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An t-Ionad Fiosrachaidh

Social Justice and Social Security Committee

1st Meeting, 2022 (Session 6), Thursday, 13 January

Scottish Budget 2022-23

Introduction

The Scottish Government's budget 2022-23 was published on 9 December.

The Committee focused its pre-budget work on meeting the child poverty targets and has heard from:

- Scottish Fiscal Commission on their August 2021 and December 2021 forecasts for social security ([7 October](#), [23 December](#))
- [Scottish Women's Budget group](#) (23 December)
- [Social Security Scotland](#) (2 December), and from
- [Engender, Child Poverty Action Group, One Parent Families Scotland, Crisis and StepChange](#) (7 October)

The Committee sent its [pre-budget letter on 29 October](#) and the Scottish Government [responded on 9 December](#).

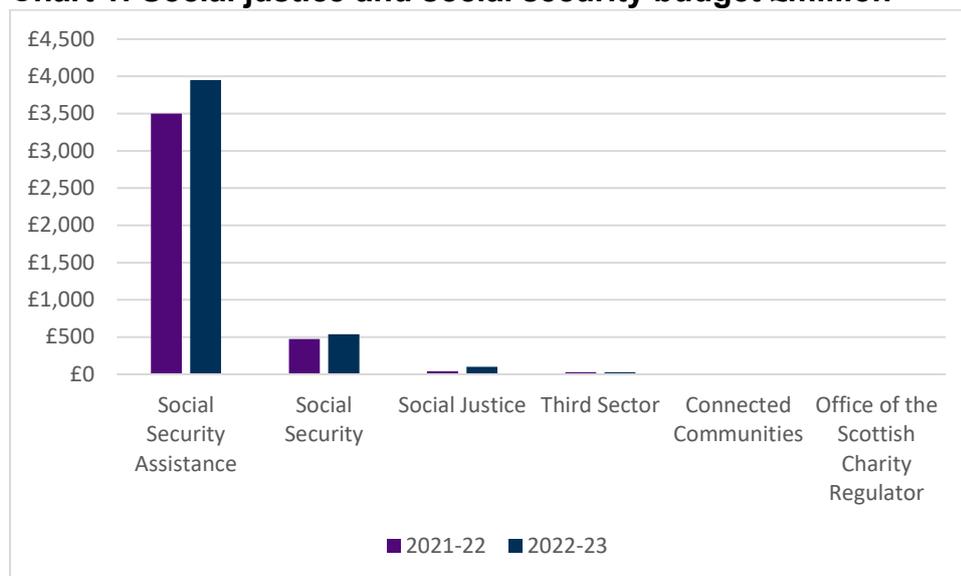
The Committee will hear from:

- Shona Robison, Cabinet Secretary for Housing, Local Government and Social Justice
- Shirley Laing, Director for Housing and Social Justice, Scottish Government
- Kevin Stevens, Head of Strategic and Programme Finance, Scottish Government

Background: Social justice and social security budget

The total budget for the Cabinet Secretary's portfolio is nearly £17 billion. Of this, around £4.6 billion is within this Committee's remit. Almost all of this is social security. This is illustrated in chart 1 below which shows the 'level 2' budget headings. 'Assistance' is the amount paid out in benefits, 'social security' is development, operating and administration costs.

Chart 1: Social justice and social security budget £million



Source: Table 5.01 Scottish Government budget. Not including: housing, building standards, Scottish Housing Regulator, equalities, local government or COVID-19 funding.

After social security, the next largest relevant budget is 'social justice' most of which relates to child poverty. This paper therefore focuses on meeting the child poverty targets and the social security budget.

Suggested Themes for Discussion

The following suggests six themes for discussion:

- Theme 1: Child poverty targets
- Theme 2: Social Security Scotland benefit spending
- Theme 3: Upgrading social security benefits
- Theme 4: Social security development and operating costs
- Theme 5: Local authority payments

- Theme 6: Third Sector

Theme 1: Child Poverty Targets

During the Committee's 'pre-budget scrutiny' there was general agreement amongst witnesses that the Scottish Government was unlikely to meet its child poverty targets. The Scottish Government has since brought forward the planned doubling of the Scottish Child Payment to April 2022 at a cost of an additional £103 million in 2022-23.

The Committee discussed the Cabinet Secretary's priorities on 23 September. On the 'national mission to tackle child poverty' child poverty she said:

"we need game-changing policy ideas from across Government to add to the Scottish child payment." [Committee Official Report 23 September 2021, col 13](#)

She outlined three ways to tackle child poverty:

- Secure work at least at the living wage
- Reduce costs, including wrap-around childcare and housing costs
- Social security

She emphasised employability:

"Employability is a very important area, and we are looking at how we can make employability services work better for people. [...] It is not a question of providing a job opportunity or training alone; it is a case of helping with childcare and transport costs, removing some of the barriers and relieving some of the pressures. If we can get that right, that will get us a significant way towards meeting the poverty targets" [Committee Official Report 23 September 2021, col 13](#)

The [Parental Employability Support Fund](#) was allocated additional funds in both 2020-21 and 2021-22. In the 2022-23 budget it has been transferred to the 'economy and finance' portfolio. Total identifiable funding in the 2022-23 draft budget drops from £9.7m to £5.8m. (See table 1 below).

Table 1: Parental Employability Support Funding via local government

| £ million | 2020-21 | 2021-22 | 2022-23 |
|------------------|------------|------------|------------|
| Basic allocation | 5.0 | 5.0 | 5.8 |
| Disabled parents | 2.0 | 2.0 | 0.0 |
| ELC alignment | 0.0 | 2.0 | 0.0 |
| Young parents | 0.0 | 0.7 | 0.0 |
| Total | 7.0 | 9.7 | 5.8 |

Source; Scottish Government draft budget table 5.17. Local government funding outwith core settlement.

This is only one part of employability and training support – the total budget for which increases from £56.3m in 2021-22 to £124.6m in 2022-23 (draft budget table 6.01). The [‘level 4’ spreadsheet](#) notes the “Allocation uplift to deliver additional Manifesto commitments such as the Young Person’s Guarantee”. The employability budget is provided under the finance and economy portfolio – see chapter 6 of the draft budget.

On wages, the 2022-23 budget guarantees £10.50 minimum public sector pay.

On childcare, the 2022-23 budget continues the investment in [ELC of 1,140 hours](#) for all 3 and 4 year olds and for 2 year olds in low income families.

On housing costs, the 2022-23 budget continues the full mitigation of the bedroom tax via Discretionary Housing Payment (DHPs) and a standstill budget for ‘other DHPs.’ Council tax is also a housing cost. The Scottish Government is giving local authorities flexibility over setting council tax rates.

The Committee will consider the next Tackling Child Poverty Delivery Plan in the spring. The Committee has already given its views on priorities for that Plan ([22 November](#)) and the [Cabinet Secretary responded on 3 December](#). The response noted the Tackling Child Poverty delivery plan of £50m over four years but also the much larger amounts of public funding targeted at low income households (£2.5bn in 2020-21).

On theme 1, child poverty targets, members may wish to discuss:

- 1. What budget choices were made in order to double the SCP?**
- 2. Has the Scottish Government modelled the impact of a £20 SCP on child poverty?**
- 3. What other major areas of spending across the whole budget contribute to meeting the 2023-24 interim child poverty targets?**
- 4. How will the Tackling Child Poverty Fund be targeted to ensure it has maximum impact on reducing child poverty?**
- 5. Why is there a reduction in the total Parental Employability Support Fund budget that is going to local authorities?**
- 6. How is the Scottish Government assessing the impact of all its budget decisions on reducing child poverty? What analysis has been done?**

Theme 2: Social Security Scotland benefit spending

The amount paid out in Scottish Social Security is expected to be £4.1bn in 2022-23 rising to £5.5bn in 2026-27.

In 2022-23 the Scottish Government is forecast to spend around £360m on social security above what it receives in Block Grant Adjustment (BGA) from the UK Government. This rises to a funding gap of £750m by 2024-25. Dame Susan Rice told the Committee on 23 December that:

“We highlight in our report how a significant funding gap is expected to open up between the forecast spending on social security and the devolved funding received from the UK Government. That gap reaches three quarters of a billion pounds by 2024-25. The money must be found from elsewhere in the Scottish budget. That is in the context of a resource budget that is under pressure, which is not helped by a negative net tax position for the next five years.” (Committee Official Report 23 December 2021, col 3)

New benefits starting in 2022-23 are:

- Adult Disability Payment
- Low Income Winter Heating Assistance
- Scottish Child Payment due to be extended to 6 to 15 year olds (inclusive)

The forecast cost of Scottish Government policy decisions include:

- Compared to PIP, Adult Disability Payment will cost an additional £37m in 2022-23 rising to an additional £527m by 2026-27.
- Adult Disability Payment also causes increases in Carer’s Allowance spending – an additional £40m by 2026-27
- Doubling the Scottish Child Payment adds added £103m to the budget for 2022-23.
- A new benefit – Low Income Winter Heating Assistance will replace Cold Weather Payments. It will pay £50 a year to those on certain low income benefits and is forecast to cost £21m in 2022-23. £6m more than is spent on Cold Weather Payments in an average year. It is currently out for consultation.

On Theme 2, Scottish social security benefits, members may wish to discuss:

- 1. What budget decisions have been made to ensure that the Scottish Government can meet the estimated £360m additional spending requirement above BGA funding in 2022-23?**
- 2. How does the Scottish Government plan to meet the funding gap of at least £750m that is building up in the social security budget?**
- 3. Given these known budgetary pressures – what is the likelihood of being able to provide more generous eligibility for Scottish benefits compared to their DWP equivalent?**

Theme 3: Uprating social security benefits

The Scottish Government published its "[s86A](#)" [report on the effects of inflation](#) on 9 December. This sets out its uprating policy for 2022-23 and sets the rate of the Carer's Allowance Supplement.

Benefits that are delivered by DWP under agency agreements are uprated according to DWP policy – which is 3.1%. The following focuses on those benefits where uprating is a Scottish Government decision.

SCoSS are due to issue a report on uprating before the regulations are laid.

Disability benefits, carer benefits and funeral support payment must be uprated and these are being uprated by 3.1%.

Two benefits are increased by more than this. The Scottish Child Payment is doubled and Child Winter Heating Assistance increases by 5%.

Benefits which do not have to be uprated are not increasing. These are the three Best Start Grants and Best Start Foods. The inflation adjusted figures are provided in table 2 below. [For inflation adjusted figures for all devolved social security see Tables 1 and 2 in the Scottish Government's report on the effects of inflation.](#)

Table 2: BSG and BSF adjusted for inflation

| Benefit | 2022-23 proposed rate | if uprated by 3.1% |
|--|--------------------------|-----------------------|
| Best Start Grant pregnancy and baby – first child | £606.00 | £624.80 |
| Best Start Grant – pregnancy and baby – second child | £303.00 | £312.40 |
| Best Start Grant early years and school age | £252.50 | £260.35 |
| Best Start Foods – pregnancy and aged 1 and 2 | £4.50 per week | £4.65 |
| Best Start Foods – baby under 1 year | £9.00 per week | £9.30 |

Unpaid Carer's

Carer's Allowance Supplement is increasing from £231.40 to £237.90, an increase of 3% on the standard payment. This is based on the calculation set out in the Social Security (Scotland) Act 2018. However, the budget does not include any provision for 'double payments' of CAS in 2022-23. At the [stage 3 debate on the Carer's Allowance Supplement \(Scotland\) Bill on 7 October, Ben Macpherson](#) said:

"If the bill is passed, we will have the power to pay an additional supplement in the future, if that is the will of Parliament, through the budget process and

considering taxation choices that have been emphasised by others and the wider budget questions in the round.”

On 23 December, Sara Cowan (Scottish Women’s Budget Group) commented that there is ‘not very much in the budget for unpaid carer’s.’ She referred to carer benefits and the wider context including ‘£5m to provide a right to respite,’ saying:

“It is also necessary to ensure that the services are there to support unpaid carers in the work that they do. Reopening of local respite services will be crucial over the next period, but just as we see uncertainty with the impact of omicron, there is continued uncertainty about how that will happen. I think that more could be done to support unpaid carers. As I said, because of the long-term undervaluing of social care, continued support needs to be offered to ensure that that is rectified” ([Committee Official Report 23 December 2021, col 16](#))

Members may wish to discuss:

1. Why aren’t Best Start Grant and Best Start Foods being uprated?
2. Did the Scottish Government consider making double payments of CAS in 2022-23?
3. Given current inflation and cost of living, did the Scottish Government consider uprating by more than 3.1%?

Theme 4: Social Security development and operating costs

Table 3 below show that budget for the Advice, Policy and Programme is increasing by 12.4% and the budget for Social Security Scotland operating costs is increasing by 14.6%. The Programme develops the benefits. Social Security Scotland implements and administers benefits that have been developed.

Table 3: Programme costs and Social Security Scotland operating costs

| Budget £m | 2021-22 | 2022-23 | % change |
|--|---------|---------|----------|
| Social Security Advice, Policy and Programme | £195.4 | £219.6 | 12.4% |
| Social Security Scotland | £271.4 | £310.9 | 14.6% |

Taken together, these two budgets have increased by £411 million, or 88%, since 2019-20. This is shown in Chart 2 below.

Chart 2: Social Security Scotland and Programme Administration/Development budget since 2019-20. £ million

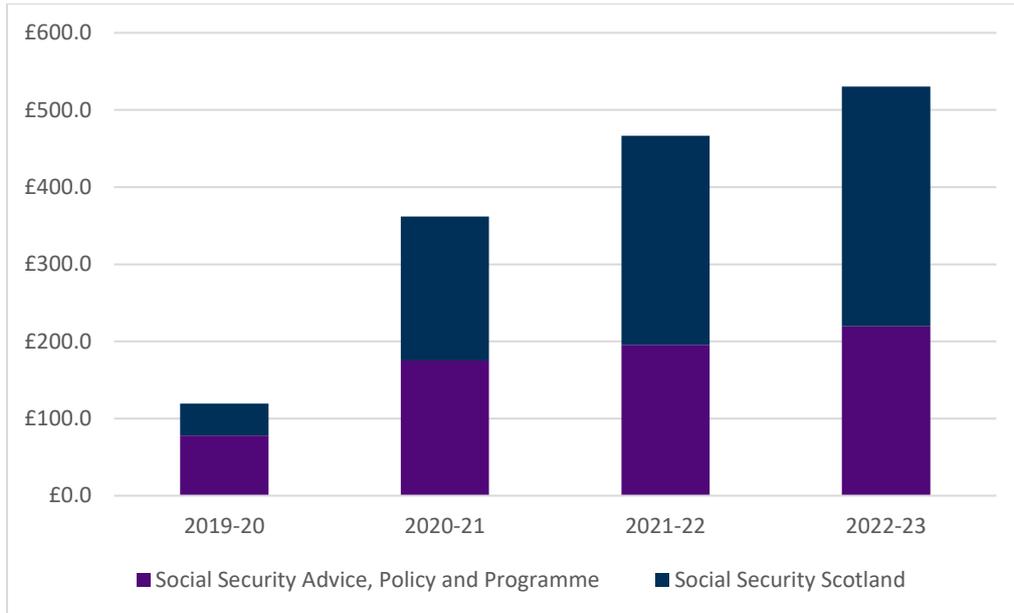
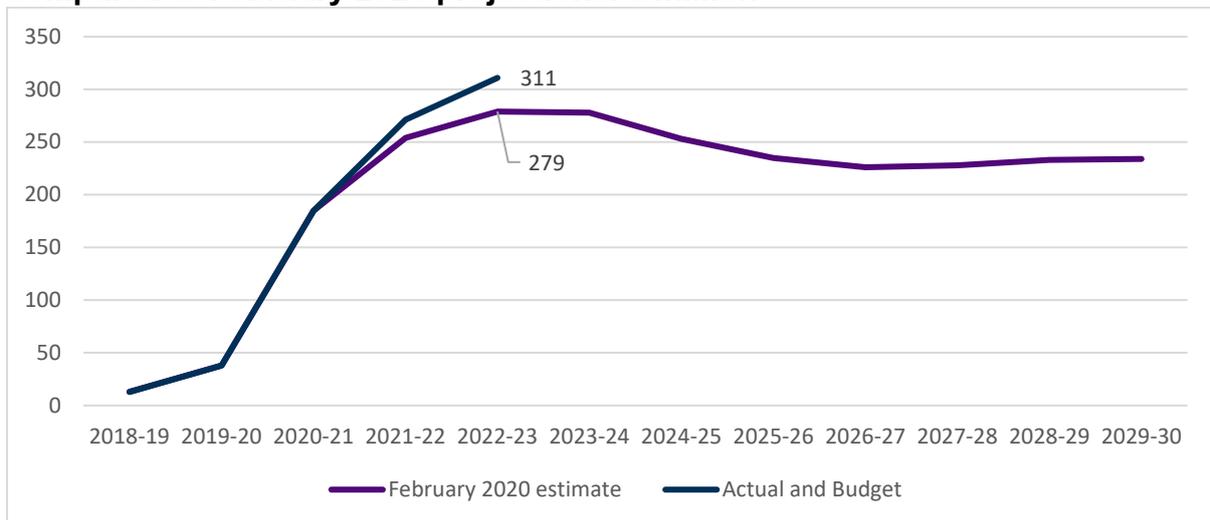


Chart 3 and 4 below compare this growth to the financial projections in the Business Case published in February 2020.

The increase to Social Security Scotland’s budget this year is not unexpected given their plan to recruit an additional 2,000 staff between summer 2021 and autumn 2022. The reason for the large increase to the Programme budget is less clear and suggests that developing the remaining benefits will be more expensive than the work already done to develop ADP and SCP.

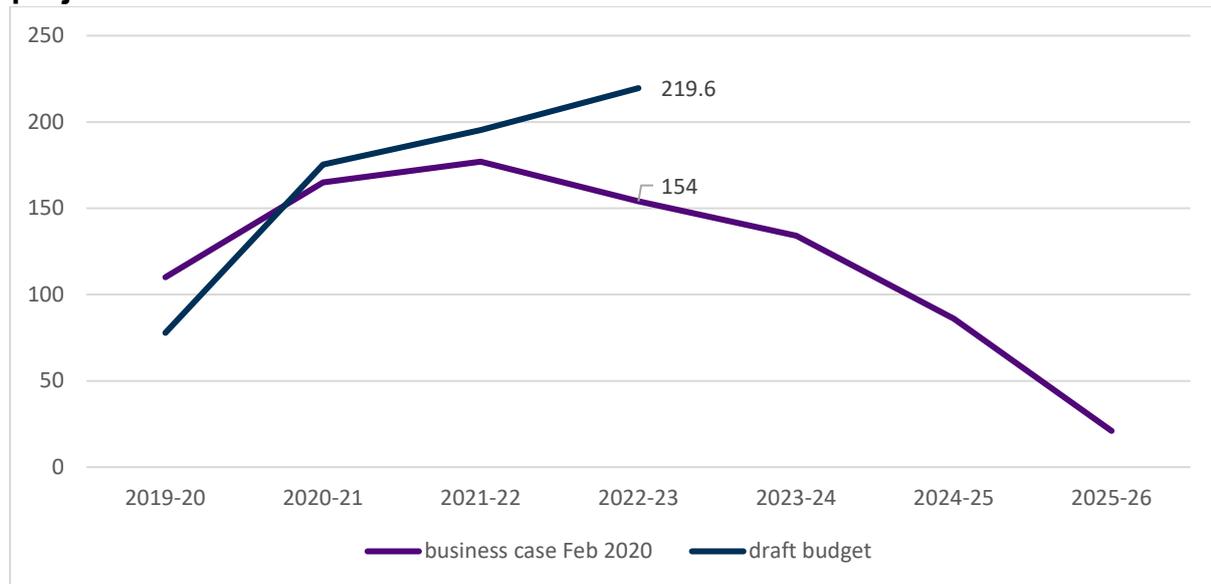
Chart 3: Social Security Scotland; actual and budgeted operating costs compared to February 2020 projections. £ million



Source: Scottish Government budgets, Programme Business Case February 2020 table 5.3. Includes Agency Agreement costs.

The budget for advice, policy and programme has also departed from that February 2020 estimate as shown in the chart below.

Chart 4: Advice, policy and programme budget compared with business case projections. £ million



Source; Scottish Government draft budgets and [Programme Business Case table 5.3](#)

The [Business Case](#) stated that:

“The cost estimates presented are a result of a significant financial planning exercise undertaken across the Programme during summer 2019. The estimates cover both ongoing and planned activity across the Programme, and, as would be expected on an Agile programme of delivery which is in progress, the component estimates across the Programme have reached different levels of maturity; therefore these are reviewed and updated continuously as part of the Programme’s financial management processes. The estimates include the relevant allowances for uncertainty or optimism bias as appropriate.”

And also that:

“As the Programme Business Case is a living document, the financial and operational impacts of decisions which will be made in the future will be included in future updates.”

No updates have been published since February 2020.

David Wallace explained to the Committee why Social Security Scotland’s staffing requirements had increased so much compared to the 2020 business case.

“the staffing requirement figure simply was not updated for the programme business case in 2020—it reiterated the 2017 figure, rather than a figure that had taken into account some of the changes. I always emphasise that, from the 2017 figure onwards, it was an in-excess figure; we were comfortable that we would need at least that number of people.” ([Committee Official Report 2 December 2021](#))

On theme 4: Social security administration and development:

1. Why have costs increased from those set out in the February 2020 business case?
2. What are the Scottish Government's current five year projections for the Social Security Programme costs and Social Security Scotland operating costs?
3. Can you describe the increase in activity next year that requires a 12.4% increase in the Policy and Programme budget? (Particularly given that implementation of ADP will be a matter for Social Security Scotland rather than the Programme and that there is no public timetable for new benefits starting after low income winter heating in September 2022)
4. Will achieving the planned increase of 2,000 staff require in-year transfers to Social Security Scotland or do you expect the 14.6% increase in overall budget to be sufficient?

Theme 5: Local government payments

Relevant local authority payments include;

- £79m for Discretionary Housing Payments (DHPs) (plus £1.2m administration)
- £35.5m for Scottish Welfare Fund (plus £5.5m administration)
- £15m for Self-isolation Support Grant

Discretionary Housing Payments (DHPs)

Table 4 below shows the SFC's forecast for 'bedroom tax' mitigation and the assumed budget for 'other DHPs' up to 2026-27.

The Scottish Government guarantees mitigating the 'bedroom tax' in full, so the steady increase in 'bedroom tax' DHP reflects rising demand.

However, after increasing to £18.6m in 2020-21, the 'other DHPs' budget has fallen back to its previous allocation of £10.9m. Other DHPs is used to mitigate the impact of the local housing allowance (LHAs), the benefit cap and 'core DHPs' (Core DHP is spending not related to welfare reform).

Table 4: DHP forecast budget

| £ million | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|
| Bedroom tax mitigation | 63 | 67 | 68 | 70 | 71 | 73 | 76 |
| Other DHPs | 18.6 | 10.9 | 10.9 | 10.9 | 10.9 | 10.9 | 10.9 |

| | | | | | | | |
|-------|----|----|----|----|----|----|----|
| Total | 81 | 78 | 79 | 81 | 82 | 83 | 87 |
|-------|----|----|----|----|----|----|----|

Source: Scottish Fiscal Commission Table S5.10

Financial statistics for the current year can indicate where there is pressure on the budget. [Latest statistics show that](#), as of 30 September 2021, (halfway through the current financial year) local authorities had spent:

- 160% of the £1.5m budget for 'core' DHPs not related to welfare reform
- 105% of the £1.3m budget for local housing allowance mitigation in the private rented sector
- 45% of the £72m budget for bedroom tax mitigation in the social rented sector
- 19% of the £8m budget for benefit cap mitigation

This suggests there may be unmet demand for LHA mitigation and spending that is not related to welfare reform measures.

Scottish Welfare Fund (SWF)

In 2020-21, the SWF budget was increased to £58m. At the end of the year [£11.5m of that remained unspent](#). This was carried over into 2021-22 and added to the budget of £35.5m. [Latest statistics show that, in the seven months to October 2021](#), local authorities had spent £30m from the SWF. While the 'carry over' from 2020-21 makes this affordable this year, this rate of spending may suggest a need for increasing the basic budget in future years. The basic budget is £35.5m resource plus £5.5m administration – a total of £41m.

The Scottish Government is planning a review of the SWF. The [Programme for Government](#) stated:

“We’ll also guarantee the budget of the Scottish Welfare Fund at £41 million per year, an important social safety net administered through local authorities, and start an independent review this year to understand how it’s working and whether there are measures that we could put in place to improve it.”

Self-isolation support grant

The [SISG is available](#) to those on low incomes, who are required to self-isolate and cannot work from home. SFC forecast spend will fall from £32m in 2021-22 to £15m in 2022-23. However, on [16 December](#), the Scottish Government announced:

“£100 million for self-isolation support grants is also being made available to those who need it.”

Many local authorities process the SISG through the Scottish Welfare Fund. The administration budget for the SWF is £5.5m and has been at this level [since 2014](#).

On theme 5: Local Government payments:

1. **Given nearly £30m had been paid out of the Scottish Welfare Fund by October 2021 (7 months through the financial year) why is £35.5m considered sufficient for the whole of 2022-23?**
2. **When will the review of the Scottish Welfare Fund start? What is its scope and remit and how will those with lived experience be included?**
3. **Many local authorities spend more than their allocation for mitigating the impact of the Local Housing Allowance (housing costs in the private rented sector)? Does this suggest this budget should be increased?**
4. **Given the increase in funds for the Self Isolation Support Grant, are local authorities being provided with additional funds to process them?**

Theme 6: Third Sector Infrastructure

The budget for the third sector infrastructure is reduced from £26.150 million to £25.797 million. It is not the totality of investment in the third sector. The 'level 4' budget figures describes this budget line as:

“Investment in the local and national third sector infrastructure. Capacity and growth of social enterprises across Scotland, supporting international social enterprise, as part of the Internationalising Social Enterprise strategy.”

The 'level 4' budget figures describe this 1.3% reduction as 'no significant change'.

SCVO wrote to the Committee with their view on the budget. They describe the cut as 'a severe blow' and ask the Committee to “take on board our concerns and consider what it can do to ensure that the Scottish Government rethinks this substantial reduction of investment.” They say:

“the fiscal resource line of the third sector budget is to be reduced by £800,000. This may seem like a small amount of money, but any cut will inevitably result in weakened support for voluntary organisations, and their volunteers, across Scotland, at a time of great uncertainty. This decision is a worrying signal that, despite all that’s been said about the importance of the voluntary sector during the pandemic, the government is not willing to translate that into action.”

On theme 6: third sector infrastructure, members may wish to discuss:

1. **How the Scottish Budget supports the third sector, including more detail on what is included in the 'infrastructure' budget discussed by SCVO.**
2. **What discussions have been had between the Scottish Government and SCVO on the budget.**

Camilla Kidner, SPICe Research, 05 January 2021