



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Social Security Committee

**Thursday 11 February 2021**

**Session 5**



The Scottish Parliament  
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.parliament.scot](http://www.parliament.scot) or by contacting Public Information on 0131 348 5000

---

**Thursday 11 February 2021**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>SCOTTISH FISCAL COMMISSION .....</b>	<b>2</b>
<b>SUBORDINATE LEGISLATION.....</b>	<b>25</b>
Council Tax Reduction (Scotland) Amendment (Coronavirus) Regulations 2021 (SSI 2021/12).....	25

---

**SOCIAL SECURITY COMMITTEE**

**3<sup>rd</sup> Meeting 2021, Session 5**

**CONVENER**

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

**DEPUTY CONVENER**

\*Pauline McNeill (Glasgow) (Lab)

**COMMITTEE MEMBERS**

\*Tom Arthur (Renfrewshire South) (SNP)

\*Jeremy Balfour (Lothian) (Con)

\*Keith Brown (Clackmannanshire and Dunblane) (SNP)

Mark Griffin (Central Scotland) (Lab)

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)

\*Alison Johnstone (Lothian) (Green)

\*Shona Robison (Dundee City East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Claire Murdoch (Scottish Fiscal Commission)

Dame Susan Rice (Scottish Fiscal Commission)

Professor David Ulph (Scottish Fiscal Commission)

**CLERK TO THE COMMITTEE**

Anne Peat

**LOCATION**

Virtual Meeting



## Scottish Parliament

### Social Security Committee

*Thursday 11 February 2021*

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

### Decision on Taking Business in Private

**The Convener (Bob Doris):** Good morning, and welcome to the third meeting in 2021 of the Social Security Committee. We have received apologies from Mark Griffin MSP and Rachael Hamilton MSP, who cannot be with us.

Under agenda item 1, the committee is asked to agree to take in private item 4, which is consideration of the evidence that we will hear today. Unless members indicate otherwise, I will assume that we are content to take item 4 in private.

Members are content—thank you.

## Scottish Fiscal Commission

09:00

**The Convener:** Agenda item 2 is a session with the Scottish Fiscal Commission. The committee will take evidence on the Scottish Fiscal Commission's forecast for devolved social security expenditure for 2021-22 through to 2025-26. I welcome Dame Susan Rice, chair; Professor David Ulph, commissioner; and Claire Murdoch, head of social security and public funding, all from the Scottish Fiscal Commission. I thank all of you for supporting us in our evidence session and I invite Dame Susan Rice to make a short opening statement.

**Dame Susan Rice (Scottish Fiscal Commission):** Good morning, and thank you for asking us to give evidence. I will start with a brief overview of our latest forecasts and how they relate to developments in the Scottish budget. Obviously, Covid made last year difficult for everybody. On top of the health and social impacts, the Scottish and United Kingdom economies were significantly affected, contracting by around 11 per cent each in 2020.

We forecast that the coming year will continue to be tough. We expect the economy to shrink again in the current quarter, because of the lockdown, before beginning to grow over the remainder of the year. We also expect Covid to affect the economy for a long time. We think that gross domestic product will not return to the level that it was at before the pandemic until 2024, and we expect unemployment to remain elevated over much of that period.

The pain of the Covid pandemic has not been felt equally across society. We know that low-income households have been most affected. Many of the payments that Social Security Scotland administers are paid to those on low incomes. Covid-19 has undoubtedly increased the number of working-age people who are eligible for social security support, as unemployment has increased and those who are in work may have found their income reduced as a result of the restrictions. The surprising thing that our forecasts show is that the effect of those changes on total social security spending has not been as significant as one might have expected.

Devolved social security spending is dominated by the three disability payments—personal independence payment, disability living allowance and attendance allowance—and they account for about 80 per cent of spending. Any variations in those forecasts can have potentially large consequences in cash terms. However, in the past year, we have seen fairly small changes in those

forecasts and fairly small changes in the funding received from the UK Government.

Overall, spending on social security in 2020-21 increased by £60 million since our forecasts a year ago. That is an increase of less than 2 per cent and is largely because of the Scottish Government's responses to Covid-19, such as additional funding for the Scottish welfare fund and discretionary housing payments, and the one-off coronavirus carers allowance supplement. Those are examples of where spending has increased. At the same time, the Scottish Government's decision to delay the Scottish child payment and child disability payment has reduced spending. Those payments are now due to start in 2021.

Our report discusses the risks to the budget in the year ahead. We highlight how forecast errors are likely to be larger for new payments, where we do not have historical information. It is important to mention the risks to the budget in the year ahead from social security in the context of wider change in the budget. For the past two years, we have said that the devolution of taxes and social security would make managing the Scottish budget more difficult, but we are clear that, in 2020-21 and 2021-22, the budget management challenge is different. Any variation in the budget because of social security payments this year has been far surpassed by the £8.6 billion in pandemic-related funding from the UK Government.

Members might remember that we met a year ago to discuss our forecasts. The world has changed dramatically since then, but one thing that I said last year is even more valid now, so I will say it again: regular monitoring of the budget over the course of the year is increasingly important; indeed, it is essential. For that reason, our forecasts and commentary focus as much on 2020-21 as on the coming year's budget and we will continue to monitor the budget in this way.

My colleagues and I are happy to answer any questions that the committee may have.

**The Convener:** Thank you, Dame Susan—that was very helpful.

There seems to have been significant investment from the Scottish and UK Governments in relation to support for Covid but, as you say, when we strip away from social security spending the large meaty costs for disability benefits, it appears that there has been roughly £40 million of additional investment from the Scottish Government to help those in need in relation to Covid. That £40 million is not to be sniffed at but, in relation to the global spend on social security, it seems modest. Are there any flexibilities in the Scottish budget for social security to provide more direct support in relation to Covid?

**Dame Susan Rice:** That is an interesting question and, ultimately, it is one for the Government to decide. As we know, the Government has to have a balanced budget. If it spends more in one area, it needs to spend less in another. However, as we look ahead to the coming financial year, additional Covid funding that has already been announced by the UK Government is built into the budget. I believe that the Scottish Government has included £500 million in the budget. I think that there is still more beyond that number that could be turned to if needed, but it is for the Scottish Government to decide what that money would be used for specifically, rather than our guidance.

I turn to my colleagues to ask whether they would like to add anything to that response.

**Claire Murdoch (Scottish Fiscal Commission):** Briefly, that £40 million relates to the changes that the Government has introduced since last February. The Government has a whole programme of social security reform and has already expanded things such as the best start grant, which is a more expanded benefit than the sure start maternity grant that it replaced. The Scottish child payment is a new payment, for which there is no funding from the UK Government. Other things are happening in the social security budget beyond the Covid response.

**The Convener:** That is helpful. We are talking about additionality, rather than global spend. The table in our papers shows that, for 2020-21, the global spend is £3.5 billion and that the forecast for the coming year is £3.6 billion. It is helpful to point out that the £40 million is not the total amount committed to tackle all the issues; it is merely the additional funding that has been put in to supplement spend that is already in the system.

There have been recent announcements on extending eligibility for the self-isolation grant. I see that £5 million has been allocated for 2020-21, and that the estimate for the coming financial year is £6 million. Has the Scottish Fiscal Commission had the opportunity to identify what the additional pressures would be on that budget? We want people to claim the money that they are entitled to—that is the point of the fund—but what do the additional pressures look like? Do the estimates of £5 million for the financial year that is coming to a close and £6 million for the next financial year sound about right? Have you done any work on that?

**Dame Susan Rice:** I believe that that announcement was made early this month, so it is very recent. In fact, our work on our forecasts was concluded at that point, so we have not considered that in detail. I again turn to David Ulph or Claire Murdoch. *[Interruption.]* Forgive me, but

my dog is knocking on the door, and I have to let her in so that she stops.

**The Convener:** Of course.

**Claire Murdoch:** Our forecast was done on the basis of Government policy at the time of the budget. At that point, the grant was not paid to people receiving the living wage; it was paid only to people who were in receipt of universal credit. Our forecast does not reflect the expanded eligibility, so for that reason the costing will be too low. We do not produce an updated costing at every point at which Government policy changes. There will be a point when the Government potentially amends the Budget (Scotland) (No 5) Bill and we will produce an updated costing to accompany that change at whichever stage of the budget bill process it happens.

**The Convener:** Has the £5 million for 2020-21 been significantly underspent? One reason for extending the criteria was that it was felt that the money that was allocated was not being used for its intended purpose. Is there likely to be an underspend for 2020-21?

**Claire Murdoch:** That forecast was based on the information we had on the spending in October and November. Given the scheme as it was at that point, we made assumptions about what spending would look like in December and January and so on. The data that came out earlier this week for December suggested that our forecast was on track, so the amount that we had forecast would be spent was what was spent in December. Given the extension to the policy, the Government will most likely spend more than £5 million in the current financial year.

**The Convener:** So will it be more than £6 million in the following financial year? Your modelling seems robust under the previous eligibility criteria, so if it was forecast to be £6 million for the coming financial year, it is now likely to be a bit more than that.

**Claire Murdoch:** Yes. Given that the grant has been expanded to include more people and that more people will claim, more will be spent than we forecast.

**The Convener:** Have the changes in inflation been beneficial to the Scottish social security budget? I see from our papers that inflation has not been as high as was anticipated. How has that impacted on the social security budget?

**Dame Susan Rice:** I will say a little on that and will then perhaps turn to David Ulph to add to what I say.

In our forecast a year ago, we were focused on 2 per cent inflation, but the reality is that inflation has been 0.5 per cent, which is obviously largely because of the economic impacts of Covid. Last

year, the Scottish Government had undertaken to uprate several of its benefits higher than the rate of inflation. That would have been against the 2 per cent as forecast but, since inflation was only 0.5 per cent, the amount of cash required for uprating has been much smaller, so there has been an impact in that regard. The Scottish Government has uprated, but it is against a lower base, because inflation has been lower.

I ask David Ulph or Claire Murdoch whether they have anything to add.

**Professor David Ulph (Scottish Fiscal Commission):** The actual effects here are quite small. Because inflation is just 0.5 per cent and because the benefits that are uprated with inflation are quite small, the overall effect of inflation on the budget this year has been quite low. Some benefits were uprated by more than inflation, which we calculated would add about £200,000 to the overall budget. That was below our materiality threshold, so we did not include that in our figures.

I note that the Government chose not to uprate the Scottish child payment in April 2021 but will uprate it in 2022-23.

09:15

**The Convener:** Thank you, Professor Ulph. That is helpful.

I have a final question. I am trying to get the broad trajectory of social security spend over the next few years. Obviously, the big jump recently is the result of disability payments coming on to the Scottish balance sheet. The Scottish Government is paying for that, and child disability assistance will be coming online quite soon. The estimated spend on devolved social security for 2020-21 is £3.5 billion, and that gets to about £4.2 billion by 2025-26. Is that largely explained by the growth in adult disability payments directly administered by the Scottish social security system and the Scottish Government, or are there other things that explain that? That is a relatively modest increase. Can you say a little more about the impact on the Scottish budget of adult disability payments being administered by Social Security Scotland?

**Dame Susan Rice:** I will give a general response to that and then turn to one of my colleagues.

We have found with the benefits that are already devolved to Scotland that, when the Scottish Government or Social Security Scotland changes the eligibility, expands the eligibility criteria or makes the application process a little easier—perhaps a little more user friendly—more potential recipients come into the pool and make it through the pool. That is one reason. Another reason is the

length of time for which people are approved for a benefit. If they are approved for 12 months or 18 months before a review or a longer period of time is involved, they will stay in that pool, and that will also tend to increase the number over time. Those are just two examples.

Does David Ulph or Claire Murdoch have any thoughts on that?

**Professor Ulph:** I am happy to add a few things to that.

As Susan Rice has said, our experience of costing child disability payments suggests that there will be some increases in costs as PIP spending comes across to adult disability payments. The problem is that, because PIP spending is so large, even small changes can have quite big impacts on the budget. We have not included a costing for adult disability in our forecasts yet.

**Claire Murdoch:** Specifically on what is driving the increase, between the current financial year and the end of the forecast horizon, part of the increase each year is due to uprating—that is, the increase in payments due to inflation.

New payments are the other thing that is driving the increase. We have included the expansion of the new Scottish child payment, which will happen later, as well as its introduction this year. As David Ulph said, we have not included the change to the adult disability payment, for example. Other changes will come as the new Scottish benefits are introduced, and costings for those are not yet included in our forecasts. We think that the adult disability payment will involve a greater level of spending than PIP, and that is not reflected in our forecasts. That is essentially a risk that the Government will have to meet from its budget in future years.

**The Convener:** Okay. Thank you. That has been helpful. We will now move to other lines of questioning.

**Jeremy Balfour (Lothian) (Con):** I have a couple of questions about the new child payment that will come in at the end of this year. The assumption has been made that the average awards will be higher than they are now. I am trying to work out why that would be the case, given the presumption that the criteria for an award are the same. Can you give me a wee bit more information about that?

**Dame Susan Rice:** I do not want to say too much. Does Claire Murdoch want to come in on that?

**Claire Murdoch:** Yes. Essentially, we do not know exactly how the new system will work. All that we know is how the old Department for Work and Pensions system has worked, and we have

seen higher average award payments in the past than we currently see. We know that Social Security Scotland plans to administer that benefit in a way that is different from how the DWP has done that. It plans to use more informal evidence rather than formal evidence, and it plans a more supportive route for applicants to make sure that all available information is taken into account. Although we do not know exactly what effect that will have and this is highly judgmental, we think that it could potentially increase average awards because more information will be taken into account so more payments might be made—care awards as well as mobility awards. That is judgmental, but we think that there is the potential that that will increase spending, so we included that in our forecasts.

**Jeremy Balfour:** A big change is that eligibility for the child disability payment will be to 18 rather than 16. Will that two-year difference have a financial impact on the Scottish budget, as the money will have to come out of the Scottish budget rather than from the DWP, or is there some agreement in place that covers that change?

**Claire Murdoch:** We think that there will be a small additional cost to the Scottish budget, because not everybody would necessarily be successful when they move on to PIP. However, the additional spending on the child disability payments is largely offset by a reduction in personal independence payments. Although it can look like there is quite a big shift in the child DLA or PIP forecast numbers, that is largely offset. There is a small additional cost, which would need to be met from the Scottish budget.

**Professor Ulph:** I want to go back to the answer to the previous question. We think that average payment awards will go up. We think that the additional supports that people will have in claiming the benefits and the additional range of evidence that they can call on in making their claims are likely to be more beneficial for people with complex needs, and therefore people who will be more likely to claim higher awards. That is why we think that, on average, the awards will go up as we introduce the child disability payment.

**Jeremy Balfour:** That is a really interesting question, and it will be interesting to see how things develop over the next couple of years.

Obviously, there has been a delay in that payment, and the intention is to start it in the autumn of this year. There will be an on-going effect for the 2025-26 budget. Why does the delay in the start date have an effect on a budget that is two or three years away? My lack of economics is showing here.

**Dame Susan Rice:** Does David Ulph want to pick that up?



**Professor Ulph:** Yes, I am happy to do so. The reason is simple: the introduction of the payment has been delayed by 15 months and people will get a higher award on average compared with our previous forecasts, so a whole cohort of children will come through the system who will have effectively lost out on 15 months of the higher average award. That effect will continue for quite a long time in the forecasts until those people move into adult disability. It is simply because of the roll-on effect of delaying the entitlement to a somewhat higher level of average award. That is what is causing that effect.

**Jeremy Balfour:** I have no further questions at this stage, convener. Thank you.

**Keith Brown (Clackmannanshire and Dunblane) (SNP):** My questions relate to the extent and the ways in which the Scottish budget in this area is impacted by UK policy. To get an idea of how the budget is moving underneath the surface, could the commission say something about how the scale of the impact of UK policy on the Scottish budget compares with the impact of Scottish Government policy decisions?

**Dame Susan Rice:** If you are talking about the overall budget, as I mentioned in my opening remarks, the provision of £8.6 billion of pandemic-related funding, which was not anticipated when the budget was set early last year, has led to an increase of around 20 per cent in parts of the budget. That is a huge difference compared with almost any of the other elements that normally comprise the Scottish budget. I do not know whether that is what you were asking, but that pandemic-related funding has made a tremendous difference to the amount available for use this year.

**Keith Brown:** I suppose that it was really—

**The Convener:** I think that Professor Ulph wants to make some additional comments before you come back in, Keith.

**Professor Ulph:** I have two additional points to make. Most of the effects of UK policy come through PIP, where the minimum award length was increased. That was not specifically due to Covid. We had not forecast that before, but we have now included it in our forecast. The suspension of face-to-face interviews was Covid related. Our evidence is that that has tended to make monthly payments a bit more variable than they would otherwise have been, but we have not yet seen an overall impact on the average award. Such policies that also apply in England and Wales will to a large extent be offset by the block grant adjustments.

In comparing UK policy with Scottish Government policy decisions, as Susan Rice said, it seems, on the face of it, as though the effects of

UK policies dominated the effects of Scottish Government policies on the budget. However, that is not terribly clear cut, because when we put down the costings that are attributable to the Scottish Government, we do not include things such as the best start grant, best start foods and funeral support payments, because we had already costed those; we put in only the policy changes. Similarly, we look only at changes in our forecasts for the child disability payment and the Scottish child payment. Because all those things have been included before and we are looking only at the changes, we are not comparing like with like.

To go back to my previous answer, we have still not yet costed the adult disability payment. When we start costing that, the effect of Scottish decisions on the Scottish budget will start to look a bit greater.

There is one other aspect to the comparison between the effect of Scottish and UK decisions. In our forecast, we have assumed that the £20 uplift to universal credit will come to an end in March. If it was decided to extend that, that would have an impact on uptake and eligibility for some of the Scottish benefits.

**Keith Brown:** I was interested in the non-Covid points that Professor Ulph highlighted. That was very helpful.

In paragraph 1.8 of your report, you mentioned the uncertainty that surrounds the Scottish Government's ability to fix its budget, given what is happening in the UK. You said:

"With only two months remaining of this financial year, the Scottish Government has a difficult task meeting the balanced budget requirement for 2020-21."

Obviously, that uncertainty feeds through to next year's budget. This is a bit like trying to nail water to the wall, but can you compare how the relative uncertainty that exists as the Scottish Government juggles different things in an attempt to fix its budget fits with the social security side of things? Is that easier to fix? Are there more certainties when it comes to the social security side? Should the committee have a bit of comfort that there will be less volatility, uncertainty or guesswork involved in the social security budget?

09:30

**Dame Susan Rice:** There will always be unknowns in the social security budget, partly because it is demand led. It is a spending budget. Therefore, it depends on how many people are eligible, how many people apply for benefits and how many take them up. Those numbers vary all the time. Some of the changes that are Covid related will make a difference. When the extension to universal credit stops, those numbers will be

volatile—they will change all the time. This is not easy.

I do not have the paragraph that you quoted in front of me, but what we were referring to in part is the fact that—I have been saying this a lot—for the Scottish Government, managing the Scottish budget is a bit like trying to hit a moving target. The additional pandemic-related funding that it received this year came in over the year as developments in the pandemic evolved, because nobody knew in March what would happen in the autumn and the winter.

The most recent elements of the UK pandemic-related funding came in as late as November and early December. As we know, the Scottish Government has to balance its budget. If it knows or it finds out that it is getting some extra money to use but it is very close to the end of the financial year, it will not have time to put a new policy in place and implement it and get it up and running. Therein lies one of the challenges for the Government in balancing the budget.

With social security payments, there are different causes of volatility, which are to do with the unknowns of the nature of the population and what the relevant populations will be over time. I do not think that there will ever be certainty in any of the budget, but particularly in this part of the budget. While some of the uncertainty relates to the Covid-related extra spending, some of it is just in the nature of social security spending. I can see David Ulph's face, and I think that he wants to come in on the back of that.

**Professor Ulph:** Yes, I would like to amplify a couple of points.

In 2020-21, the UK Government gave the Scottish Government successive waves of increases in spending for Covid. It gave those in the form of guarantees that the Scottish Government would be able to spend at least a certain amount of money. However, those came in different waves. The figure started off at about £3.5 billion, but it ended up being closer to £8.6 billion. As Susan Rice says, at the time that the Scottish Government was making its decisions, it did not know that it was going to get those later commitments, even though they came as minimum guarantees. That is what made the budgeting quite difficult.

Whether that is a bigger uncertainty compared with social security uncertainties is still a little bit moot. To go back to the discussion that we had before, we still have the whole impact of devolving adult disability payments and introducing those in Scotland. We have a lot of uncertainty about what the level of spending will be. We know that it will be higher than under PIP and that, because of the scale of PIP, there will be quite significant effects

on the total budget. There is a lot of uncertainty as to how exactly the system of adult disability payments will be administered. We do not yet know enough about the detail to be able to say exactly what the impact on the budget will be. I think that the committee should keep an eye on the adult disability payment and look at that carefully for the future.

**Keith Brown:** Thank you very much for that. My takeaway from that answer is that the uncertainties in the social security budget are intrinsic to demand-led budgets per se and are less to do with the general uncertainty. There is a worry that if there were to be a further announcement from the UK Government—which is quite possible, because its budget is further away than ours—the ability of the Scottish Government to disburse such funding in an organised way according to an agreed policy is pretty limited. Could we end up having to hand that money back? I assume that that is a danger. Maybe Claire Murdoch could answer that.

**Claire Murdoch:** If there are changes in the UK budget in March, there will not be much time for the Scottish Government to manage that in-year. One thing that the Scottish Government can do is put any extra funding that it gets into the Scotland reserve. Up to £700 million can be placed in the Scotland reserve. That is one good thing that the Government can do with extra funds. The triggering of a Scotland-specific economic shock this year—which is really a technical consequence of the timing of our forecast and that of the Office for Budget Responsibility—has given the Scottish Government additional flexibilities, such that it can draw down all of that £700 million next year, should it wish, whereas, ordinarily, it would have been restricted to only being able to draw down £250 million for resource. There is a bit of extra flexibility there.

In addition, in the past, when HM Treasury has given late consequentials to the Scottish Government, it has sometimes allowed them to be deferred to the next financial year. In this case, one would hope that if the UK budget provides very late additional funding in this financial year, the Treasury would find a way to give that money to the Scottish Government, rather than it losing it, which no one would want.

**Shona Robison (Dundee City East) (SNP):** I will pick up on a couple of the areas that Keith Brown has been exploring, but first I am looking for some clarity. Earlier, David Ulph said something about the lack of face-to-face interviews making monthly payments more variable. Could you say more about why that would be?

**Professor Ulph:** I do not think that we have a complete answer to that. Not having a face-to-face

interview could make the whole reassessment of entitlement to benefits go somewhat differently. In the absence of face-to-face interviews, a staff member making an assessment could be more inclined to allow the award to continue, but equally, in the absence of face-to-face pressure, a staff member might simply decide to disallow an award. We simply do not know the reason for the increased volatility. We thought that there might have been some discernible trend coming out of the fact that face-to-face interviews have been disallowed, but we have not yet been able to see one from the data. All we see is a somewhat more variable monthly spend. We do not have a complete account of this at the moment but, as our experience builds, we might be able to disentangle the effect of disallowing or abandoning face-to-face interviews.

**Shona Robison:** If further information arises from that, it would be of interest to me and probably the rest of the committee too.

Has the £20 increase to universal credit and working tax credit had any impact on the case load for devolved benefits? You said a little bit about that earlier, and you also said that if it is maintained—which obviously I hope it is—it might have a greater impact than it has had to date. Am I picking that up right? Is that something that you would analyse?

**Professor Ulph:** I am not sure that the £20 uplift would have a bigger impact in future than it has had until now, but it could affect the number of claimants. It might encourage people to claim universal credit who otherwise would not have done because it is more valuable. That is one possible impact. There could be an impact on people's eligibility for in-work benefits. At the moment we think the impact of either of those effects would be very small. We are not expecting to see a big impact. The uplift is dominated by all the other factors that are driving the take-up of universal credit, and we do not really see this coming out as a factor. Claire Murdoch may want to add something.

**Claire Murdoch:** The biggest effect of the £20 increase for people receiving universal credit is extra money in their pocket. Obviously those people will qualify for the Scottish devolved benefit, regardless of whether there is a £20 uplift. The bulk of the additional cost to the UK Government would not affect the Scottish budget.

Where it does have an effect is at the margin, because it would bring in a few extra people who, without the £20 increase, would not be eligible for universal credit; they would now be eligible to receive a small payment. As David Ulph said, it might encourage some other people to apply if it means they will get extra money.

The uplift will also have an effect on eligibility, if it stays. We have assumed it will not be continued because we have to forecast based on current Scottish and UK Government policy, but, we do not see it as a risk to the Scottish budget forecast. It would be a small cost increase to the Scottish budget.

**Shona Robison:** That is helpful. Convener, that is all I had. Thank you.

**The Convener:** Thank you. We will move to Alison Johnstone. It is good to see you back at the committee.

**Alison Johnstone (Lothian) (Green):** Thank you. It is good to be back.

Why might it be the case that the increase in universal credit claims has not seen a similar level of increase in passported benefits, such as best start foods?

**Dame Susan Rice:** A simple answer is that a lot of people who are eligible for the increase in universal credit will have been receiving passported benefits. In other words, it is not a like-for-like or a one-for-one. Some people who are eligible for the increase in universal credit might not have young children, for instance. They are not absolutely linked together. It is a bit as Claire Murdoch described; the differences are more on the margins than in this benefit being tied to that benefit.

**Alison Johnstone:** That makes a lot of sense.

**Dame Susan Rice:** David Ulph will probably make more sense if he can come in.

**Professor Ulph:** I will largely be restating what Susan Rice said. The take-up of universal credit was already very high for families with children, so there was not much scope for increase. Conversely, most of the increase in payments for universal credit was among various categories of claimants who did not have children and so would not have been eligible for best start grants and best start foods and so on. Although we saw a 60 per cent increase in universal credit claimants, you would not expect that to translate to a 60 per cent increase in applications for best start grants and best start foods, because a high percentage of people were already claiming those; people who were eligible were getting them already.

**Alison Johnstone:** Given the impact of the pandemic on household budgets, what assumptions have changed in the forecasting of the Scottish child payment? Do we think that more people will seek the payment?

**Professor Ulph:** I am happy to take that up. There are two effects here: the effect on eligibility and the effect on take-up. Before the pandemic had been factored into our thinking, we assumed

that 50 per cent of children under six would be eligible for the Scottish child payment. In September, when we thought that furlough would be coming to an end, and we were forecasting a peak level of unemployment of 10 per cent, we thought that that would increase the number of children who were eligible to 59 per cent. Since then, furlough has been extended and the forecast for peak level unemployment has come down from 10 per cent to 7.5 per cent. Therefore, in our latest forecast, we reduced our assumption about the fraction of children under six who would be eligible down from 59 to 52 per cent.

We also reduced the take-up assumption for 2021 from a high level of 80 per cent down to 70 per cent because the management information that we were getting showed that there had been a very slow build-up of applications for the Scottish child payment until December. The latest figures that we have had—another five weeks of management information figures—suggest that our assumption was largely correct, and the build-up of claimants has still been quite low. We are assuming that, for 2020-21 alone, the take-up rate will be 70 per cent, but that from 2021-22 onwards, it will go back to a high level of 80 per cent.

09:45

**Alison Johnstone:** Obviously, that makes your job of forecasting ever more difficult. What impact could the uncertainty over the future course of the pandemic have on devolved social security benefits?

**Dame Susan Rice:** That is an open-ended question, but a very good one, and responding to it would be largely conjecture on our individual parts.

The furlough scheme, which was offered last spring and extended and then extended again, has postponed the moment when a number of families might begin to see the cliff edge, if you see what I mean. We do not know at this point whether the ending of the furlough will be at a moment when the economy can begin to open up. These things all have to align because, if the furlough scheme ends and the economy is still significantly closed down, there will be job losses. Indeed, there have already been job losses. That is the kind of moment in time that encourages the take-up of benefits. That is one slant on it, but perhaps Claire Murdoch or David Ulph will want to add to that.

**Claire Murdoch:** There are two specific things to say about that. First, the bulk of the social security budget in Scotland is spent on disability benefits. At the moment, the benefits are largely the same as UK benefits, so we would expect any

changes that happen in the UK to be reflected in the Scottish funding. We hope therefore that the block grant adjustment changes will offset any changes in Scottish spending.

The other group of spending in Scotland is obviously on the means-tested benefits, largely administered by Social Security Scotland. We have already discussed how the nature of those benefits means that changes that have happened—huge increases in universal credit claims, for example—have not fed through into spending in Scotland. Although the evolution of the pandemic will affect eligibility and spending, it might not be on quite the same scale that we would see, for example, with the change that we are going to see in universal credit. Those are two slightly positive things about why it might not be quite so bad for the Scottish budget as it might first appear.

**Professor Ulph:** I was going to make the same point, that to some extent this will be covered by the block grant.

Going back to what Susan Rice said, it depends a lot on the direction that we think the uncertainty will take. If, for example, we found new variants of the virus and all our existing vaccines were ineffective against them, the level of uncertainty would depend a great deal on what new policies were needed and introduced by the UK Government and the Scottish Government. If the uncertainty went the other way and it turned out that the vaccines were not only very good at protecting people from becoming seriously ill, but they vastly reduced the spread of the virus and the propensity for people to infect others, the pandemic effect might be over much sooner and there would be less need for new policies to counter it. The effects will therefore depend very much on which way the uncertainty goes, and whether things are getting worse or getting better.

**Alison Johnstone:** Thank you all very much.

**Pauline McNeill (Glasgow) (Lab):** David Ulph, can you clarify something that you said to Keith Brown? You said that there were a lot of uncertainties about how the adult disability payment will be administered. Our new social security system will have different methods. There might be more automatic payments and more face-to-face assessments, and other things that we have built into the Social Security (Scotland) Act 2018 about dignity and respect. Was that what you meant by how it will be administered?

**Professor Ulph:** Yes, it was. It goes back to our experience with child disability payment. As Claire Murdoch said, we found it quite hard to estimate the magnitude of the increase in average awards brought about by two features of that system. One was the fact that people would have case

managers to support them in applying and the other was the fact that people could call on a wider range of evidence. Although we thought that would raise the average award, we found it hard to find a figure for the percentage increase. We had to look back over 10 years of data for the child disability living allowance and that gave us a figure of 10 per cent. That kind of uncertainty will carry forward. Administering awards in a somewhat more benign fashion will increase average awards, and it will make more people want to take up the benefit.

There are also two factors around the adult disability benefit that do not apply so much to child disability. One is the definition of terminal illness, which we know is likely to change. We are still thinking through what precisely that will be and what the implications will be. It will have a bigger impact on adult disability payments than it will have on child disability payments. There are more factors that are uncertain in relation to adult disability payments than there are in child disability payments.

**Pauline McNeill:** Thank you very much. That was helpful.

You have said that long-term health effects that might increase demand will be related to ill health and disability. We are learning about the impact of Covid and that some people will have long-lasting effects that we are calling long Covid, and that there will be an increase in ill health. It seems that you have taken that into account in making your forecast. I wanted to confirm that with you.

**Professor Ulph:** Yes, we featured two aspects of the health impacts of Covid in our forecast. In our modelling of the economy, we do some modelling of what is happening to the population. We have made some modelling changes to take account of the impact on, for example, excess deaths in the population and how that might feed through to affect funeral support payments and attendance allowance. That comes from our population modelling. We are not epidemiologists, so we are not complete experts in the area, but we have relied on what we read in the literature about what people say the potential effects are.

For PIP, it was mostly just a matter of judgment. We realised that things like Covid could have two sorts of effects. One would be the long Covid effect to which you referred, but there is also evidence that lockdown could be affecting mental health and that might also affect the number of people who claim disability benefits in future. Again, we are not experts in the area, but we thought it was wrong not to make any adjustments to our forecast to take some account of those things. What we included was, I am afraid, largely a matter of judgment on our part. I do not know

whether Claire Murdoch wants to add anything to that.

**Claire Murdoch:** I will just add the specific numbers. We can be fairly confident that the additional cost to PIP would not be zero. There will be some costs from long Covid and also recession and lockdown-driven ill health effects. We know it is not zero and we have to make an assumption about what we are going to add. We have made a comparable assumption to the OBR. We have assumed up to £70 million each financial year in additional costs of the PIP. That is comparable to what the OBR is assuming for England and Wales, so therefore the additional costs of that would be matched by funding in the block grant adjustment.

**Pauline McNeill:** That is brilliant, thank you very much.

**Tom Arthur (Renfrewshire South) (SNP):** Much of the territory that I wanted to explore has been covered, but I have a question about the block grant adjustment. I want a sense of what, if any, the variation is in risk across the UK, and how that impacts on risks specifically for Scotland, going forward.

**Dame Susan Rice:** Can I just ask you to clarify, when you say “risk”—

**Tom Arthur:** I mean how would the risk of variation—for example, there being greater demand in Scotland than in other parts of the UK—impact on the block grant adjustment? My understanding is that, under the fiscal framework, if there are broadly similar levels of demand in Scotland and the rest of the UK, the risk to the Scottish budget will be minimal. However, if there is increased demand in Scotland—that is, obviously, a separate issue to there being bespoke Scotland-only benefit entitlements—that could create the risk of exposing the Scottish budget to additional pressure. I would like to understand what a risk of that happening in the short term would mean for the long term. I hope that that clarifies my question.

**Dame Susan Rice:** That was extremely helpful. I will pass that straight to Claire Murdoch, who from the very beginning of this world of devolved taxes and benefits has been highly articulate on the subject. Claire—could you answer the question, please?

**Claire Murdoch:** I hope that I can live up to that level of expectation.

At the moment, it looks as though the block grant adjustment is broadly similar to the change in the Scottish benefits. For the current financial year, the block grant adjustment has moved by only £17 million, which is a very small level. We would not necessarily guarantee that that would be the case in the future.

The numbers are quite big, so it is not inconceivable that there could be movement up or down in our forecast and the OBR forecast, particularly around PIP, by up to £100 million towards the end of the forecast horizon. We would not necessarily say that those differences are significant or would signify that Scotland is in a different position to the rest of the UK.

At the moment, most benefits are administered by the DWP and we think that changes that happen in England and Wales would happen in Scotland in a broadly similar way, while the benefits are administered in a similar way. We have broadly similar types of populations, although there are slight differences in relation to ill health and the age of the population.

The real risk to the Scottish budget would come the more different the system in Scotland were to become. If Scotland was to have slightly different qualifying criteria and a different proportion of the population were to be eligible, changes in the future might have a disproportionate effect in Scotland, relative to the rest of the UK. Changes being made to new Scottish benefits would mean that the potential for deviation would increase, therefore the risk to the Scottish budget would increase.

That is one of the challenges in looking at our forecasts compared to the block grant adjustments over the five-year horizon, because we are not yet able to forecast changes that the Scottish Government might introduce to adult disability payment, attendance allowance, industrial injuries payments and carers allowance.

**Tom Arthur:** That is very helpful.

**The Convener:** Does Professor Ulph want to come in?

**Professor Ulph:** I will make a couple of points in support of what Claire Murdoch has said. Our forecast says that in 2020-21 spending will be higher than the block grant, but only by about 1 per cent. Over the short to medium term, most benefits will continue to be administered by DWP; our expectation is that for the benefits that we currently have, the block grant will, largely, cancel out increases in spending in Scotland. We are forecasting that at the end of the horizon, block grants will be slightly larger than forecast spending—by about 3.5 per cent.

10:00

As Claire Murdoch said, if Scotland starts to develop different policies around things like the adult disability payment, the impact—the set of risks that that would expose the budget to—will depend on how much Scottish policy differs from UK policy and how big the spend is. The big area

is adult disability payments; that is one to keep an eye on in the future. That is large spending at the moment, and is an area in which, we think, the Scottish Government is likely to have significantly different policy from that which will be administered in the rest of the UK. That is the one to watch.

**Tom Arthur:** Thank you very much, Professor. I apologise for speaking over you, I had not seen you on the chat bar.

Please correct me if my understanding is wrong. I appreciate that once the adult disability payment and the criteria for it are introduced there will be a need for a bit of real-world experience to see what behavioural impact it has on claimants and on the people who decide whether or not a claim should receive an award. Would you have to see a year or two of real-world data in order to develop forecasts that are reflective of the new policy, and after that we would have a stable situation, or would the situation be more generally volatile and difficult to predict?

**Professor Ulph:** All our experience suggests that it is difficult to forecast the effects of new policies. It is very hard to get a sense of what will happen and we have no data on which to base forecasts, so they tend to be based largely on judgment. However, our experience has also been that as we get data and build up a picture, the errors in our forecasts go down quite a lot.

Initially, there will be quite a lot of errors in our forecasts about things like adult disability payments simply because we will not have data to compare with what we have assumed. As we start to build up experience of the payment, we will learn. When we reconcile our forecast with the outturn, the rate of errors should come down. The issue of how far such things are covered by block grant adjustment is a somewhat separate question; it is about where Scottish policy deviates from what is being pursued in the rest of the UK.

**Claire Murdoch:** I will be brief. This is not a uniquely Scottish problem. The OBR had similar issues when the UK Government moved from DLA to PIP. The whole system changed and had to make assumptions about what would happen when people applied, and about the speed of the migration. The OBR and DWP have grappled with how fast people are moved from DLA to PIP; the speed of that has affected how the spending profile has evolved. This is an extra risk to flag up: it is not just about new claims being made to the adult disability payment. It is also about how fast and when people are moved from the DWP system over to the Scottish system.

**Tom Arthur:** With the convener's permission, I will ask a final supplementary on the point that Claire Murdoch made. Our initial target—correct

me if I am wrong—was complete transfer of cases by the middle of the decade. Is there likely to be a period of volatility around forecasts, such that we perhaps do not get to settled numbers until 2026 or 2027, or will it be possible to get a general idea of the direction of travel before then?

**Claire Murdoch:** I will pick up on what David Ulph said. The most difficult forecast will be about when the benefit is introduced and the first payments are made. We would expect volatility to come down as soon as we start to get data. We would not necessarily expect things to be completely steady until the benefit is fully administered by Social Security Scotland and no policy changes are being made. However, we also know how politicians and Government work—policy change is always being introduced. Whenever there is policy change, you have more volatility, but the point to make here is that it is much harder to make forecasts when a brand-new benefit is introduced. Any policy change increases the uncertainty in a forecast—at least slightly.

**Tom Arthur:** That is very helpful. The key time when there will be bigger difficulty will be in the initial phase when the new policy is introduced. The actual transition, as more cases are transferred, will not necessarily have such a significant impact on forecasts. I have no further questions, convener.

**The Convener:** Thank you. Before we finish the evidence session, I will ask a supplementary question about transfer of the various disability assistance benefits to Social Security Scotland.

It is my understanding that there will be no big bang, in terms of all claimants who were administered under an agency agreement by DWP suddenly being administered by Social Security Scotland. There will be natural migration. When a person would normally be called for review, reconsideration or redetermination of some description, DWP will transfer the individual to Social Security Scotland, which will determine the case under the new rules, which this committee will scrutinise.

Does that kind of natural movement, rather than everyone transferring at one point in time, soften the transition? In policy terms and in budgetary terms, is that a better way? Does the Scottish Government have that right? Does that mean that the rates that the Scottish Government and Social Security Scotland determine for disability assistance will have to be tied to the UK rates for adult disability assistance until the last individual is transferred under a natural migration process? There could then be a situation in which new claimants in Scotland were getting one rate while claimants who were still tied to the previous agency agreement get a different rate. Some information on that would be quite helpful.

**Dame Susan Rice:** Claire Murdoch or David Ulph might be able to provide some detail.

**Claire Murdoch:** On the first question, the way in which people are moved and how fast they are moved will affect our forecasts because they will determine how fast the review points happen. David Ulph talked about PIP, for which the UK Government has extended the average award length, which had an effect on our forecasts. Changes to the average award length would obviously affect when people come up for review and, therefore, when they would move to a Scottish payment. Exactly how that will work is to be determined by the Scottish Government in collaboration with the DWP, but we need to know what is happening in order to best forecast spending.

I will answer from an economist's perspective the question about how the payments will be linked. A higher payment in Scotland than there is in the rest of the UK would create an incentive for people who are on the DWP system to find a reason to have their award reviewed, or to put in a new claim for the higher payment. Different payment rates might create a lot of demand for a Scottish payment, as opposed to a UK payment, which would artificially alter the rate at which people want to move between the two payments. I do not know whether that answers the question, or if you would like David Ulph or Susan Rice to add anything.

**The Convener:** David Ulph and Susan Rice, do not feel obliged to answer any further; I was just trying to make sure that, in terms of budgeting and financial forecasting, this approach to the transition process is the best one. Rather than try to migrate everyone over at the same time, it is greatly preferable to have natural migration, which smooths out the transition. That is fiscally and financially less risky, and it is easier to plan for. I did not want to say that when I asked the question, because that would put words in your mouths; I suppose that I wanted to find out whether my assumptions were correct.

**Claire Murdoch:** Let me try to answer that in practical terms. In our main report, we published some analysis comparing the risk around the two new payments that will be introduced this year: the Scottish child payment, which is a completely new payment, and the child disability payment, which is replacing child's DLA. On the Scottish child payment, the delay that has been introduced has a very large effect, because when it is introduced we go from no spending to all the spending. For example, we said in our report that if claims are 10 per cent higher or 10 per cent lower, there will be a £6.8 million effect on the forecast. In comparison, because we are already paying out for child's DLA, the effect of any change in the

number of new claims that are made will not be as large, because the Scottish Government is already paying some people—so we are just looking at the marginal effect.

From a forecasting perspective, there is more risk when we go from paying nothing to paying everything, whereas a change in spending has a smaller forecasting effect. Questions about how best to manage that are more for the Government, but we can tell you about the fiscal effects.

**The Convener:** Jeremy Balfour, I missed your request in the chat box. You can ask the final question before we close this evidence session.

**Jeremy Balfour:** Thank you, convener—although I think that you covered the matter in your previous question.

The PIP transfer is out for consultation. At present, there seem to be very small differences in the current criteria for PIP and the criteria for when it transfers across to Scotland. If the PIP regulations are fairly identical and you assume a differential in relation to what happens with the new child disability payment, will that make it easier for you to forecast?

**Dame Susan Rice:** As Claire Murdoch said, the greater the similarity, the fewer ripples there will be, in terms of the effect on the forecasts. However, we have found that some elements really have an impact, such as how the Government in Scotland advertises and lets people know about a particular benefit, and the ease of the application process—for example, whether it involves face-to-face interviews or a more virtual approach. A number of factors will help to ease people in, whether it is the first time they come on to a benefit or their benefit is being transferred.

In that context, the position is a little more textured than is suggested by saying, “It is pretty much the same benefit, so there will not be that much difference.” The way in which the benefit is administered and how the doors open and potential recipients are made welcome will potentially speed the process up, bringing more people in and helping more of them to qualify, depending on which benefit it is.

**The Convener:** I thank our witnesses. You were very helpful and I appreciate your taking the time to give evidence—I know that this is not your only meeting this morning, and we appreciate the demands on your time.

I am not sure whether this committee, in this particular format, will meet you again before we are on the other side of a little event that the country is having in May. If we do not see you before then, some of us will certainly see you on the other side. On behalf of the entire Social

Security Committee, I thank you not only for your commitment to forecasting and budgeting in Scotland and for preparing your independent forecasts for Scottish Government budgets but for allowing this committee to scrutinise the numbers behind the forecasts. Thank you very much for all your work. Keep it up, and stay safe, everyone.



## Subordinate Legislation

### Council Tax Reduction (Scotland) Amendment (Coronavirus) Regulations 2021 (SSI 2021/12)

10:15

**The Convener:** Item 3 is subordinate legislation. I refer members to paper 4, which is a note by the clerk. The Council Tax Reduction (Scotland) Amendment (Coronavirus) Regulations 2021 (SSI 2021/12) are subject to the negative procedure. The regulations amend the council tax reduction regulations to disregard the £500 one-off payment to national health service and social care workers when calculating entitlement to a council tax reduction. The one-off payment is in recognition of people's work on the front line during the pandemic.

I invite comments from members before I ask you whether you want to note the instrument. I see that our deputy convener wants to come in.

**Pauline McNeill:** I support the regulations, which are necessary. However, it is worth noting that people who work part time in the NHS and who qualify for the payment have written to me to say that they will not get the full £500, because of various rules to do with universal credit. The regulations are important, but I wanted to note that there are other things that need to be done to make sure that everyone who qualifies for the £500 is able to get the full benefit of it.

**The Convener:** Thank you very much. I endorse those comments. The solutions might sit elsewhere, as opposed to in the Scottish Parliament or Scottish Government, but I absolutely agree with what you said.

**Keith Brown:** I agree with that, convener. Any other negative effects of the payment—for example, tax—should be dealt with by the UK Government. Making the payment is a great thing to do. I do not think that many of our NHS workers and care workers will be in the Forbes 500 list, so it is right that they get £500 from Forbes, as they are doing. It would be wrong if the amount was limited because of other regulations, so I fully support the regulations that we are considering. Two of my sisters work in care and NHS services, in the north of England and north Wales, and they are very envious when it comes to the payment that is being made. I am very supportive of it and I support changing the regulations to make sure that there is no clawback.

**The Convener:** Thank you. I do not think that I have to declare an interest, but I should declare that my wife is a part-time critical care nurse in the NHS. I should put that on the record, in the context

of the payment. I echo the points that you made, Mr Brown.

There are no other comments, so are members content to note the instrument? I will assume so, unless I see an indication otherwise in the chat box. I see that you are content.

Item 4 will be in private. To anyone who has been following this online, thank you for sticking with us throughout the meeting. We previously agreed that item 4 would be taken in private. I will see members shortly on another video platform to continue the meeting. Thank you.

10:19

*Meeting continued in private until 10:49.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

---

All documents are available on  
the Scottish Parliament website at:

[www.parliament.scot](http://www.parliament.scot)

Information on non-endorsed print suppliers  
is available here:

[www.parliament.scot/documents](http://www.parliament.scot/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@parliament.scot](mailto:sp.info@parliament.scot)

---



The Scottish Parliament  
Pàrlamaid na h-Alba