

Supplementary Costings:
Social Security
Best Start Grant
(Pregnancy and Baby Grant)
September 2018

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Introduction

- 1 The Scottish Fiscal Commission is responsible for producing independent forecasts of onshore Scottish GDP, devolved tax receipts and devolved social security expenditure. The Commission publishes its forecasts twice a year in Scotland's Economic and Fiscal Forecasts.¹ The forecasts are published alongside the Scottish Government's Budget and Medium-Term Financial Strategy.
- 2 The Commission may also produce forecasts on "other fiscal factors". Fiscal factors are defined in the Scottish Fiscal Commission Act as: "anything which the Scottish Ministers use to ascertain the amount of resources likely to be available for the purposes of sections 1 to 3 of the Public Finance and Accountability (Scotland) Act 2000".²
- 3 The Scotland Act 2016 devolved a number of demand-led social security benefits to Scotland.³ The fiscal framework agreement sets out how the funding received by the Scottish Government from the UK Government will be adjusted for the transfer of responsibility for social security.⁴ The UK Government will continue to provide funding, based on the UK Government's spending in Scotland for the comparable UK benefit. Once devolved, if the Scottish Government proposes policy changes then any additional costs must be met by the Scottish Government.
- 4 The Social Security (Scotland) Act 2018 sets out principles and a general framework for social security in Scotland following devolution.⁵ The Social Security (Scotland) Act 2018 does not set out detail of each of the benefits to be devolved. The Scottish Government's intention is to use secondary legislation to set out detailed information such as eligibility criteria and rates of payment for the devolved benefits.
- 5 To support the Scottish Parliament and the public in understanding and scrutinising the Scottish Government's policy, we may choose to produce a forecast of expenditure when secondary legislation for social security benefits is published in the Scottish Parliament. Our forecasts cover expenditure on the benefits or programmes but do not cover the associated administrative costs, which are determined by the Scottish Government. Our protocol with

¹ Our previous publications can be found on our website ([link](#))

² Scottish Fiscal Commission Act 2016 ([link](#))

³ Scotland Act 2016 ([link](#))

⁴ The Agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework ([link](#)).

⁵ Social Security (Scotland) Act (2018) ([link](#))

the Scottish Government provides further detail of the process we follow if we produce forecasts to accompany secondary legislation.⁶

- 6 The Scottish Government has today (11 September 2018) laid secondary legislation in the Scottish Parliament for Early Years Assistance (Best Start Grants). The Best Start Grant (BSG) is a form of Early Years Assistance which is provided for in the Social Security (Scotland) Act 2018. Early Years Assistance will replace the UK Government's Sure Start Maternity Grant (SSMG) in Scotland.
- 7 Best Start Grant is composed of three grants that will be paid at different points of a child's life. At this stage, only the secondary legislation for the Pregnancy and Baby Grant has been laid. The Pregnancy and Baby Grant refers to the early years assistance that is to be given in connection with having, or expecting to have, a new baby in the family.
- 8 At a later date, we expect the Scottish Government to introduce further secondary legislation which allows for the Early Learning Grant and the School-Age Grant for children starting nursery and then school.⁷ As this is not included within these regulations, the nursery and school payments are out of scope of this policy costing.⁸ When we refer to BSG in the remainder of this publication this is in respect of the Pregnancy and Baby Grant only.

Summary

- 9 BSG follows a similar structure to the UK Government's SSMG. SSMG allows for a £500 payment to families in receipt of a qualifying benefit following the birth of their first child. For BSG, the Scottish Government has expanded qualifying criteria, increased payment amounts and introduced payments for second and subsequent children.
- 10 We provided a forecast for expenditure on the SSMG in our May 2018 forecast publication. Our forecast for SSMG has been revised since this publication to reflect updated information from DWP on the number of awards for SSMG in 2017-18. For SSMG, we forecast spending of £2.5 million and around 4,900 individuals to receive payments in Scotland in 2019-20.
- 11 Table 1 provides the expected expenditure for BSG compared with forecast expenditure under the comparable UK policy, SSMG.

⁶ Protocol for engagement between the Scottish Fiscal Commission and the Scottish Government Version 2.0 March 2018 ([link](#))

⁷ The details for nursery and school payments are detailed in the Scottish Government's consultation on the Best Start Grant Regulations ([link](#)).

⁸ Once the nursery and school payments are finalised in legislation which is laid in Parliament, we will provide a cost for them.

Table 1: Forecast expenditure for SSMG and BSG in Scotland

£ million	2019-20	2020-21	2021-22	2022-23	2023-24
SSMG	2.5	2.4	2.5	2.5	2.5
BSG – Pregnancy and Baby Grant	5.6	5.9	6.0	6.4	6.6
Difference	3.1	3.5	3.6	3.9	4.1

Source: Scottish Fiscal Commission. Note figures may not sum because of rounding.

Measure description

- 12 We describe below the policy changes that we expect to have a significant effect on expenditure. The Scottish Government has made many changes with the introduction of BSG, the changes we consider will not have significant implications for expenditure are not detailed in this publication.⁹
- 13 In general, SSMG awarded one £500 payment to claimants in respect of the birth of their first child. For BSG, this payment increases to £600 and a £300 payment in respect of the births of second or subsequent children is introduced. The payment amounts remain fixed across all years of our forecast.
- 14 To claim either SSMG or BSG, most individuals must be in receipt of a qualifying benefit. We note the Scottish Government has expanded the SSMG eligibility criteria by introducing new qualifying benefits for BSG, such as Housing Benefit and removing restrictions on claimants who receive Tax Credits. The full qualifying benefits are detailed in Table 2.
- 15 The application window refers to the time in which an individual’s claim will normally be accepted.¹⁰ Under SSMG, DWP allowed claims from 11 weeks before the due date to three months after the child’s birth. Under BSG, this application window widens, from 16 weeks before the due date to six months after the child’s birth.
- 16 Another change is that mothers who are under 18 are not required to be in receipt of a qualifying benefit under BSG, unlike the SSMG.
- 17 Table 2 summarises the points discussed above and shows a policy comparison for SSMG and BSG for the changes we expect to have an effect on expenditure.

⁹ Full policy details for BSG can be found in Early Years Assistance (Best Start Grants) (Scotland) Regulations 2018.

¹⁰ There are some circumstances, such as those for kinship carers, where the application windows are different to those detailed here. This is not detailed as we don’t expect this to have a significant effect on expenditure.

Table 2: SSMG and BSG policy comparison

Policy detail	Sure Start Maternity Grant	Best Start Grant
Payments for first child	£500	£600
Payments for second or subsequent children	£0	£300
<p>Qualifying Benefits</p> <p>The following benefits are qualifying benefits for both BSG and SSMG: Income Support, income based JSA, income related ESA and Pension Credit. The difference in qualifying benefits are shown in this table.</p>	<p>a) Child Tax Credit that includes a child, disabled child or severely disabled child element</p> <p>b) Working Tax Credit that includes a disabled worker or severe disability element</p> <p>c) Universal Credit at any award level</p>	<p>a) Child Tax Credit</p> <p>b) Working Tax Credit</p> <p>c) Universal Credit at an award level greater than £0 in the month of or the month before the application is made</p> <p>d) Housing benefit</p>
Post Birth Application Window	3 months	6 months
Pre Birth Application Window	11 weeks before due date	24 or more weeks pregnant with the child
Payments to mothers under 18	First birth payments to mothers in receipt of qualifying benefits	<p>Birth payments to the following groups regardless of qualifying benefits:</p> <ul style="list-style-type: none"> • All mothers under 18 • Mothers aged 18 or 19, in full time education and still dependant on their parents.

Note: This is based on current UK policy on 31 August 2018 and could be subject to change.

Sources: UK Government's website for Sure Start Maternity Grant ([link](#)) and Early Years Assistance (Best Start Grants) (Scotland) Regulations 2018.

The costing

- 18 Table 3 provides the expected expenditure for BSG and the number of individuals we expect to receive BSG payments, also referred to as the caseload.

Table 3: Forecast expenditure and caseload for BSG in Scotland

	2019-20	2020-21	2021-22	2022-23	2023-24
Expenditure (£ million)	5.6	5.9	6.0	6.4	6.6
Caseload (000's)	13	13	14	15	15

Source: Scottish Fiscal Commission

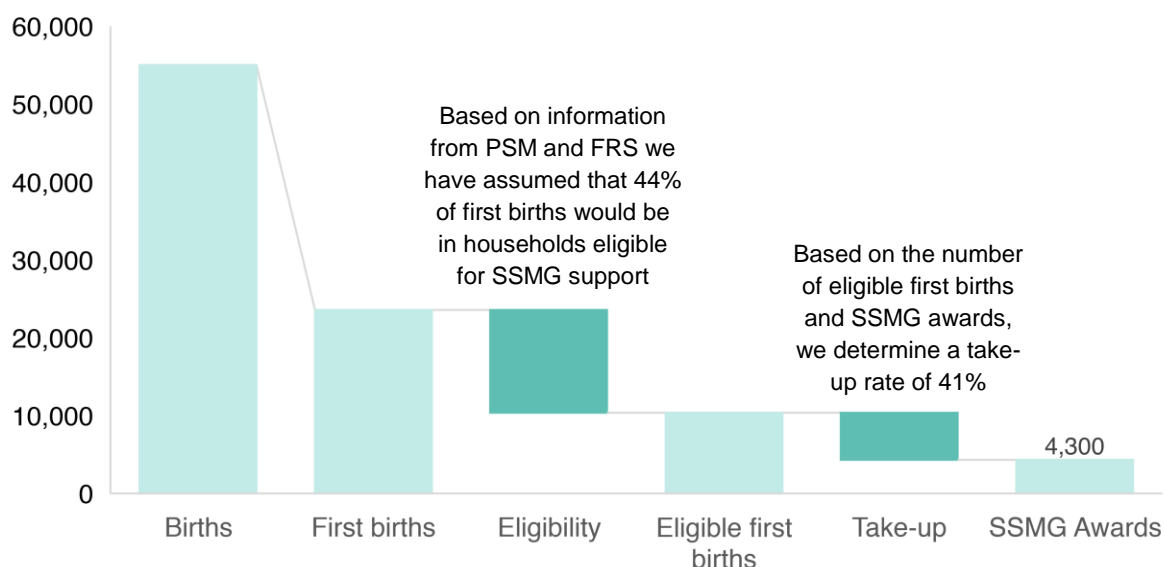
- 19 We described our approach to forecasting SSMG in our December 2017 publication.¹¹ To forecast BSG, the same methodology is used but extended to incorporate the payments to second and subsequent children and payments to all mothers under 18. We have also changed our assumptions for payment amounts, eligibility and take-up rates.
- 20 The first step in our calculation is to categorise the historic birth data for Scotland, depending on whether it is a multiple birth, a first birth or a subsequent birth as these criteria impact on BSG payments. We also identify births to mothers under 18 as there are different eligibility criteria for these cases. We use information from National Records of Scotland and NHS to do this.¹²
- 21 We then consider which proportion of each birth type is likely to be in a household in receipt of one of the BSG qualifying benefits and therefore eligible for support. We use information from the Family Resources Survey (FRS) and DWP's Policy Simulation Model (PSM) to inform our assumptions.¹³
- 22 Once the number of eligible births is estimated, we compare the number of births we have calculated as being eligible for SSMG with the number of individuals who have received awards to estimate a take-up rate. Our step-through from total births to SSMG awards in Scotland for 2017-18 is shown in Figure 1. Further information on take-up rates and the uncertainties in estimating them is provided in the section on take-up rates on page seven.

¹¹ Scottish Fiscal Commission (2017) Scotland's Economic and Fiscal Forecasts – December 2017([link](#))

¹² NRS mid-year population estimates ([link](#)) and NHS Births in Scottish Hospitals 2016-17 Table 11.1 ([link](#))

¹³ The Policy Simulation Model (PSM) is a microsimulation model, which draws on information from the Family Resources Survey to identify what proportion of the Scottish population are in receipt of qualifying benefits ([link](#)).

Figure 1: Number of births, first births, eligible first births and awards for SSMG in Scotland in 2017-18



Source: NRS mid-year population estimates ([link](#)), NHS Births in Scottish Hospitals 2016-17 Table 11.1 ([link](#)), Scottish Fiscal Commission and DWP Social Fund figures for 2017-18 ([link](#))

23 By the method described above, we estimate the average take-up rate for 2016-17 and 2017-18 to be 46 per cent and we use this as our starting point for our forecast. We then consider how we might expect this to change as a result of the move from SSMG to BSG and also how it may change over the forecast horizon. Table 4 below shows the take-up rates we have used for this BSG forecast. Further information on how we reached this judgement is provided in the take-up rates section below.

Table 4: Take-up rates

2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
47%	50%	52%	54%	56%	58%

Source: Scottish Fiscal Commission

24 After the take-up rates are applied, the caseload for each birth type is multiplied by their corresponding payment amounts to provide our expenditure forecast.

Expenditure in financial year 2018-19

25 In the Programme for Government on 4 September 2018, the First Minister announced plans to introduce the Best Start Grant before Christmas in

2018.¹⁴ In Table 5, we have provided indicative expenditure and caseload for BSG in 2018-19, based on two potential dates of implementation.

Table 5: Indicative BSG expenditure and caseload in Scotland for 2018-19

Date of implementation	Expenditure (£ million)	Caseload (000's)
1 November 2018	2.2	5
1 December 2018	1.7	4

Source: Scottish Fiscal Commission

Take-Up Rates

26 We use the term “take-up rate” to refer to the estimated proportion of the eligible population who claim either BSG or SSMG. We have to estimate take-up rates as there is not currently data on who could be eligible for support and the proportion of those individuals who then receive payment. Surveys such as the Family Resources Survey are the best source of information to help inform our assumptions but even these have limitations. We have considered a number of factors while determining the assumptions on changes take-up rates included in this forecast and some of these are as follows:

- Extending the application window under BSG will give claimants more time to apply for the grant which could potentially increase take-up.
- SSMG limits eligibility in respect of tax credits and in particular, individuals who received Working Tax Credits have to be in receipt of the disabled worker or severe disability element. Individuals who do not meet this criterion may be eligible once they are in receipt of Child Tax Credit, however this can only be claimed once the child is born and within the three month post-birth application window. For BSG, the Scottish Government has included all Working Tax Credits as a qualifying benefit and individuals can apply as soon as they are within the application window. This expansion in eligibility criteria could possibly increase take-up.
- The application process is expected to be easier for BSG than for SSMG. For SSMG, there is a requirement for a midwife signature on the paper application form. For BSG, the Scottish Government plans to simplify the verification process by electronically cross checking applicants with data already collated by the Scottish Government to distribute the baby box, removing the need for further verification for most applicants. Social Security Scotland will also take applications online and on the phone.
- There are unintentional downwards pressures that accompany any new system or process. Claimants may initially apply to DWP instead of

¹⁴ Scottish Government (2018) The Government’s Programme for Scotland 2018-19 ([link](#))

Social Security Scotland. It may take time for the new benefit to be advertised and communicated to the individuals who are potentially eligible for support.

- 27 Understanding take-up rates is an evolving process, where the Commission makes a judgement based on the information available at that time. We are aware of other factors that may affect take-up in the future, but we do not have sufficient detail to include at this stage. These are as follows:
- The Scottish Government has discussed plans to actively promote take-up with a marketing and communication strategy. This plan will not be introduced before the BSG launch later in 2018 and no date for publication has been announced. We will continue to monitor progress on this strategy.
 - The financial inclusion work done by health professionals and others will raise awareness of the Pregnancy and Baby Grant, in the same way as it has done previously for SSMG. Once the Early Learning Grant and School Age Grant are introduced there will be additional routes, including nursery and school, by which individuals may be made aware of BSG.
 - Healthy Start Vouchers (HSV) will also be devolved to the Scottish Parliament in 2019-20. HSV recipients are likely to also be entitled to BSG. Once HSV is devolved and becomes Best Start Foods, both these benefits will be administered by Social Security Scotland. The Scottish Government plans to inform Best Start Foods recipients that they are likely to be eligible for BSG and this could increase take-up of BSG.
- 28 As a result, and in the absence of other information, the Commission has decided to increase the take-up rate by one percentage point in 2018-19 and by a further three percentage points in the first full year of implementation, 2019-20. Then for each subsequent year we apply a two percentage point uplift to take-up rates, as displayed in Table 4. We believe these assumptions are central, given the available information.
- 29 There are particular uncertainties with these estimates as BSG will be one of the first benefits to be administered by Social Security Scotland. We will monitor how the take-up of the benefit compares to our estimates and will use this information to inform our future judgements on take-up rates of other benefits to be devolved.



Dame Susan Rice DBE



Professor Alasdair Smith

Abbreviations

BSG	Best Start Grant
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
FRS	Family Resources Survey
GDP	Gross Domestic Product
HSV	Healthy Start Vouchers
JSA	Jobseeker's Allowance
NHS	National Health Service
NRS	National Records of Scotland
PSM	Policy Simulation Model
SSMG	Sure Start Maternity Grant

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