
Supplementary Costing: Scottish Child Payment

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Foreword

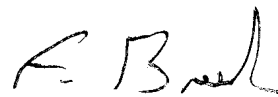
The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of the economy, tax revenues and social security spending to inform the Scottish Budget. This report sets out our forecast of a new payment being launched by the Scottish Government, the Scottish Child Payment. Legislation to enact this payment has been introduced to the Scottish Parliament today, 8 September 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.

We included a costing of this new payment in our February 2020 forecast. We have produced an updated forecast that better reflects the effects of the COVID-19 pandemic and the delay to the planned start date. Our assessment that COVID-19 is likely to increase spending for the Scottish Child Payment is dependent on our outlook for the Scottish economy, presented in our Fiscal Update publication last week.¹



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8 September 2020

¹ Scottish Fiscal Commission (2020) Supplementary Publication: Fiscal Update – September 2020 ([link](#))

Contents

Foreword	1
Scottish Child Payment Policy Costing	3
Additional information	9
Abbreviations	9
Professional Standards	9
Correspondence and enquiries	9

Scottish Child Payment Policy Costing

Introduction

- 1.1 The Scottish Government has today, 8 September 2020, laid secondary legislation in the Scottish Parliament for the Scottish Child Payment (SCP). This is a type of assistance under section 79 of the Social Security (Scotland) Act 2018 which enables additional payments to top up reserved benefits such as Universal Credit (UC).²
- 1.2 The Scottish Child Payment is a new form of assistance launched by the Scottish Government and there is no equivalent payment from the UK Government. The secondary legislation comes into force on the Monday after the legislation is passed and eligibility begins 14 weeks later. The Government recently announced that it will open for applications for children under six years in November 2020 and that the first payments will be made to eligible families from the end of February 2021.³
- 1.3 The secondary legislation enables payments to eligible families with children aged under six. At a later date, we expect the Scottish Government to introduce further secondary legislation to enable payments to all eligible families with children under sixteen. To assist scrutiny of the current legislation we have provided separate forecasts of spending for children aged under six and children aged six to fifteen.
- 1.4 We produced a forecast of spending on the Scottish Child Payment in February 2020 but the effects of the COVID-19 pandemic, including the delay to the planned start date, means that forecast is now out of date.⁴ We have updated our forecast to accompany the secondary legislation.
- 1.5 We now estimate that spending on the Scottish Child Payment will be £11 million in 2020-21 and £77 million in 2021-22, the first full year of implementation for children aged under six.

Measure description

- 1.6 The Scottish Government announced the Scottish Child Payment in June 2019 as a new form of social security assistance to help tackle child poverty, providing additional support for low income families.⁵
- 1.7 The Scottish Child Payment will be administered by Social Security Scotland. It will be equivalent to £10 per week for each child aged under six living in households that receive qualifying benefits, such as Universal Credit and tax credits. The payment will be made every four weeks and will increase annually in line with inflation.

² Social Security (Scotland) Act 2018 ([link](#))

³ Tackling Child Poverty Delivery Plan statement by Cabinet Secretary for Communities and Local Government (August 2020) ([link](#))

⁴ Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 ([link](#))

⁵ Scottish Government (2019) Scottish Child Payment: Position Paper ([link](#)), Scottish Government (2020) Scottish Child Payment updated position paper ([link](#)).

The cost base

- 1.8 The cost base is children in Scotland aged under six in families receiving a qualifying benefit. To work out the size of this group we first need to estimate how many children aged under six we expect there to be in Scotland each year and then determine how many of these children will be in eligible households.
- 1.9 To estimate the total number of children in Scotland in each year, we analyse trends in monthly births registered in Scotland which are published by the National Records of Scotland (NRS). We use this information to adjust projections of the population in Scotland, also published by the NRS. Figure S1.1 in the supplementary tables shows our projected population of children in Scotland.
- 1.10 To estimate the number of children living in eligible households we use the Policy Simulation Model (PSM), which is a static micro-simulation model of the UK tax and benefit system. Additionally we monitor data on similar payments administered by Social Security Scotland, such as Best Start Grant (BSG) and use this information to make judgements about the eligibility for the Scottish Child Payment.
- 1.11 We also considered the effects that the COVID-19 pandemic will have on eligibility for the Scottish Child Payment and we provide further detail on this in the 'Changes since February 2020' section. Figure 1.2 shows the estimated number of children living in households eligible for SCP.

Figure 1.2: Estimated number of children eligible for the Scottish Child Payment

Thousands	2020-21	2021-22	2022-23	2023-24	2024-25
Under 6 years	194	184	168	156	148
6-15 years			331	312	296
Total	194	184	499	468	443

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

- 1.12 Once we have estimated the number of eligible children, we make assumptions about the proportion of eligible households who apply for the payment, referred to as take-up. This is affected by the Scottish Government's advertisement and communication plans as noted in its benefit take-up strategy.⁶ Additionally, the Scottish Government has recently started sending invitation letters to families who are eligible for BSG and Best Start Food (BSF) but have not yet applied.⁷ This is likely to encourage families to take up other available payments they are eligible for, including the Scottish Child Payment. The COVID-19 crisis may also raise awareness of available financial support and boost take-up. Figure 1.3 shows our take-up rate assumptions.

⁶ Scottish Government (2019) Social security: benefit take-up strategy ([link](#))

⁷ Scottish Government (2020) Families to be alerted to additional financial support ([link](#))

Figure 1.3: Take-up rate assumptions for Scottish Child Payment

Per cent	2020-21	2021-22	2022-23	2023-24	2024-25
Under 6 years	80	80	80	80	80
6-15 years			68	69	70
Average all under 16 years			72	73	73

Source: Scottish Fiscal Commission

1.13 Having estimated the population, eligibility and take-up rates, we calculate the number of children expected to receive the Scottish Child Payment each year, also referred to as caseload. This is shown in Figure 1.4.

Figure 1.4: Forecast caseload for Scottish Child Payment

Thousands	2020-21	2021-22	2022-23	2023-24	2024-25
Under 6 years	155	147	134	125	118
6-15 years			225	215	207
Total	155	147	359	340	325

Source: Scottish Fiscal Commission

Figures may not sum because of rounding.

The costing

1.14 We estimate that spending on Scottish Child Payment will be £11 million in 2020-21. Figure 1.5 provides the forecast spending for Scottish Child Payment.

Figure 1.5: Forecast spending for Scottish Child Payment

£ million	2020-21	2021-22	2022-23	2023-24	2024-25
Under 6 years	11	77	71	68	65
6-15 years			39	116	114
Total	11	77	111	184	179

Source: Scottish Fiscal Commission

Figures may not sum because of rounding.

1.15 To produce this costing, we start with our estimate of the caseload in each financial year. We multiply this by the average annual payment amount to determine the total cost in each financial year. We also uprate the weekly payment amount annually using Consumer Price Index (CPI) inflation, starting from 2022-23.

1.16 The launch of SCP has been delayed because of COVID-19 and is now planned for November 2020. We have assumed eligibility starts from mid-February 2021, resulting in spending for the final seven weeks of 2020-21, and payments will be made from end February 2021. The payment is planned to be rolled out to children under sixteen years by December 2022, so for children aged six to fifteen the 2022-23 cost covers the four months from December 2022 to March 2023.

Changes since February 2020

1.17 We produced a forecast for the Scottish Child Payment in February 2020.⁸ Since then, there has been a UK Budget and the COVID-19 pandemic which has affected some of the assumptions we made in the February forecast. Figure 1.6 summarises the changes to the Scottish Child Payment forecast since our last publication and the subsequent paragraphs explain each of these changes in turn.

Figure 1.6: Change in forecast SCP spending since February 2020

£ million	2020-21	2021-22	2022-23	2023-24	2024-25
February 2020 forecast	21	65	94	157	162
Population update	0	-1	-1	-2	-3
Eligibility update (pre-COVID)	-1	-2	4	15	14
COVID-19 effect	3	15	15	16	8
Inflation	0	-1	-1	-2	-2
Change in start date	-12	0	0	0	0
September 2020 forecast	11	77	111	184	179
Change since February 2020	-10	12	16	27	17

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

Data updates

1.18 Our February 2020 forecast used Office for National Statistics (ONS) 50 per cent EU migration population projections. In this costing we use the 0 per cent EU migration projections.⁹ We have also updated our population projections to account for lower births in early 2020 than the ONS projections, and assumed this lower level of births continues over the five year forecast horizon.

1.19 The PSM that we use to estimate eligibility is updated periodically. Our costing uses the latest version of the PSM which became available after our February publication. This has led to a slight reduction in our forecast for children aged under 6 and an increase for children aged between 6 and 15 years.

1.20 We have also updated our forecast with the inflation forecasts published by the Office for Budget Responsibility (OBR).¹⁰ The first update was published in March 2020 to accompany the UK budget and later updated in the Fiscal Sustainability Report (FSR) published in June 2020 to reflect the effect of COVID-19 on prices. Additionally, the Scottish Government will start uprating of the weekly payment rate for SCP in 2022-23, rather than in 2021-22 as costed in our previous forecast.

COVID-19 effects

1.21 COVID-19 and the resulting lockdown led to significant disruption in the labour market as discussed in our recent Fiscal Update publication.¹¹ Schemes to mitigate the impact of COVID-19 such as the Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) have limited the effect of the lockdown on unemployment. However, many people have

⁸ Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 ([link](#))

⁹ Scottish Fiscal Commission (2020) Supplementary Publication: Fiscal Update – September 2020 ([link](#)).

¹⁰ OBR (2020) Economic and Fiscal Outlook – March 2020 ([link](#)), OBR (2020) Fiscal Sustainability Report – July 2020 ([link](#)).

¹¹ Scottish Fiscal Commission (2020) Supplementary Publication: Fiscal Update – September 2020 ([link](#))

seen a reduction in their income since the start of the year and some of these individuals will have become eligible for UC. As CJRS and SEISS wind down unemployment is expected to rise, which may lead to further increases in individuals and households applying for UC. Additionally, social security measures announced by the UK Government to mitigate the effect of COVID-19 further increased the number of people eligible to claim UC.

- 1.22 There has been a notable increase in the number of claims for Universal Credit since lockdown restrictions were implemented. This increases the number of households eligible to receive the Scottish Child Payment. Figure S1.2 in the supplementary tables shows the number of households receiving UC in Scotland.
- 1.23 Figure S1.2 also shows the number of households with child entitlement that are receiving UC. The data so far show that the increase in households with a child entitlement is less than the increase in the total number of households in receipt of UC. In our pre-COVID February 2020 forecast, when unemployment was low, we still assumed relatively high eligibility for SCP, almost one in every two children in Scotland. This implies many households with children may have already been in receipt of UC or tax credits and the starting position for households with children in receipt of UC, before adjusting for COVID-19, is higher than for households in receipt of UC overall. This could explain the lower increase in UC claims from households with a child entitlement than the overall increase in UC claims.
- 1.24 Before accounting for COVID-19, we assumed 48 per cent of children are in households eligible for the SCP, based on the updated version of PSM model. This down from 50 per cent in our February 2020 forecast. We adjust this assumption to reflect trends observed in the data for households on UC with a child entitlement. This increases the proportion of children in eligible households in 2020-21 to 61 per cent. Our September 2020 Fiscal Update considers there to be a permanent hit to the size of the Scottish economy as a result of the COVID-19 crisis, with the economy smaller than we forecast in February 2020 in every year of our forecast horizon up to 2025. For the remainder of the forecast horizon we assume that eligibility remains higher because of COVID-19. Figure S1.3 in the supplementary tables shows our eligibility estimates compared to February 2020 forecasts.
- 1.25 At the time of our February 2020 forecast, the Scottish Child Payment was planned to launch in autumn 2020, for children under the age of six, with payments made from December 2020. We estimated that expenditure in 2020-21 would cover the four months to March 2021. The launch has been delayed because of COVID-19 and is now planned for November 2020 with payments made from February 2021. This reduced our forecast in the launch year by £12 million.

Behavioural responses

- 1.26 We assumed higher take-up rates than we used in February 2020, increasing from 76 per cent to 80 per cent in 2020-21. As the Scottish Child Payment is a new payment, there are currently limited data on who could be eligible for support and the proportion of those who then apply and receive the payment. We have to make assumptions about factors affecting the behaviour of the eligible population to claim the payment.
- 1.27 Some of the factors that we have considered in revising our take up assumptions include the increased awareness of available support to households because of the COVID-19 response. The recently announced initiative to write to households eligible for BSG and BSF will also likely influence take up of SCP.¹² The Scottish Government will have a combined application form for

¹² Scottish Government (2020) Families to be alerted to additional financial support ([link](#))

SCP, BSG and BSF. It has also committed to exploring whether automated payments of BSG and BSF can be made to SCP recipients, but we have not yet factored this into our forecasts.

- 1.28 It is also possible that take up of other similar payments would benefit from the communications around the launch of the Scottish Child Payment. In our February 2020 forecast we already assumed that the SCP launch would contribute to higher take-up for Best Start Grant and we will continue to monitor this.

Uncertainty

- 1.29 The Scottish Child Payment is a new payment with limited data available on which to base our modelling assumptions. This creates significant uncertainty around the forecast.
- 1.30 We have adjusted our estimate of eligibility for the Scottish Child Payment to consider the potential effects of the COVID-19 pandemic. The health and economic crisis is still on-going and the mitigation measures as well as some of the lockdown restrictions are still in place. This makes estimating the effect of COVID-19 very challenging and is one of the main sources of uncertainty to our forecast.
- 1.31 To estimate the number of children in Scotland, we consider recent trends in births in Scotland and adjust the 2018- based population projections published by the ONS. As with any projection, there is inherent uncertainty which will affect our forecast of spending for the Scottish Child Payment.

Additional information

Abbreviations

CPI	Consumer Price Index
DWP	Department for Work and Pensions
FSR	Fiscal Sustainability Report
NRS	National Records of Scotland
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PSM	Policy Simulation Model
SEFF	Scotland's Economic and Fiscal Forecasts
SCP	Scottish Child Payment
SFC	Scottish Fiscal Commission
UC	Universal Credit

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).¹³

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.¹⁴

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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¹³ OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

¹⁴ Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

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