



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

Dr Sally Witcher OBE
Scottish Commission on Social Security
c/o Secretariat
Victoria Quay
Edinburgh
EH6 6QQ

info@socialsecuritycommission.scot

4 November 2019

Dear Sally,

ANNUAL UPDATING OF SOCIAL SECURITY ASSISTANCE – UPDATING POLICY PAPER AND ANALYTICAL REPORT

Thank you for your letter of 4 October and the accompanying report under section 22(1)(b) of the Social Security (Scotland) Act 2018, on the Updating Policy Paper and Analytical Report. I appreciate the input of SCoSS into this highly technical area.

I note that you have grouped your responses on approach to updating into three distinct parts with Part 1: Significance of social security principles and human rights, Part 2: Short-term and Part 3: Longer term. I have reviewed the recommendations and I note that some of them are seeking further clarification. I have responded to each in turn and I hope the responses given provide more detail on the Scottish Government's approach to updating of devolved social security assistance.

The responses are set out in in **Annex A**.

I am pleased that, in general, the SCoSS is supportive of the Scottish Government's intention to use the Consumer Price Index (CPI) to uprate social security assistance at least in the short-term. You may also wish to note that I have also received the response from the Convenor of the Social Security Committee which states that beyond the discussion at the Committee on 10 October, the Committee has no further views to report and agreed to note the Scottish Government's proposed approach.

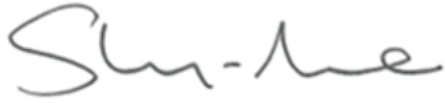
I will take these views into consideration when recommending the updating measure that will be applied to the devolved social security assistance that will be updated for 2020/21 and which will inform the Scottish Budget.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

Thank you again for your valuable input.

Yours sincerely.



SHIRLEY-ANNE SOMERVILLE

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



SCoSS Recommendation – Part 1	SG Response
<p>1. In establishing the approach to be taken to uprating, both in the short and longer-term, the Scottish Government should explicitly consider how it conforms to the principles in the Social Security (Scotland) Act 2018 and human rights conventions. The agreed approach should be clearly, accessibly and publicly communicated.</p>	<p>Consideration of how the Scottish Government approach to uprating conforms to the principles within the Scotland Security (Scotland) Act 2018, ('The Act'), will form part of the report required to be laid in the Scottish Parliament under Section 77 of the Act. This report will be accessible to the public.</p>
SCoSS Recommendation – Part 2	SG Response
<p>2. To instil confidence in decisions, now and in the future, concerning what the most appropriate uprating index is, it would be valuable if the Scottish Government could set out the factors on which they have been based, along with any supporting evidence.</p>	<p>Section 77 of the Act requires the Scottish Government to lay a report in the Scottish Parliament which considers the effects of price inflation on the rates of all forms of assistance delivered under Part 2 Chapter 2 of the Act. The detail contained within this report will explain how the Scottish Ministers have calculated the inflation-adjusted levels and what they intend to do in light of the calculations. The Uprating Policy Paper and Analytical Report and the consideration of this report by SCoSS and the Social Security Committee is part of this process and will be referred to in the Section 77 report.</p>
<p>3. CPI should be adopted in the short-term, but with scope to review it in the longer-term. Meanwhile, we invite the Scottish Government to actively monitor comparisons between CPI, CPIH and RPI and develop future projections.</p>	<p>The Scottish Government welcomes the support of SCoSS for the policy of using CPI as the uprating measure at least in the short term. As part of our review of available inflation measures we have compared the levels of assistance uprated by different inflation measures, namely CPI, CPIH and RPI. In terms of developing future projections we are constrained by the available inflation rates forecasts. At this point, the Office for Budget Responsibility do not provide any official forecasts of CPIH. This means that we are unable to develop future projections of uprated levels of assistance using CPIH as opposed to CPI at the moment. If forecasts do become available, we will be able to provide future projections. As we do not consider RPI a viable measure of inflation, we do not believe it would be</p>

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

	realistic to provide forecasts for this measure at least until it is reformed after 2025.
4. The Scottish Government is invited to present plans to mitigate the adverse effects of volatile inflation on people receiving devolved benefits, should this occur.	The Scottish Government will consider how this can best be achieved if inflation becomes volatile in the future.
5. The Scottish Government is asked to clarify what is meant by using CPI for the 'foreseeable future' and to set out any triggers that would prompt a review of its approach to uprating, whether one-off or ongoing.	<p>The Scottish Government is committed to keeping its policy on uprating under review and we have stated we will consider alternative approaches if there is a material change to inflation measures.</p> <p>Examples of a material change would include:</p> <ul style="list-style-type: none"> • The development of household and region specific measures by ONS. Currently these measures are being developed and it may be a considerable period of time before they become National Statistics. • CPIH establishing a reliable record as a National Statistic and official forecasts become available. • Methodological improvements to RPI that will align its methodology with that of CPIH following the UK Government's consultation. The Scottish Government considers it unlikely that any such changes will occur before 2025 when transfer of all the devolved benefits will be complete.
6. We invite the Scottish Government to set out how it will define 'materially below' and the factors that will determine whether a figure is materially below its inflation-adjusted level.	With the exception of September 2015 where CPI was -0.1%, the index has consistently been around 2%. The Scottish Government continues to develop the policy on uprating and monitors the trends in inflation measures which will inform the decision on the 'materially below' level in any given year.
7. We would welcome analysis of the possible effects on the Scottish Government's decision-making on uprating,	If Scottish Government and UK Government approaches to uprating diverge, we will undertake relevant analysis to reflect the possible effects.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

<p>should the UK and Scottish economies, relevant policies, and approaches to uprating continue to diverge.</p>	
<p>8. In the interests of transparency, the Scottish Government is asked to clarify the reasons why inflation-adjusted levels must be reported on for certain forms of assistance but not others, and why there is a duty to uprate some but not others.</p>	<p>The forms of devolved assistance that are reported on are those that are provided for under Chapter 2, Part 2 of the Act. However, when other forms of assistance are created through the section 79 top up powers then these will be included within the reporting requirements e.g. Scottish Child Payment. The Scottish Child Payment Regulations, currently in draft, provide for an amendment to section 77 to include regulations made under the power in section 79 to top-up.</p> <p>Some forms of assistance that are or will be administered by Social Security Scotland, such as Best Start Foods and Job Start Payment, are not assistance types provided for under the 2018 Act and the Scottish Government have no statutory duty to report.</p> <p>With regards to a duty to uprate, the types of devolved assistance, other than Funeral Support Payment, that are subject to the duty are those that are ongoing assistance.</p> <p>Those forms of assistance not subject to a duty to uprate are, in general, payment and grants for particular events such as birth, or starting nursery school or, primary school. These one off payments and grants are normally received by individuals in receipt of an on-going assistance which may be subject to uprating.</p>
<p>9. In order to understand the impact of inflation on the people receiving benefits, it would be useful if section 77 reports covered all forms of devolved assistance (or were accompanied by documents providing this information).</p>	<p>Section 77 of the Act requires the Scottish Government to lay a report in the Scottish Parliament which considers the effect of price inflation on the rates of all forms of assistance delivered under Part 2 Chapter 2 of the Act. However, it would be appropriate to report on other forms of assistance at the same time and the Scottish Government will give consideration to how this can best be achieved.</p>

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

<p>10. The Scottish Government could usefully monitor – and include in section 77 reports – information on the interface between, and values of, any top-up benefits and the UK Government’s uprating decisions on the reserved benefits they top up. This would enable identification of changes to the real value of top-up benefits.</p>	<p>The UK Government publishes a policy paper on the benefit and pension rates each year that illustrates the uprated amount. The rates for 2019-2020 can be found at:</p> <p>https://www.gov.uk/government/publications/benefit-and-pension-rates-2019-to-2020/proposed-benefit-and-pension-rates-2019-to-2020</p> <p>The Scottish Government will consider if any further information could be provided as part of the Section 77 report that will enable identification of changes to the real value of top-up benefits.</p>
<p>11. The Scottish Government is asked to clarify whether its general intention is to uprate any top-up benefits created under section 79 and, if so, to confirm the approach it will take.</p>	<p>Any decision to uprate beyond the statutory duties laid out within the Social Security (Scotland) Act 2018, will have wider budgetary impacts for the Scottish Government. This would require significant consideration and analysis before being implemented. As a result, any top-up benefit that is to be developed will be discussed with stakeholders and an approach developed that takes into account those wider considerations.</p>
<p>12. We invite the Scottish Government to clarify its approach to uprating forms of assistance where there is the option, but no obligation, to do so.</p>	<p>For forms of assistance other than top-up, any decision to uprate beyond the statutory duties laid out within the Act, will have wider budgetary impacts for the Scottish Government and would require significant consideration and analysis before being implemented.</p>
<p>13. We invite the Scottish Government to clarify whether it will undertake an EQIA to inform section 77 reports and decisions on whether or not to uprate forms of assistance where there is no obligation to do so.</p>	<p>A full range of impact assessments were considered and completed where necessary for the Social Security (Scotland) Bill. Impact assessments will be conducted for each set of regulations providing for assistance under Chapter 2 of Part 2 and for assistance by way of top-up. Uprating decisions do not alter the policy underlying a particular form of assistance. As a result, we do not consider there is a need to undertake impact assessments for the section 77 report.</p>

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

<p>14. Section 77 reports could usefully describe, or be accompanied by documents describing, what the cumulative total value of a benefit would have been had it been uprated annually. This would allow for an evaluation of the effect on poverty levels of not uprating benefits.</p>	<p>Section 77 of the Act requires the Scottish Government to lay a report in the Scottish Parliament which considers the effect of price inflation on the rates of all forms of assistance delivered under Part 2 Chapter 2 of the Act and what the Scottish Ministers plan to do as a result of their calculation of inflation-adjusted rates. The first Section 77 report will include the types of assistance that are delivered in the 2019/20 financial year, namely Best Start Grant (BSG), Funeral Support Payment (FSP) and Young Carer Grant (YCG). The Scottish Government will also consider what other material could be included in the report.</p>
<p>SCoSS Recommendation – Part 3</p>	<p>SG Response</p>
<p>15. When current constraints do not apply and when alternatives to CPI become available, we recommend that the Scottish Government conducts a thorough review of the approach to uprating and that this includes public consultation and engagement.</p>	<p>We will continue to keep the policy on uprating under review. We have stated that we will consider alternative approaches if there is a material change to inflation measures.</p> <p>However, when we wish to consider another uprating measure the expectation would be to follow a similar process to the approach we have currently taken. This means that we would undertake a detailed review of the new available options to discuss opportunities and limitations for our uprating policy, which we would then share with the Social Security Committee and SCoSS for their consideration. We would consider what wider consultation and engagement would be of value at that time.</p>
<p>16. In reviewing its approach, the Scottish Government could usefully consult on the purpose/s and role/s of uprating.</p>	<p>Chapter 7 of the 2018 Act provides for uprating for inflation and makes clear that inflation is the change in the general level of relevant prices. Therefore, uprating relates purely to ensuring that the value of assistance keeps up with the change in the general level of prices over time.</p> <p>Increasing the value of assistance, to make it more generous, is a separate matter to uprating for inflation. If Scottish Ministers wish to increase the value of assistance, this would be done by bringing forward amending regulations which would adjust the rates of assistance. This would be</p>

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

	separate to regulations made in fulfilment of the duty under section 78 of the Act.
17. We invite the Scottish Government to consider the qualities it would want to ensure should be reflected in whatever future approach to uprating system is adopted.	The Scottish Government has noted the qualities considered by SCoSS and going forward will consider how these could best be reflected in future approach to uprating.
18. We suggest that the Scottish Government actively investigates/ pursues developments in uprating methodology, including engaging with ONS, that may have potential to deliver improvements to approaches to uprating.	<p>While the Office for National Statistics (ONS) are currently developing a range of experimental statistics that aim to capture inflation for different types of households and different regions these measures have not yet become Official Statistics.</p> <p>It is the Scottish Government's intention to continue to use official inflation measures developed by the ONS, which adhere to international standards and have a reliable track record, to inform its uprating policy.</p> <p>The Scottish Government will continue to monitor ONS developments. We understand that the adoption of the ONS's household and region specific inflation indices may lead to a more targeted approach. However, as recognised by your own report, this approach could reinforce divisions between population groups and regions or lead to unworkable and undesirable complexities. As such the Scottish Government will need to give careful consideration to the feasibility and practicability of adopting those measures.</p>

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

