Suggested Themes
Scottish Budget 2022-23
7 October 2021

Introduction

This is the second of two evidence sessions on the Committee's pre-budget work for the 2022-23 budget. The Committee will hear from two panels

Panel 1:
- Engender
- Stepchange
- One Parent Families Scotland
- Crisis

Panel 2:
- Scottish Fiscal Commission

The Committee has already heard from: Joseph Rowntree Foundation, Child Poverty Action Group and the Poverty and Inequality Commission. Relevant issues were also discussed with the Cabinet Secretary on 23 September.

The focus of the first panel is the child poverty targets, while also taking a broader look at the budget. The following four themes are suggested:

1. Meeting the child poverty targets
2. Homelessness
3. Income maximisation and dealing with debt
4. Poverty proofing and equality proofing the budget

The focus of the second panel is the SFC's forecast social security spend, particularly their forecast for Adult Disability Payment (ADP). The following four themes are suggested:

1. Fiscal context
2. Overall trends in social security spending
3. Adult Disability Payment
4. Scottish Government spending above UK funding

Panel 1

For panel 1, the following four themes are suggested:

1. **Meeting the child poverty targets**
2. **Homelessness**
3. **Income maximisation and dealing with debt**
4. **Poverty proofing and equality proofing the budget**

Theme 1: Meeting the child poverty targets

Latest official statistics show that 26% of children in Scotland were living in relative poverty in 2019-20. The target for 2023-24 is 18%.

The Joseph Rowntree Foundation published their 'poverty in Scotland' report on 4 October which stated that even if the SCP is doubled, without further action, the targets will be missed "by about four percentage points". (It will miss by 5 p.p if the SCP is not doubled). The report also discussed how poverty rates differ across the 'priority groups[1]', and that action therefore needed to be targeted. They state that:

> "even a £40 a week per child Scottish Child Payment for all families would leave the relative child poverty rate for children from a minority ethnic background at 38%."

The Scottish Government will publish its plans for how and when it will double the Scottish Child Payment in the budget, due in December.

On 23 September the Cabinet Secretary described the three pillars of: improving income from work, reducing costs and providing other support such as social security:

> "It is fair to say that tackling child poverty needs to be done in three ways. The first is to ensure that people have opportunities to get into work that is secure and that pays at least the living wage, and employability programmes are an important part of that. Secondly, we need to reduce costs, which includes the provision of wraparound childcare. Housing costs, which are already lower here than in the rest of the UK, are important in that respect, too. The third area is social security and other supports." Official Report 23 September col 13)

On 16 September Chris Birt (JRF) recommended focusing on large areas of spend, rather than the very many smaller budget lines listed in the current child poverty delivery plan:

> "Really focusing on the big things that we need to do, particularly for the priority groups, would perhaps be more impactful than focusing on

[1] Families who are: Single parents, include a disabled adult or child, 3 or more children, child under one, mother under 25, minority ethnic households.

hundreds of little things that are not having the impact that we all want to see."

Employability
The Cabinet Secretary thought that a lot more could be done on employability:

> "It is not a question of providing a job opportunity or training alone; it is a case of helping with childcare and transport costs, removing some of the barriers and relieving some of the pressures. If we can get that right, that will get us a significant way towards meeting the poverty targets, even against the really difficult backdrop that we described earlier." (Official Report 23 September col 13)

However, the submission from OPFS states that:

> "Research funded Oxfam[2] shows current 'support into employment' provision in Scotland is not fit for purpose. There is a lack of sufficient and effective employability support for people juggling unpaid caring responsibilities with the need to secure paid work"

Housing
On 16 September witnesses discussed the importance of housing costs in tackling child poverty. Chris Birt (JRF) told the Committee:

> "We know that single parents face very high housing costs and are often pushed into poverty simply because of that. Are we providing enough houses in the right places that fit those kinds of families?"

The Committee may wish to discuss:
- **What should the Scottish Child Payment rate be in 2022-23**
- **Which other specific measures are needed in the 2022-23 budget in order to move towards the child poverty interim targets.**
- **Whether housing policy could/should be more specifically directed towards tackling child poverty – and if so, how**
- **How to ensure employability and childcare policies are effective in tackling child poverty**

Theme 2: Homelessness
On 23 September the Cabinet Secretary told the Committee that:

- The vast majority of local authorities are confident they will meet the end September deadline for ending the use of unsuitable temporary accommodation, and officials are working with those that are finding it challenging
- There has been a move towards a housing first approach and a focus on supporting sustainable tenancies

[2] One Parent Families Scotland (opfs.org.uk)

The Cabinet Secretary has confirmed that the £50m homelessness funding in the Programme for Government is new. It is additional to the £50m Ending Homelessness Together fund which ran from 2018-21, and of which £16m remains to be allocated during this financial year. (Letter to Committee 1 October).

On 27 September the Scottish Government confirmed £10m for tenants at risk of eviction who are in rent arrears due to COVID-19. This is in addition to the £10m Tenant Hardship Loan Fund. Local authorities will use their discretion to determine whether the grant payment is appropriate in each case.

In their written submission Crisis describe the need to move towards preventative spend and the need for better monitoring and transparency about what is spent. In terms of specific budget spending priorities they ask for at least £24m for another 3 or 5 year fund for Rapid Rehousing Transition Plans (RRTP). They note that local authority bids for the current fund significantly exceeded the funding available. Similarly, the recent Homelessness Monitor: Scotland 2021 survey suggested that the Housing First approach in under-resourced.

Their submission also included suggestions for wider work on tackling homelessness, including legal changes and improvements in affordable housing supply. They refer to their Plan to End Homelessness, based on implementing measures in Scotland to prevent homelessness, which would cost £76m over 25 years but generate savings of £207m.

The Committee may wish to discuss:
- **What needs to be included in the 2022-23 budget in order to reduce spending on temporary accommodation**
- **What might be achieved by an additional £24m for Rapid Rehousing Transition Plans**
- **How could the 2022-23 budget be used to improve homelessness prevention services**
- **How could housing and homelessness spending be better monitored and evaluated**

Theme 3: Income maximisation and dealing with debt
The Committee is planning a future evidence session on poverty and debt. This morning's session provides an opportunity to focus on specific measures needed in the forthcoming budget.

Impact of COVID-19
The submission from Stepchange states that:

> "It is important to recognise the success of support measures such as furlough and lender forbearance […] many households are still at a cliff edge, their financial resilience eroded by the struggles over the past year."

In addition to providing cash, flexibilities were put in place to deal with debt. Stepchange say:

> "Flexibilities built into statutory solutions, both pre pandemic and as part of emergency Coronavirus legislation enabled clients and advisors to navigate the difficult waters."

Income maximisation
Part of dealing with debt is ensuring people are receiving all the payments they are entitled to. The [Programme for Government]() includes:

- £10m over the Parliament to increase access to advice services
- £12m funding this year for frontline and second-tier advice and debt services

A second benefit take-up strategy is due to be published at the end of October. The current strategy included:

- [£500,000 Scottish Benefit Take-up Fund]() in 2020 to assist organisations prepare for Scottish social security
- [£100,000 Income maximisation fund]() in 2020 to ensure people are aware of the financial support they can access, including benefits

The submission from Stepchange includes an example of a single parent who was eligible for but not claiming a number of Social Security Scotland and local authority benefits – claiming them increased her monthly income by £527.

Utility and housing costs debt
Step-change discuss council tax debt and make several recommendations:

> "the Scottish Government must work with Local Authorities to create binding set of fair recovery practices and processes on council tax debt."

[…]

> "The Scottish Government should also investigate a further relief mechanism for Council Tax debt."

[and]

> "Aligning reductions to water sewerage charges with Council Tax Reduction, so that those fully exempt from Council Tax are also exempt from these charges"

The current scheme provides up to 35% discount to those on CTR. This was recently increased from 25% which is expected to increase support by £86m over 6 years to around 446,000 households in receipt of Council Tax Reduction. (Letter from Tom Arthur, MSP on new CTR scheme, 23 September 2021).

The Committee may wish to discuss:

- **What measures are required in the Scottish budget 2022-23 in order to address problem debt**
- **How demand for debt advice has changed and whether this has implications for the 2022-23 Scottish budget**

- **To what extent can income maximisation programmes help with dealing with problem debt**
- **What changes are needed to deal more effectively with debts for utility and housing costs**

Theme 4: Poverty Proofing and Equality Proofing

Under the ‘Fairer Scotland Duty’ certain public bodies, including the Scottish Government must:

> “actively consider (‘pay due regard’ to) how they can reduce inequalities of outcome caused by socioeconomic disadvantage, when making strategic decisions”

The public sector equality duty requires certain public bodies, including the Scottish Government, to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

The Scottish Government publishes a variety of impact assessments alongside legislative proposals. In addition to impact assessments on equalities, islands, business and regulation and children’s rights and well-being, the Scottish Government also publishes ‘Fairer Scotland Duty Assessments. A recent example in social security is the statement accompanying the extension of eligibility to Child Winter Heating Assistance.

Another way of demonstrating how these duties impact on policy decisions is through publication of the Equality and Fairer Scotland Statement alongside the Scottish draft budget

There is also a statutory duty on Scottish Minister to report on the implementation of the Social Security (Scotland) Act 2018, including impacts on people with protected characteristics. The report for 2020-21 has yet to be published. The report must include:

> “an assessment of how the Scottish social security system has affected the circumstances of persons living in households whose income is adversely affected, or whose expenditure is increased, because a member of the household has one or more protected characteristics within the meaning of section 4 of the Equality Act 2010, and a description of the data for the purpose of monitoring equality of opportunity used in preparing the report".

Despite all these impact assessments the Equality Budget Advisory Group published a report in July stated that:

> "What is clear is that current practice of equality and human rights impact assessment is at best variable. It is also clear that the starting point for policy formulation is not an analysis of the equality dimensions and a clear articulation of objective to advance equality and progress the realisation of rights."

The importance of poverty proofing and equality proofing was discussed on 16 September. John Dickie (CAPG) said in relation to child poverty proofing

> "There are real improvements and developments in the Government, but we still have a way to go." (OR 16 September col 25)

Bill Scott emphasised the need to start at the policy design stage and involve people with lived experience:

> "it is too late asking after the policy has been set whether it is effective. […] The most important point is to involve those people from the outset" (Official Report 16 September col 26)

In their submission, Engender say:

> "The Scottish Budget process continues to pay inadequate attention to structural gender inequality, and women's and men's different lived experience."

They consider that the Equalities and Fairer Scotland Statement:

> "needs a clearer purpose and revised timing to substantively inform the development of the Scottish Draft Budget and to be used more effectively by MSPs and parliamentary committees in their budget scrutiny."

Data availability
An important part of equality and poverty proofing is the availability of data. The Scottish Government's child poverty statistics include an analysis by 'priority group', and the low income statistics include equalities analysis. Small sample sizes for ethnic minorities required aggregating data across five years.

In Scottish social security a 'client equality and diversity analysis' shows equality data. For example, the only benefit where the majority of applicants are men is the Scottish Job Start Payment (53% of applicants are men).

Modelling the impact of policy and budgets is constrained by the fact that such modelling is usually based on surveys. For example, tax and benefits models based on the family resources survey. Sample size is a real constraint to looking at the separate impact on different equality groups. Because they are household level surveys, they are not well placed for modelling inequalities within households.

The Committee may wish to discuss:

- **What do witnesses expect of the Equalities and Fairer Scotland Statement this year? How should it improve on last year's statement?**
- **Engender describe the importance of disaggregated data for gender budgeting. How do they assess they availability of data in relation to poverty and Scottish social security.**
- **What evidence do witnesses see of involvement of those with lived experience in policy development or budget formulation?**
- **Do witnesses see evidence of poverty proofing and equality proofing in the way policy priorities are presented in the Programme for Government?**

Panel 2: Social Security Forecasts

For panel 2, the focus is the Scottish Fiscal Commissions forecasts for social security spending over the next five years. The SFC forecast that devolved social security spending will increase from £3.7bn this year, to £3.9bn in 2022-23 and £5.2bn by 2026-27. (These forecasts do not include administration costs or newly announced policy such as doubling the Scottish Child Payment).

The following 4 themes are suggested;

1. **Fiscal context**
2. **Overall trends in social security spending**
3. **Adult Disability Payment**
4. **Scottish Government spending above UK funding**

Theme 1: Fiscal context

Social security spending is affected by the broader economic and demographic context. Population trends, GDP, earnings growth, inflation, unemployment and tax income all impact on the social security budget. They affect demand for social security, the cost of inflation-linked benefits and, to a great extent, determine the budget available for changes in policy.

COVID-19 has affected all these trends, but to a lesser degree than had previously been thought:

- GDP is increasing faster than previously forecast
- Average earnings are increasing, leading to increased income from tax
- Unemployment is lower than expected, but the effect of furlough ending is uncertain
- House price growth leads to higher income from LBTT (Land and buildings transaction tax)

Labour market trends

Many benefits are linked to receipt of Universal Credit, so the numbers of people unemployed and on low wages will affect demand for Scottish social security.[3] The SFC forecast that:

> "We now expect the unemployment rate to peak at 5.4 per cent in 2021 Q4 after the furlough scheme expires on 30 September 2021"

In previous forecasts SFC expected unemployment to peak at 7.6 per cent in 2021 quarter 2, but the labour market as recovered from COVID-19 better than had been expected.

Population trends
The number of births is falling, leading to reduced spending on benefits for children. However, the older population is rising, leading to increased spending on benefits linked to old age, ill-health and disability.

Some trends can have a compounded effect on the budget – for example, if unemployment grows, tax revenue may fall (making social security less affordable) at the same time as demand for social security goes up.

Inflation and benefit uprating
Many Scottish benefits are linked to inflation. Inflation is rising and this will increase forecast spend on social security. Scottish benefits are normally uprated by the September CPI rate. That will be available on 20 October. CPI for August was 3.2%, up from 2.0% in July.

SFC's August forecasts assumed September inflation will be 2.7%. This is an increase from their assumption in February 2021 when they thought it would be 1.4%. In total, the effect of inflation adds £433m to the budget between 2021-22 and 2026-27.

Its possible that September CPI will be higher – pushing social security spending up even more. The Scottish Government is required to publish a report on the effects of inflation setting out their approach for the 2022-23 benefit rates.

The Committee has already discussed the Social Security (Up-rating of Benefits) Bill which removes 'earnings' from the 'triple-lock' this year, with the effect that pensions and industrial death benefit will increase by the higher of inflation or 2.5%.

The Committee may wish to discuss:

- **The wider trends that impact on social security spending, in particular:**
  - **inflation**
  - **labour market**
  - **demographics**

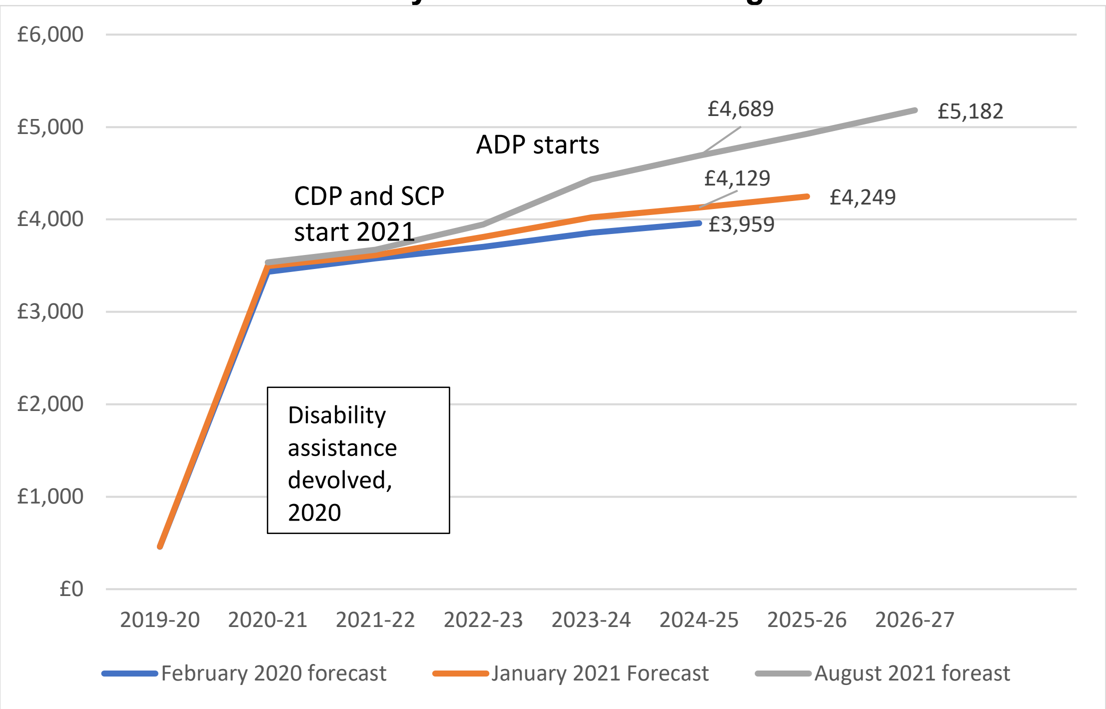
[3] "Universal Credit and Tax Credit data now suggest eligibility among young children is under 45 per cent, and that there was **no significant increase associated with the lockdown** in early 2021 as we had assumed in January. As a result, we have revised down our eligibility assumptions for SCP." (SFC forecast, August 2021).

Theme 2: Trends in social security spending

Social security spending is currently forecast to increase from £3.7bn in 2021-22 to £5.2bn in 2026-27. The two biggest drivers of this increase are the introduction of ADP and the effects of inflation. The submission from the SFC shows their latest forecasts for each benefit up to 2026-27. Forecasts will be updated in December when the budget is published. It is the December forecast that will be the 2022-23 draft budget.

The chart below shows how SFC forecasts have changed since February 2020. All the forecasts show the large increase in devolved spending that occurred in April 2020 with the devolution of disability assistance. All forecasts show a steady increase after this point, but the latest forecast shows faster growth. This is largely due to the inclusion of the additional cost of Adult Disability Payment in the August 2021 forecast. The SFC do not forecast policy until all the details are clear – so for example, their forecasts do not yet include the doubling of the Scottish Child Payment.

Chart 1: How social security forecasts have changed. £m.



Source: SFC forecasts February 2020, January 2021 and August 2021

Spending by agency

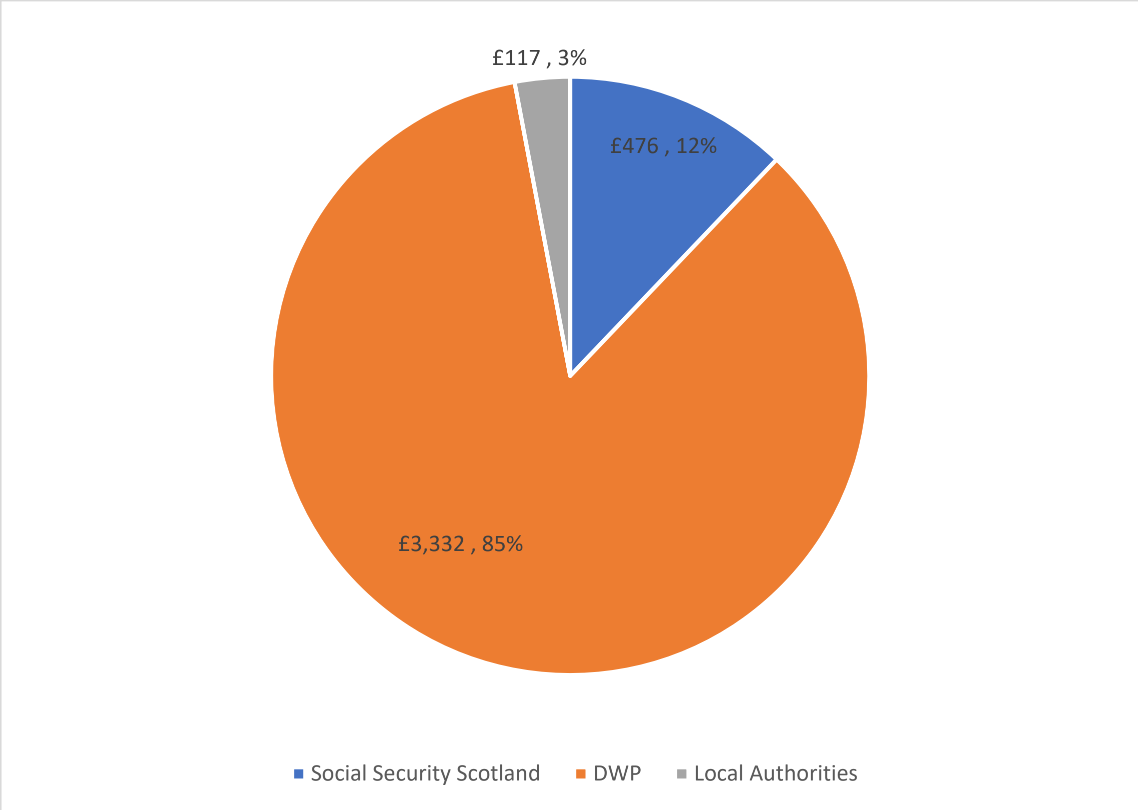
In 2021-22 around 90% of devolved spend is on benefits administered by the DWP under agency agreements. Next year, the balance will shift to around 85%.

Over half of spending (£2.2bn) will be on benefits that are in the process of transferring clients from DWP to Social Security Scotland. That is: CDP, child DLA, PIP and ADP.

- CDP will continue to build up new claims and clients will start to be transferred from child DLA to CDP.

- ADP will be introduced for new claims, while those currently on PIP will stay with the DWP until their cases are transferred.

Chart 2: Devolved social security by agency 2022-23 £m



Sources: SFC forecasts August 2021, tables 5.8, S5.2, A3. Doesn't include council tax reduction

Impact of Recent Policy change

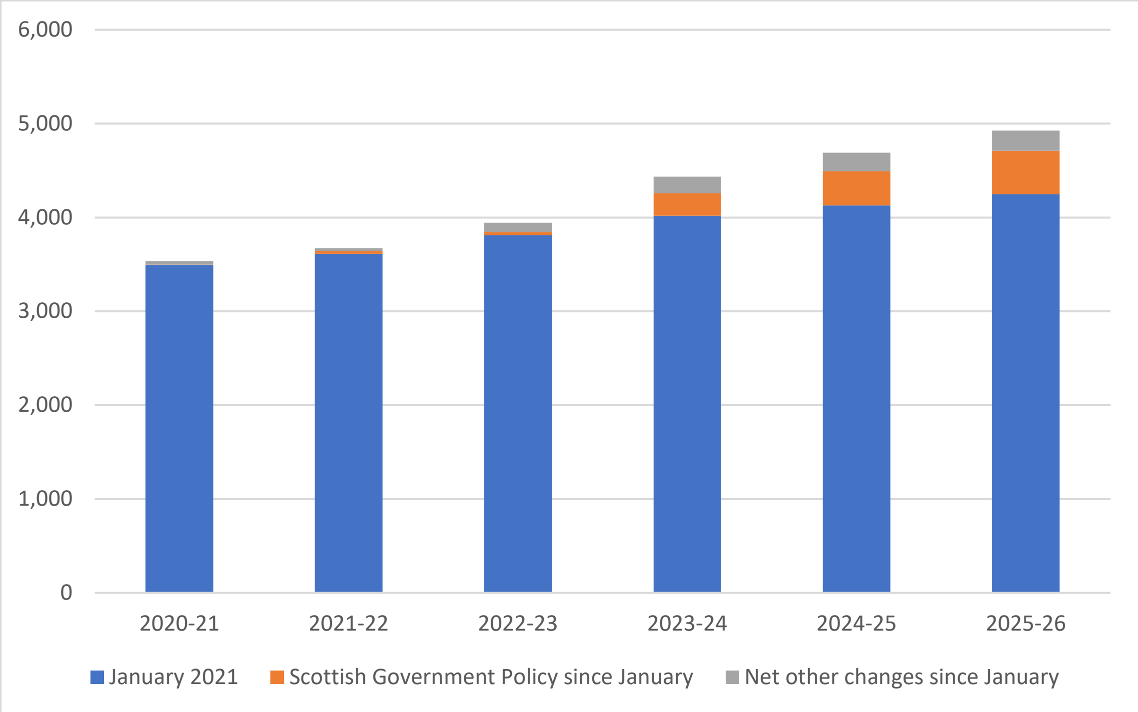
Between January and August the SFC's forecast of social security spending for 2022-23 increased by £136m (4%). This was driven mostly by data updates (adding £84m or 2% to spend in 2022-23). The additional cost of ADP compared to PIP adds £34m in 2022-23 and inflation adds £45m.

However, the impact of policy change increases over the years. By 2025-26, Scottish Government policy changes (primarily the introduction of ADP) accounts for an 11% increase in forecast spend in 2025-26 - an additional £462m.

While inflation, data updates and policy have increased the forecast spend, other changes have decreased it. Assumptions about eligibility, take-up and population were lower in the August forecast compared to the January forecast. Together these decrease the 2022-23 forecast by £29m. These decreases are significantly outweighed by the increases discussed above, leading to net growth in spend.

The chart below shows how the forecast has changed between January and August and the contribution of Scottish Government policy to this change. Forecasts will be updated again in December.

Chart 3: Change in forecasts since January: impact of policy and other changes £m.



Source: SFC August forecasts figure 5.8

The Committee may wish to discuss:

- **To what extent is Scottish Government policy driving the growth in social security spending**
- **Other than ADP, what are the main risks and uncertainties in forecast social security spend?**
- **Which policies have not yet been included in SFC forecasts?**
- **Is the upward trend in spending forecast to continue?**

Theme 3: Adult Disability Payment

Adult Disability Payment (ADP) is due to be introduced in 2022. Initially as a pilot, then on a national basis for new cases before recipients of PIP are transferred.

The Committee will consider the regulations for ADP early next year. To inform that discussion, the Committee may wish to discuss forecast spend on ADP this morning.

The SFC forecast that ADP will cost more than PIP. Scottish Government policy is expected to add £35m in 2022-23 rising to £568m additional spend in 2026-27. This is *without* major changes to eligibility. Of all the currently proposed differences between ADP and PIP, those with the greatest impact are:

- Additional successful applications – adding £164m to the cost and 70,000 people to the caseload in 2026-27,
- Higher average payments – adding £106m to the cost in 2026-27

ADP is forecast to increase spending on Carer's Allowance and Carer's Allowance Supplement as more people become eligible for qualifying benefits. ADP is forecast to add £40m to carer benefits in 2026-27. This could change as proposals for Scottish Carer's Assistance become clearer or if Carer's Allowance Supplement increases significantly.

The SFC stress that its forecast for ADP is highly uncertain and that disability benefits in particular have always been difficult to forecast. For example PIP was intended to reduce spending, but, by 2017-18 was costing 15 to 20 per cent more that if DLA had continued. The SFC note that:

> "There is very limited information on which to base our estimates of the additional costs of ADP."

However, once the payment starts, forecasts can be based on trends in actual spend, and will therefore become more accurate. The Scottish Government has announced an independent review of ADP in 2023, which will consider scope for further changes. Such changes could have a significant impact on the budget.

Table 1: Adult Disability Payment Costing

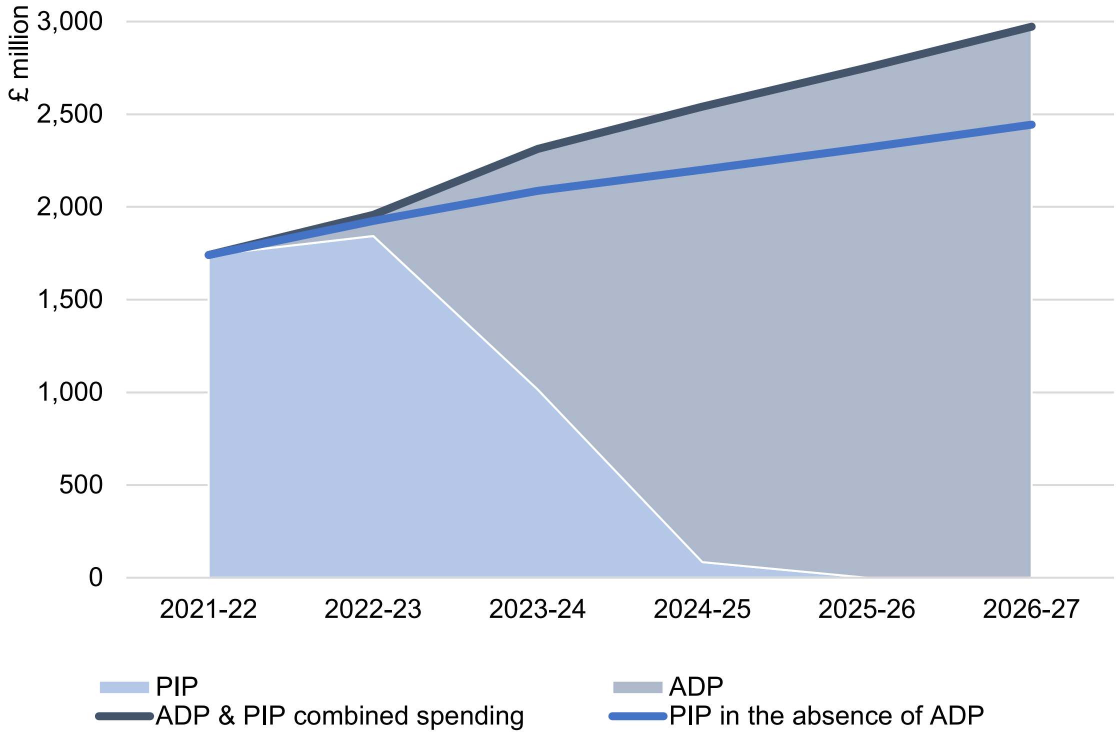
	2022-23	2023-24	2024-25	2025-26	2026-27
Cost of ADP/PIP	1,958	2,313	2,541	2,752	2,972
Of which; ADP additional	**34**	**226**	**341**	**431**	**529**
Additional spend on carer benefits due to ADP	1	11	22	31	40
Total additional cost	**35**	**236**	**363**	**462**	**568**

Source: SFC August forecasts.

The scale of ADP/PIP means that relatively small changes have a large impact on the total social security budget. In 2022-23 just the *additional* cost of ADP (£34m) compared to PIP is almost as much as the total budget for the Scottish Welfare Fund and similar to the combined budgets for Best Start Foods, Best Start Grant, Child Winter Heating Assistance and the Young Carer Grant.

The chart below shows how spending on PIP is expected to decline quickly after 2023-24 as people are transferred over to Social Security Scotland. It shows that spending would increase, even if PIP had continued. However the introduction of ADP means that spending will increase more quickly.

Chart 4: PIP and ADP Spending Breakdown



Source: SFC August forecast, fig A3.

The Committee may wish to discuss:

- **How uncertain are the current costings of ADP**
- **How long after the introduction of ADP would the SFC expect to be able to significantly reduce that uncertainty**
- **What are the main drivers of increased costs**
- **Is ADP costing less certain than the Child Disability Payment costing**
- **How does the scale of ADP and the uncertainty associated with it impact on the rest of the Scottish social security budget**

Theme 4: Scottish Government spending above UK funding

Most of the social security budget is funded through Block Grant Adjustments (BGAs). However, where the Scottish Government introduces a new benefit, not available elsewhere, (such as the Scottish Child Payment) or widens eligibility of benefits which do have a DWP equivalent (such as Child Disability Payment) then the Scottish Government must fund this additional spending from elsewhere in the social security budget, elsewhere in the Scottish Budget as a whole or raise additional revenue.

In 2022-23, Scotland only benefits (£183m) and the estimated additional cost of benefits that have a DWP equivalent (£115m) together come to nearly £300m

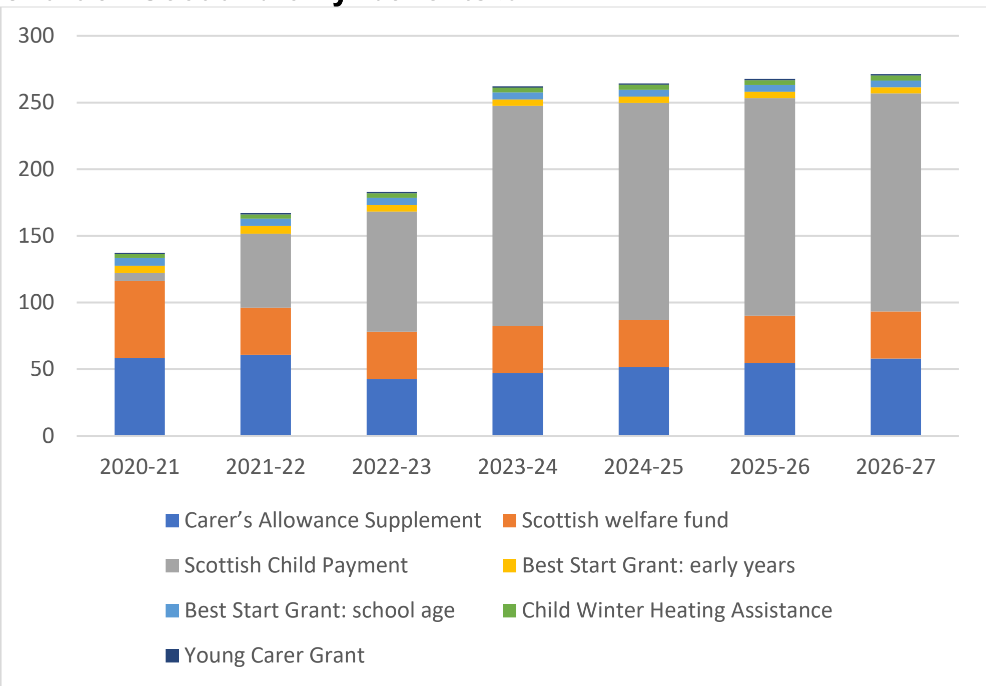
(SPICe calculations). This is spend that does not receive any contribution from the UK Government.

Scotland-only benefits
Until now, the main 'Scotland only' benefits have been the Scottish Welfare Fund[4] and the Carer's Allowance Supplement. Over the next two years, the Scottish Child Payment will be the main additional benefit.

In 2022-23, around £183m is forecast to be spent on benefits that are unique to Scotland. This increases to £262m in 2023-24 mainly due to the expected increase in eligibility for the Scottish Child Payment.

Other benefits that are unique to Scotland do not account for very much spend in comparison. In 2022-23 the combined forecast spend on Child Winter Heating, Best Start Grant – early years and school age payments and the Young Carer Grant is £14m.

Chart 5: 'Scotland only' benefits £m



Source: SFC August forecasts fig 5.4, except BSG from fig S5.9 and YCG based on current spend as is below threshold for SFC forecasts. Job Start Payment not included as it is not social security.

Additional costs benefits
There are also benefits which have significant additional cost in Scotland due to Scottish Government policy. The main one's are:

- Adult Disability Payment
- Child Disability Payment

[4] This categorises the Scottish Welfare Fund as a 'Scotland-only' benefit. In 2013 Social Fund crisis loans and community care grants were replaced with local assistance schemes. In Scotland this became the Scottish Welfare Fund. There will be some Barnett consequentials if the UK government provides additional funding for local assistance schemes.

- Discretionary Housing Payment

The table below sets out SFC estimates of the additional policy cost of CDP and ADP, along with the 'bedroom tax mitigation' element of the DHP budget.

Table 2; Estimated additional cost due to Scottish Government policy

£m	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
CDP additional cost	0	2	11	19	24	29	35
ADP additional cost	0	0	34	226	341	431	529
DHP for bedroom tax mitigation	63	69	70	71	72	73	77
total additional costs	**63**	**72**	**115**	**315**	**437**	**533**	**640**

Source: SFC August forecasts, tables S5.2, A4, S5.10

DHPs
The DHP allocation in England and Wales for 2021-2 is £140m. Scottish Government total DHP budget of £80m is therefore significantly more, relative to population size. As a rough proxy the table above includes DHPs for bedroom tax as additional spend. DHPs are not funded by block grant adjustments. In 2019-20, £20m was transferred to the Scottish Government for DHPs after which it became part of the core block grant, subject to Barnett consequentials. (See Scottish Government fiscal framework outturn report 2019. Para 7.14)

Smaller benefits
There are also smaller benefits which have some additional cost in Scotland due to having wider eligibility than their DWP equivalents. For example, the Best Start Grant – pregnancy and baby payment is paid at a higher rate and is not restricted to the first child. A different approach to next of kin increases cost of Funeral Support Payment. Neither of these benefits are funded through block grant adjustments and the additional cost is very small relative to the rest of the social security budget.

BGA Comparison
Another way to look at 'additional costs' is to compare the funding provided through the Block Grant Adjustment with the Scottish budget. That comparison is difficult when looking at future years because those BGAs are based on forecasts made by the Office for Budget Responsibility (OBR) in March. Economic changes since then mean that they cannot be readily compared with SFC forecasts made in August. The OBR will update their forecasts at the time of the UK budget on 27 October and the SFC will update their forecasts at time of the Scottish budget on 9 December.

A comparison is possible for last year – 2020-21. The Fiscal Framework Outturn Report (30 September 2021) includes comparison of provisional outturn devolved Social Security spending with provisional outturn BGAs. This shows that overall, for 2020-21:

- £3,262m was spent on devolved social security to which BGAs apply.[5]
- After final reconciliation, £3,207m will have been received in Block Grant Adjustment

Outturn BGA of £3,207 is £55m lower than spend, but the BGA originally forecast was even lower (£3,202.5m). Therefore the Scottish Government is due to receive some extra BGA. Some adjustment was made during 2020-21, but further adjustment is needed. As a result, an additional £21.6m will be applied to the 2022-23 budget as a final reconciliation for the year 2020-21.

Table 3: BGA reconciliation 2020-21

BGA forecast	BGA amount £m	Adjustment £m	Applied to
Scottish Budget 2020	3,202.5		2020-21 budget
OBR forecast Nov 2020	3,185.3	-17.2	2020-21 in-year
Outturn BGA	3,207.0	**+21.6**	2022-23 budget

Source: Fiscal Framework Outturn Report 2021 Table 15

Even with this additional £21.6m added in, the BGA is still £55m less than what was actually spent in 2020-21.

The Committee may wish to discuss:

- **The proportion of the Social Security budget accounted for by Scottish Government policy and how this is forecast to change**
- **Issues with comparing SFC forecasts with the Block Grant Adjustment to identify additional spending due to Scottish policy**
- **Whether a comparison of the updated BGAs with the SFC's December forecasts will be more meaningful.**
- **Whether the SFC have a view on the scale of BGA adjustments for 2020-21**

Camilla Kidner
SPICe Research
4 October 2021

[5] PIP, Attendance Allowance, DLA, Carer's Allowance, Severe Disablement Allowance and Industrial Injuries Disablement Scheme