
Supplementary Costing: Child Winter Heating Assistance

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Foreword

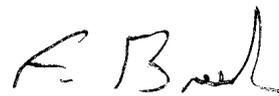
The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of the economy, tax revenues and social security spending to inform the Scottish Budget. This report sets out our forecasts of a new payment being launched by the Scottish Government, Child Winter Heating Assistance. Legislation to enact this payment has been introduced to the Scottish Parliament today, 31 August 2020.

For legislation relating to social security assistance, our objective is to ensure the Scottish Parliament has an independent estimate of the financial effects of the policy changes proposed by the Scottish Government. As a result, we only cost policies that are announced at fiscal events or accompany legislative changes introduced in the Scottish Parliament.

The COVID-19 pandemic means this policy costing comes during an exceptional time for Scotland. We will provide our latest view of the effect of COVID-19 on the Scottish Budget in a Fiscal Update, published 2 September 2020.



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31 August 2020

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Child Winter Heating Assistance Policy Costing

Introduction

- 1.1 The Scottish Government has today, 31 August 2020, laid regulations before the Scottish Parliament for Child Winter Heating Assistance (CWHA). This is a new form of assistance launched by the Scottish Government, which is provided for in the Winter Heating Assistance for Children and Young People Regulations 2020. There is no equivalent payment from the UK Government. The regulations are intended to come into force on 9 November 2020 and will enable the first payments in winter 2020.
- 1.2 At a later date, we expect the Scottish Government to introduce further secondary legislation for the Child Disability Payment (CDP) which will replace the current Child Disability Living Allowance (DLA) in Scotland. As this is not yet legislated for, we have based our forecast of CWHA spending on receipt of the existing Child DLA benefit. The Scottish Government has proposed that the CWHA regulations will be amended at a later date to broaden the entitlement criteria to include children and young people in receipt of the highest rate care component of Child Disability Payment.

Measure description

- 1.3 Child Winter Heating Assistance is an additional £200 annual payment for children and young people in Scotland receiving the highest rate care component of Disability Living Allowance to support them with additional heating costs. CWHA will be paid on a 'per individual' rather than a 'per household' basis.
- 1.4 For the majority of children and young people, no application is required. The payment will be automated as the Department for Work and Pensions (DWP) will provide Social Security Scotland with the data required to make payments to eligible families.

The cost base

- 1.5 The cost base is children and young people who receive payment of the highest rate of the care component of Child DLA in the 'qualifying week'. The 'qualifying week' is defined in legislation as the week running from the third Monday in September each year.
- 1.6 Using financial year 2020-21 as an example, the cost base is the children and young people who receive the highest rate of the care component of DLA in the week commencing 21 September 2020. Figure 1.1 shows the number of individuals we expect to receive CWHA payments each year, also referred to as the caseload.

Figure 1.1: Forecast caseload for Child Winter Heating Assistance

Thousands	2020-21	2021-22	2022-23	2023-24	2024-25
Caseload	14	16	17	18	18

Source: Scottish Fiscal Commission

1.7 Young people in Scotland who reach the age of 16 on or after 1 September 2020 will stay on DLA until age 18, instead of being invited to apply for Personal Independence Payment (PIP).¹ In recent data from DWP, we observe very few young people transferring out of Child DLA to PIP since April 2020, due to emergency measures implemented because of COVID-19. In the absence of information about plans to transfer this group, we assume that from April 2020 no young people in Scotland are transferred into PIP. We assume this group remains on Child DLA until they reach 18 and continue to be eligible for CWHA.

The costing

1.8 We estimate that the spending in 2020-21 for Child Winter Heating Assistance will be £2.9 million.

1.9 To produce this costing, we estimated the number of children and young people receiving the highest rate of the care component for Child DLA in Scotland in each future qualifying week, shown in Figure 1.1 on a financial year basis. We then multiply this by the one-off payment amount of £200 to determine the total cost in each financial year.

Figure 1.2: Forecast spending for Child Winter Heating Assistance

£ million	2020-21	2021-22	2022-23	2023-24	2024-25
Spending	2.9	3.2	3.4	3.5	3.6

Source: Scottish Fiscal Commission

Changes since February 2020

1.10 As part of our February 2020 forecast, we included CWHA spending in our costing of the new Child Disability Payment (CDP).² In April the Scottish Government announced that in light of the COVID-19 pandemic, the launch of CDP would be delayed with no confirmed date of when it will launch. CWHA is now treated by the Scottish Government as a separate payment. There have also been new data releases from DWP and we have developed our forecast model. As a consequence, we have made a number of changes to our CWHA costing.

1.11 Figure 1.3 summarises the effect of changes to the CWHA forecast since our last publication.

¹ The Personal Independence Payment (Transitional Provisions) Amendment (Scotland) Regulations 2020 ([link](#))

² Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 ([link](#))

Figure 1.3: Changes in CWHA spending since February 2020

£ million	2020-21	2021-22	2022-23	2023-24	2024-25
February 2020 forecast	3.3	3.5	3.7	3.8	4.0
Removal of CDP	0.0	-0.1	-0.2	-0.3	-0.3
Model Development	-0.2	-0.1	-0.1	-0.1	-0.1
Data updates	-0.1	-0.1	0.0	0.0	0.0
August 2020 forecast	2.9	3.2	3.4	3.5	3.6
Change since February 2020	-0.4	-0.3	-0.3	-0.3	-0.3

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

- 1.12 In our February 2020 forecast, we produced a costing of CWHA based on the Scottish Government’s policy position at that time, which was that children would be eligible for the payment if they received the highest rate of care on either Child DLA or CDP. The launch of CDP has been delayed, meaning that in the secondary legislation published today, the eligibility condition relates solely to children being in receipt of Child DLA. From Figure 1.3, we expect that including the additional caseload for CDP will have an immaterial effect on the forecast of up to £0.3 million each year. This additional cost will depend on when CDP launches and how quickly existing Child DLA recipients are transferred to the new payment.
- 1.13 Since our February 2020 forecast we have made various developments to our CWHA model. An important element of this work is revising the way we forecast the proportion of Child DLA recipients that receive the highest rate of care, by aligning this method with our main Child DLA model. Secondly, we improved the way we allow for the inclusion of 16 to 18 year olds remaining on Child DLA who will also receive CWHA. Combined, these effects have a slight effect on the costing, decreasing the CWHA spending by £0.2 million in 2020-21.
- 1.14 The inclusion of an additional three quarters of data up to February 2020 resulted in a decrease in the Child DLA caseload forecast but an increase in the proportion of the caseload receiving the highest rate of care. These are opposing effects so led to an immaterial change to the CWHA forecast as shown in Figure 1.3.

Behavioural responses

- 1.15 We do not anticipate any significant behavioural response to this policy change. Only children who are receiving the highest care component of DLA will receive CWHA. We think any change in take up would be slight given the monetary value of the additional payment (£200) compared to the overall DLA payment for those on the highest rate of care. We will continue to monitor whether the trend diverges in Scotland compared to England and Wales once CWHA launches.

Uncertainty

- 1.16 The main source of uncertainty is any error in our underlying forecast of Child DLA. At our appearance at the Social Security Committee in February 2020 we discussed the trends we were seeing for Child DLA. We noted that while the overall caseload is increasing, as is the actual number of children receiving the highest rate of care, the proportion of children receiving the highest care

award is decreasing.³ We have assumed this decreasing trend continues using a ten year average, but we will continue to monitor this for future forecasts.

³ Scottish Fiscal Commission (2020) Scottish Fiscal Commission letter to Social Security Committee – March 2020 ([link](#))

Additional information

Abbreviations

CDP	Child Disability Payment
CWHA	Child Winter Heating Assistance
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
PIP	Personal Independence Payment
SEFF	Scotland's Economic and Fiscal Forecasts
SFC	Scottish Fiscal Commission

A full glossary of terms is available on our website:

<https://www.fiscalcommission.scot/explainers/glossary/>

Professional Standards

The Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Cooperation and Development (OECD).⁴

The Commission also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily comply as far as possible with the UK Statistic Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.⁵

Correspondence and enquiries

We welcome comments from users about the content and format of our publications. If you have any feedback or general enquiries about this publication or the commission, please contact info@fiscalcommission.scot. Press enquiries should be sent to press@fiscalcommission.scot.

All charts and tables in this publication have also been made available in spreadsheet form on our website. For technical enquiries about the analysis and data presented in this paper please contact the responsible analyst:

Social security

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⁴ OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

⁵ Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

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