Cabinet Secretary for Social Justice
Shirley-Anne Somerville MSP

F/T: 0300 244 4000
E: scottish.ministers@gov.scot

Scottish Government
Riaghaltas na h-Alba

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament
Edinburgh
EH99 1SP

By email: fpa.committee@parliament.scot

1 October 2025

Dear Convener,

Pre-budget Scrutiny 2026-27

Thank you for the opportunity to appear before the Finance and Public Administration Committee on 16 September. As agreed, I am writing to provide further information on a number of points we discussed during the session. I have noted in this letter where David Wallace will write separately on matters that fall within his operational responsibilities as Chief Executive of Social Security Scotland.

Appointee Reviews

Appointees play a crucial role in facilitating support for some of the most vulnerable clients in Scotland. Where a client lacks capacity to act for themselves in being able to engage with their benefits, Section 85 of the Social Security (Scotland) Act 2018 requires Scottish Ministers to firstly confirm that they lack capacity in line with the principles and meaning of the Adults With Incapacity (Scotland) Act 2000.

Thereafter, Social Security Scotland is required to engage with the client, the potential appointee and any person with an interest in the wellbeing or financial affairs of the client to establish that the potential appointee is suitable to act.

The appointment will then be reviewed no later than five years after it is made and can be reviewed or terminated at any point in time, upon a change in circumstances reported by the client or anyone else with an interest in the client's wellbeing.

The numbers of clients with appointees transferring from the DWP system to the Scottish system has led to a significant caseload. Social Security Scotland is prioritising ensuring people receive all of the financial support they are entitled to, and cases transferring from the

DWP system to Scottish benefits remain in payment during the case transfer process. David Wallace will write with further information on the approach being taken and progress being made on working through the caseload.

Overpayments and historic debt accrued under agency agreement

In relation to the UK Government's Public Authorities (Fraud, Error and Recovery) Bill, as I said at Committee, social security legislation which impacts Scotland must be compatible with the ethos and principles that underpin the devolved system in the 2018 Act.

In considering the 2018 Act, the Scottish Parliament did not see fit to allow Social Security Scotland the powers to deduct money directly from a person's bank account without requiring a court order, or to remove driving licences from those who do not make repayments. The Scottish Government agrees with the views of the Parliament at that time and therefore has not recommended consenting to these powers being used within the devolved system. The UK Government has accordingly amended the Bill to remove devolved assistance from the scope of the overpayment recovery powers.

I discussed with UK Ministers whether it would be possible to establish arrangements to ensure that those who have accrued a debt of a devolved benefit delivered under the agency agreement would not be subject to these recovery powers. However, this did not prove to be possible and as a result alternative arrangements to those in the relevant current agency agreements will be required to recover these overpayments in the future.

Scottish Ministers take very seriously the responsibility to steward public funds responsibly, and will always seek to recover where it is economic and reasonable to do so, in line with the Scottish Public Finance Manual.

Officials are now considering how best to address those cases where debts have accrued, including in discussion with DWP.

Two Child Limit Payment

The rate of Two Child Limit Payment is fixed in the draft regulations, which I recently shared with the Scottish Commission on Social Security, at £292.81 per month, in line with the value of Universal Credit Child Element. The payments will be subject to the uprating duty in the Social Security (Scotland) Act 2018.

Childcare Disincentives to Work

As noted, our approach differs from that of the UK Government, reflecting our commitment to narrow the gap in long term outcomes between the most and least disadvantaged children in Scotland. We target support to the children facing the most socio-economic disadvantage, through early access to Early Learning and Childcare (ELC) at age two, in response to the range of research that shows that children facing the most disadvantage, benefit the most from attending high quality ELC. This is in contrast to a warning about the English offer that "*a child with working parents eligible for the entitlements will receive three times as much government-funded early education than a disadvantaged child, by the time they start school*" (Coram Family and Childcare, 1 Sep 2025).

Information on eligibility criteria can be found here: Funded early learning and childcare for 2 year olds. We also provide information on the Parent Club website on UK-wide support with childcare costs for working families through Universal Credit and Tax Free Childcare. We welcome opportunities to work with the UK Government to ensure more Scottish families are made aware of this support and feel able to take it up.

Potential for the bedroom tax to incentivise moving to Larger Homes
Our investment in Discretionary Housing Payments (DHPs) remains one of the most effective tools we have in preventing homelessness and tackling poverty. By helping struggling households meet their housing costs, DHPs enable people to sustain their tenancies and avoid falling into crisis. This not only protects vulnerable individuals and families, of whom almost two thirds are in poverty, but also helps stem the flow into the homelessness system, easing pressure on temporary accommodation and wider housing services.

Evidence from the UK Government's 2015 evaluation of the bedroom tax policy highlights the limited impact of the policy on improving efficiency and mobility in the social housing sector. Only 8% of affected households downsized in the first year, with many citing proximity to family, schools, and accessibility needs as reasons for staying. Based on the limited analysis on the policy, the bedroom tax appears to have a minimal effect on improving efficient use of housing stock and mobility levels in the social housing sector.

Contribution of unpaid carers
Scotland's unpaid carers provide essential support to family members, friends and neighbours, reducing pressure on health and social care services. As published in the National Care Service (Scotland) Bill: Business and Regulatory Impact Assessment, we estimate unpaid care saves around £12.8 billion per year in social care costs, plus £320 million in health care costs, contributing over £13 billion to the Scottish economy. As our population ages, the demand for unpaid care – and the pressure on carers – will only increase. Research by Carers UK has also shown unpaid carers are more likely to experience poverty than those not providing care, with the impact of caring on carers' ability to work noted as a contributing factor.

In light of this, it is vital that we ensure support is available to help unpaid carers continue in their caring roles and within social security we are transforming financial support for unpaid carers in Scotland. We have extended Carer Support Payment, our replacement for Carer's Allowance to support an estimated 1,500 more carers in full-time education, and introduced Carer's Allowance Supplement, extra support which is unique to Scotland, and Young Carer Grant, the first payment for young carers in the UK. We will also make further improvements in March 2026, including new extra support for those with multiple caring roles.

Our evaluations in 2020 for Carer's Allowance Supplement and 2021 for Young Carer Grant have already shown the difference support is making. These found that payments helped to improve carers' finances, mental wellbeing and confidence, as well as making them feel recognised for their important roles. As outlined in our Carer Support Payment: Business and Regulatory Impact Assessment, Carer's Allowance Supplement has helped reduce stress, and protect carers from the risk of being unable to meet ongoing living costs, particularly during the cost of living crisis. An evaluation of Carer Support Payment is currently ongoing and will provide further information on the impacts our benefits have on carers.

Providing improved and more stable support for unpaid carers is intended to help them continue in their roles – roles which are of enormous value to the Scottish economy and to the sustainability of health and social care services. Reducing social security support would risk pushing many carers, who are already at higher risk of poverty, into greater financial hardship. Research by the Carers Trust has also found that carers' own health and wellbeing can be negatively impacted by financial difficulties. If carers are unable to continue with caring roles this would increase demand on our health and social care services. Research has also shown unpaid carers in education are four times more likely to drop out of their studies, with financial difficulties a contributing factor, meaning removal of financial support may affect carers' ability to continue their studies, risking their career and financial prospects in the longer-term.

I trust this letter reassures the Committee of the Scottish Government's ongoing commitment to administering a robust social security system that is based on dignity, fairness and respect and which provides value for money.

SHIRLEY-ANNE SOMERVILLE