OFFICIAL REPORT
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Social Justice and Social Security Committee

Thursday 17 March 2022

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

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CONTENTS

Col.
DECISION ON TAKING BUSINESS IN PRIVATE 1
MEDIUM-TERM FINANCIAL STRATEGY AND RESOURCE SPENDING REVIEW FRAMEWORK 2
SUBORDINATE LEGISLATION 26
Social Security Up-rating (Scotland) Order 2022 [Draft] 26

SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE
11th Meeting 2022, Session 6

CONVENER

*Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP)

DEPUTY CONVENER

*Natalie Don (Renfrewshire North and West) (SNP)

COMMITTEE MEMBERS

*Jeremy Balfour (Lothian) (Con)
*Miles Briggs (Lothian) (Con)
*Foysol Choudhury (Lothian) (Lab)
*Pam Duncan-Glancy (Glasgow) (Lab)
*Marie McNair (Clydebank and Milngavie) (SNP)
*Emma Roddick (Highlands and Islands) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Emma Congreve (Fraser of Allander Institute)
Ben Macpherson (Minister for Social Security and Local Government)
Dominic Mellan (Scottish Government)
David Phillips (Institute for Fiscal Studies)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 17 March 2022

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Elena Whitham): Good morning, and welcome to the 11th meeting in 2022 of the Social Justice and Social Security Committee. Our first item of business is a decision on whether to take item 5 in private. Do members agree to take that item in private?

Members *indicated agreement.*

Medium-term Financial Strategy and Resource Spending Review Framework

09:00

The Convener: Agenda item 2 is consideration of two financial planning documents: "The Scottish Government's Medium-Term Financial Strategy" and the "Resource Spending Review Framework". I welcome to the meeting Emma Congreve, who is a knowledge exchange fellow at the Fraser of Allander Institute, and David Phillips, who is associate director at the Institute for Fiscal Studies. Thank you for joining us remotely this morning.

Members have a lot of interest in and questions about the two documents, so we will move directly to questions. My colleague Natalie Don, who joins us remotely, will ask the first questions on theme 1, which is the risk to the budget from social security. Then, I will bring in Miles Briggs, who is in the room.

Natalie Don (Renfrewshire North and West) (SNP): Good morning. Can the witnesses advise us of the extent to which the demand-led nature of social security represents a risk to the Scottish budget as a whole?

Emma Congreve (Fraser of Allander Institute): Good morning. There are various risks that come with social security forecasting. An issue that I found while reading through both documents is whether good understanding has been communicated about the various risks and where they stem from.

In relation to demand changes, most of the social security measures in the Scottish budget relate to what we usually describe as additional cost benefits for people with disabilities or caring responsibilities, and those tend to be quite stable over time. They tend to shift with demographic changes, which are relatively easy to predict, so they do not tend to pose a huge risk, if all else is held equal.

Of course, if eligibility criteria were changed, the case load would change, so demand would change in that way. However, that is within the control of the Scottish Government. Factors that are outwith the control of the Scottish Government, such as changes in the characteristics of the population and the resulting case-load changes, are more important.

As I said, the bulk of social security measures in Scotland relate to factors that tend to be fairly stable. The exception relates to the Scottish child payment, which accounts for a relatively small chunk of social security spending as a whole. That spending depends on people's incomes and could therefore fluctuate with the economic cycle, so the case load in it could change at quite short notice, as we have experienced over the past few years. The Scottish Government has much less control over that spending, but it is just one thing in the overall basket of social security measures.

On the whole, demand fluctuations are not as much of a risk for Scotland as they could be for the United Kingdom, which has more means-tested benefits under its control.

David Phillips (Institute for Fiscal Studies): [*Inaudible.*]—I agree very much with Emma Congreve. With regard to reaching a steady state with the new Scottish social security benefits, they are, in the main, linked to health conditions, which tend to be more stable and linked to demographics. Over time, there will be changes in expectations about what a benefit can offer and what counts as a disability. However, at this point in time, as the benefits are rolled out, there is potentially a significant risk arising from uncertainty about how the benefits will be implemented in practice, given the changes to the process for assessing eligibility, the differences in culture between the Department for Work and Pensions and Social Security Scotland and so on.

For example, when the personal independence payment was rolled out across the whole United Kingdom, the expectation was that it would lead to a significant reduction in spending. However, that did not happen, and spending has had to be progressively revised up.

The Scottish Fiscal Commission has built in an expectation that the system will lead to more people claiming, more people being successful in their claims and a higher average claim amount. However, there is a lot of uncertainty in that respect. The documents set out scenarios at the lower and upper ends. It is unrealistic to expect lower claim amounts, given that more people being eligible will push up demand and costs relative to the UK system, but there is a sense that there is some risk in the initial phase. Once the system reaches a steady state, however, the risk will be somewhat less—very much for the reasons that Emma Congreve highlighted.

Natalie Don: As you have suggested, the Scottish Government is encouraging benefits to be taken up, which increases the potential risk. You have said that that is an issue more in the short term, but can such risks be managed? Can the UK Government do more to alleviate potential risk by ensuring that our funding is not reduced, regardless of policy decisions that are made at Westminster? That is for David Phillips first, then Emma Congreve.

David Phillips: The short answer is no—I do not think that such an approach would be appropriate. Because UK-wide benefits are funded through UK-wide taxes, any decision at Westminster to reduce the generosity of a UK-wide benefit will mean less tax revenue being used to fund benefits in Wales, England and Northern Ireland. It will also have an impact on Scotland. You might say that that is unfair, and ask why should we get less for benefits. The reason is either that less is being spent in total in England, Wales and Northern Ireland from UK-wide taxes, so Scotland has, for reasons of fairness, to share in that spending reduction, or that spending is being reallocated to other areas from which Scotland will benefit—such as health, from which Scotland would get a share through the Barnett formula, or reserved benefits, for which Scotland would also get a share. The way our funding system works, with money coming from a pooled pot, means that if there are changes to benefit policy in the rest of the UK, Scotland will have to make a contribution in that respect.

However, that shows that, under the current system, Scotland has limited flexibility to respond to such changes. Scotland has devolved tax powers, so it is reasonable to suggest that if it wants to spend more on an area without cutting funding elsewhere, taxation is the natural place to look. We have seen the Scottish Government make use of those powers.

That said, it is difficult to make changes in the short term, and the fact is that the UK Government does not have to do these things if costs or funding levels change, because it can simply borrow in the short term. We have therefore identified that there is a need for higher borrowing limits to address forecast errors, which can happen not just because of changes in policy in the rest of the UK but can, as I have said, happen because of the difficulty of forecasting the costs of Scottish benefits.

There are currently quite strong constraints on how much Scotland can borrow, even to address such errors. There is a case to say that those limits should be substantially increased, and potentially even abolished, because the forecast error itself is like a limit on how much Scotland can borrow.

Also, in the short to medium term, there could be discretionary borrowing, perhaps with a limit on it, so that the Scottish Government could borrow in order to address and smooth the impacts of such changes, even if there is not a forecast error.

That might not be the answer that you are looking for, exactly, but what I am saying is that there needs to be sharing across the UK and there needs to be a system that is fair across the whole UK. However, that system also needs to give flexibility to the Scottish Government to respond over time by potentially reprioritising spending, raising taxes, or changing welfare approaches, without having to respond immediately as the block grant changes.

Natalie Don: Thanks, David. That was very informative. I was not looking for a specific answer, but just for background information.

Emma Congreve: I agree with much of what David Phillips said. Westminster changes that might help Scotland to manage things would probably be best focused on issues related to the fiscal framework and borrowing rather than on other measures being put in to safeguard Scotland when spending changes in the rest of the UK.

In particular, because we now have the division of disability and carers benefits being devolved, those benefits need to operate within the devolved space, as many other policies do. There is a somewhat grey area in relation to Scotland using reserved benefits as passports for top-up benefits in Scotland. I am not sure whether we will see this, but if the systems for eligibility for universal credit were eased and more people came into the system, that would have a knock-on effect on benefits in Scotland—on the Scottish child payment, anyway—so there is a conversation to be had about that.

However, in principle, borrowing is the right thing to think about in terms of helping Scotland to manage risks around social security.

Natalie Don: Thank you both.

Miles Briggs (Lothian) (Con): Good morning, panel. Thank you for joining us. I want to ask you to develop some of the points that my colleague Natalie Don was pursuing.

When Dame Susan Rice from the Scottish Fiscal Commission came to the committee, she outlined in quite stark terms the fact that the funding gap is set to reach

“three quarters of a billion pounds by 2024-25”.

That is very much on the horizon now, in relation to budgeting. Where is the financial management within the Scottish Government around that? Where is that future projection being costed into proposals? Each budget year, we are voting on that and seeing increasing levels going towards social security. However, that is a huge amount of money and, as Dame Susan Rice says, that

“money must be found from elsewhere in the Scottish budget.”—[*Official Report, Social Justice and Social Security Committee*, 23 December 2021; c 3.]

Are you aware of any work that is being done on how that will be financially managed in the future?

Emma Congreve: We expect that there will be divergences in policy and spend. That is what devolution is about—the ability to make different choices on spending. We are seeing that especially with social security. As David Phillips mentioned earlier, that is partly related to there being a different approach to applications and to the attempt to bring in a different culture, which it is expected will lead to increasing spend.

There have also been policy changes, which are also partly why it is expected that spend will be higher. On how that would be managed, it will be on a similar principle to how any additional spend is managed within the budget and the spending review processes. That is really key, because that is where we would expect to see how different areas of spending have been prioritised and where reductions are being made in order to spend more on areas in which commitments have been made to increase spend, such as social security.

09:15

The really important thing that we are seeing is the modelling from the Scottish Fiscal Commission that tells us what the protected areas of spend will be. I expect that the Scottish Government is doing its own shadow forecasting, so that when it is thinking about future changes, it is able to cost them while making its plans. The Scottish Fiscal Commission has said that it will do forecasts for the spending review, as well. That will be part of the internal process.

The Government has put forward quite a number of priorities in the framework document. It is hard to disagree that child poverty, climate change and the economy are very important. However, in order to prioritise areas of spend within those when it is understood that there is a shortfall—between overall funding and spending for the spending review period as a whole—decisions will have to be made on where to reduce spend or where to increase it by less than real terms.

We expect that the spending review will answer those questions. It must answer them so that we understand over the medium term what the trade-offs will be. If you spend more in one area, you will have to spend less in another, or taxation will need to increase.

That is my understanding of what is happening at the moment, in terms of thinking those things through.

Miles Briggs: Before I ask David Phillips to respond, I will expand the question a little bit. From your experience, which budget lines are likely to be targeted? The budget has cut £120 million from local government. Is the national health service budget, which has increased above inflation every year since the Parliament was established, one that we might look to? Where do you think ministers will look to find the money?

David Phillips: I will come to the second part of your question in a minute. On the first question that you asked, I agree with Emma Congreve: I expect the spending review to set out the choices that the Scottish Government is making on how to prioritise its spending.

It will be a difficult spending review not only because of the underlying pressures that are due to the demands on and the costs of existing public services, but because of a few things that are coming down the line. First, there are the welfare spending measures—the social security spending measures—which add up to about £750 million by the end of the spending review period. There is also the relative underperformance of Scottish income tax revenues, which means that the revenue side is down, and there are some negative reconciliations coming down the way.

One would hope that, even though there was no spending review at the point when the policies were initially formulated, some assessment was made of what the likely funding environment would be down the line and that, given that environment, the potential knock-on effects for other parts of the budget were considered at that point. It is not clear to me whether that was the case, but the Scottish Government should be asked about what planning was done on that when those promises were made and the plans were put in place.

One cannot just say that there will be a spending review further down the line when commitments are already in the system because, in that case, the only options are to cut back other areas of spending or to go back on promises. Even if there is not a full review, there should be some analysis at that earlier stage. That could be something to ask the Scottish Government about.

On your question about which areas to cut, the challenges are that commitments have been made not only on social security but on other areas. Underlying the spending review framework and the medium-term financial strategy is an assumption that health spending goes up by 3.5 per cent a year. That is substantially less than would be required to meet the Scottish Government's commitment to pass on in full the NHS consequentials that are coming as a result of decisions at Westminster.

That makes it difficult to actually cut the spending on the NHS, compared to what is in the pot, when actually it is necessary to spend more than in the current forecasts in order to meet pledges on health spending.

There are obviously concerns around education standards in Scotland, which might make it difficult to cut back on school spending. However, with health and schools taken out of the picture, you are left with a fairly small pot from which you can cut spending. It is therefore possible that some areas that have had big cuts already over the years—local government, housing, transport, the environment, culture, policing, justice and so on—could see further cuts, or the Government will have to go back on pledges on health or social security, or look to taxation and increases in taxation to make up for the gap.

Miles Briggs: Thank you.

Pam Duncan-Glancy (Glasgow) (Lab): Good morning to the panel. Thank you for the information that you gave us in advance, which was very helpful, and thank you for your answers so far.

I have a couple of questions on risk and demand in the social security system. My first one is probably for Emma Congreve. In your submission, you note that the Scottish Government has a policy to increase take-up in benefits. Is it clear from the framework and other documents how it would increase uptake and what the costs and the implications would be?

Emma Congreve: From the documents that came out in December, it is not particularly apparent how some of those areas will be specifically developed. We would not necessarily expect that kind of detailed consideration to be in the high-level documents that came out at that time. We would expect that to be part of big policy frameworks such as the child poverty delivery plan and, indeed, any frameworks that are produced on take-up. We would expect to see the inclusion of any particular costs associated with that in the spending review. If there are no costs associated with that, it opens up another question. Certainly, if that is a specific policy and there are cost implications related to it, we would expect that to be part of the detailed financial information but not necessarily to be part of the documents that we are talking about today.

Pam Duncan-Glancy: Thank you; that is helpful.

The Government has indicated that it will begin to review some of the eligibility criteria around the 20m rule this year. When would you expect to see some of the details on the costings for that? What timescale should we be looking at? I am conscious of David Phillips's answer about when you would expect to see financial decisions as well as policy decisions. It would be good to know what you think about that.

Emma Congreve: I mentioned earlier that I think that the Scottish Government will be doing its own internal financial costings on that when those decisions are being considered. When that information will be in the public domain is now very much under the jurisdiction of the Scottish Fiscal Commission. Once a policy is confirmed, the commission will be looking for evidence that it can use to produce a robust costing of that. That might be revised over time as better estimates come into being, but that is where we are now expected to look for information about the cost of policies. We would expect the Scottish Government to consider those things as it makes the decisions that you mentioned, but there is no expectation that that information will be made public, because that is the Scottish Fiscal Commission's role.

It is an interesting area and it would be interesting to ask the Scottish Government about the planning that it goes through, even if it has to revise its figures as a result of the Scottish Fiscal Commission's work, as has happened with measures such as the Scottish child payment in the past.

I hope that that helps on that question.

Pam Duncan-Glancy: Thank you—it does. If there is a review and the Government is serious about changing the policy, I would like to know that the money was available or where the Government was going to get it and how soon we should expect detail on that.

My other questions are for both of you. The Cabinet Secretary for Finance and the Economy said that she wants to make "intelligent decisions" on social security. Will you set out how that could be done, whether the Government has the data to do it and what the timescales involved in intelligent decision making on social security should be? That is related to the point that we have just spoken about.

Emma Congreve: So far, it has taken a lot of time for the Government to decide what changes should be made to social security. Clearly, they affect a lot of people substantially, so there has been a lot of consultation with the social security experience panels to understand the issues with the previous system and what could be done to improve that in future.

It will always be difficult to get data for any policy that increases eligibility. That is particularly the case for some policies on ill health and disability. Based on work that I have done on the social care system, I do not think that, in Scotland, we have a good grasp of levels of unmet lead. Therefore, it is hard to know how many people would come under a policy if eligibility was increased. That would include the national care service if eligibility was increased for access to services.

Data is an issue for being able to understand the impact. If we do not have it, it is difficult to estimate future costs, so we see a lot of reference back to the UK system. Hence, in the MTFS, the Government uses forecast error between the Office for Budget Responsibility forecast and outturn to determine the extent of divergence in the figures over time, but the question is whether that is applicable to the situation in Scotland. It might not be, but it is difficult to know where else to go to find such intelligent information.

There is a lot of uncertainty, but it is unavoidable to a large extent. I do not know whether that should mean that we guard against making changes or that changes should be more cautious over time—whether we should make small, incremental changes to get to the end goal so that there is a bit more financial certainty over what is happening. However, I am not sure that that would be acceptable to the wider public or the people who are in scope for increased benefits.

It is an interesting question.

09:30

David Phillips: I agree with lots of what Emma Congreve said there. Over time, more information becoming available about the impacts of the changes that have been made so far, and the ability of the Scottish Fiscal Commission to forecast those, should reduce but not eliminate uncertainty. As Emma said, we have a trade-off in the short to medium term about the extent to which one goes slower in order to avoid adding further to the uncertainty and the potential for major forecast errors that would cause a hole in the Scottish Government's budget, and wanting to move quickly to address legitimate policy concerns that people have with the current systems.

I would also add that there are differences for different types of policy measures—for example, estimating the cost of changes to benefit rates is much more straightforward than estimating the cost of changes to the eligibility criteria and the assessment process. When looking at means-tested benefits such as the Scottish child payment, data on things such as income is generally a lot better than data on health, which is more subjective.

The risk with things such as the Scottish child payment is not so much modelling the eligibility for those benefits but cyclicality—how these things go up and down in recessions and booms—and take-up. What will the take-up rate be and how will it vary as you change the generosity of benefits? We know from existing research that take-up is higher the higher the benefit is, because it makes more rational sense to invest the time and effort in claiming a benefit that is worth more. There are different risks and challenges for different policies.

Again, as I said in answer to the first question, once the system is in place that we think, or the Scottish Government and people think, is largely appropriate in the way that it is working, the subsequent changes, which tend to be things such as benefit rates, can be forecast a lot more straightforwardly and planned a lot more easily. I come back to my point. We might come to this later; in some respects, these two documents talk too much about the fiscal framework review and not enough about policies in Scotland in relation to the current fiscal powers, but the fiscal framework is an important constraint here. If you had greater ability to borrow to address forecast errors, you would be a bit more relaxed about there being forecast errors and be able to make policies that you might get the cost wrong on without those forecast errors. With constrained borrowing powers, you need to think more about potential forecast errors, because if they arise and they exceed the borrowing limits, you need to draw down reserves, cut back other spending or raise taxes to address them, which is harder to do.

Pam Duncan-Glancy: That is helpful. Can I ask one more follow-up question, convener?

The Convener: Yes, if it is very short and we have short answers.

Pam Duncan-Glancy: It will be short. Thanks; that is helpful.

It is noted that there is not much information about how the social security system can address demand, and in the context that you have just set out, prevention and the way it interacts with other services seems to be important. Can you briefly set out why it is important, what the implications are and what you would expect to see?

The Convener: Who are you directing your question to?

Pam Duncan-Glancy: Probably to both witnesses, but I will not need a question later, if that helps for time.

The Convener: Great.

Emma Congreve: That is an interesting question, because prevention is mentioned a few times in the framework, but not too much is made of what the potential implications of that are. Social security is part of a bigger system of public services and increasing support in one area may therefore have a reduction in others, potentially over quite a short time period. I am particularly thinking about the interactions between the social care system and carers allowance. There are some potential implications there that I hope will be picked up and considered more in a spending review; rather than prevention just being mentioned, it needs to be analysed.

David Phillips: I agree with what Emma Congreve said, but I will add one further point. I hope that departments do not just rely on the justification for preventative services that they save money further down the line. That is part of the justification for investing in early intervention and preventative services but, when research examines the impact of preventative services, such as investment in social care or in children's social services, on subsequent costs for healthcare, the evidence suggests that there is a reduction in the cost of healthcare from the increase in spending on those services but it is not enough to offset the extra spending. However, that does not mean that the extra spending on children's and adult social services was not good value for money or was a bad idea, because we are paying not just to reduce spending elsewhere but for the outcomes—the improvements in quality of life, for example—that come from that spending.

I have said to the Ministry of Housing, Communities and Local Government or whatever it is called now—the Department for Levelling Up, Housing and Communities—in Westminster that value for money and costings can be part of making a case to the Treasury but that case needs to be about the broader benefits and value of those spending items. Otherwise, the Treasury men, or the Scottish treasury men and women, with their hard-nosed attitude will see through it and say that they do not think that the spend will save money. You need to make the case that it is a good thing to invest in more broadly.

The Convener: Thank you very much for that, David. It was helpful for you to set that out in the way you did.

Jeremy Balfour's question on the theme has been answered, so we will move on to questions from Foysol Choudhury.

Foysol Choudhury (Lothian) (Lab): Good morning, panel. I have a couple of questions, which I will direct to Emma Congreve first.

How much will other budget lines be affected by increases in social security spending?

Emma Congreve: Are you asking generally how much of an impact an increase in social security spending has elsewhere?

Foysol Choudhury: Correct.

Emma Congreve: Of course it has an impact. If you invest more in one area, there is a consequential need for ever-increased funding from taxation or a reduction elsewhere in the short-term analysis. Although, as David Phillips set out, savings from preventative spending are not the be-all and end-all, there is potential for them over time so it is not necessarily a zero-sum game. However, there will always be trade-offs with policy decisions. The important point from a scrutiny perspective is to understand the rationale for increases in expenditure in one area and, crucially, for reductions in spending and to check that there has been a full consideration of the impact of reductions in spending as well as increases.

Foysol Choudhury: Is there a risk that budget cuts are a false economy? How do you assess the risk that they will just push more people into the social security system?

Emma Congreve: That is a relevant point as well. That is why I specifically mentioned an assessment of the impact of spending cuts in other areas. If you reduce public services as a result of cutting local government spend, for example, that might mean that people might be less likely to get support to improve their employability or financial security in terms of having support services for access to benefits in the community. That might increase their future reliance on some of the means-tested benefits and, if it leads to impacts on their mental health, it could have long-term impacts on public spend.

It is an important point. Salami slicing different budgets in order to get to the right number is dangerous in terms of impacts on people and the unintended consequences that you refer to.

David Phillips: Again—I keep saying this—I agree with a lot of what Emma Congreve is saying there.

I want to add a couple of extra points in response to Foysol Choudhury's first question. I think that the £0.75 billion gap between the block grant adjustment for social security and the forecast of actual spending is about 1.5 to 2 per cent of the Scottish Government's resource budget. That might not sound like a huge amount, but when you look at it compared to individual budgets, to put a scale on things, it is about 4 per cent of the health budget and maybe 6 or 7 per cent of the local government budget. Finding that amount of money will be challenging, especially given the other spending pressures that we face.

Difficult decisions will need to be made around prioritisation and the Scottish Government may need to look at taxation if it is serious about both funding welfare measures and addressing the pressures in other areas.

In the longer term, the UK Government needs to be serious about looking at taxation again, because—to quote a song title—the only way is up when it comes to public spending in the next decades, given the ageing population, demographic changes and rising cost pressures. There are choices that you can make about not meeting all those pressures, but you need to make a choice: either you put taxes up or you do not meet all the pressures that are coming down the line.

On the second point, I agree that salami slicing is not the way to do it. What I hope that the Scottish Government is doing in the spending review is, as far as possible, looking at the value of those individual programmes. What is their value not only in terms of saving money—in general, most spending areas do not save money elsewhere, but some will have high returns—but more widely? Even if a programme is not saving money, is it valuable because of the impact that it has on families, communities, the economy and so on and so forth? That is what I hope is being done.

One of the things that the Government will be doing is asking departments to scenario plan around what they would cut if they had to make a 5 per cent cut or a 2 per cent cut to their budget, to get departments to flesh out their own ideas about where they could best make cuts.

Foysol Choudhury: My last question is for both of you. Should the minister be open and publish what budget cuts are being foreseen to pay for further social security spending?

Emma Congreve: It has to be part of the spending review, but it has to be seen in the round, as I think that I mentioned previously. Social security is not the only area where there will be prioritisation of spend, given what the framework document says about child poverty—which I know will also have social security implications—and climate change. There will need to be openness and transparency about what those priorities for spend mean elsewhere, especially when there is a big gap between expected expenditure and expected funding.

I would not necessarily expect the spending review to explicitly say what is being cut to pay for social security. It will be about what is being cut or changed in order to pay for all the new spending priorities that come through.

The Convener: Briefly, can we have your thoughts, David?

David Phillips: Yes, I will be very brief.

I would fully agree with that. I would go a bit further; I think that it would actually be unhelpful to try to say which areas are being cut specifically to fund social security, because the budget is a budget as a whole—money is fungible. If you are saying that a given area is being cut to fund social security, you could just as easily be saying that a given area is being cut to fund another priority area. The temptation might be for the Government to say that it is being cut to fund this or that, but it is better to look at the budget in the round, as Emma Congreve suggested.

Obviously, the Government will emphasise more the areas in which it is making increases than those in which it is making cuts, but the document should at least outline where difficult choices are being made.

09:45

The Convener: We now move to questions from Emma Roddick, who is with us in the room, and then Marie McNair, who is joining us remotely.

Emma Roddick (Highlands and Islands) (SNP): On the topic of budget scrutiny, is it more important for those of us who are tasked with scrutinising social security to make use of the medium-term financial strategy than it is for other committees?

I direct that question to Emma Congreve.

Emma Congreve: There are clearly particular issues, because we know that the Scottish Government is already committed to spend that goes above and beyond the money that is being transferred through the fiscal framework for those areas. It is apparent that there is a gap there. On the evidence that it gave the committee before Christmas, the Scottish Fiscal Commission was explicit about that.

There are a couple of points to make. First, we expect there to be divergence in policy between what was done when social security was reserved and what is now being done under the devolved system. That is the whole point of devolution. It is probably not right to focus on that gap as the most important thing or to get too caught up with it. The issue is much more about understanding how social security spend and future policy decisions fit into the Scottish budget, and how funding coming from the UK and Westminster forms part of the whole picture. It is not just about social security.

Some issues could have been made more of in the MTFS, and I note a couple of those in my submission to the committee. Inflation and uprating, which I know that you will talk about later today, are obviously key financial risks, as are future policy changes, and there is a need to understand the appetite for that. We know that a consultation is being conducted on a replacement for carers allowance, and the documents do not take account of the changes that might come down the line from that.

It is definitely worth the committee scrutinising that and asking some questions about what is and what is not included, and whether more could have been done to strengthen the understanding of the financial risks around social security. It is an important topic for the committee, because it is relatively easy to see those issues coming down the line years in advance.

The Convener: In your written submission, you say that there is

"relatively little analysis on the outlook for social security within the MTFS."

Is the MTFS enough for us, or should we be taking a more frequent and active monitoring role? If so, how do we do that, particularly considering current volatility?

Emma Congreve: The committee's approach in hearing evidence from the Scottish Fiscal Commission and getting a fuller picture than what might be presented in the MTFS is probably necessary. I might press the Government to include more about social security in the MTFS in future. There was probably more in the framework document for the spending review than there was in the MTFS. The two documents together give a bit more insight into some of the pressures and how some of the analysis has been put together, which you do not get from looking at the MTFS on its own, so improvements could be made to that document.

Certainly, where things are not explicitly addressed or mentioned, more scrutiny of the Government and ministers on those is appropriate.

The Convener: Thank you. We now move to questions from Marie McNair.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning, and happy St Patrick's day. I have a question on the connection between the economy and other budgets. You touched on that in answer to my colleague, Pam Duncan-Glancy, but it would be good to hear more. Is anything happening at a UK level to embed that link? Are you aware of good practice or experience of that sort of approach in any other countries? That question goes to Emma Congreve, and then David Phillips could add to that.

Emma Congreve: To clarify, is the question about linking social security to other areas of the budget?

Marie McNair: Yes. In your written submission, you said that, in the documents, the connection of social security to the wider economy and public spending is missed. You gave the example that investment in social security has the potential to reduce NHS and social care spend, so I wanted you to expand on that.

Emma Congreve: I will let David Phillips answer about the rest of the UK, but my comments on that were very much with Scotland and the Christie commission in mind, because we talk about prevention a lot, and it is a critical pillar of policy making in Scotland. In pretty much every Government document, you will see the word "prevention" and a discussion of how important it is, but we rarely see an analysis of what that means in practice or where those linkages are being made. Potentially because of that, we do not see the monitoring and evaluation over time that would allow us to understand how those linkages happen in practice.

In theory, of course, there is a link between increasing the Scottish child payment and reducing child poverty, as well as achieving better educational and health outcomes in the future. However, a lot of that is based not necessarily on evidence from Scotland but on our understanding of logic and evidence from elsewhere. If prevention is a critical pillar of policy making in Scotland, we need to do better at evidencing that and making the case for it. We also need to understand the extent to which we are able to prevent spend and poorer outcomes in relation to those wellbeing issues down the line. I homed in on that because it is such a theme in Scotland, but it can be quite frustrating that it is talked about and then not always followed through with analysis.

Marie McNair: Is there any good practice of assessing that link in other parts of the world?

Emma Congreve: I will pass that over to David Phillips to see whether he has any thoughts on that.

David Phillips: I will answer that question with my academic economist hat on. The challenge with credibly showing the link is that the policy needs to be rolled out in such a way that there is a treatment group and a control group, so that we can compare the outcomes and behaviour for those who benefited from the policy with those who have not benefited from the policy. That gives a good idea of the effect of the policy, as opposed to other things that happened to be going on in the background at the same time as the policy was rolled out.

There might be opportunities to do something like that in Scotland, given the roll-out by age group of children. Colleagues have looked at the impact of rolling out changes to the benefit system in the other direction, in which there were requirements for lone parents of children of different ages to seek work when their children are at a younger age. The impact on the employment of those mothers of using a phased roll-out of the schemes could be looked at. For example, there could be an opportunity to look the impact of a phased roll-out of the reduction in the age in which children lose eligibility for payments for the Scottish child payment, for example. I am suggesting that there should be engagement with academics in Scotland and elsewhere to think about whether those policies can be evaluated.

The other point that I want to mention concerns linking social security policy to the economy. At UK level, one thing that is often thought about is the impact of social security policy on working behaviour. Sometimes, policies are very much made to incentivise work. Examples of that are the working tax credit, reductions in the taper rate for universal credit and in-work retention bonuses. However, sometimes, changes in social security policy can have unintended consequences for work behaviour. For example, the incentive to go to work can be reduced if benefits go up and there is more to lose from entering work.

I mention that because there is one area of benefits policy that, over time, might become a more significant disincentive to work because of the particular way in which it is designed, although that might not be to do with the formal way in which it is designed. The Scottish child payment has a cliff edge. When you lose eligibility, the total benefit is lost; it is not tapered. My understanding is that, by earning an extra £1 or £2 of income, for example, you would lose the full amount. A person with two children might get £40 and a person with three children might get £60. Losing that money would act as quite a strong disincentive to people taking a pay rise or working a couple of extra hours. Although reforming that would be more complicated, tapering the benefit so that there is no cliff edge could be a way to think in a slightly different way about the interaction between the benefit policy and the impact on the economy and people’s livelihoods.

Marie McNair: I have a final question. In its submission, the Scottish Fiscal Commission indicated that it had recruited several staff to begin work on its fiscal sustainability report. That will cover the outlook for the Scottish Government’s funding and spending plans over a long-term 30-year horizon. Do you welcome that development? What will that bring to the table that will assist in setting budgets? If you are unable to respond to that today, I would ask that you pop the answer into a written response, if possible.

Emma Congreve: On your question about international evidence around prevention, which we have not really been able to answer, I will come back to you in writing. There are good examples to which we could point. Those would be useful to follow up, because it would be good to see more of that in Scotland.

On taking a longer-term look at things, that would be helpful for social security because, as David and I said at the beginning, demographic change tends to happen quite gradually. We know that we are due to see an ageing population. The comorbidities that result from that might put more pressure on some of the benefits. Therefore, that long-term outlook will be useful. Obviously, things are very uncertain when you are looking at such a time period, but that will be helpful for thinking about the core case load.

David Phillips: On Monday, I spoke to the Scottish Fiscal Commission about its plans for its fiscal sustainability report, the lessons that can be learned from the UK fiscal sustainability report and some analysis that the IFS did a few years ago. The SFC's fiscal sustainability report will be a really good piece of work.

I completely understand why the SFC hired several new people to work on the report. The complexities of producing such a report for Scotland are even greater than those for producing one for the UK, because you do not just need to project Scottish revenues and Scottish spending pressures, but also what happens in the rest of the UK and how the UK Government responds to that, because Scottish Government funding depends on UK Government responses. We had some very useful talks about what can be done in that regard.

The fiscal sustainability report is a fantastic development, and social security will be an important part of those projections, as will other services that you would expect to be strongly linked to demographics, such as health and social care.

10:00

Miles Briggs: I have one quick question, because colleagues' questions have covered a lot. It is about the work that we have to do with the minister in relation to the uprating of benefits, which we will come to under the next agenda item.

The Scottish Government has announced that six social security benefits will be uprated by 6 per cent from 1 April. Given the cost of living pressures, if that is the direction of travel in relation to uprating, what sort of cost does that present for the basket of Scottish social security benefits and what additional pressures will there be in the coming years?

Emma Congreve: I saw that announcement before coming to the meeting. I did not have time to run the numbers, but you could ask the minister for that information, given that you are seeing him shortly—he will thank me for that.

The announcement has come quite late on in the process. I am not here to say whether it is a good thing or a bad thing. It recognises the particular pressures of the moment and some exceptional circumstances. I would not expect it to set a precedent to move away from using September as the reference month for the uprating of benefits, as is usually the case. It is a one-off because of the particular and exceptional issues at this moment in time.

There are a lot more uncertainties in the macroeconomy and the global economy than we have had for some time, so inflation could be very bumpy for a number of years. We need to think about ensuring that uprating policy is able to capture that rather than choosing one month in a year and assuming that inflation is generally stable across that period.

Given that the announcement was made only this morning, I am not sure whether the UK Government will follow suit. I do not think that any announcement has been made on that. It is necessary for many people's incomes to have social security keep up with the cost of living, but that has pressures on the budget. There is no doubt about that.

David Phillips: Very quickly, colleagues at the IFS have highlighted the particular difficulties around uprating based on past inflation at a time of volatile inflation. Whether or not the uprating represents a change, there are opportunities to change the approach at the UK level or the Scottish level. Inflation forecasts could be used to set benefits rates in a forward-looking way. I would try to avoid a benefits lock, whereby they go up by the maximum forecast or past inflation. We have seen with the pensions triple lock that that sort of system can lead to a ratchet effect and substantially push up spending.

I mention that because if, for example, in April, uprating goes up by more than past inflation to take account of the fact that inflation is now higher, inflation in the coming September is likely to be quite a bit higher than what it will be in the subsequent year. One might want to think about this as smoothing and accounting for the effect of actual inflation rather than necessarily leading to a permanent uplift in the rates of benefits.

The point that I am trying to make is that there is sense in thinking about how we can uprate benefits in a way that makes them more responsive to inflation but makes them responsive in not just one direction but both directions, otherwise there can be an unintended upwards ratchet effect on benefit rates and hence the cost of benefits. If people want to increase benefit generosity, that should be an active policy decision and not an unintended consequence of a well-meaning, but not particularly well-designed policy, such as a triple or double lock.

Miles Briggs: That is interesting. Thank you.

The Convener: In the interests of time, I ask members to group together their remaining questions. We have not rigidly stuck to the themes after having set them out.

Jeremy Balfour (Lothian) (Con): I have two questions, the first of which is aimed at David Phillips. I was interested in the issue of tapering with regard to some benefits. Can you point us to any evidence of tapering in other parts of the world with regard to things like personal independence payments and the disability living allowance that we could consider with regard to new benefits in Scotland? There has been quite a lot of research that shows that people ask why they should get better if they are going to lose their benefits. For example, if regaining the ability to walk 20m or 25m means that a person could lose their car, they might ask what would be the benefit of them getting any better? Is there any evidence of tapering across the world with regard to things like PIP, which we could look at in Scotland?

David Phillips: That is a really interesting question. When you mentioned tapering, I thought that you were mentioning it in relation to income, and I was going to say that those are not income-based benefits, that they are based on need, and that tapering would make them less generous. However, you are making a point about tapering in respect of health needs.

To some extent, there is some tapering with the different rates of support. There are higher and lower rates, depending on the severity of the person's needs.

One option would be to increase the number of the different standards of benefits so that a person could potentially move up or down those things in a more graduated way. That would mean that there would be less of a change if a person's health changed modestly. The risk with that is that, with more boundaries between benefit rates, there would be more potential for disagreement about which benefit rate a person should go on. That could open up the floodgates to a lot more disputes about benefit rates.

There is another option that I know is done with some other benefits. There could be a time taper. Rather than a person's benefit being taken off them immediately as soon as their calculation changes, there is a phased withdrawal of it.

I am not an expert on international benefit systems—maybe Emma Congreve can say more about them—but I think that the idea of the money not being withdrawn straight away but in stages so that the person can adjust to their changes in circumstances is potentially a good one. It would come with costs, but that would smooth the adjustments in people's incomes and potentially make people being concerned about the incentives in taking actions to improve their health less of a concern. I know that there have been such schemes for in-work benefits. There have been schemes in which lone parents could keep more of their benefits when they went into work precisely so that they did not think that there was not the incentive to go to work. They got to keep the benefits for at least a period of time while they were in work.

Such schemes exist. There are other benefits in the UK, but I do not know about disability benefits internationally. Maybe Emma Congreve knows about them.

Emma Congreve: I am sorry, but I do not have anything to add on that. I am not an expert on international benefit systems.

Jeremy Balfour: Okay—that is helpful. It is interesting to think about whether there could be timed tapering.

My final question is on the fiscal framework, which is a mystery to most of us. Obviously, negotiations are going on around the framework between the UK Government and the Scottish Government. How important is social security in the negotiations? If you were advising the Scottish Government, what would you tell it to ask for?

The Convener: Who is that directed to first?

Jeremy Balfour: I am happy for Emma Congreve to start, if she wants to.

Emma Congreve: I think that David Phillips will give a fuller answer than I will, but I have a couple of specific points on the fiscal framework and social security. First, it is important that social security is a full part of any talks or negotiations on the issue. Until now, the discussions have often focused on income tax, and social security has been less understood in the context of the fiscal framework.

One particular issue is that of spillover, which comes up quite a lot when we think about developing changes to social security or transferring benefits. It is about the extent to which there are implications for spillover, which is where a change in Scotland leads to additional spending in the reserved system, and the Treasury requests money back from the Scottish Government.

At the moment, there is a lot of uncertainty over when spillover rules would apply. There has not really been a sort of test case of that. As far as I know, the only issue that has been raised and resolved related to the Scottish child payment. There was a question about whether it would be a spillover effect if the child payment led to increased uptake of universal credit. As far as I understand it, written submissions to the Parliament have confirmed that the Treasury would not view that as a spillover effect. However, with the replacement for carers allowance in particular, there are valid concerns that that might lead to spillover impacts, because carers allowance is used as a passported benefit in the reserved system.

It would be good if there were more understanding of how issues are resolved quickly in policy development. The current situation constrains the speed at which things can be considered and the understanding of the implications. That applies not just to the civil servants who work on the issues but to those of us outside Government who are not necessarily trying to advise but who are looking at the implications and the issues that are on the table. That is difficult to do when there is so much uncertainty about spillovers. Such issues can linger and, if they are not resolved, that sometimes puts a bit of a halt on scrutiny and policy making.

That is a particular issue, but I refer you to David Phillips for a further answer.

Jeremy Balfour: I am conscious of time, and I understand that this is a big issue, so I ask David Phillips to put some of his answer to us in writing. My specific question for him is whether any future divergence in benefit criteria can be reflected in the negotiations. If, in a year or 18 months, the Scottish Government or Parliament decides to change the mobility requirement to, say, 50m rather than 20m, with the result that many more people would be entitled, should that be reflected in the fiscal framework now, or is it simply impossible to do that?

David Phillips: As I said in my answer to an earlier question, it is vital that the Scottish Government bears the cost of its policies. Therefore, it would not be appropriate to have a mechanism in the fiscal framework by which, in effect, the block grant increases to help Scotland to pay for benefit changes that it wants to make. In the long run, the only ways to fund increased spending, unless it generates further savings in other areas, are to have higher taxes or to spend less elsewhere.

10:15

As I said, I think that there is a role for the fiscal framework in providing additional flexibility in the short term. In a report that I did with David Bell and David Eiser, we recommended enhanced borrowing powers, partly to cover forecast errors. We also said that there should be some discretionary resource borrowing, which could be limited to around £400 million a year or 1 per cent of the budget, at least initially, given the wider UK fiscal framework. That would give time for Scotland to make changes to benefits and to plan how to fund those over several years, rather than having to do it immediately. That would provide the flexibility that Emma Congreve talked about.

At the moment, because the fiscal framework restrains borrowing, it is necessary to find the money for policy measures straight away. I think that the fiscal framework could give a modest degree of additional flexibility to make policy in that area a bit smoother.

I could forward further information after the meeting.

The Convener: As we are over time, I ask those members who still have questions to ask to put them on the record, and I will ask our witnesses to submit their answers in writing. I invite Foysol Choudhury, Pam Duncan-Glancy and Emma Roddick to ask their questions.

Foysol Choudhury: My question is for Emma and David. How is it possible to plan six years ahead, given the current levels of economic and price volatility?

The Convener: Do you have another question?

Foysol Choudhury: No.

The Convener: Thank you. Pam, could you ask yours?

Pam Duncan-Glancy: My questions are specifically about the child poverty targets. You have said that it is unclear from the medium-term financial strategy or any other document how the Government’s spending choices will enable it to make progress towards meeting those targets. Therefore, it would be helpful if you could set out whether you believe that the Government’s spending choices will enable the child poverty targets to be met, whether they will enable the targets for the specific priority groups to be met and what you expect the Government to do in the spending review in order to meet the child poverty targets.

The Convener: Thank you. Those are great questions. We need to have the witnesses’ answers to them.

Emma Roddick: My first question is about child poverty. We expect that, by reducing child poverty, we will create budget savings in other areas, but it is hard to solidly link underspends or reductions in spend elsewhere to a reduction in child poverty. Can you suggest ways in which we can monitor those effects as effectively as possible? How can we evidence knock-on effects and evaluate success on that level?

My other question is about the fiscal framework review. It is fair to say that a hybrid social security model comes with a lot of challenges. We hear a lot about the limitations on future planning because of the threat of changes to the block grant, the extra costs of diverging from UK policy and so on. Does having a hybrid reserved and devolved social security system make financial sense? Can we ever protect the social security budget from risks effectively while we are so intrinsically tied to UK policy decisions?

The Convener: Thank you very much for those questions.

I thank the witnesses for coming in. We look forward to receiving your written responses to those final questions. Your answers will really help us in our role.

I suspend the meeting briefly to allow for a changeover of witnesses.

10:19

Meeting suspended.

10:20

On resuming—

Subordinate Legislation

Social Security Up-rating (Scotland) Order 2022 [Draft]

The Convener: We will now consider one affirmative instrument. We were also due to consider the Social Security (Up-rating) (Miscellaneous Amendment) (Scotland) Regulations 2022, but the committee received a letter from the Minister for Social Security and Local Government yesterday that explained that those regulations were due to be withdrawn and relaid. I hope that the minister can provide some information about that this morning.

I welcome to the meeting Ben Macpherson, the Minister for Social Security and Local Government. The minister is joined online by Scottish Government officials Simon Coote, the head of the cross-cutting policy unit; Camilo Arredondo, a solicitor; and Dominic Mellan, an economic adviser in social security analysis.

I invite the minister to make an opening statement.

The Minister for Social Security and Local Government (Ben Macpherson): Thank you, convener, and good morning, colleagues.

I offer my sincere thanks to the convener and the committee for accommodating the last-minute changes to the scrutiny process for the Social Security (Up-rating) (Miscellaneous Amendment) (Scotland) Regulations 2022, which we were intending to cover today, as the convener said.

The committee will be aware of the cost of living pressures, which have grown significantly since we took the decision on uprating benefits some time ago as part of the Scottish budget process. We know that those pressures might yet rise further and that they will disproportionately impact the poorest households. That is why I decided to see what more could be done to support people using our social security powers.

I am now seeking to use the uprating regulations to provide that additional support, which will primarily help low-income families and unpaid carers. In order to do that, it is necessary to withdraw the previous regulations and lay them again under expedited procedures, which I am doing today. Please accept my apologies for any inconvenience that that causes. However, I am sure that the committee will understand the reasons for that, and I sincerely hope that it will support the relaid regulations.

I understand that the committee will now consider those regulations on 31 March but, given the interest that the committee will have in them, it is worth broadly outlining the changes now. Of course, I am happy to come back later in the month if the committee wishes me to do so.

I am proposing additional support by further increasing several forms of devolved social security benefits and assistance from the previous 3.1 per cent increase to the 6 per cent rate. That will apply to the job start payment, the young carer grant and funeral support. Subject to parliamentary approval, uprating will now be almost doubled for those benefits.

The best start grant will also be increased by 6 per cent, and there will be future regulations to increase the carers allowance supplement. We will also increase child winter heating assistance by 6 per cent—greater than the 5 per cent already proposed—to support 19,000 families of severely disabled children with heating costs.

As the committee is aware, we have already taken the decision to double the Scottish child payment from £10 a week to £20 a week—a 100 per cent increase—which will immediately benefit about 111,000 children.

In August 2021, we increased the best start foods payment from £4.25 to £4.50 a week. That 5.88 per cent rise exceeds the rate of inflation and is close to the 6 per cent uprating for other benefits, so there will be no change to that benefit.

I turn to the immediate task at hand. Today, the committee is considering the Social Security Up-rating (Scotland) Order 2022, which uprates benefits for which we have executive competence but which are currently administered by the DWP under an agency agreement on Scottish ministers' behalf. It is important to note that we have no discretion around the level of uprating of those benefits. The agency agreements that are in place with the Secretary of State for Work and Pensions that allow the DWP to deliver those benefits on behalf of Scottish ministers mean that we are committed to uprating them at the same rate as the DWP. They will therefore be uprated by 3.1 per cent, in line with the September consumer prices index. It is, however, a matter for the Scottish ministers to make an order to effect the uprating, which is what you see before you today.

I thank the committee again for its scrutiny of the uprating order and its forbearance, given the need for urgent changes to the uprating regulations. I look forward to any questions that the committee might have.

The Convener: Thank you, minister, for providing that clear and concise explanation of why we will be looking at relaid regulations. Given the pressures that households across the country are feeling right now, I think that that will be a welcome decision for us to make on 31 March.

I will bring in Jeremy Balfour.

Jeremy Balfour: Good morning. We will look at the relaid regulations on 31 March, which is fine. In order that we can look ahead and do the appropriate planning, however, I have a question about the increase to the benefits. I presume that the cost will be met from the Scottish Government budget, rather than from what has already been planned. Where is the money coming from? Will it come from the social security budget that has been approved by Parliament or from a different department's budget? When we passed the budget, Kate Forbes told us that every penny had been accounted for and all the money would be spent. This is obviously extra money that was not in the budget. Where is it coming from?

Ben Macpherson: That is an important question. I do not want to go into too much detail on the complexities of the internal correspondence within Government, although I will bring in Dominic Mellan if he wishes to add anything that is relevant.

Ministers have, of course, looked collectively at the situation that is before us, with the real pressures that families are encountering and will encounter in the period ahead, and we are determined to provide assistance and help where we can, using the powers and resources that we have. We looked at what we could absorb within the social security budget. The additional amount that we are allocating in order to undertake the uprating for the financial year ahead is £2.7 million. We have absorbed that within the social security budget.

Jeremy Balfour: I am trying to work out where that £2.7 million is coming from. Was it sitting there for a rainy day or was it allocated for a different purpose until it was transferred, probably quite rightly, to the uprating of the benefits? How much flexibility do you have in your budget for that?

Ben Macpherson: Budgets always have a degree of flexibility. We will consider the cost pressures in the course of the financial year, but we feel that we can absorb a £2.7 million increase.

Jeremy Balfour: Will there be any knock-on effect on other things that you might have been thinking about doing in the financial year? You might have been thinking, "We could be a bit more generous here" or "We could think about that benefit." Have such things been put on the back shelf because you are bringing forward the money fairly early in the financial year?

Ben Macpherson: It is not our intention that there will be a particular impact on those who access social security. As I said, we have decided to consider the cost as an absorbed cost and pressure within the social security budget.

I do not know whether Dominic Mellan or Simon Coote wants to add anything that might be helpful and appropriate.

Dominic Mellan (Scottish Government): There is nothing from me. I am not sure whether Simon Coote has anything to add.

10:30

The Convener: It looks as though everybody's screens have frozen, but I do not think that anybody had anything to add.

Jeremy Balfour: Thank you, minister.

Foysol Choudhury: Good morning, minister. I do not know whether I missed this, but carers allowance supplement was going to be kept at its higher rate after Covid. Has that just fallen by the wayside?

Ben Macpherson: As I said in my opening statement, the carers allowance supplement will be uprated by 6 per cent. In the period ahead, the Government will give on-going consideration to the carers allowance supplement additional payment, on which we passed additional legislation a number of months ago. I am sure that we will discuss that with the committee and in the chamber in the months ahead. However, I can confirm that the carers allowance supplement will be uprated by 6 per cent.

The Convener: Pam Duncan-Glancy wants to come in.

Pam Duncan-Glancy: Thank you for allowing me to ask a question, convener—I know that I said in advance that I might not have one. I have two questions, if that is okay.

Obviously, we face a considerable cost of living crisis right now, and I believe that the measures are well meaning and the right thing to do. To use a phrase that the IFS witness used earlier, the measures are well meaning but not well designed, given the way that you have done it. I worry slightly that the papers that the committee got last Thursday suggested that you were going to replicate the rates and in some areas were not going to uprate at all. What has changed between last Thursday and today to take you to the decision that you have made? I do not think that it is the wrong decision, but I am keen to know that we are taking decisions properly with robust information and in a considered fashion.

My next question is on the benefits that are still being delivered under agency agreement and that we are being asked to uprate today with CPI, which is 3.1 per cent. I guess that this is not so much a question and more of a statement, but I just want to put it on the record, because it is another frustration of mine. We could have been doing something a bit differently had we been delivering those benefits fully in Scotland. What you intend to do on 31 March in other areas shows what we could have been doing for disabled people and carers if we had not still been using agency agreements.

Ben Macpherson: I will come to those two points in turn. Of course, the regulations that were based on the September CPI rate followed the position that had been taken in previous years since we introduced the social security benefits—of uprating on that basis. The rising cost of living pressures that we saw before the invasion of Ukraine and have seen since it have, of course, changed the situation for all of us, and in particular for lower-income households and unpaid carers. The Government is committed to doing the right thing and helping people where we can. We therefore looked carefully at what we can do with our powers and our resources, and we have done what is necessary to ensure that we deliver the uprating.

With regard to the point about the social security benefits that are delivered under agency agreements, we cannot create a two-tier system. We will have people in the Scottish system and people in the reserved system until they transfer to the Scottish system, particularly those on disability benefits. I appreciate Pam Duncan-Glancy's position, but the Government is moving at pace to undertake the delivery of devolved social security and to transfer people into our system in a safe and secure way.

We have had—and, in fact, are still in—a pandemic, and that has made it challenging for us to do all this to our original timetable. As a result, the timetable has had to change not just for the Scottish Government but for the DWP. The fact that Social Security Scotland will launch its 12th benefit on Monday and that seven of those 12 benefits are new is pretty remarkable, as is the fact that we have done all this since 2018. We are building an institution and an organisation that needs to be strong not just in the period ahead but for years to come, and that will rely on having a strong foundation.

In an ideal world, we would, of course, have had everyone in our system quicker than has happened, but these things take time. It is not as if we get a USB stick from DWP and plug it into our computer; the process is much more complicated, and we are undertaking it with diligence and responsibility.

Pam Duncan-Glancy: First of all, I should correct the record. I said that we got our papers on Thursday, but we got them on Monday. Please forgive me—I was getting confused about which committee papers I was talking about.

I thank the minister for his answer, but I respectfully say to him that I do not think that this is a matter of transferring information from a USB stick. We have had since 2018 to get moving on this, which means that a considerable amount of time has passed. As I know the minister will understand, I understand that the process is complex, but we could have been uprating disability and carers benefits by 6 per cent today. However, we are not, and I just want to mark for the record how unfortunate it is that we have not been able to take that decision, because it means that we are still not delivering those benefits here in Scotland for the people of Scotland.

Ben Macpherson: I respect Pam Duncan-Glancy highly, but I just want to emphasise again that since 2018 we have been building from scratch an agency that is now highly performing and which employs nearly 2,000 people. We have delivered several benefits; we will start to deliver our 12th on Monday; and seven of those 12 benefits, some of which we are discussing uprating today, are new and available only in Scotland.

The Convener: Thank you for that, minister. I see that from the chat function that Simon Coote would like to respond.

There seems to be a delay in the sound. Go ahead, Simon.

We still cannot hear you, Simon. I will go to a question from Miles Briggs and then come back to Mr Coote.

Miles Briggs: We had a good run in this committee with regard to gremlins in the system.

Good morning, minister and officials. The £2.7 million for the uprating was found from flexibility in the budget, but as the cost of living crisis moves forward, have you identified any other money from flexibilities that you might come back to the committee on?

Ben Macpherson: As the member will know and as the finance secretary has emphasised many times to Parliament, there is significant pressure on Scottish budget portfolios in the coming financial year. As I have said, we have, in this instance, identified resource that we can absorb within our budget, and we are continually looking to see where we can use resource efficiently and for the benefit of the people of Scotland. Internally, we have had to work hard to identify this resource and make it available, and we are glad that we have been able to do so, but I am not going to—and I am not able to—specify at this point whether other resource will be available in the course of the financial year. As the member knows, the budget is allocated, and over the subsequent financial year we go through the process of reconciliations and reconsideration of positions. However, I emphasise that the Scottish Government, all ministers, including me and the Cabinet Secretary, and Social Security Scotland consistently look at what resource is available and how it can be utilised to help the people of Scotland, particularly low-income households and unpaid carers on social security.

Miles Briggs: The key point that I am trying to get at is whether the uprating addresses potential unrealised additional take-up or unmet need. What are your projections for that? Most people would expect more people to seek some of those social security benefits. Where is that spend being targeted? If additional people come forward, has flexibility been lost?

Ben Macpherson: There is no loss of flexibility in that regard. We set a budget allocation on projections, which involves the Scottish Fiscal Commission. We also project based on the fact that we will be encouraging people to take up benefits. As you know from the Social Security (Scotland) Act 2018 and Scottish Government policy intention and documentation, we are strongly committed to promoting benefit take-up and undertaking what is necessary for that. We have had good discussions at the committee on how we collectively can all play our part in promoting benefit take-up. That becomes even more pertinent in the period ahead.

I call again on all members to work with the Government and the different public bodies involved in that collaborative effort to raise awareness in communities of what support is available, encourage people to apply if they think that they might be eligible and tell their friends and neighbours about it so that we can spread the word about what support exists. Some of the benefits that we will be promoting are ones that we intend to uprate by 6 per cent, as I have set out.

Miles Briggs: I appreciate that. I do not know whether you can commit to this, but it would be useful to the committee's financial scrutiny to be able to see some of the potential flexibility within budgets. I do not know whether you had the chance to see the evidence session that we just had, but there is a lot of work to be done on a projected future spend that approaches £750 million. If we could have sight of more information on that, it would be helpful for the work that we are trying to do.

Ben Macpherson: I saw some of the previous session. I am happy to correspond with the committee on those important points that Mr Briggs raises. It is a question not only for social security ministers but for the finance portfolio, so there is a question about how the committee might want to consider those points.

The Convener: Thank you very much for that. Perhaps the committee could have a dialogue with you about that.

It looks like Simon Coote left, came back in and would like to try again. I will bring him in.

Simon, we still do not have any volume for you, unfortunately. Perhaps you will have to come back to us with your point in writing.

We will move on to a question from Marie McNair, who joins us remotely.

Marie McNair: Good morning, minister. From your letter to the Presiding Officer, we are aware that, in the light of the cost of living crisis, you plan to introduce emergency legislation that will increase the uplift in Scottish benefits to 6 per cent. That is really welcome, as it will help some people to cope with the impact that the crisis is having on household incomes.

You set out that that is not possible for disability benefit because of the current Westminster welfare uprating policy. However, the Resolution Foundation has asked the UK Government to uprate higher for as many benefits as is administratively possible but at least universal credit and tax credits, which could include DWP disability benefits. That would be an obvious way to assist people with the cost of living crisis. I have not seen any remote possibility that the UK Government will do that. Is that also your understanding of its position?

10:45

Ben Macpherson: I thank Marie McNair for those important questions. We have had no indication from UK ministers in the DWP or the Treasury of an intention to uprate above the September CPI figure of 3.1 per cent. Of course, we would encourage them to do so. In the regulations that we are laying, we have set out our intention and determination to uprate the six social security benefits that we can fully determine by 6 per cent. Of course, we are increasing the Scottish child payment by 100 per cent.

We are doing what we can, with the powers and resources that we have, to provide assistance. I would encourage the UK Government to also do the right thing and uprate social security benefits across the UK, especially in the areas where there is the current dual process of delivery and introduction by the Scottish Government and case transfer with regard to disability benefits—in particular, the child disability payment and the adult disability payment.

I would encourage the UK Government to increase PIP and the disability living allowance for working-age adults above 3.1 per cent and to look again at universal credit. The case for increasing universal credit and the other benefits that it controls is compelling and I hope that the UK Government does the right thing in the March statement.

Marie McNair: Thanks for that clarification, minister.

The Convener: Pam Duncan-Glancy has a final question.

Pam Duncan-Glancy: Has the minister considered any other ways or mechanisms to apply the equivalence of the 6 per cent uprate to disabled people in Scotland or carers who receive carers allowance in Scotland? Have you looked at any other mechanisms that could be used to get that money into people's pockets?

Ben Macpherson: I am not fully clear on the specifics of your question, so I hope that this generic answer will suffice, but please let me know if you have any further points.

On cost of living support, Ms Forbes took action with regard to the council tax position just a number of weeks ago. We have the council tax reduction scheme, the Scottish welfare fund—which we are still making a significant investment in—and the mitigation that we are undertaking with regard to the bedroom tax, which costs us tens of millions of pounds a year, so there are a number of different measures already in place to support people as much as we can.

The devolved social security system that we have, which I know the whole committee supports, allows us to get money to people and into their pockets. That is the real advantage of having that system and we will continue to develop it in a coherent and strong way for the period ahead and for decades to come.

The Convener: Thank you very much, minister.

I remind the committee that only members and the minister may take part in the formal debate. I invite the minister to move motion S6M-03002.

Motion moved,

That the Social Justice and Social Security Committee recommends that the Social Security Up-rating (Scotland) Order 2022 [draft] be approved.—[*Ben Macpherson*]

Motion agreed to.

The Convener: I invite the committee to agree that the clerks and I will produce a short factual report of the committee's decisions and arrange to have it published.

Members *indicated agreement.*

The Convener: Thank you very much. That concludes the public part of the committee's meeting. I thank the minister and his officials—even if we had some gremlins and we could not actually hear from the officials—for their evidence this morning.

10:49

Meeting continued in private until 11:05.

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.

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