%
Health/social care	20,200	21,459	22,487	23,635	24,810	23%
Local Government	12,824	13,164	13,516	13,861	14,207	11%
Other	12,828	12,772	13,153	13,577	13,881	8%
Total spend	**52,623**	**54,938**	**57,132**	**59,453**	**61,723**	**17%**
Funding	**52,623**	**53,975**	**55,235**	**57,100**	**59,099**	**12%**
shortfall	**-**	**(963)**	**(1,897)**	**(2,353)**	**(2,624)**	

Source: Scottish Government, MTFS, Table C.01

The Scottish Government has set out plans to meet the shortfall between spending and funding in its Fiscal Sustainability Delivery Plan, and there will be a spending review published alongside the budget.

Administrative spending

Social Security Scotland has an administrative budget of £321m in 2025-26, of which £238m is staff costs and £20m IT systems.

The Fiscal Sustainability Delivery Plan states that milestones are currently being developed to achieve efficiencies through operational delivery improvements, investing in digital and tackling fraud and error where it occurs.

Further background on the Scottish Government resource budget and spending on devolved social security is available in last week's papers.

Previous discussion

Last week the Committee heard that the Scottish Government budget is under significant pressure from a range of issues including pay deals, social security spending and slowing growth in the projected funding from the UK Government. David Bell described the budget as taking place: "against a background of the UK's overall fiscal position [which] is as parlous as it's been for decades." (SJSS Committee, 4 September, 10.04am).

Prioritising certain areas such as social security will require cuts elsewhere. Witnesses described limited potential for raising significantly more revenue through tax, pointing to the failure over many years to reform Council Tax and the limited scope for further revenue raising from high earners.

Witnesses were sceptical of the savings set out in the Financial Sustainability Delivery Plan, saying that much more clarity is needed about what the savings are and how they would be achieved.

Witnesses suggested that, rather than aim to get a certain proportion of households above a 'poverty line' it was more important, in terms of long-term preventative spend, to consider what policies result in improved long-term outcomes. This may be a different balance of services and cash-first approaches, but more research was needed.

Witnesses explained that there isn't a clear understanding of why disability case-loads have increased across the UK, which makes it difficult to design a policy response to it.

Suggested themes for discussion

Theme 1: Impact of additional investment in social security spend

Over 80% of the spend on social security is matched by funding through the social security Block Grant Adjustments. (82% in 2026/27 and estimated 84% in 2029-30 once the impact of PIP reforms is removed.) While the BGA funding is not 'ring-fenced' to be spent on social security it provides a useful comparison between what the Scottish Government is spending and what would have been spent under UK Government policy. The spend 'above BGA' can therefore be thought of as the Scottish Government's additional investment in social security and the amount that needs to be funded from elsewhere in the budget. This additional spend is forecast to be £1,353m in 2026-27 plus £100m on DHPs. The Scottish Government notes that this is 'only 3% of the total resource budget'.

This additional spend comprises mainly:

- Scottish Child Payment (£489m in 2026-27)
- A different approach to administering disability benefits (total of £452m spend 'above BGA' on disability benefits in 2026-27 of which £412m is on ADP).
- Additional benefits for carers (total of £123m spend above Carer's Allowance BGA in 2026-27)
- Mitigating UK Government welfare measures through £100m spend on Discretionary Housing Payments and £155m on plans to mitigate the two-child limit in 2026-27.

Although most spending is on disability benefits, most of the additional spend 'above BGA' is on low-income families with children, due mainly to the Scottish Child Payment and mitigating the two-child limit.

Call for Views

In the Call for Views respondents set out evidence of the impact of devolved social security spend. Social security was discussed in terms of its ability to address poverty and help disabled people live independent lives. CAS considered that: "having a social security system that is rights based and anchored in values is having a positive impact."

Similarly, the Joseph Rowntree Foundation describe how the "increases in Scottish Government spending are not accidental" but a result of Scottish Government policy to mitigate welfare reform, address child poverty and improve the delivery of benefits compared to the DWP. Submissions focused particularly on the Scottish Child Payment and Adult Disability Payment.

Scottish Child Payment

In their submission JRF state that, due to the Scottish Child Payment, the modelled child poverty rate in 2030-31 is 3 percentage points lower than it would otherwise have been.

Many submissions gave examples of how SCP had helped individuals. For example, CAS reported that:

> "A south of Scotland CAB observed that parents of young children had been less affected by food insecurity; the CAB attributed this to SCP."

Further Scottish Government evaluation of the 'five family payments' was published on 4 September. This found largely positive impacts, although it did note that labour market disincentives for a few parents, particularly those close to the income limit for Universal Credit. For example, parents and carers reported declining pay increases, or diverting pay into pension contributions, as increasing their monthly pay would have a detrimental effect on their overall household income. On the other hand, other parents reported that SCP helped them access employment by making it easier to afford transport costs for example. Of those respondents that said SCP impacted employment, 12% said they stopped work or worked fewer hours, but 45% said it helped with work costs, and 12% said it enabled them to look for work or start work. (See table 19 of evaluation report).

Disability benefits

The independent review of ADP described how:

> "If viewed as an investment in the people of Scotland there is evidence of the economic value of the wellbeing impacts of disability benefits and these significantly outweigh the financial costs associated with administering them."

CAS report one client's experience who:

> "described her experience of claiming ADP as amazing and empathetic. She considered this is a result of SSS in-house expertise, effective use of medical and informal evidence […] An award was made based on a level of points ten times higher than her PIP application."

Audit Scotland are due to publish an audit of ADP in September. This includes consideration of the extent to which ADP is contributing towards overall efforts to improve outcomes for people with disabilities.

JRF consider that: "the elephant in the room of many discussions on benefits for disabled people is adequacy." This was specifically excluded from the remit of the independent review.

Members may wish to discuss:

1. **What is the evidence of the impact of the Scottish Government's additional investment in social security? What are the most concerning data gaps where more research on impact is needed?**
2. **If the intended main outcomes of devolved social security benefits are tackling poverty and supporting disabled people and carers, to what extent do you consider these benefits to be value for money?**

Theme 2: Current social security policy

Increases in 2026-27

Social security spending is forecast to increase by £782m in 2026-27 (12%) from £6,772m to £7,554m (not including £100m on DHPs). The funding provided through Social Security BGAs is increasing by just over £300m.

Some of the increase in social security spending is for new measures – particularly the new two child limit payment due to be introduced towards the end of 2025-26. This is forecast to cost £11m in 2025-26 and £155m in 2026-27. As it is Scotland-only policy there is no BGA associated with this payment.

The increase in spending also reflects the increased cost of existing commitments – particularly Adult Disability Payment.

Increases to 2030

Based on current policy commitments, social security spending is forecast to continue to grow faster than other areas of the budget. Over the five-year period to 2030, social security spending is forecast to increase by 30%, from £6,772 million this year to £8,825 million in 2029-30.

By 2029-30 the Scottish Government estimates that spending on health and social care will be £4,160m higher than in 2025-26 and social security spending will be £2,053m higher (table 1, above).

A lot of this increase will be matched by increases in the social security BGAs. While official estimates won't be available until the UK Budget, we can expect the BGA for 2029-30 to be around £440m higher in the absence of PIP reforms. This suggests that additional spending on social security will be around £1.4 to £1.6 billion that year (depending on whether DHPs and employability are included in spending). That is broadly similar to the £1.4 billion 'spend above BGA' in 2026-27.

Real term cuts

Last week Mairi Spowage (FAI) described how the Scottish Government's Medium Term Financial Strategy is to some extent about managing expectations, but:

> "there will be areas that the government is going to have to cut in real terms if it wants to maintain health spending, social security spending and pay at the

level that it has already been baked into its outlook."(SJSS Cttee, 4 September, 09.07).

Members may wish to discuss:

3. **On current policy, social security spending is forecast to be 30% higher by the end of the decade. How can the Scottish Government ensure that funding social security doesn't damage other public services that are also essential to address poverty?**

Theme 3: Further measures in addition to current policy

In the Call for Views there were many calls for additional spending on social security, in particular further increases to the SCP and increasing disability benefits to more closely reflect estimates of the additional costs of disability.

Meeting the 2030 child poverty targets

The JRF, Poverty and Inequality Commission and others have emphasised the need to move quickly, and at scale, to meet the 2030 child poverty targets. To do so requires action across a range of policy areas – not just social security.

WPI Economics were commissioned by the Poverty and Inequality Commission to model the impact on poverty of a range of changes to the SCP. Their summary of additional policies and impact on child poverty by 2030-31 is available at Table 20 in their report. The table below reproduces a few of them.

Table 2: Costings and poverty impacts of changes to SCP

Policy	Cost 2030-31, £m	Reduction in relative child poverty
SCP @ £40 in 2025-26	£230	20,000
SCP premium – lone parents	£110	5,000
SCP premium – young parents	£30	0
SCP premium – disabled family	£90	10,000
SCP premium – young child	£30	0
Moving 12,000 parents into employment	n/a	15,000
10% earnings increase of 12,000 parents	n/a	22,200

source: WPI economics

JRF argue that 'action at scale' is needed. They recommend:

- The adequacy of ADP to support disabled people's additional costs should be a more central part of the debate

- Modelling tells us that £40 SCP has the best poverty reduction impact per pound spent and requires £190m per year.

- Additional targeted spend, potentially as an SCP premium, is needed focusing on those least likely to be able to earn a sufficient income.

JRF have modelled three 'policy packages' mixing social security and other measures in their report 'Meeting the Moment'. The policy package that would meet the 10% 2030 child poverty target is described by them as 'full throttle', saying

> "there will rightly be some concern that change at this scale and pace may not be possible. It would be naïve to deny that the changes to the labour market demanded by these scenarios will be difficult to deliver in this time. To argue that they are impossible, however, is to deny the agency of everyone with the power to make a difference to do so."

It comprises:

- Moving parents in poverty into full time work at real living wage.

- Increase SCP take-up to 100% at a cost of £60m

- Increase SCP to £40 in 2026/27, making it £43.60 in 2030/31 at a cost of £190 million

- Supplement of £47 per week to families with a baby in receipt of SCP in 2026-27 (cost £60m)

- New disability payment for low-income families with children in receipt of SCP, set at value of lower rate of ADP (£360 million)

- Supplement additional SCP of £40 for single parents in 2026-27 – cost of £200m

This package would achieve child poverty rate of 10% in 2030, costing an additional £920 million in SCP in addition to the costs of increasing employment (which are not estimated). They also note that increasing employment would increase tax revenue by £410 million and reduce Universal Credit spend by £500m.

Minimum income guarantee

Another large-scale proposal is the Minimum Income Guarantee (MIG). Citizens Advice Scotland was one of several organisations advocating its introduction saying:

> "A minimum income guarantee would place social security as a core component of a comprehensive system which ensure that everyone has enough to live a decent, dignified and financially secure life."

The working group report on MIG was published in June. The expert group included two of today's witnesses – CAS and JRF. The report included a proposal for initial investment of £671m comprising: increasing SCP to £55 per week and mitigating various aspects of Universal Credit policy including the five week wait. (See table 3 of their report). This is in addition to mitigating the two-child limit.

Preventative spend

Several organisations in the Call for Views discussed how spending on social security should be considered in light of the cost to the public purse of continuing levels of poverty. The Poverty and Inequality Commission refer to Scottish Government estimates:

> "The Scottish Government's recent Public Service Reform Strategy provides further illustrative figures on avoided public spending that may be realised if poverty were to be reduced. It estimates that reducing overall poverty by a quarter could avoid £2.9 billion of public spend and halve the projected fiscal gap by 2035/36."

Last week witnesses discussed the difficulties in achieving robust quantitative estimates of the impact of preventative spend. Tom Wernham (IFS) discussed how:

> "Its really difficult to disentangle what factors are going to shift the dial on some of these longer-term questions. It doesn't necessarily follow that giving families more cash as opposed to other kinds of support is going to be particularly effective. […] It does have the potential to make a difference maybe but we just don't know yet. If you want to boost early education attainment there's evidence that other schemes, such as sure start, […] can produce really positive effects." (SJSS Cttee, 4 September 09.33am).

The Scottish Government's child poverty delivery plan – Best Start Bright Futures reflects this by including action across a very wide range of policy areas – albeit the largest investment has so far been in social security. The next plan, covering 2026 to 2030 will be published in March 2026.

Funding increased spend

The Poverty and Inequality Commission state that:

> "Structural pressure on public finances in Scotland appear here to stay, and the Commission believes the right response is to plan and prepare for them through growing the economy by investing in our people, increasing the efficiency of public spend where possible, and raising revenue through progressive taxation."

The Commission referred the Committee to their 2023 report on taxation. This includes, for example, revaluing properties for council tax and introducing a wealth tax (the latter probably requiring further devolution).

In their report 'Meeting the Moment', (discussed above) setting out policy packages that could meet the child poverty targets, the JRF acknowledge the challenge of funding it saying:

> "the next Scottish Government will have to find those funds, no doubt in competition with other demands and the additional strain caused by the UK Government's cuts of disability benefits. As we have mentioned in the section on housing, council tax is long overdue significant reform and could be used to raise additional funds beyond those that are raised now. Non-domestic rates, usually called business rates, also provide a potential source of additional income. And, of course, the Scottish Government also has broad powers to raise additional funds via income tax."

The report also discussed the additional income tax and reduced social security spend that would accrue if these policies were successful in supporting parents to earn more.

Last week witnesses discussed the limited scope for raising substantially more from devolved taxes – pointing to the failure over many years to reform council tax and the limited revenue achieved from tax increases for higher earners. Mairi Spowage (FAI) considered that:

> "The largest tax the Scottish Government could look to change to raise more revenue is income tax […] that's the only one in town if you're talking about significant changes. The current Scottish Government have said that they feel that the divergence between Scottish and UK income tax is probably as far as they would like to go right now. (10.06 am). [….] If you want to raise significant amounts of money through income tax you need to be coming down the income distribution hitting people earning more average wages."

She briefly discussed wealth taxes, which she described as 'very difficult to implement', and that international examples often don't raise very much revenue. (10.08 am). On the challenge of introducing wholly new taxes she observed that: "we haven't even been able to reform council tax." (10.08am)

Members may wish to discuss:

4. **Witnesses have argued for substantial additional investment to meet the 2030 child poverty targets. How would that be paid for?**

5. **Last week witnesses discussed the balance between cash-first approaches and provision of services. Does the current balance need to change in order to ensure the best long-term outcomes for families, disabled people and carers?**

Theme 4: Disability Benefit Caseload

Last week witnesses explained that the reasons for increasing disability benefits caseloads across the UK were not well understood, and without understanding the causes it is difficult to design policy to address this increasing demand. Factors discussed were:

- Increasing ill-health, particularly mental ill-health

- Ageing population

- Greater take-up due to cost-of-living pressures

- System changes – in particular the different approach in Scotland, but also changes to the administration of PIP such as doing assessments by phone instead of in person.

In their submission the JRF state that it is:

> "a legitimate public policy aim to try and reduce the number of working age people who require adult disability payments (and other social security payments by, for example, reducing barriers to employment). A smaller caseload would allow even greater scope for increased adequacy of the support available."

Members may wish to discuss:

6. **Are witnesses aware of any research being undertaken on the reasons for the UK-wide increase in disability benefit caseloads?**

7. **What measures might be taken to reduce demand for disability benefits through improving population health? What kind of timescale would be needed for any such measures to take effect?**

8. **What measures might be taken to increase earnings from employment in order to reduce demand for low-income benefits such as the Scottish Child Payment?**

Theme 5: ADP independent review

The independent review of Adult Disability Payment (ADP) was published in July. In January 2024 the Cabinet Secretary, Shirley-Anne Somerville had appointed Edel Harris to consider: the activities and descriptors, the consultation process and people's experience of applying for, receiving or challenging decisions on ADP. Initial priorities for change were published in November 2024. Issues such as the adequacy of payments were outwith scope.

The report made 58 recommendations to which the Scottish Government is expected to respond in January 2026. The recommendations are grouped under four themes, taken from the social security charter:

- **A people's service**: For example, ensuring the client voice is at the heart of continuous improvement, ensuring sustainable funding for advocacy and welfare rights advice, embedding a trauma-informed approach.

- **Processes that work**: For example, making it easier for clients to track the progress of their application, reduced phone waiting times and faster and more transparent decision-making, reviewing the application form, consider automatic entitlement to ADP for those with certain conditions.

- **A learning system**: For example improvements to training and guidance and re-instatement of the 'expert by experience' group.

- **A better future**: For example, automatic awards of Short Term Assistance, changes to the point-based scoring system, replacing the 50% rule with improved application of the reliability criteria and removing reference to a fixed distance in the mobility component.

The review also discussed budget implications. It set out an approach to estimating the increased spending from the recommendations. Specific estimates were produced for two recommendations:

- Recommendation 30: Automatic award of short term assistance: if STA had been paid in all cases to date, it would have cost an additional £900,000.

- Recommendation 33: Automatic entitlement for certain conditions or being in receipt of certain forms of assistance. Extending to all those in receipt of the Independent Living Fund might cost around £2.9 million in 2025-26, and extending to all those with Blue Badges might cost around £108 million.

An approach was set out to costing the impact of the other recommendations on benefit spending.

The report also recommended changes to administration and delivery. It estimated that the development cost of implementing the recommended system changes would be in the region of £1.27 to £2.09 million.

Members may wish to discuss:

9. **Which of the recommendations from the review would lead to the greatest improvement in the effectiveness of ADP?**

10. **What is the scope for making low cost/high impact improvements to ADP?**

Theme 6: UK Government policy

Recent policy changes to Winter Fuel Payment and proposals for changes to PIP have led to uncertainty and short notice changes to the funding provided to the Scottish Government for devolved social security.

For Winter Fuel Payment, the reduction in BGA was such that the Scottish Government felt constrained to follow suit with subsequent policy changes – first to restrict eligibility to Pension Credit and now to extend to those with incomes of £35,000 or less per year. (A planned Scotland-only policy to provide £100 payment to those not eligible via Pension Credit was superseded by the policy to introduce the £35,000 income threshold).

The impact of the PIP reforms on the BGAs would have been less immediate – building up to £440m lower BGA by 2029-30 than previously forecast. The policy was announced in the 2025 Spring Statement. Legislation was introduced in early summer but the relevant provisions were removed in July. A review of PIP is underway led by Sir Stephen Timms which is due to report in Autumn 2026.

Members may wish to discuss:

11. **Although the PIP reforms were removed from the recent Bill, what are witnesses views on the likelihood of significant eligibility changes to PIP in the near future? How can the Scottish Government plan for the financial impact of this on the Scottish budget?**

Camilla Kidner, Senior Researcher, SPICe

Date: 5 September 2025