

An overview of social security in Scotland

Leila Roberts (2023)

The devolution of certain social security benefits to Scotland has made social security a priority for the Scottish government. In this briefing, we provide an overview of social security spending in Scotland, including a discussion of what we learned in the recent Economic and Fiscal Forecasts, and how much expenditure on social security is expected to increase in the coming years.

The expenditure section includes a discussion of how much is spent on social security and how Scotland funds this. The demand section includes a brief overview of what's included within social security, examining both benefits new and unique to Scotland and those whose responsibility has been devolved, and how many people are utilising different services.

How does Social Security work in Scotland?

The Scotland Act of 2016 devolved responsibility for 11 existing benefits to Scotland, including the Disability Living Allowance, Personal Independence Payment (PIP), Attendance Allowance and Severe Disablement Allowance. The UK government remains responsible for the benefits including Universal Credit, Child Benefit, State Pension and Maternity Allowance. The Disability Living Allowance for Children has been replaced in Scotland by the Child Disability Payment, which was launched nationally on 22 November 2021. The transfer in administration of other benefits from DWP to the Scottish government will be staggered over time. This includes:

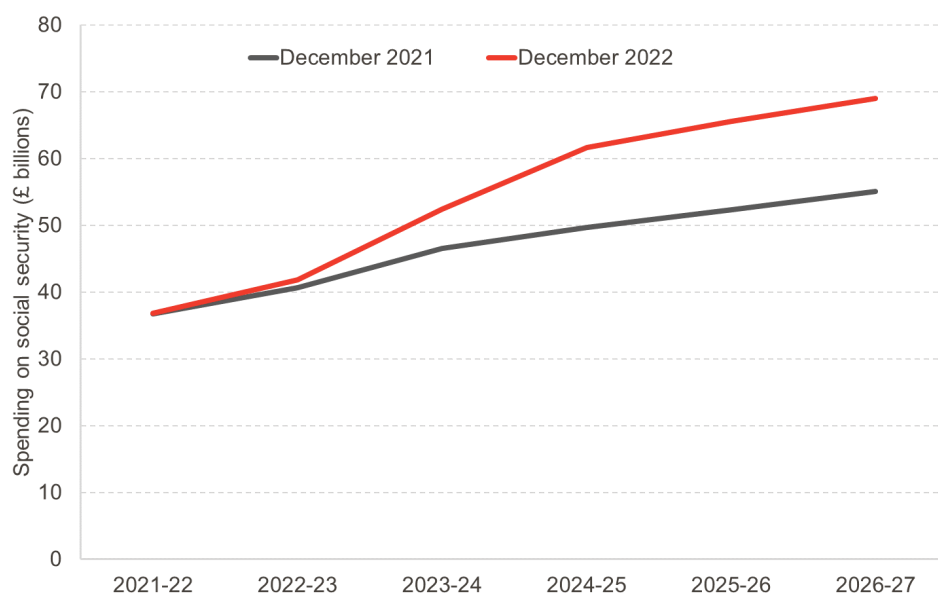
- PIP and Working Age Disability Living Allowance, which will be replaced by the Adult Disability Payment. This move began in August 2022 and will take until summer 2024.
- Cold Weather Payment, which will be replaced by the Winter Heating Payment starting February 2023.
- Attendance Allowance, which will be replaced by the Pension Age Disability Payment. The national roll-out of the Pension Age Disability Payment is expected to take place in 2025.
- Carer's Allowance, which will be replaced by the Carer Support Payment. The Carer Support Payment will be piloted by the end of 2023, and fully introduced in spring 2024.

How much does Scotland spend on Social security?

The future of social security spending

The latest forecasts by the Scottish Fiscal Commission estimate that social security spending will increase from **£4.2bn** in 2022-23 to **£7.3bn** in 2027-28. Social security spending was £3m higher in 2021-22 than the £3.68bn forecasted in December 2021. Social security spending is expected to reach £6.9bn in 2026-2027, £1.39bn higher than originally forecasted, **Chart 1**.

Chart 1: Social security spending forecasts, December 2021 and December 2022



Note: 2021-22 reflects outturn data, 2022-23 to 2026-27 reflects forecast data.

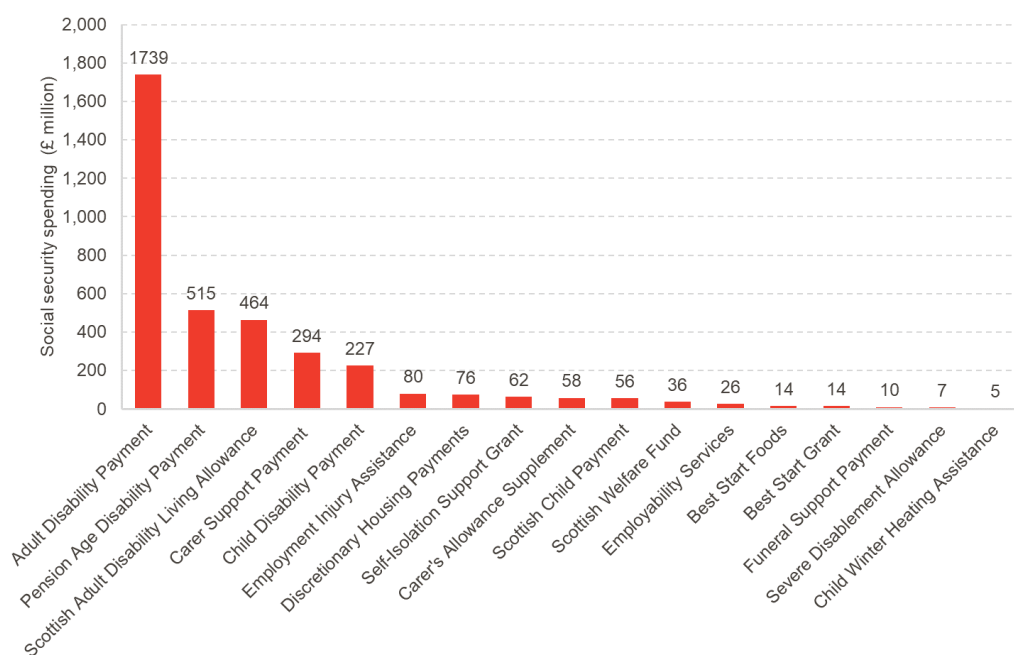
Source: Scottish Fiscal Commission

The changes in spending forecast reflect the higher inflation experienced since the previous budget in December 2021, as well as increased demand for the Adult Disability Payment, which the Scottish Fiscal Commission attributes most of the change in devolved spending to. The latest data from the Scottish Fiscal Commission indicates that Adult Disability Payment spending has the highest share (47%) of social security expenditure, at £1.7bn in 2021-22, and is expected to grow to £4.1bn in 2027-28. Over £750m of this increase is attributed to uprating payment levels by inflation, and the remainder is driven by the expectation that the caseload will increase. The caseload is expected to increase due to the increase in the number of adults across the UK receiving disability benefits. This in turn has been attributed to factors including the prolonged effects of the COVID-19 pandemic, the cost-of-living crisis, and people waiting longer for NHS treatment.

Spending on the Scottish Child Payment, a payment unique to Scotland launched in February 2021, is expected to increase from £56m in 2021-22 to £442m in 2023-24. This is £80m higher than initially forecasted in December 2021. This change in forecast reflects the extension of eligibility to include all children under 16 in low-income families and the increase in the weekly payment rate from £20 to £25.

Chart 2 shows the breakdown of social security spending for 2021-2022.

Chart 2: Social security spending by benefit, 2021-2022

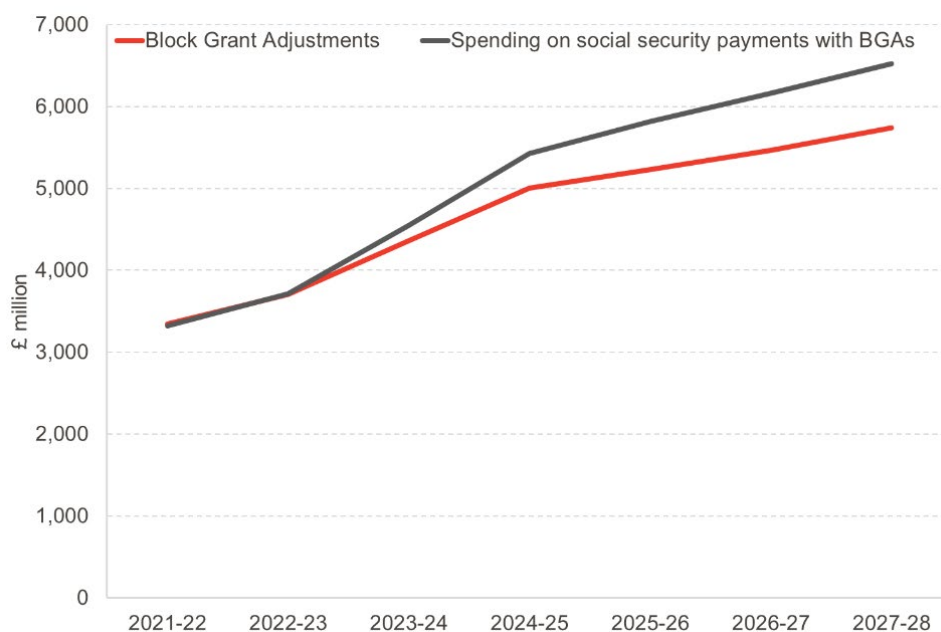


Source: Scottish Fiscal Commission

How Scotland funds social security spending

Social security spending is partly funded by Block Grant Adjustments (BGA) from the UK government. The Block Grant is the primary method used to fund devolved administrations. For explanation on how it works, see [here](#). The amount of BGAs is determined by how much the UK government spends on comparable services in England. If social security were not devolved, then the Scottish Government would only be able to spend the funds provided by the BGA, which would be around £3.7bn in 2022-23, and £5.7bn in 2027-28. This is insufficient to meet the projected spending, as shown in **Chart 3**. **Chart 3** shows the net position, which is determined by the difference in the BGA provided and the actual expenditure on social security payments in Scotland. Any spending beyond that provided by the BGA must be sourced from elsewhere in the Scottish budget, as discussed below in *Changes to Scottish budget*. While the net position was positive in 2021-22, indicating a surplus of £17m, the net position will be increasingly negative over the next 5 years, reaching -£782m in 2027-28.

Chart 3: BGA and social security spending, Scotland, 2020-21 – 2027-28



Source: Scottish Fiscal Commission

New benefits introduced by the Scottish government which have no UK equivalents cannot be financed by BGAs and therefore must be funded entirely from the Scottish government budget.

Table 1 shows which benefits are covered by BGAs.

Table 1: Benefits included in social security net position

Scottish Benefit	Covered by
Adult Disability Payment	Personal Independence Payment BGA
Child Disability Payment	Disability Living Allowance BGA
Scottish Adult Disability Living Allowance	Disability Living Allowance BGA
Pension Age Disability Payment	Attendance Allowance BGA
Carer Support Payment and Carer's Additional Person Payment	Carer's Allowance BGA
Employment Injury Assistance	Industrial Injuries Disablement Scheme BGA
Winter Heating Payment	Cold Weather Payment BGA
Pension Age Winter Heating Payment	Winter Fuel Payment BGA
Severe Disablement Allowance (closed benefit)	Severe Disablement Allowance BGA

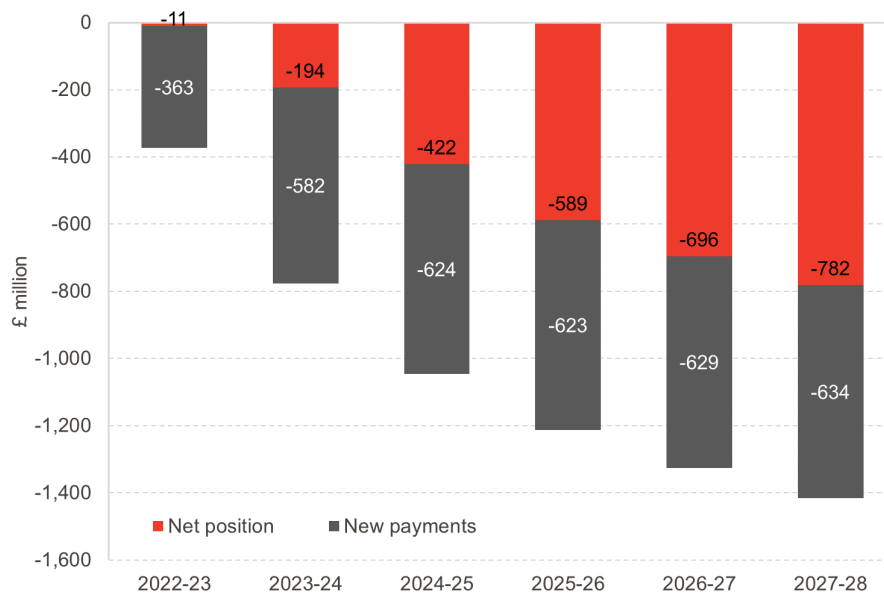
Source: Scottish Fiscal Commission

Social security new payments:

- Scottish Child Payment
- Carer's Allowance Supplement
- Child Winter Heating Assistance
- Best Start Grant Early Learning Payment
- Best Start Grant School Age Payment

Chart 4 combines the forecasted net position and the spending on new benefits to show the additional funds needed for social security.

Chart 4: Social security net position and new payments, Scotland, 2022-23 – 2027-8



Source: Scottish Fiscal Commission

The Scottish Fiscal Commission's latest forecast for spending has increased as a result of higher inflation which has increased payment amounts, and recent increases in the number of people receiving disability payments. Additionally, forecasts for funding from BGAs have also increased, as a result of similar increases in disability benefit recipients in England and Wales and the UK government's decision at the Autumn Statement 2022 to uprate benefits with inflation. This means that from April 2023, most payment rates will increase by 10.1%. However, this excludes payments unique to Scotland such as the Scottish Child Payment.

The rise in higher caseloads in the aftermath of the pandemic was greater than the Office for Budget Responsibility (OBR) had assumed and has proved to be more persistent. The OBR notes that there has been a rise in monthly new claims for PIP in England and Wales from a monthly average of 37,000 in 2019 to a monthly average of 64,000 between April and July 2022, as well as longer average claim durations. The rise in new claims has been compounded in the success rate of those claims. The share of new PIP claims that receive an award has increased from 37.4% in 2019-20 to 43.8% in 2022-23, largely due to a fall in the dropout rate.

The OBR further notes that the rise in new claims has been greatest at older age groups (45 and above), particularly for physical and other conditions, which explains 35% of the rise in average monthly new claims between 2019-20 and the first four months of 2022-2023. Furthermore, 30% of the overall rise in new claims can be attributed to mental health conditions in the 16-44 age group.

The OBR suggests that these two trends could be linked to rising waiting lists for elective treatments and mental health treatments in the wake of the pandemic.

According to the IFS, the rapid increase in the number of PIP applications is driven by a general worsening of health across the UK population. The [Office for National Statistics \(ONS\)](#) states that there has been a rise in long-term sickness in the UK, with 2.5m people reporting long-term sickness as the main reason for economic inactivity between June and August 2022, compared to 2m in spring 2019. This trend started before the coronavirus (COVID-19) pandemic, but since the pandemic, the number of people out of work because of long-term sickness has risen by 363,000.

The Scottish Fiscal Commission anticipates that the differences between the Adult Disability Payment and PIP, including changes to the terminal illness rules and longer awards, will result in expenditure being £650m higher than the BGA received for PIP in 2027-28.

The Commission further anticipates an increase in the number of people receiving Child Disability Payments compared to those receiving DLA for children. **Table 2** shows the evolution of monthly expenditure on Child Disability Payments broken down by components, illustrating that the expenditure is steadily increasing, from less than £2m paid in March 2022 to over £25m paid in October 2022.

Table 2: Monthly Child Disability Payment Expenditure, by Component, August 2021-December 2022

Monthly Child Disability Payment	Care only	Mobility only	Both care and mobility
August 2021	£300	£0	£1,470
September 2021	£5,730	£450	£10,210
October 2021	£15,370	£460	£32,320
November 2021	£36,440	£500	£55,740
December 2021	£58,860	£540	£116,200
January 2022	£132,890	£1,380	£230,720
February 2022	£280,040	£4,320	£480,460
March 2022	£593,440	£4,800	£1,162,830
April 2022	£832,820	£6,980	£1,976,610
May 2022	£1,255,510	£11,400	£3,566,530
June 2022	£1,439,420	£10,490	£4,364,360
July 2022	£1,870,440	£14,810	£6,781,670
August 2022	£2,755,710	£20,990	£12,487,290
September 2022	£3,228,590	£24,100	£14,058,510
October 2022	£3,607,870	£26,320	£15,826,610
November 2022	£4,418,690	£28,090	£20,032,240
December 2022	£4,736,490	£29,970	£20,783,780

Source: Social Security Scotland

Changes to Scottish budget

To fund the gap in social security expenditure, the Scottish government can use its tax powers to raise additional net income. The Scottish Fiscal Commission estimates that the changes to income tax announced at the last budget will raise an additional £129m in 2023-24. The Commission further estimates that the Scottish Government's decision to increase the tax rate on the Additional Dwelling Supplement to the Land and Buildings Transaction Tax will add £34m.

Furthermore, the Scottish Fiscal Commission notes that the Scottish Government plans to use £310m (41%) of the proceeds from the ScotWind auction to support spending in 2023-2024.

The other option is to find the money from elsewhere in the budget. As reported in [Scotland's Budget Report 2022](#), the May Spending Review implied that the local government budget would decline by 7% in real terms between 2022-23 and 2026-27. Information from the 2023-2024 budget indicates that three of the five largest level 3 budget line decreases in real terms come from the Social Justice, Housing and Local Government portfolio. This includes the largest falls in the Scottish government budgets: the "More Homes" and local government "General Revenue Grant" budget lines are both set to fall by just under £200m next year. However, as reported by SPICe, an increase in the non-domestic rates income forecast means the total core revenue funding sees a real terms decrease of £22m.

According to the Institute for Fiscal Studies (IFS), the amount available to spend on devolved public services is set to fall by 0.8% next year after adjusting for spending on council tax rebates and bridging payments. This assumes the Scottish Government uses all of the additional funding available this year therefore carrying it none of it forward as reserves.

How many people utilise social security services?

Payments administered by the DWP

Carer's Allowance, Attendance Allowance and Disability Living Allowance are still being administered by DWP. It has been agreed that the DWP will continue to deliver Attendance Allowance and Disability Living Allowance on the Scottish government's behalf until the end of 2025, with a three-month extension to March 2026 as a contingency. Further extensions have been agreed for the DWP's delivery of PIP and Carer's Allowance until March 2025.

Carer's Allowance in Scotland

Carer's Allowance is for people who meet certain criteria and who spend at least 35 hours a week providing regular care to someone who is receiving a disability benefit. Carer's Allowance will be replaced by the Carer Support Payment, which will be delivered by the end of 2023, and fully introduced in spring 2024. The Scottish government also plans to introduce an additional payment for those who receive Carer's Allowance and care for at least two people who receive a disability benefit. This weekly £10 payment will be known as the Carer's Additional Person Payment. The delivery of the Carer's Additional Person Payment has not been specified, although the Scottish Fiscal Commission assume that it will be launched after the case transfer of Carer's Allowance from DWP is complete.

Of those in receipt of Carer’s Allowance in May 2022:

- Around 69% were female and 31% were male
- 46% were aged 50 or over, and only 11% were under 30
- Around 73% had been receiving Carer’s Allowance payments for two year or more, and 44% had been receiving payments for five years or more

Attendance Allowance in Scotland

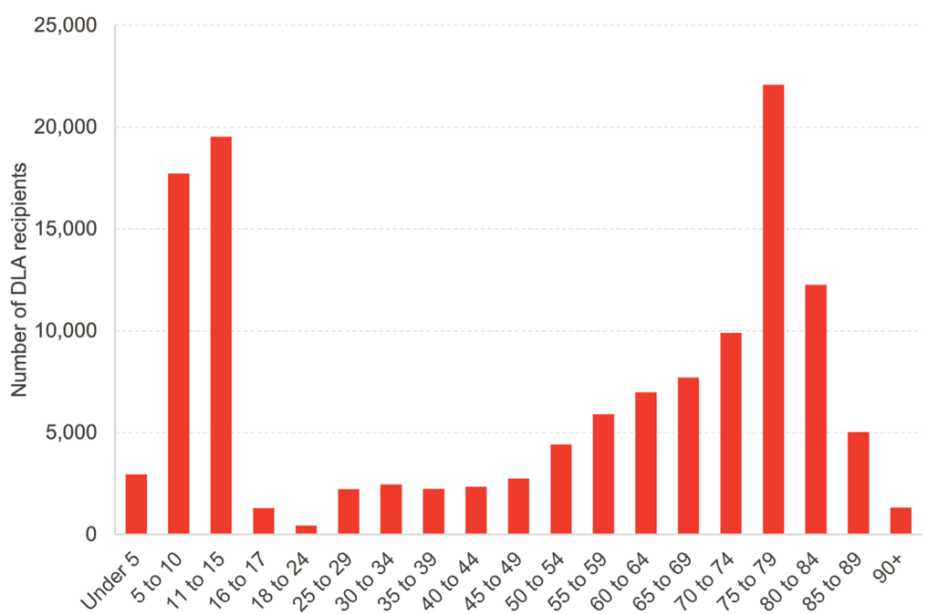
Attendance Allowance is for people aged 65 or over with a disability — physical, mental, or both — severe enough that they need someone to help look after them. Attendance Allowance will be replaced by the Pension Age Disability Payment, the introduction of which has been delayed to 2025.

Of those in receipt of Attendance Allowance in May 2022:

- Around 62% were female and 38% were male
- 59% of those who received payments were aged 80 or over
- 72% of clients had been receiving Attendance Allowance payments for two years or more, with 41% receiving the payment for five years or more
- Around 64% received the higher rate and 36% received the lower rate
- The most common disabling condition was arthritis (29% of clients)

In May 2022, there were 81,682 carers in receipt of Carer’s Allowance and 123,786 people in receipt of Attendance Allowance, as well as 129,566 people in receipt of Disability Living Allowance, the age distribution of which is depicted in **Chart 5**. Around 24% of DLA recipients were between 16 and 64 while 31% were under 16 and 45% were aged 65 and over.

Chart 5: Number of DLA recipients by age band, Scotland, May 2022



Source: Social Security Scotland

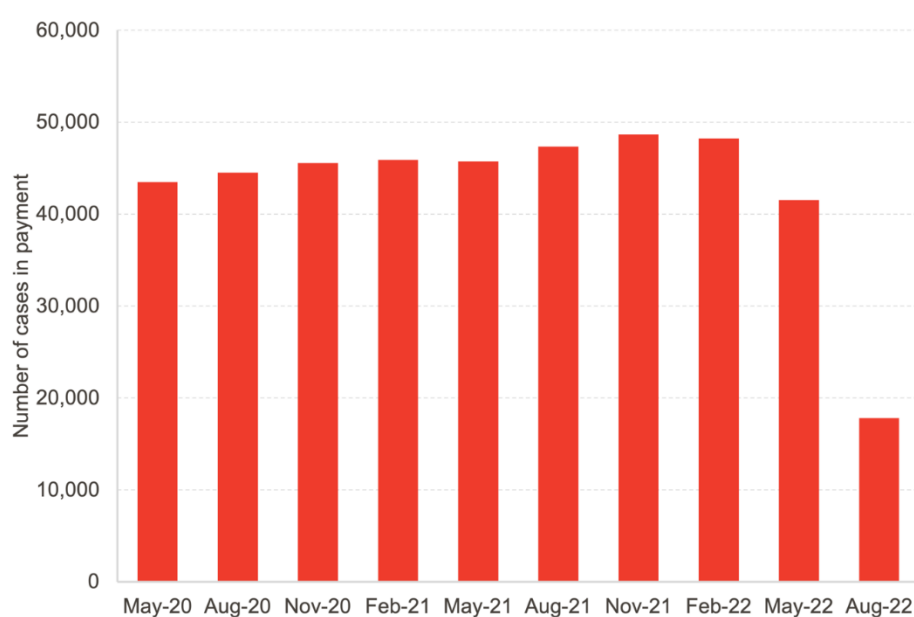
Payments undergoing case transfer

The Disability Living Allowance (DLA) is available for those who either need help looking after themselves and/or have walking difficulties.

Child Disability Payment

DLA for children is in the process of being replaced by the Child Disability Payment. The first case transfers began in October 2021 with payments commencing in February 2022. During the transitional period in which the DWP sends over a person's case data to Social Security Scotland, the DWP continues to make payments to that person. This explains the lag between the beginning of case transfers in October 2021 and the fall in DLA cases in payment beginning in February 2022 onwards shown in **Chart 6**.

Chart 6: Number of DLA cases with payment to those 18 and under, Scotland, quarterly

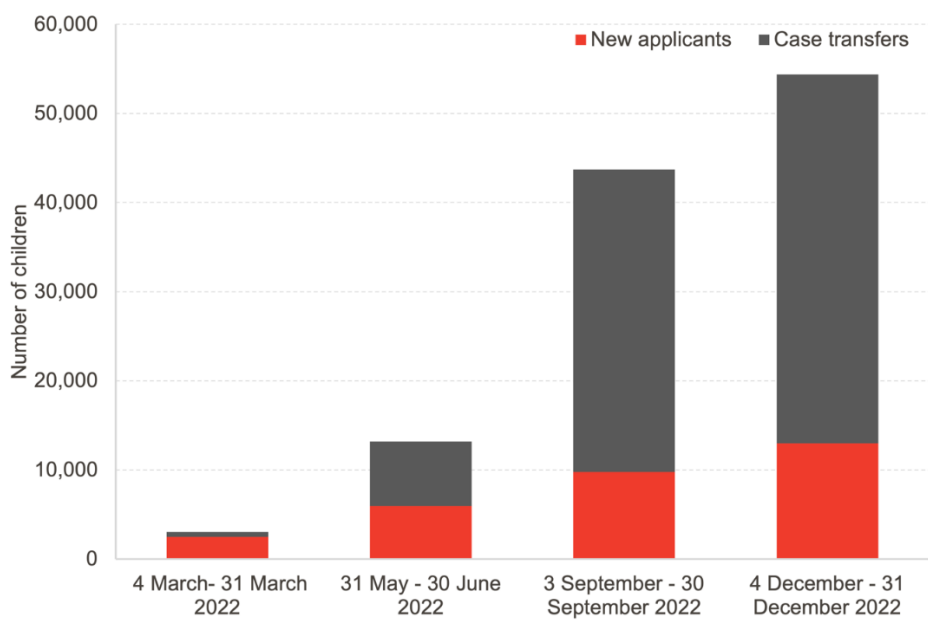


Source: Stat Xplore

Social Security Scotland aims to complete the case transfer for 99% of DLA for children recipients by spring 2023. The latest experimental statistics indicate that as of 31 December 2022, 54,375 children and young people were in receipt of Child Disability Payment, 41,370 of whom represent case transfers, as shown in **Chart 7**.

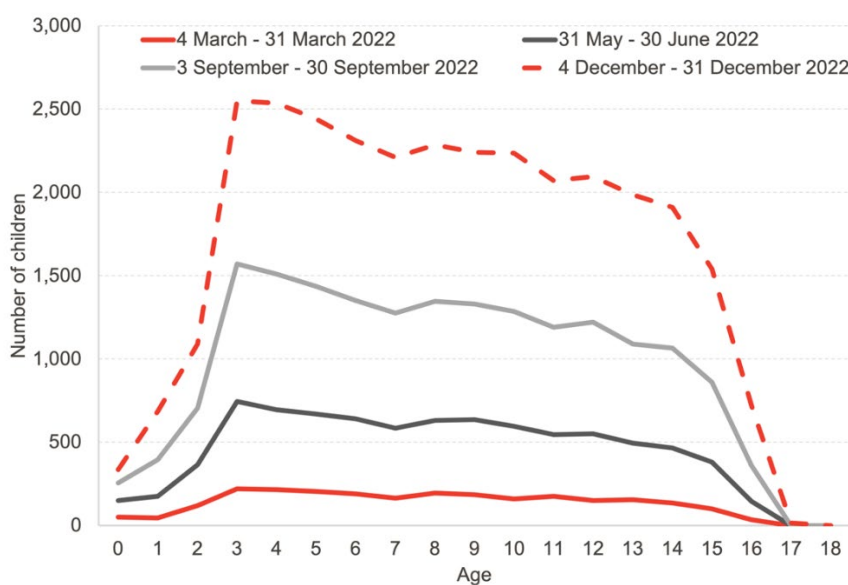
While *applications* for the Child Disability Payment are only available to those under 16, *case transfers* to the Child Disability Payment have included those receiving DLA for children between the ages of 15 and a half and 17. The increase in case transfers by period is comparable to the decrease in DLA payments shown in Chart 6. **Chart 8** shows the age distribution of new applicants for the Child Disability Payment.

Chart 7: Number of children in receipt of Child Disability Payment, March-December 2022



Source: Social Security Scotland

Chart 8: New applicants in receipt of Child Disability Payment, by Age, March-December 2022



Source: Social Security Scotland

A key departure from the DLA for Children is that those under the age of 16 receiving the Child Disability Payment can continue to receive it until they reach 18 years old or decide to apply for the Adult Disability Payment when they are between the ages of 16 and 18.

The Child Disability Payment is made up of two components: the care component if the child needs increased supervision and the mobility component if the child's disability affects their ability to move around outdoors. Each is paid at different rates. Recipients can get one or both components.

Of the applications authorised from 26 July 2021 to 31 December 2022,

- 52% were given an initial award of both care and mobility components, while 47% were for care only and 1% were for mobility only.
- Out of the initial awards that included a care component, 39% were at the highest level, 42% at the middle level and 19% at the lowest level.
- Out of the initial awards that included a mobility component, 12% were at the higher level, and 88% were at the lower level.

Adult Disability Payment

The Adult Disability Payment replaces PIP and Working Age Disability Living Allowance (DLA). According to the IFS, 8.4% of working-age adults in Scotland receive PIP or DLA.

In January 2023, there were 319,336 people entitled to PIP in Scotland. Award transfer to Adult Disability Payment began in June 2022, so there has been a gradual reduction in PIP caseload figures.

Of those entitled to PIP in January 2023:

- 55% were female and 45% were male
- The most common condition (38% of claims) was psychiatric disorders, followed by musculoskeletal disease (general) (20%), neurological disease (13%) and musculoskeletal disease (regional) (9%),
- 74% were receiving a mobility award, the enhanced mobility award accounting for 45% and the standard mobility award accounting for 29%.
- In the 16-19 age group, 60% of clients were male, while 40% were female. From age 30 and above, more than half of clients were female.

Of those in receipt of DLA in May 2022:

- Around 47% were female and 53% were male
- Around 31% were under 16% and 45% were aged 65 and over
- The most common condition (22% of clients) was learning difficulties, followed by arthritis (17%)
- Around 93% of clients had been receiving DLA payments for two years or more
- Around 74% were receiving both mobility and care awards
- Of those who received a care award, 45% were on the middle rate, 34% received the highest rate and 21% were on the lowest rate
- Of those who received a mobility award, 56% received the higher rate and 44% received the lower rate

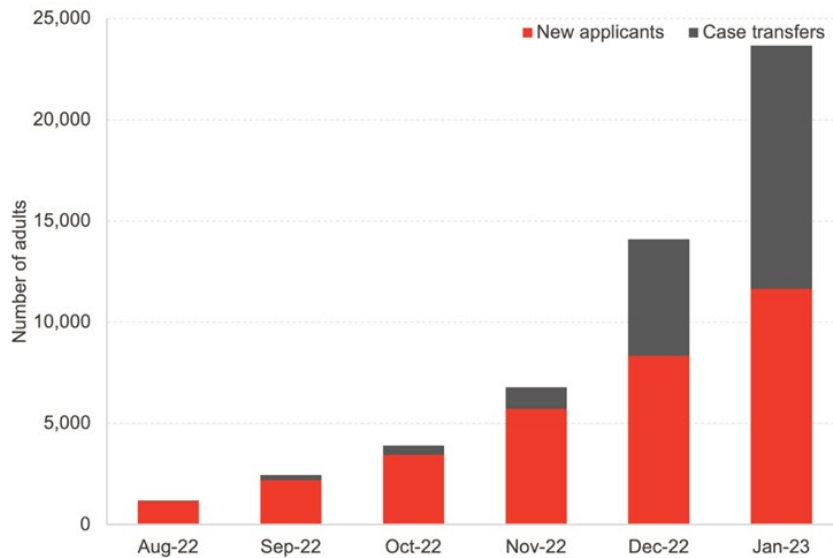
The Adult Disability Payment consists of two parts: daily living (for those who need help such as preparing food, washing and bathing) and mobility (for those who need help with moving around). People can qualify for either part or both.

According to the IFS, key differences between the Adult Disability Payment and PIP include fewer face-to-face assessments, a more detailed application form, and indefinite awards. In comparison, most PIP awards have a specified length, after which claimants must reapply. ADP claimants will have to go for occasional reassessments to ensure their eligibility, but this has been promised to be tailored more to individual circumstances.

The eligible age group for the Adult Disability Payment are those between 16 and state pension age (66). **Chart 9** shows the number of adults in receipt of the Adult Disability Payment broken down into new applicants and those who had their award transferred from the DWP. In January 2023, there were 23,660 adults in receipt of the Adult Disability Payment.

There is an approximately 3-month period before transferred people enter payment with Social Security Scotland. Case transfers of those with PIP began from 13 June 2022, while case transfers of those with Adult DLA began from 29 August 2022. It is estimated that the Adult Disability Payment will support up to 510,000 people by 2025.

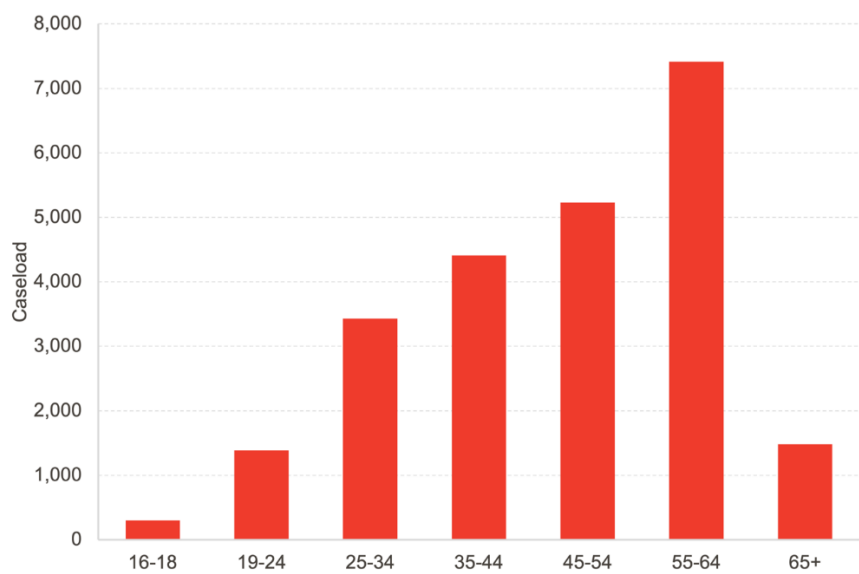
Chart 9: Number of adults in receipt of Adult Disability Payment, New Applicants v Case Transfers



Source: Social Security Scotland

As shown in **Chart 10**, the majority of Adult Disability Recipients as of the end of January 2023 were between the ages of 55 and 64 (31%).

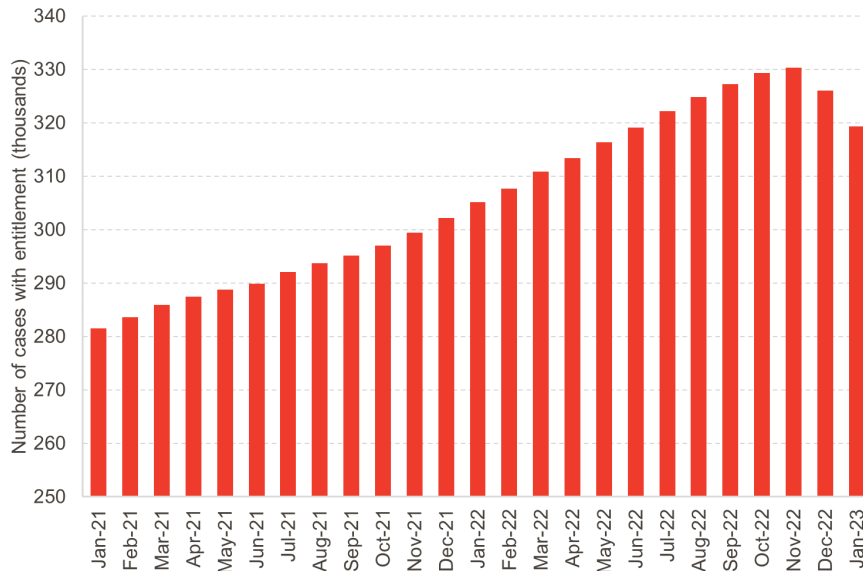
Chart 10: Number of adults in receipt of Adult Disability Payment, by Age, January 2023



Source: Social Security Scotland

As shown in **Chart 11**, in October 2022 there were just under 330,000 claims with entitlement to PIP in Scotland. This has fallen as a result of case transfers to the Adult Disability Payment, to just under 320,000 claims in January 2023.

Chart 11: Number of PIP claims with entitlement, Scotland



Source: Stat Xplore

Winter Heating Programme

The Winter Heating Payment — replacing the Cold Weather Payment — is expected to support up to 415,000 people. The first payments were processed the third week of February 2023. It differs from the Cold Weather Payment in that it is an annual payment of £50, whereas the Cold Weather Payment recipients received £25 for each seven-day period of very cold weather between 1 November and 31 March. The government has also stated that it will uprate the next Winter Heating Payment by 10.1% to £55.05.

Furthermore, the Winter Heating Payment is expected to support more people than the Cold Weather Payment, which between 2015-16 and 2021-22 supported on average around 185,000 people each year in Scotland.

New payments

Carer's Allowance Supplement

Social Security Scotland also provides the Carer's Allowance Supplement, a payment unique to Scotland, which was launched in September 2018. It is an extra payment for those who receive Carer's Allowance on a particular date and is paid twice a year, once in April and once in October. In October 2022, 84,885 Carer's Allowance Supplement payments were made, each payment was for £245.70. The total expenditure for October 2022 was £20.9m.

Of those in receipt of Carer's Allowance Supplement in October 2022:

- 68.9% of payments were made to female carers, while 31.0% of payments were made to male carers.

- The number of payments generally increased with age band up to age 64. 46.1% were aged 50 and over, and 10.8% were aged under 30
- 92.4% of carers in receipt of payment in October had also received a payment in April 2022, while 7.7% of carers receiving payment for October were either receiving their first payment or restarting payments after a break.

Child Winter Heating Assistance

The Child Winter Heating Assistance was introduced by the Scottish government in 2020. It is a payment to help those under 19 who receive certain benefits with increased heating costs over winter; it is paid once a year. 19,865 Child Winter Heating Assistance payments were received by at least 17,930 different recipients for winter 2021/2022, with 6% of recipients receiving more than one payment.

Scottish Child Payment

The Scottish Child Payment was officially launched on 15 February 2021 as a weekly payment for low-income families with children under six. As of 31 December 2022, an estimated 184,000 children have benefited from the Scottish Child Payment. In November 2022, the eligibility was extended to include all children under 16 in low-income families and the weekly payment rate was increased from £20 to £25 per week. These policy changes account for most of the forecasted increase in spending on new social security payments. The change in eligibility is estimated to make around 387,000 children eligible for the Scottish Child Payment in 2023-24.

What is to come for social security in Scotland?

Social security is an ever changing policy space, both in the UK and Scotland, which has been brought to the centre of public attention and government policy due to the current cost of living crisis and post-pandemic economic climate. The most recent evidence of this is the UK government announcements in the March 2023 budget to reform universal credit childcare provision and remove PIP assessments.

Scotland are in the process of transferring several social security benefits away from the UK to their own devolved provision. Despite this, choices made by the UK government will still impact Scotland through block grant adjustments. The impact of these choices on Scotland's net position deficit will continue to depend on the relative changes in UK government's and Scotland's social security expenditure.

Scotland's net position will also be impacted by the demand for social security services. More people are utilising social security services as a result of demographic changes, worsening health conditions, the Covid-19 pandemic and the current economic climate. This, in addition to increasing eligibility and the introduction of new or more generous benefits in Scotland, has forecast further increases in the net position deficit over the coming years, which will need to be funded from elsewhere in the Scottish budget.

This briefing was written by Leila Roberts as part of the MSc work placement programme. Leila completed an 8-week work placement at the Fraser of Allander Institute at the start of 2023 and produced this briefing as part of her work with us.

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