Social Justice and Social Security Committee

4th Meeting, 2023 (Session 6), Thursday 23 February

Subordinate Legislation - Uprating Regulations 2023

Introduction

The Scottish Government has laid draft regulations to uprate devolved social security benefits by 10.1%. An order has also been laid that relates to devolved benefits administered by DWP. Last week the Committee heard from the Scottish Commission on Social Security (SCoSS) on their uprating report.

This week, the Committee will hear from:

- Ben Macpherson, Minister for Social Security and Local Government;
- Camilo Arredondo, Solicitor, Scottish Government;
- Simon Coote, Head of the Cross Cutting Policy Unit, Scottish Government; and
- Dominic Mellan, Economic Adviser, Social Security Analysis, Forecasting and Evaluation Branch, Scottish Government

Background

For 2023-24, the Scottish Government policy is to uprate benefits by 10.1%. The table in the annex shows the main benefit rates in 2022-23 and 2023-24.

Benefits in Scotland and the rest of the UK are uprated each April by the previous September's Consumer Prices Index (CPI). This basic approach to uprating was set out in 2019 and is kept under review.

Some devolved benefits must be uprated, others are discretionary. Devolved benefits managed by DWP under agency agreements are uprated according to UK policy.

In December 2022, the Scottish Government referred draft regulations to SCoSS who reported on 20 January 2023. SCoSS made four recommendations and three observations to which the Scottish Government responded on 3 February. The Committee heard from SCoSS on 9 February.

What the regulations do

There are two SSIs being considered today.

The Social Security Uprating (Scotland) Order 2023 uprates those devolved benefits that are administered by the DWP under agency agreements. Under those agreements, Scottish Ministers follow DWP policy.

The Social Security (Up-rating) (Miscellaneous Amendments) (Scotland) Regulations uprate the following Social Security Scotland benefits by 10.1%.

- Adult Disability Payment
- Best Start Foods
- Best Start Grant
- Child Disability Payment
- Child Winter Heating Assistance
- Funeral Support Payment
- Young Carer Grant
- Winter Heating Payment

The regulations also follow DWP policy in:

- Increasing the earnings threshold for Carer's Allowance from £132 to £139 per week;
- Increasing the earnings limit for the Carer's Allowance child dependents addition. (This addition to Carer's Allowance was abolished in 2003 and only applies to people whose claim goes back to 2003 or earlier).

Finally, the regulations increase the earnings threshold for Best Start Foods taking account of increases to the National Living Wage.

The regulations do not include Job Start payment, Carer's Allowance Supplement or Scottish Child Payment.

- The Job Start Payment does not need legislation to get uprated it and is made under Ministerial powers transferred from the UK Government in 2020.
- Carer's Allowance Supplement does not need legislation to get uprated. As set out in the s86A report, CAS is increasing from 10.1% to £270.50. The report stated:

> 8.3 As no legislation is required to uprate Carer's Allowance Supplement, Scottish Ministers are to publish a statement before the start of each new tax year, explaining how inflation has been calculated

for this purpose. It is appropriate to include this statement within this report.

8.4 For 2023-24, Scottish Ministers have chosen to uprate the 2022-23 bi-annual rate of Carer's Allowance Supplement of £245.70 by the annual rate of CPI to September 2022 of 10.1%, to £270.50. This is equivalent to a weekly rate of £10.40 when rounded to the nearest 5p.

- The Scottish Child Payment increased from £20 to £25 in November 2022 and so is not being further uprated in April 2023.

Financial effect

The Scottish Fiscal Commission says that uprating devolved social security is forecast to cost £433 million in 2023-24.

However, because benefits in the UK are also uprated, much of the cost is covered by the Block Grant Adjustment. In total, the Scottish Government is forecast to spend £776 million more on social security than it receives in Block Grant Adjustment. Of this, around £28 million is additional spending on uprating benefits (SFC fig 5.10).

This year the Scottish Government decided to uprate all devolved benefits rather than only those it is required under statute to uprate. Using its discretion in this way added £6 million to forecast spend.

Suggested Themes for Discussion

The following four themes are suggested for discussion:

1. Adequacy of social security payments
2. Keeping the policy under review
3. Cost of uprating
4. Earnings thresholds

THEME 1: Adequacy of social security payments

Uprating is intended to maintain the 'real terms' value of social security payments. A separate question is whether the basic payment rates are adequate given the purpose of the payments.

The SCoSS report notes that:

> "what is required to maintain of make improvements to support an adequate standard of living and contribution to reducing poverty cannot be nearly captured by an average measure of price inflation."

Their report references the Social Security Principles including that:

- Social security as a contribution towards reducing poverty

- Seeking opportunities to continuously improve the Scottish social security system in ways which put the needs of those who require assistance first and advance equality and non-discrimination

SCoSS report notes that stakeholders have welcomed uprating as a 'minimum required action' but "there have been calls for payment to be increased further in order to address the cost of inflation of particular pressure points such as fuel and food." (SCoSS p.17).

One benefit, Best Start Foods, is specifically intended to contribute to the cost of buying healthy food. It is available to pregnant women and families with young children who are on very low incomes and receive certain low-income benefits.

It has been uprated by 10.1%. From April 2023 it will pay £4.95 per week for pregnancy and when a child is aged one or two. A double rate of £9.90 per week is paid up to the age of one year.

Food and non-alcoholic beverages increased by 16.7% in the year to January 2022. This is a slight fall from the 16.8% in the year to December 2022 which was the highest rate of food inflation since 1977.

The other area with particularly high inflation in essential goods is energy bills. Inflation in household goods (which includes gas and electricity) was 26.7% in the year to January. The energy price guarantee is expected to rise to £3,000 from April, although targeted support for those on certain benefits will continue. This committee has discussed previously the payment rate of Winter Heating Payment. The £50 annual payment is increasing by 10.1% to £55.05.

Members may wish to discuss:

1. **Given the cost of living, is this the time for a review of the adequacy of benefit payment levels?**

2. **Given the high cost of food and energy is £4.95 an adequate rate for Best Start Foods and is £55.05 an adequate rate for Winter Heating Payment?**

THEME 2: Keeping the policy under review

The standard approach is to use September CPI. The Scottish Government recognises that this is not perfect. The 2019 report on inflation stated that:

> "The Scottish Government is committed to keeping its policy on uprating under review and will consider alternative approaches if there is a material change to inflation measures."

Low income households experience higher inflation

The ONS has been developing 'household costs indices' – showing how inflation varies by different household types but these do not yet have 'national statistics' status.

The latest ONS analysis for December 2022 shows that CPI inflation was 11.3% for low-income households compared to 10.0% for high income households. The main cause of the difference is inflation in energy and food as they make up a larger share of household spending in low-income households. (46.1% of spending in low-income households compared to 37.9% in high income households.)

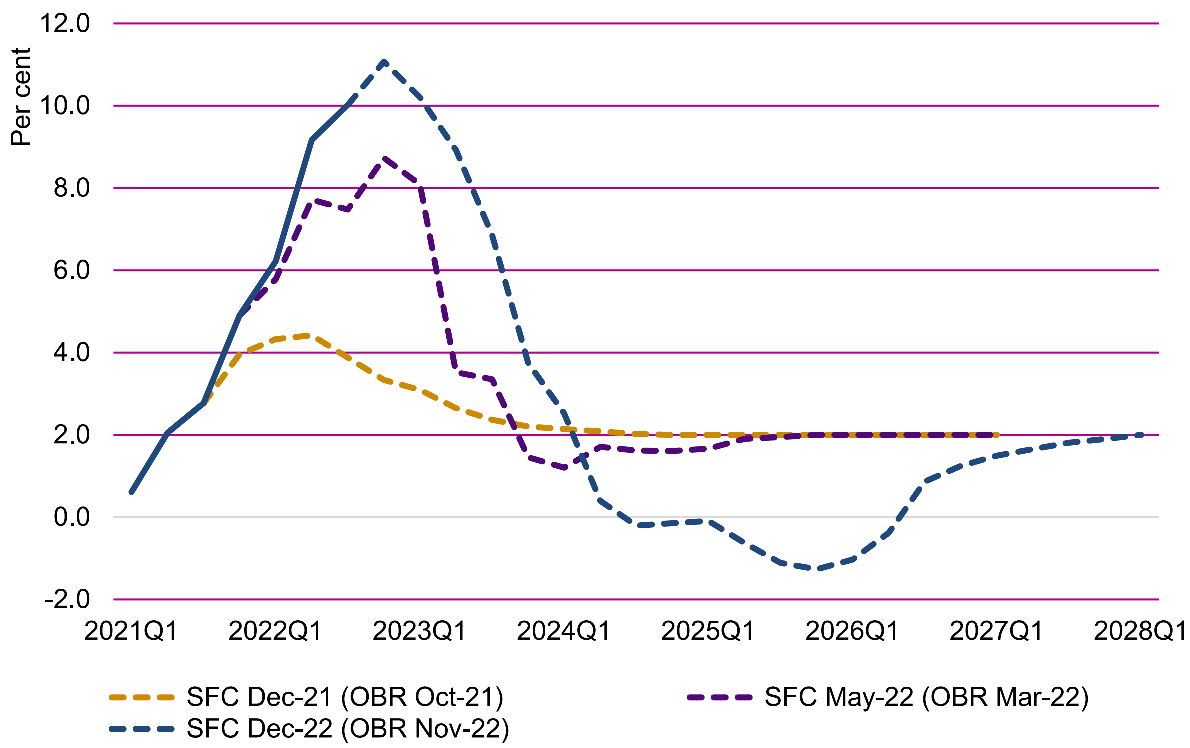
Time lag between reference month and benefit change

Another issue is the time lag between the reference month and when changes are applied. Last year, the Scottish Government uprated some benefits by 6% in April 2022 which was closer to the inflation at the time than the rate of 3.1% the previous September. Other benefits were uprated by 3.1%. In contrast, this year, it's forecast that inflation in April will be lower than the September rate of 10.1%.

Inflation is forecast to fall rapidly in 2023 resulting in benefit uprating by 6.9% in April 2024, and no uprating in the following two years.

The chart below shows how inflation has risen rapidly since 2021, far faster than forecast and it forecast to fall equally rapidly in 2023-24.

Chart 1: Changing inflation forecasts



Source: SFC, December 2022 economic and fiscal forecasts, fig 3.1.

Inflation does seem to be starting to fall slightly. The latest ONS data on CPI inflation report CPI in the 12 months to January was 10.1% down from a peak of 11.1% in October.

Members may wish to discuss:

3. **Annual uprating is only ever an approximate measure, particularly where a single 'reference month' is used. Do the advantages of the existing approach continue to outweigh its disadvantages?**

4. **In what ways has the Scottish Government 'kept the policy under review'? What consideration was given to whether rapidly rising inflation merited a change of approach?**

5. **Should the rate of inflation experienced in low-income households be taken into account when deciding on uprating policy?**

THEME 3: Cost of uprating

This year, the Scottish and UK governments are both uprating benefits by 10.1%. This means that much of the cost of uprating will be matched by increased funding through the Block Grant Adjustment.

In total, the Scottish Government is forecast to spend £776 million more on social security than it receives in Block Grant Adjustment. Of this, around £28 million is additional spending on uprating benefits (SFC December 2022 forecasts fig 5.10).

6. **To what extent does the BGA funding mechanism create an incentive to follow DWP uprating policy?**

THEME 4: Earnings thresholds

The SCoSS report discussed the impact of inflation on those 'just above' the qualifying criteria for benefits, commenting that 'decreasing purchasing power':

> "Risks leaving people who now find themselves under greater financial pressure than their incomes can accommodate excluded from social security support." (p.20)

At a result SCoSS suggested the Scottish Government might wish to re-examine earnings thresholds (Observation 3).

The Scottish Government propose removing the income threshold in Best Start Foods later this year. Amending the earnings threshold in Carer's Allowance is a priority for potential changes to Scottish Carer's Assistance. Proposals for Scottish Assistance, published in February 2022, stated:

> "We propose that increasing the earnings threshold is our first priority change in the area of paid work. This would increase the amount carers could earn while receiving Scottish Carer's Assistance and could be linked to 16 hours at a specific rate, such as the Real Living Wage."

Regulations for Scottish Carer's Assistance are expected later in the year.

Earnings limits also exist in Severe Disablement Allowance and Industrial Injuries Disablement Benefits which are still administered by the DWP and so not currently subject to Scottish Government policy.

Members may wish to discuss:

7. **What is the latest position on earnings thresholds in Carer Support Payment – is this something you intend to change at the point the benefit is launched?**

8. **Can the Scottish Government confirm when in intends to remove the income thresholds for Best Start Foods?**

Camilla Kidner
SPICe
15 February 2023

Annexe

Social Security Scotland benefit rates

The table below shows the main benefit rates for Social Security Scotland benefits in 2022-23 and 2023-24 taken from the policy note to the regulations and s86A report. Increases are rounded to the nearest 5 pence.

Benefit	2022-23	2023-24
Young Carer Grant	£326.65	£359.65
Funeral Support Payment		
Higher rate	£1,070.60	£1,178.75
Lower rate	£130.65	£143.85
Removing medical devices	£21.55	£23.75
Child Winter Heating Assistance	£214.10	£235.70
Carer's Allowance Supplement	£245.70	£270.50
Winter Heating Payment	£50.00	£55.05
Job Start Payment		
Standard rate	£267.65	£294.70
Higher rate	£428.25	£471.50
Best Start Grant		
Pregnancy and baby – 1st child	£642.35	£707.25
Pregnancy and baby other children and extra payment for twins/triplets	£321.20	£353.65
Early learning	£267.65	£294.70
School	£267.65	£294.70
Best Start Foods		
Lower rate	£4.50	£4.95
Higher rate	£9.00	£9.90
Child Disability Payment		
Care lower	£24.45	£26.90
Care middle	£61.85	£68.10
Care higher	£92.40	£101.75
Mobility lower	£24.45	£26.90
Mobility higher	£64.50	£71.00
Adult Disability Payment		
Daily living standard	£61.85	£68.10
Daily living enhanced	£92.40	£101.75
Transitional rate	£24.45	£26.90
Mobility standard	£24.45	£26.90
Mobility enhanced	£64.50	£71.00

The UK government benefit rates for reserved benefits and the devolved benefits managed by the DWP are set out here.