

25 September 2018

Scottish Fiscal Commission

An introduction to the Commission, what we forecast and how we approach forecasting

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Welcome

Dame Susan Rice, Chair

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An introduction to the Commission and how we work

Claire Murdoch, Head of Devolved Taxes and Social
Security Forecasting

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Who are we?

- Scotland's independent official forecaster
- Committed to openness and transparency
- Structurally and operationally independent of the Scottish Government

2 Commissioners and 22 Staff, split into three units:

- ✓ Economy, Income Tax & VAT Forecasting
- ✓ Devolved Taxes & Social Security Forecasting
- ✓ Strategy, Change & Corporate Services

Recruited from a range of backgrounds

Based in Governor's House, Edinburgh



What do we forecast?

- // Scottish Economy

- // Tax receipts

- // Social Security expenditure

- // Assessment of the Government's projections of borrowing

- // Our forecasts are used to set the numbers for the Scottish Government's Budget

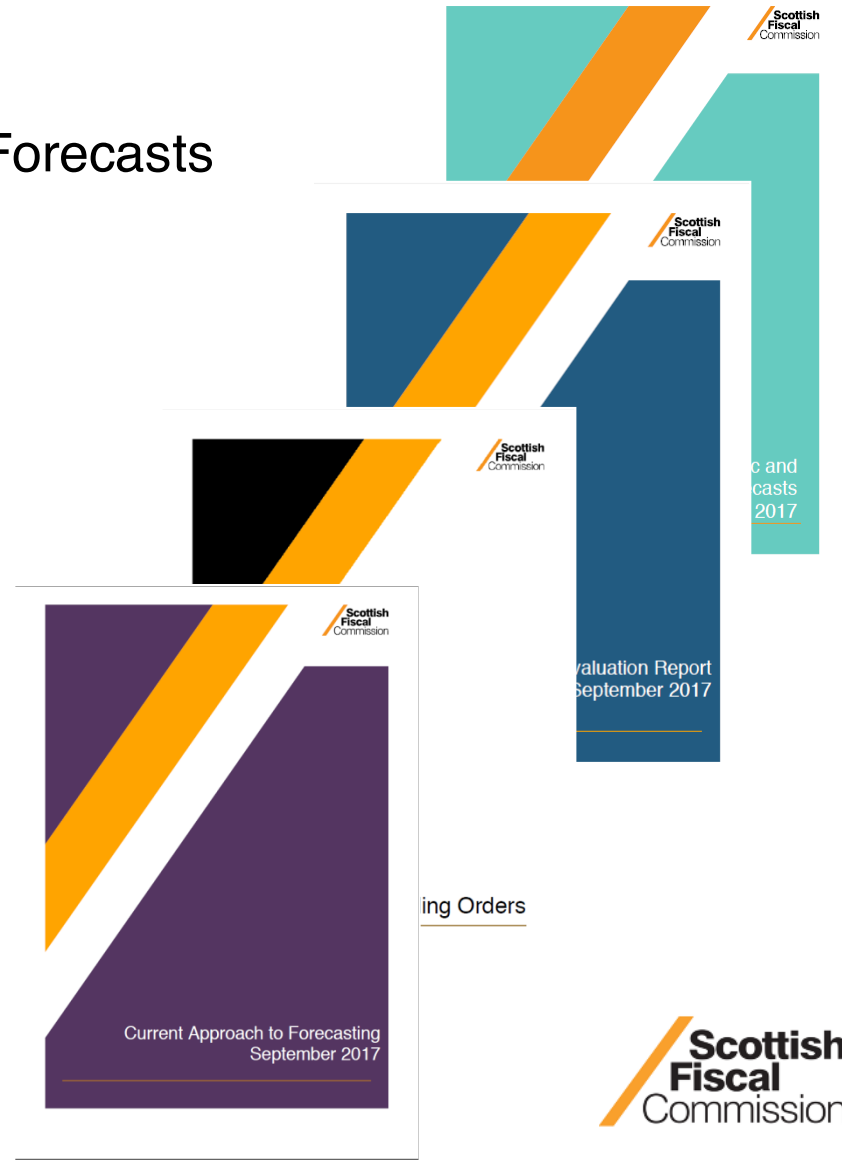
What do we publish?

// Scotland's Economic and Fiscal Forecasts

// Forecast Evaluation Reports

// Corporate Documents

// Occasional Papers



When do we produce forecasts?

Scottish Budget

Typically December

Secondary Legislation

Scottish Government will detail new benefits in secondary legislation

To aid Parliamentary scrutiny of new benefits, we will publish a forecast on the same day

Medium-Term Financial Strategy

Typically May

Our engagement with Scottish Government

1. We produce two independent forecasts a year to support the Scottish Government's Budget cycle.



2. To do this we collect data on the economy, devolved tax revenue and social security spending, and consider trends in the data.



3. We also meet with the Scottish Government to find out what policy changes it might be proposing. The Scottish Government gets copies of all our models to help Ministers make decisions on policy options.



Our engagement with Scottish Government

4. Our engagement with the Scottish Government and details of the information we share is set out in a formal Protocol agreed between ourselves and the Scottish Government.



5. This Protocol is published on our website. It confirms our independence.



6. We engage with numerous stakeholders but our judgements and decisions are our own.



Our scope for social security

What we do now:

... the future

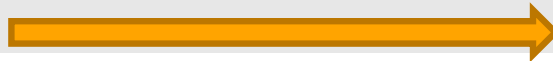
Carers Allowance (including supplement)

Discretionary Housing Payments

Scottish Welfare Fund

Employability Services

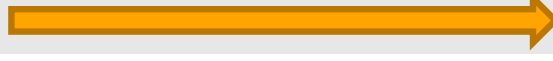
Funeral Payments



Sure Start Maternity



Healthy Start Vouchers



Funeral Expense Assistance

Best Start Grant

Best Start Foods

Disability Living Allowance

Personal Independence Payment

Attendance Allowance

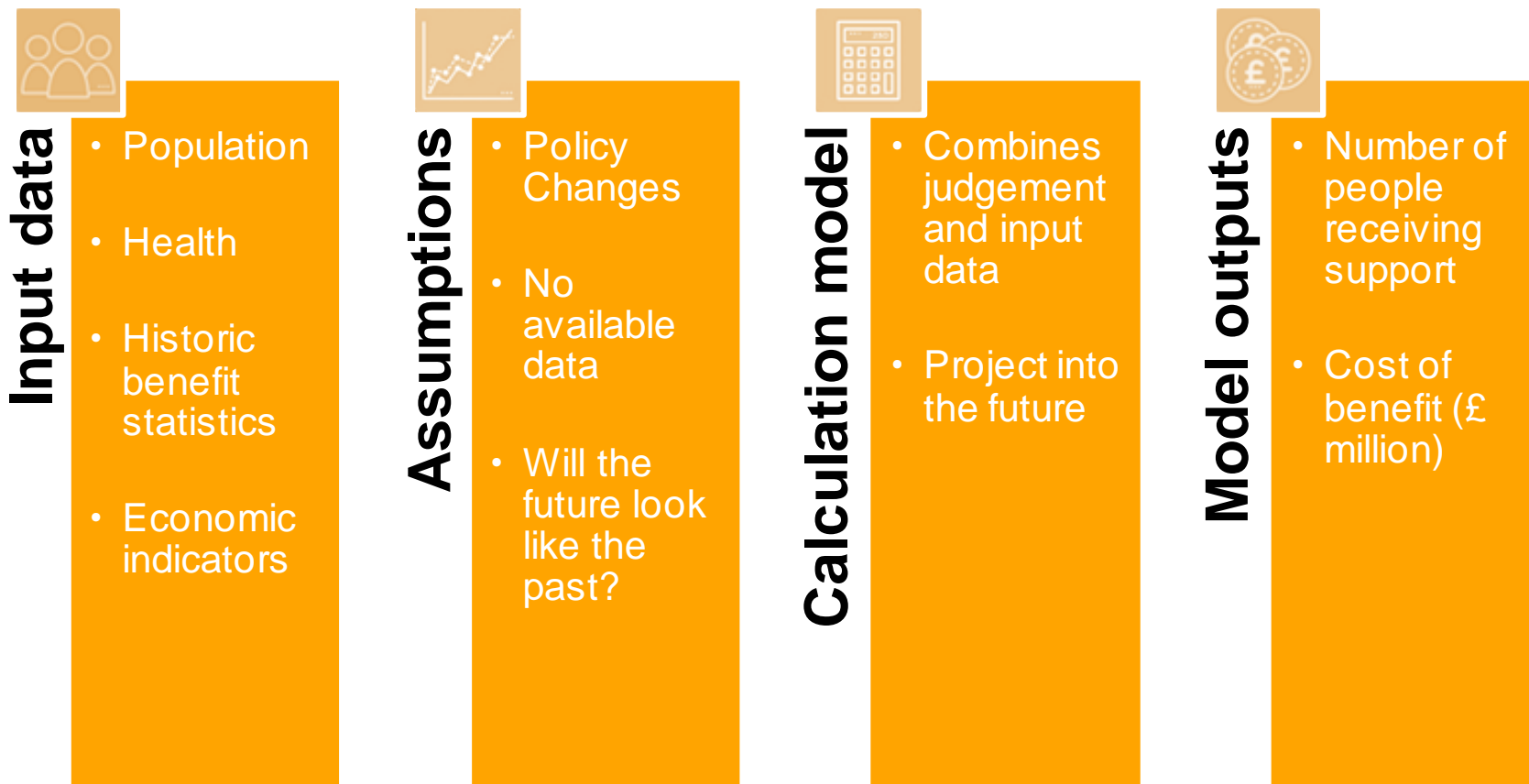
Industrial Injuries Disablement Allowance

Severe Disablement Allowance





Cold Weather Payments

Winter Fuel Payments

Our Modelling Approach



Examples from our last publications

Social security		2016-17	2017-18	2018-19	2022-23	£ million
	Carer's Allowance (inc. Supplement)	234	247	300	355	Increases in weekly payments and the state pension age increase expenditure
	Discretionary Housing Payments	50	60	61	66	Expenditure is increasing because of the cost of mitigating the bedroom tax
	Scottish Welfare Fund	33	33	34	35	Mitigating UK policy to reduce housing cost payments to 18-21 year olds increases costs
	Employability	0	11	24	3	Services are accepting referrals between 2017 and 2020, to help people into work

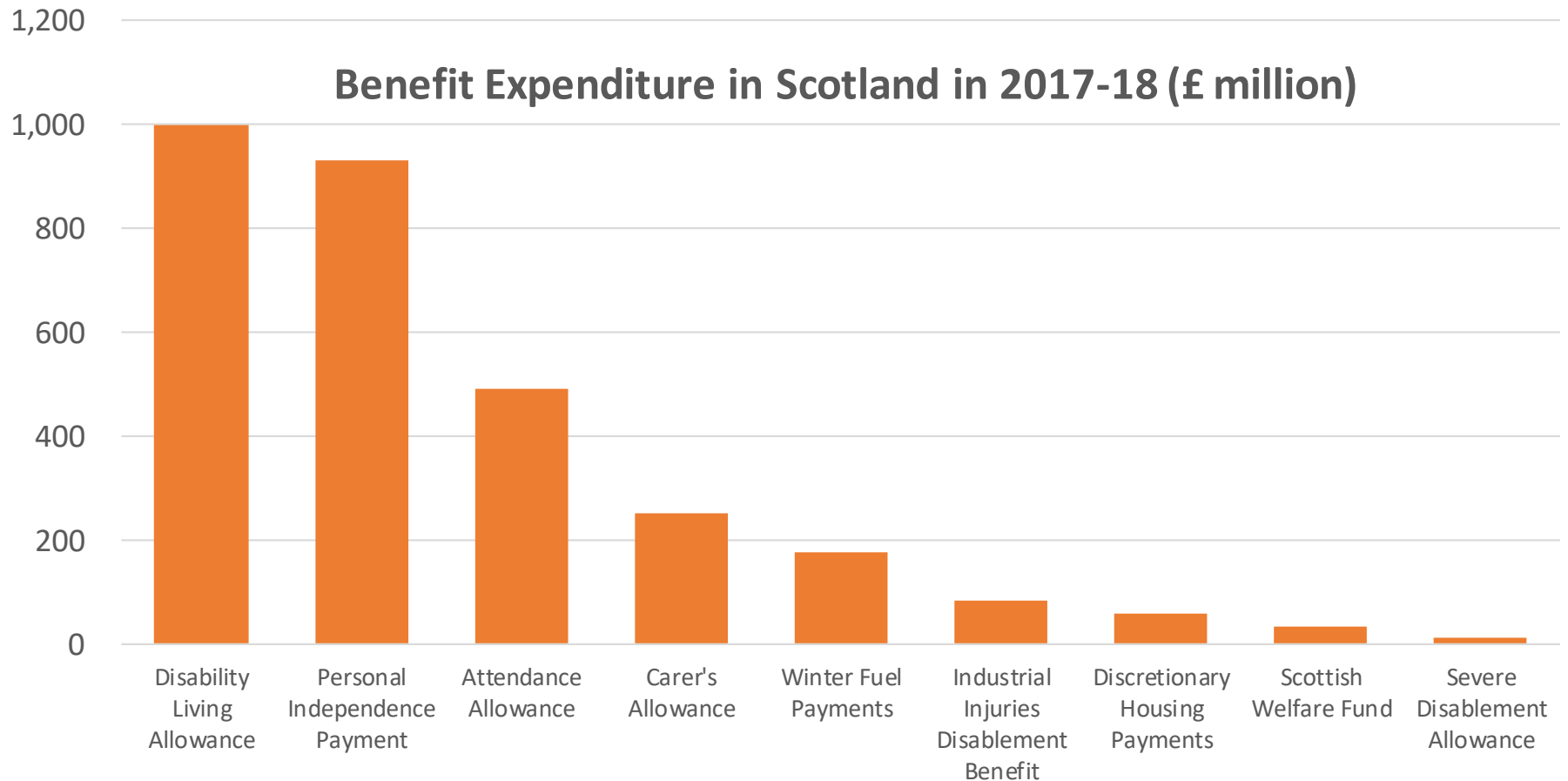
Source: Scotland's Economic and Fiscal Outlook: May 2018

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

The numbers.....



- Total expenditure of **£3 billion**
- Also Funeral Payments (£5m), Healthy Start Vouchers (£5m), Sure Start Maternity Grant (£2m) and Cold Weather Payments (£1m)



Carer's Allowance, Ill health and disability benefits, Best Start Grant and Best Start Foods

Our approach to forecasting

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Carer's Allowance

Overview

- Carer's Allowance is paid to people who care for someone who is in receipt of a disability benefit, and meet eligibility criteria
- Responsibility for Carer's Allowance has now been transferred to the Scottish Parliament.
- The Scottish and UK Governments have agreed that DWP will continue to administer CA in the short term.
- From September 2018, the Carer's Allowance Supplement has been paid to eligible carers.
- Carer's Allowance Supplement reflects the difference between Jobseeker's Allowance and Carer's Allowance

Weekly payments (£)	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Jobseeker's Allowance	73.10	74.85	76.20	77.70	79.25	80.85
Carer's Allowance	64.60	66.15	67.35	68.70	70.05	71.45



Carer's Allowance

Modelling approach (1/2)

1) Determine the historic claim rates

- The number of individuals receiving CA payments historically (DWP's StatXplore) compared to the overall population at that time (National Records of Scotland)

2) Forecast claim rates

- We consider the historic claim rates, choose a statistical model and apply our judgement to project forward the claim rates

3) Allow for population projections

- We multiply the forecast claim rates by the projected Scottish population in future years (Office for National Statistics) to get a forecast caseload

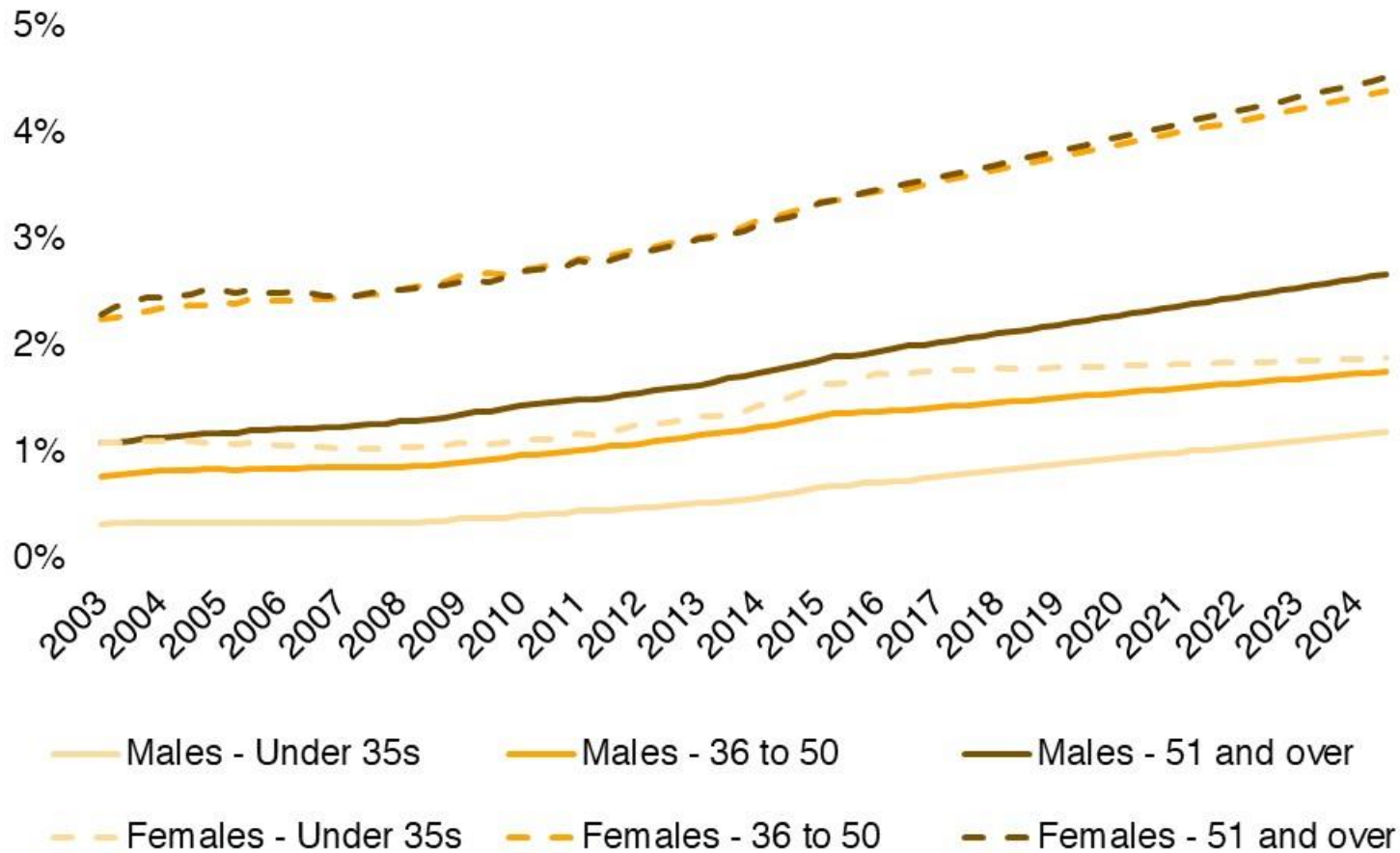
4) Calculate expenditure

- We uprate the payment amounts, in line with CPI, and multiply these amounts by the forecast caseload.



Carer's Allowance

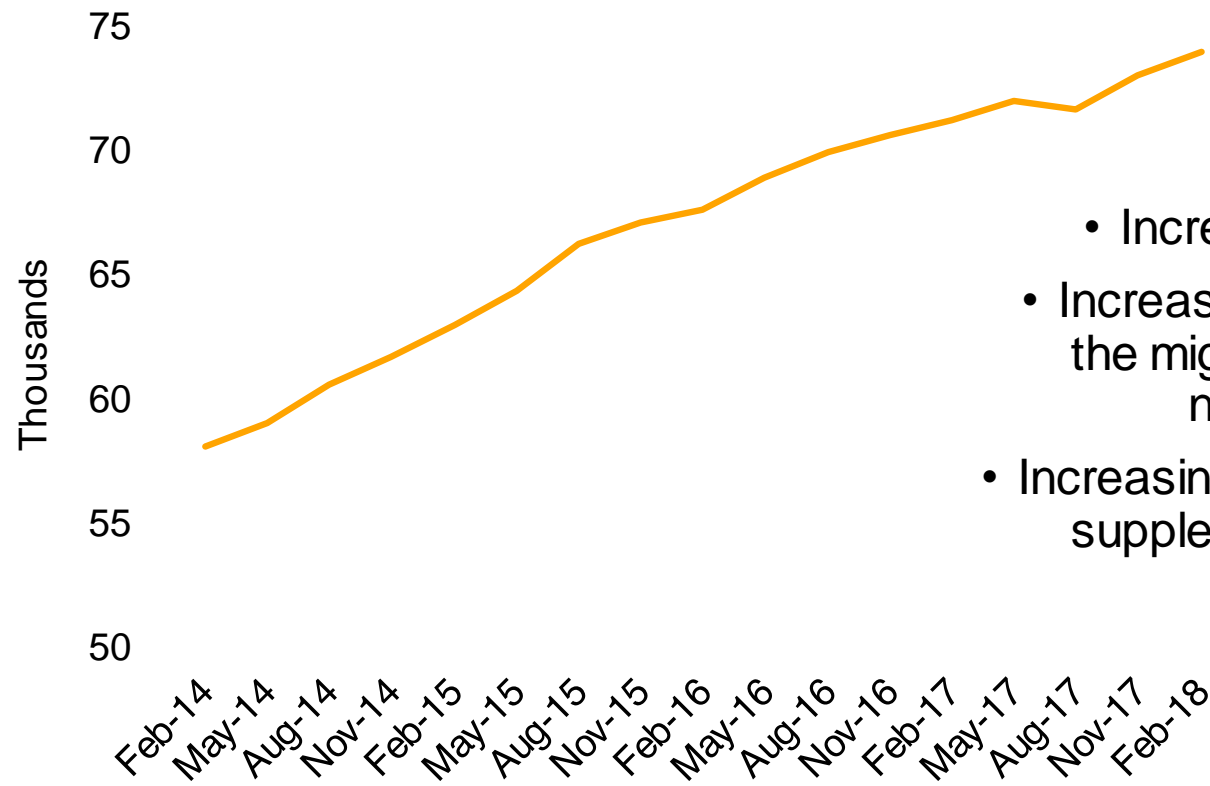
Modelling approach (2/2) – claim rates





Carer's Allowance

Main assumptions and judgements



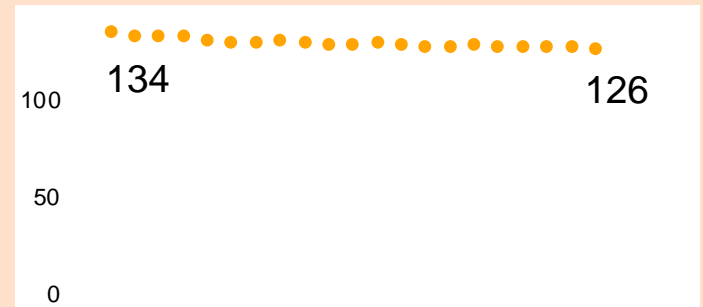
- Increasing numbers of carers
- Increasing disability claims – will the migration to PIP change the number of eligible carers?
- Increasing payments – will the CA supplement change behaviour?



Ill health and disability benefits

Caseload in Scotland in the past five years (thousands)

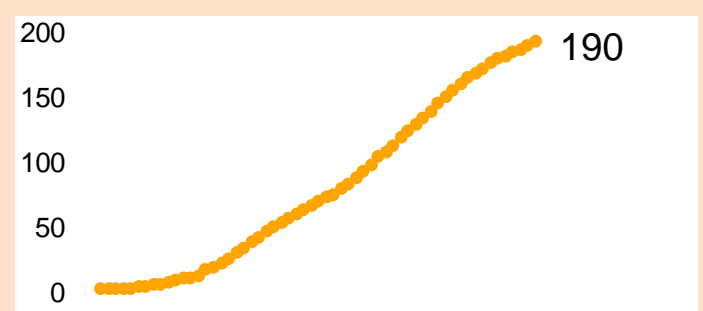
Attendance Allowance (AA)



Disability Living Allowance (DLA)



Personal Independence Payment (PIP)

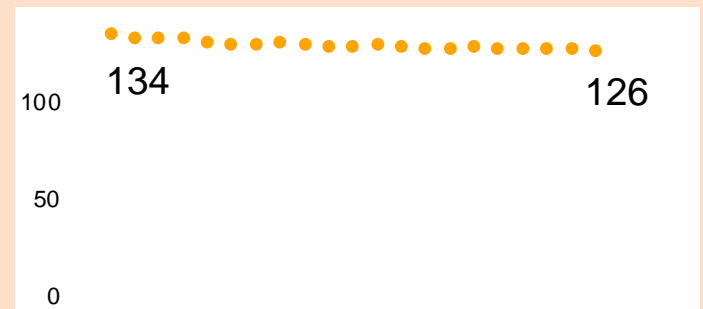




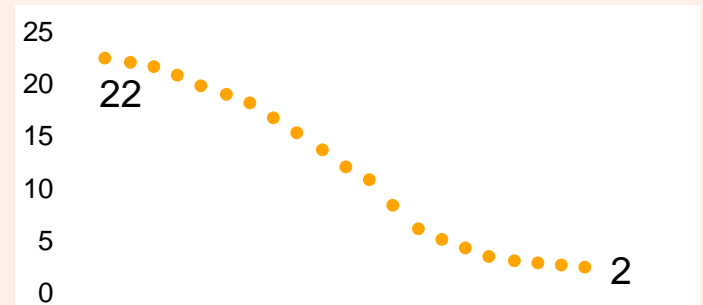
Ill health and disability benefits

Caseload in Scotland in the past five years (thousands)

Industrial Injuries Disablement Benefit (IIDB)



Severe Disablement Allowance (SDA)





Best Start Grant

Benefit Overview

Pregnancy and Baby Grant

- £600 - birth of first child
- £300 - birth of second or subsequent children

Early Learning Grant

- £250 - children starting nursery

School-Age Grant

- £250 - children starting school

- Replacing UK Government's Sure Start Maternity Grant
- Introduction of full grant by summer 2019. Pregnancy and Baby Grant introduced by end of 2018
- Qualifying benefits include: income support, income based JSA, income related ESA, child tax credit, working tax credit, Universal Credit and housing benefit



Best Start Grant

Modelling Approach

How many births or children will there be in Scotland?



How many will be eligible?



How many will take up the support?



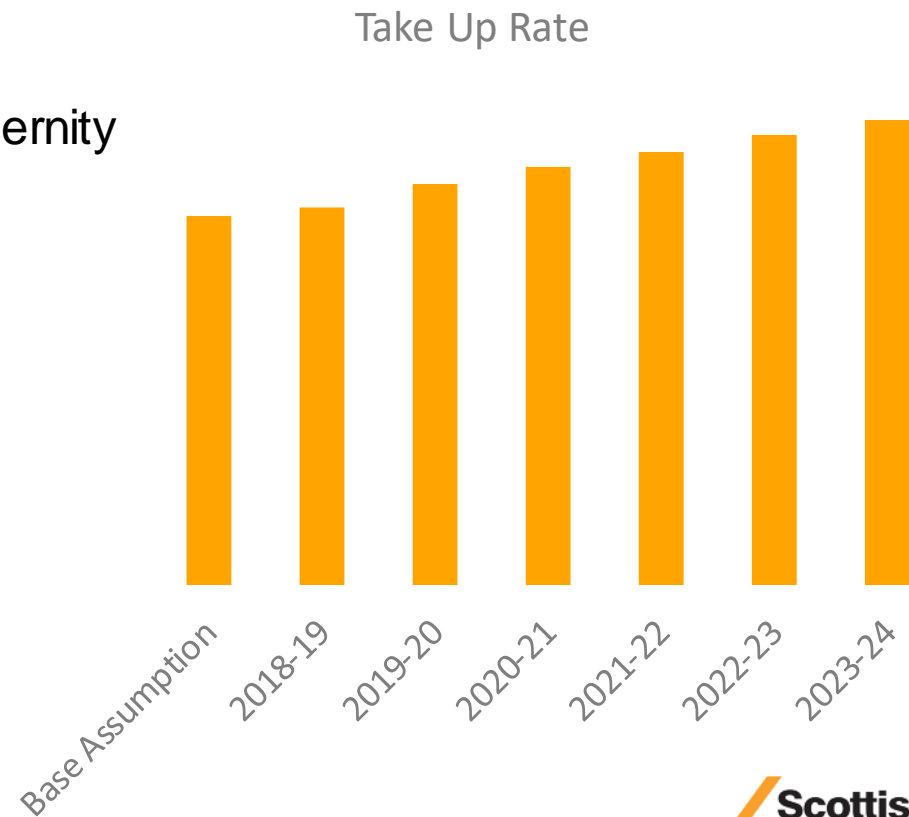
What will the cost be?



Best Start Grant

Main Assumptions and Judgements

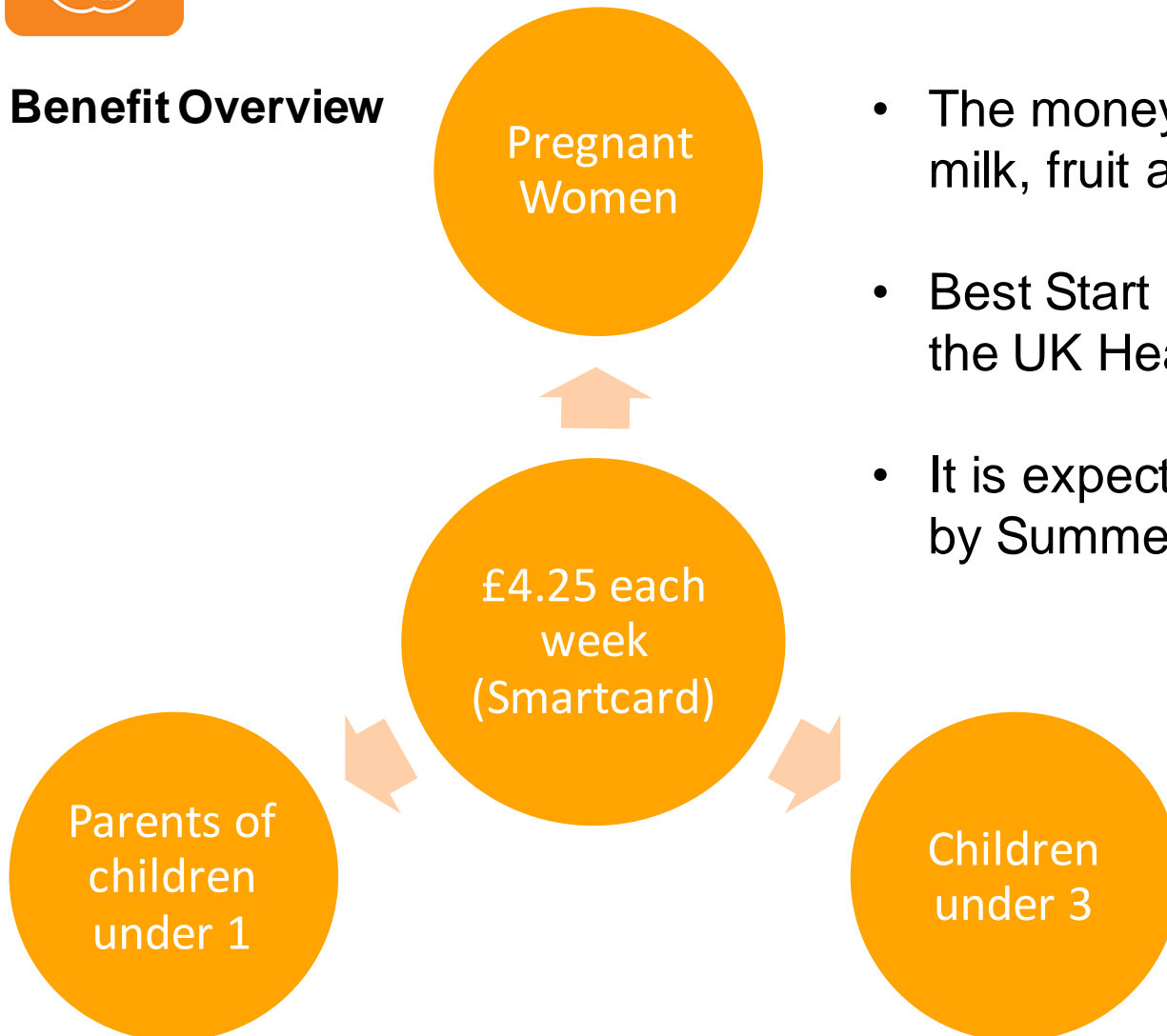
- Changes from Sure Start Maternity Grant to Best Start Grant
- Eligibility
- Take Up Rates





Best Start Foods

Benefit Overview

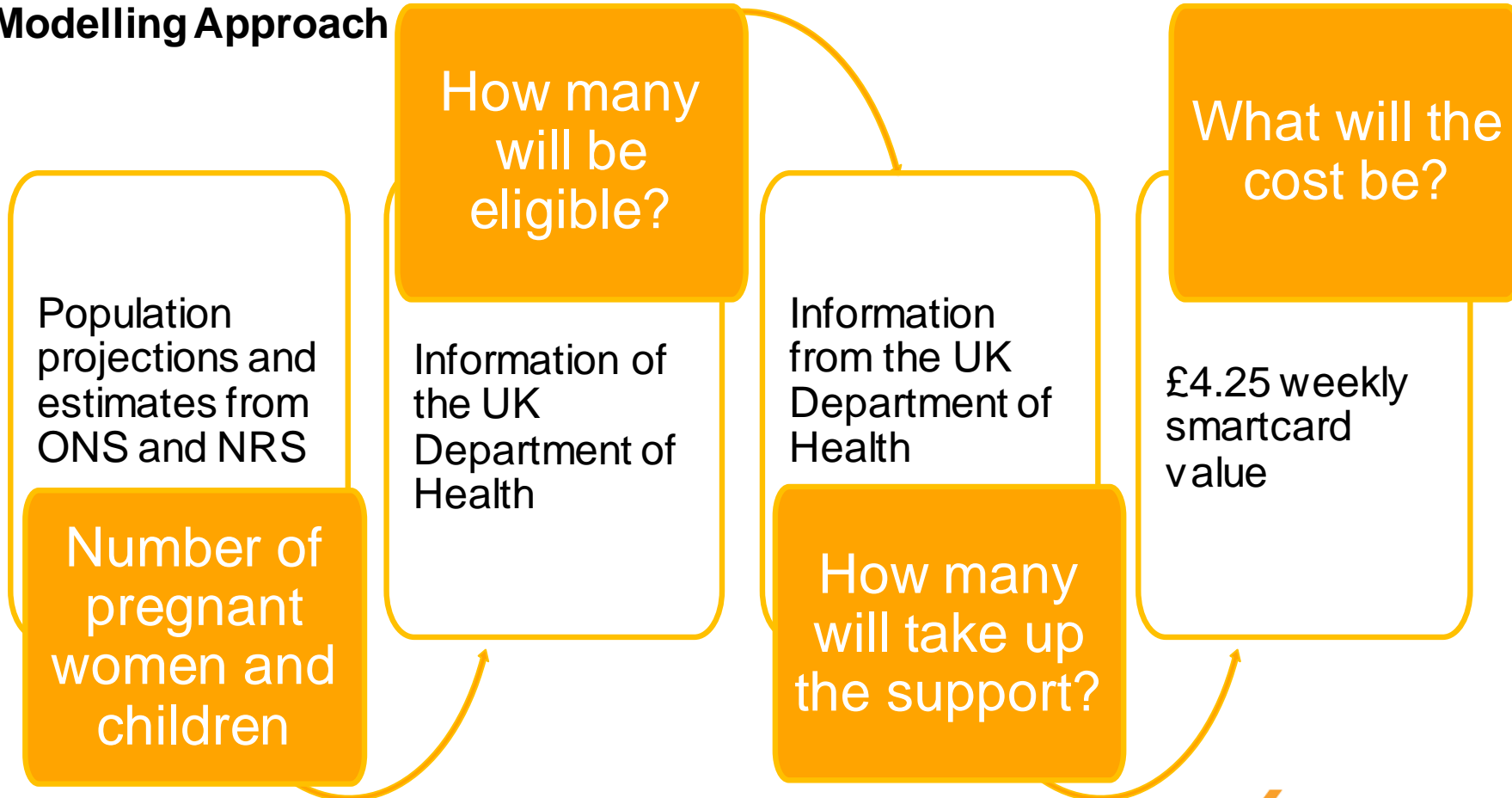


- The money can be used to buy milk, fruit and vegetables
- Best Start Foods are replacing the UK Healthy Start Vouchers
- It is expected to be introduced by Summer 2019



Best Start Foods

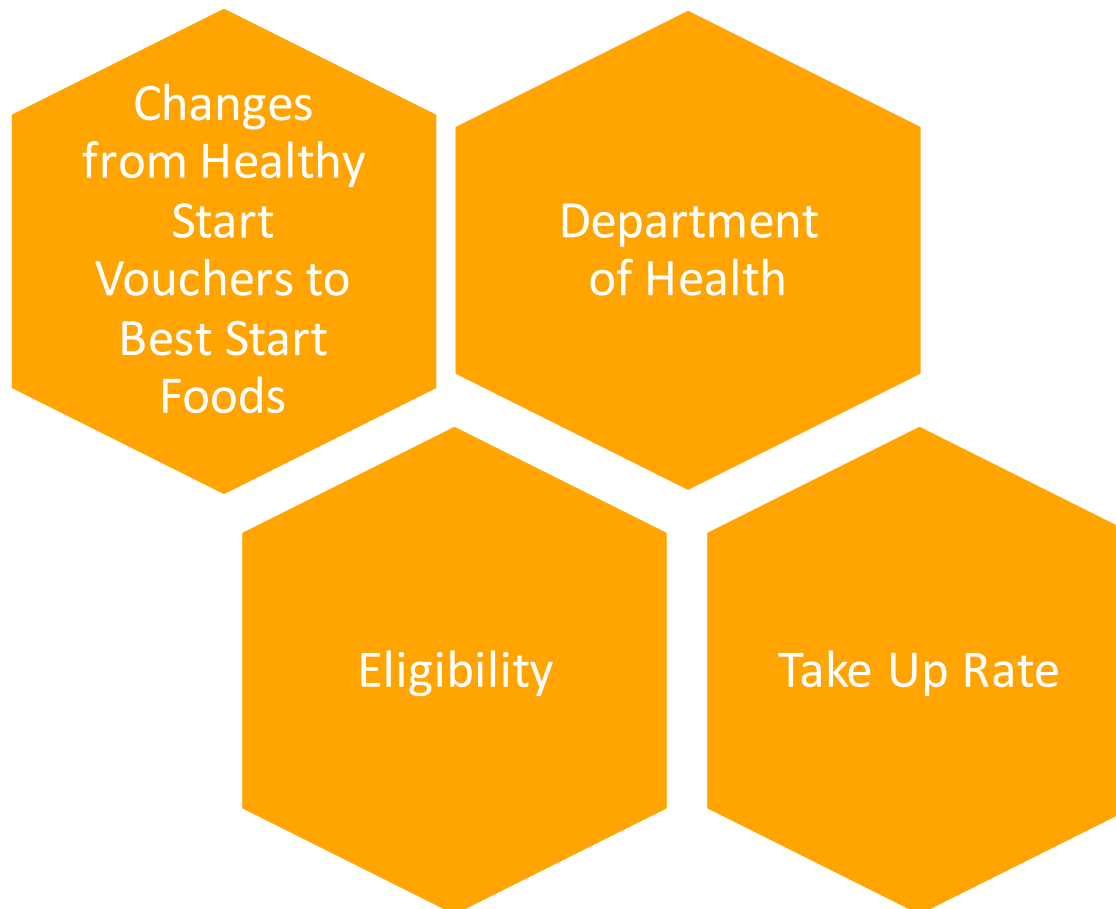
Modelling Approach





Best Start Foods

Main Assumptions and Judgements





Q&A

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Discretionary Housing Payments, Funeral Expense Assistance and Employability

Our approach to forecasting

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Discretionary Housing Payments

Overview

- DHPs are grants awarded by local authorities to people in need of extra financial assistance with housing costs.
- Two components – mitigating the bedroom tax and other spend.

Scot Gov provides funding to mitigate the bedroom tax

Scot Gov use DHPs to mitigate the bedroom tax

SFC forecasts in Dec 17 and May 18

2013

2014

2015

2016

2017

2018

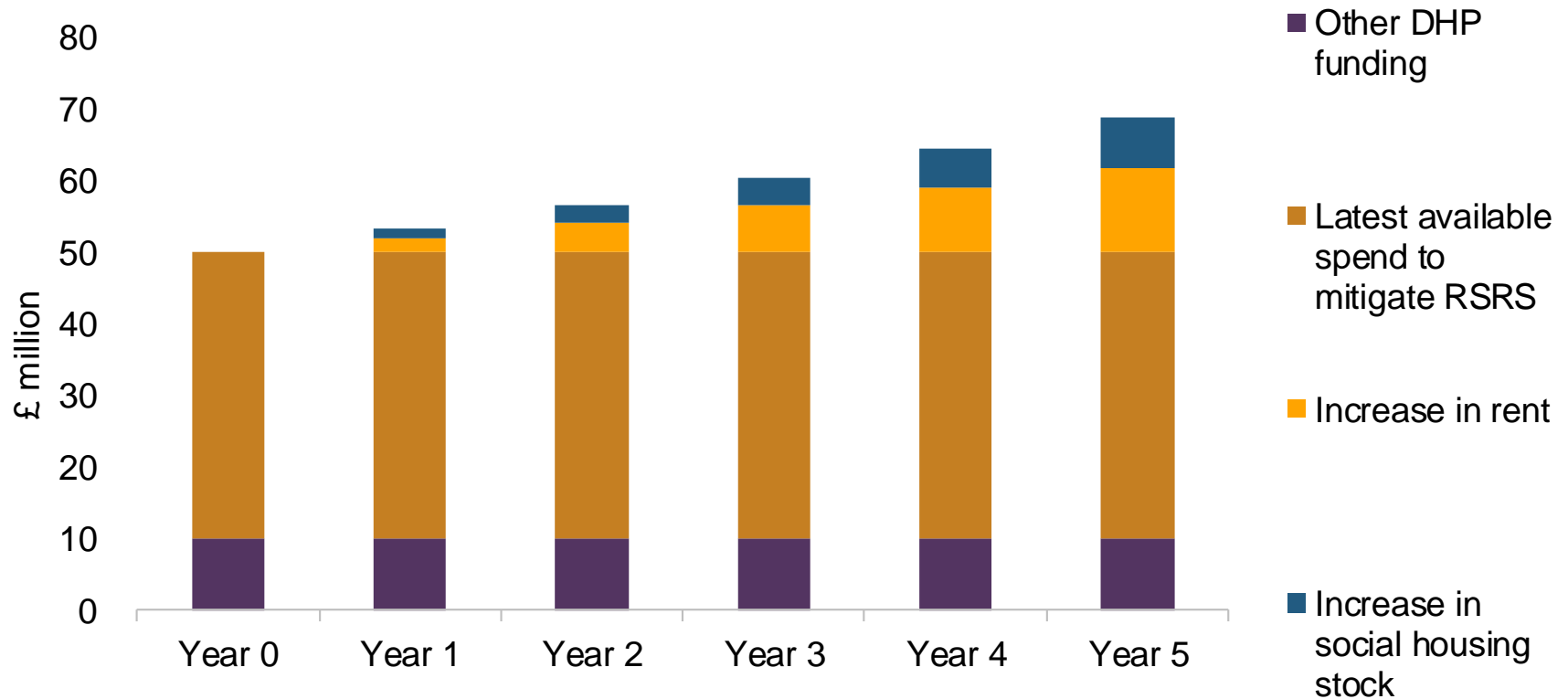
UK Government introduces the bedroom tax from April 2013

DHPs devolved to the Scottish Parliament in April 2017



Discretionary Housing Payments

Modelling approach





Discretionary Housing Payments

Main assumptions and judgements

- Rent levels for social housing
- Who will move into new social housing units?
- *“We will deliver at least 50,000 affordable homes by 2021 backed by over £3 billion. This target represents a 67% increase in affordable housing supply, and 35,000 of the 50,000 target will be for social rent”*
- The roll-out of Universal Credit



Funeral Expense Assistance

Overview

- Expected to be devolved by Summer 2019. It will be known as Funeral Expense Assistance on devolution.
- To support individuals on low incomes with funeral costs.
- To receive support, individuals must have been awarded a 'qualifying benefit'. They must also be responsible for the cost of the funeral.



Funeral Expense Assistance

Modelling approach

Number of deaths expected in Scotland

Deceased is 16
or under

Deceased is over 16

Couples

Single Adults

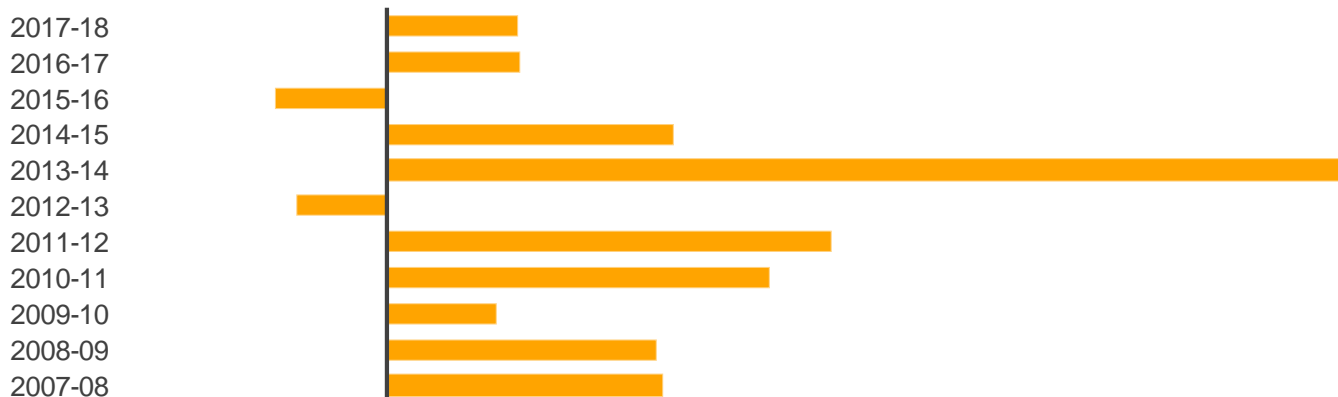


Funeral Expense Assistance

Main assumptions and judgements

- Number of deaths is the key part of the forecast
- Analysis to determine who is responsible for the cost of the funeral
- Funeral costs steadily increasing – will this continue?
- How will the benefit change when it is devolved? Impact on take-up rate?

Annual percentage change in average award amounts for Funeral Payments in Scotland





Employability

Overview

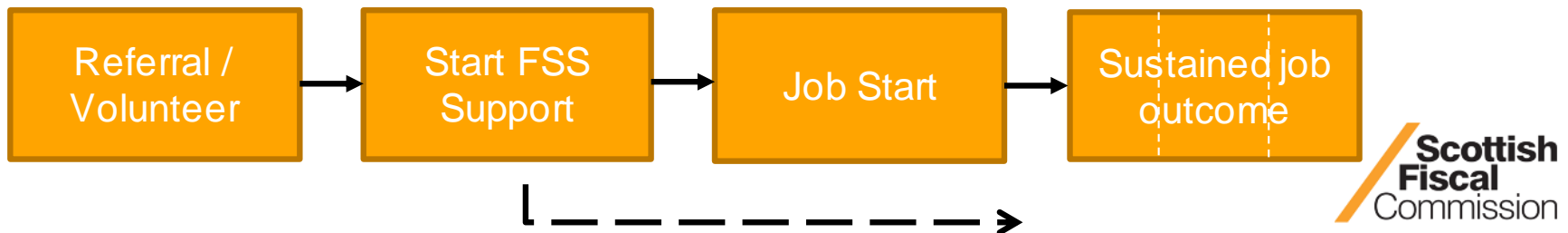
- Two transitional services (Work First Scotland & Work Able Scotland) accepted referrals during 2017-18.
- Fair Start Scotland (FSS) service was launched on 3 April 2018
- FSS is a **voluntary** employability service designed to help people with disabilities or who are long-term unemployed find sustained employment.
- The Scottish Government has contracted external employability service providers to deliver FSS.



Employability

The Fair Start Scotland (FSS) service

- The FSS is designed around participant's needs and there are three broad categories of service provided: Core, Advanced and Intense.
- The FSS service has been allocated a £96 million budget by the Scottish Government to accept referrals over three years, but contracts with and payments to providers run for five years.
- The service is performance managed by the Scottish Government.





Employability

Modelling approach

- Total expenditure on FSS is comprised of spend on service fees + spend on performance related fees.
- The performance related fees are paid to providers based on the number of job outcomes and the length of time people are employed (key milestones are 13 weeks, 26 weeks and 52 weeks).
- The employability expenditure forecasts presented in our December 2017 and May 2018 forecast reports were based on data provided by Scottish Government on the contracts in place.



Employability

Main assumptions and judgements

- Eligible population?
 - What % of people in each support category will be referred/volunteer **and** start the programme?
 - What % of programme starts obtain a job in each category?
 - What % of job starts achieve sustained employment?
-
- We will work with SG to make best use of performance data to inform future assumptions.
 - Forecasts will always be reliant, to an extent, on delivery information from the Scottish Government.



Q&A

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Conclusions

John Ireland, Chief Executive

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