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# **Supplementary Costing – Scottish Child Payment – September 2022**

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ISBN: 978-1-911637-51-6

Published by the Scottish Fiscal Commission, September 2022

Laying Number: SFC/2022/05

# Foreword

The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent forecasts of the economy, tax revenues and social security spending to inform the Scottish Budget.

For legislation relating to social security assistance, our objective is to ensure the Scottish Parliament has an independent estimate of the financial effects of policy changes proposed by the Scottish Government.

This report sets out our forecast of the costs associated with regulations laid in the Scottish Parliament today which will expand eligibility for the Scottish Child Payment and increase the weekly rate to £25 for each child.

These measures were already costed and included in the May 2022 edition of our forecasts, but the regulations have an earlier start date than we had assumed, and inflation has risen rapidly since May, so we are publishing revised forecasts to support parliamentary scrutiny of the regulations. We expect to publish the next full update to our forecasts of devolved social security spending alongside the 2023-24 Scottish Budget.



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20 September 2022

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# Summary

- 1 The Scottish Government have laid regulations which will extend eligibility for the Scottish Child Payment (SCP) to cover children aged six to fifteen from 14 November 2022, and at the same time increase the weekly value of the payment to £25 for each child.
- 2 These measures were already included in our May 2022 forecasts, but here we are presenting updated costs in light of the higher outlook for inflation since May and an earlier start date than we had previously assumed.

**Figure 1: Scottish Child Payment spending forecast with and without the regulations**

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Baseline SCP without these regulations	109	117	127	128	129	131
Extension to children over six	79	259	283	287	287	287
Increase to £25 per week	30	51	56	57	56	56
Cost of SCP with regulations	219	428	466	472	473	474
Cost of regulations	110	311	339	344	343	343

Source: Scottish Fiscal Commission

Figures may not sum because of rounding

- 3 Figure 2 compares our new forecasts against the May 2022 version. The extra £15 million in 2022-23 is because the £25 weekly rate and the extension of eligibility to children over six both take effect from mid-November. This is over two weeks earlier than we assumed in our May 2022 forecasts.
- 4 From 2024-25 onwards the forecast is around £25 million higher because we are using a higher inflation forecast, based on the Bank of England's August 2022 Monetary Policy Report.<sup>1</sup>

**Figure 2: Change in Scottish Child Payment forecast since May 2022**

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
May 2022 forecast	204	428	439	444	449	451
September 2022 forecast	219	428	466	472	473	474
Difference	15	0	26	29	24	23

Source: Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#)), Scottish Fiscal Commission.

There is no change in the forecast for 2023-24 because the £25 weekly rate is assumed to apply through 2023-24, independently of the rate of inflation in 2022.

- 5 The regulations also include some small changes to eligibility for Best Start Foods, Best Start Grant and Scottish Child Payment, and enable Social Security Scotland to automate some payments of Best Start Grant. Our May 2022 forecasts included an estimate of the costs of automated Best Start Grant payments and our view of these is unchanged. Our assessment is that the other measures in the regulations are unlikely to have material costs.

<sup>1</sup> Bank of England (2022) Monetary Policy Report – August 2022 ([link](#)).

# Supplementary Costing

## Introduction

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6 The Scottish Government has today, 20 September 2022, laid secondary legislation, The Social Security (Miscellaneous Amendment and Transitional Provision) (Scotland) Regulations 2022. These provide for the expansion of Scottish Child Payment to cover children aged six to fifteen, the increase of the weekly rate to £25 per child, and other small changes to eligibility for Best Start Foods, Best Start Grant and Scottish Child Payment. In this document the Scottish Fiscal Commission gives updated costs for these measures in light of the confirmation of the start date, and higher inflation since we produced our May 2022 forecasts.

### Extension of Scottish Child Payment eligibility and increase to £25 per week

7 Eligibility for Scottish Child Payment currently ends when a child turns six. The Scottish Government has always planned to extend it to cover children aged under sixteen, and this has been reflected in our forecasts since February 2020. The regulations laid today provide for this to come into effect from 14 November 2022.

8 Scottish Child Payment is currently paid at a rate of £20 per week for each child. The Scottish Government announced in its recent child poverty delivery plan that this would be increased to £25 per week by the end of 2022<sup>2</sup>. The higher rate will apply from 14 November 2022.

9 Our previous forecasts assumed that both these changes would apply from early December. The new mid-November implementation will add an estimated £15 million to the costs in the current 2022-23 financial year, over and above what we had forecast in May.

### Higher inflation

10 The Scottish Government has a duty to consider the effects of inflation on most forms of devolved social security. In practice, this usually means that benefits are uprated every April based on the rate of inflation in the previous year. Our forecasts assume that from April 2024 onwards SCP will be uprated each April in line with Consumer Price Index (CPI) inflation from the previous September.

11 The 25 per cent increase from £20 to £25 in November 2022 is assumed to replace the April 2023 uprating, so our forecast of the weekly SCP amount is not sensitive to the rate of inflation in 2022.

12 In our May 2022 forecasts inflation was in line with the Office for Budget Responsibility's March 2022 Economic and fiscal outlook. CPI inflation was forecast to reach 7.5 per cent in Q3 2022, but fall back to 3.4 per cent by 2023. For this updated costing we have aligned our view of inflation to the Bank of England's August 2022 Monetary Policy Report, with CPI inflation forecast to be 9.5 per cent in Q3 2023, meaning a larger increase in the SCP weekly amount in April 2024.

### Other changes in these regulations

13 The regulations laid today also provide for automation of some Best Start Grant payments, and for other small changes to the eligibility criteria for Best Start Foods, Best Start Grant and Scottish Child

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<sup>2</sup> Scottish Government (2022) Best Start, Bright Futures: tackling child poverty delivery plan 2022 to 2026 ([link](#))

Payment. The automated payments of Best Start Grant were already included in our May forecast, and the costs are restated for completeness in this report. Our assessment is that the other measures are not material, but we do note the risk that with multiple small changes being made they could collectively lead to a material increase in spending.

# Scottish Child Payment costing

## Measure description

- 14 Scottish Child Payment is currently available to families who receive a qualifying benefit (usually Universal Credit or Child Tax Credit) and pays £20 per week for each child under six. The measures costed here are an extension of eligibility to cover all children aged under sixteen in qualifying families, and an increase in the weekly amount to £25 per week. Both changes will take effect from 14 November 2022.
- 15 Both these measures were included in our May 2022 forecasts. At that point the Scottish Government was committed to introducing these changes by the end of 2022 but had not confirmed an exact date. Our forecasts were based on an assumed start date of 1 December 2022.

## The costing

- 16 Our SCP forecasts are based on four main factors. These are:
- the size of the population of children under six and aged six to fifteen
  - the proportion of this population who will be in eligible families
  - the take-up rate within the eligible population
  - the weekly payment for each child, uprated in line with forecast inflation.
- 17 The population, eligibility, and take-up assumptions are combined to give our forecast of the number of children receiving payment. This is shown in Figure 3 and is the same as our May 2022 forecast, except for a slightly higher number of older children in 2022-23 because of the earlier start date.

**Figure 3: Forecast number of children receiving Scottish Child Payment**

Thousands	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Children under six	105	102	101	100	100	99
Children over six	201	226	225	224	222	217
Total under sixteen	306	328	326	324	322	316

Source: Scottish Fiscal Commission

The figure for children over six in 2022-23 is the forecast of the average for the period from 14 November 2022.

Figures may not sum because of rounding.

- 18 Figure 4 presents the weekly Scottish Child Payment rate under a baseline in which the current rate of £20 is uprated each April in line with CPI inflation, and with the increased £25 rate, which is assumed to be uprated in line with CPI inflation from April 2024 onwards.
- 19 For this supplementary costing we have based the inflation forecast on the Bank of England's August 2022 Monetary Policy Report.

**Figure 4: Forecast Scottish Child Payment weekly amounts**

£ per week	April – November 2022	November 2022 – March 2023	2023-24	2024-25	2025-26	2026-27	2027-28
Without £25 policy	20.00	20.00	22.00	24.10	24.60	24.80	25.30
With £25 policy	20.00	25.00	25.00	27.40	27.95	28.15	28.70

Source: Scottish Fiscal Commission.

20 Figure 5 presents our updated forecast of SCP spending and the amount that can be attributed to the changes in the new regulations.

**Figure 5: Scottish Child Payment spending forecast with and without the regulations**

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Baseline without these regulations	109	117	127	128	129	131
Extension to children over six	79	259	283	287	287	287
Increase to £25 per week	30	51	56	57	56	56
Cost of SCP with regulations	219	428	466	472	473	474
Cost of regulations	110	311	339	344	343	343

Source: Scottish Fiscal Commission

Figures may not sum because of rounding

21 Figure 6 shows the total forecast spending with the £25 per week rate in place, split between children under six and children aged six to fifteen.

**Figure 6: Scottish Child Payment spending forecast by age of child**

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Children under six	120	133	144	146	147	149
Children over six	99	295	322	326	326	325
Total Scottish Child Payment	219	428	466	472	473	474

Source: Scottish Fiscal Commission

Figures may not sum because of rounding.

## Changes since our May 2022 forecast

22 Since we produced our May forecasts, CPI inflation has risen to 10.1 per cent in July 2022. In our May 2022 forecast it was expected to have returned to a lower level of 3.4 per cent by Q3 of 2023. This no longer seems realistic in light of the rise in inflation over recent months, and it is likely that inflation will remain higher during 2023 to an extent that would materially increase spending on the Scottish Child Payment from 2024-25 onwards.

23 Figure 7 shows the inflation forecast we used in May, which was consistent with the Office for Budget Responsibility's March 2022 Economic and fiscal outlook, and the inflation forecast we have used for this costing, based on the Bank of England's August 2022 Monetary Policy Report.

**Figure 7: Inflation forecasts**

Per cent	Q3 2022	Q3 2023	Q3 2024	Q3 2025	Q3 2026
May 2022 Scottish Fiscal Commission	7.5	3.4	1.6	1.9	2.0
August 2022 Monetary Policy Report	9.9	9.5	2.0	0.8	

Source: Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#)), Bank of England (2022) Monetary Policy Report – August 2022 ([link](#)).

The Bank of England forecast only covers up to 2025. We assume that by 2026 inflation will return to its 2 per cent target. The forecast is shown for the third quarter of each year as it is the September inflation figure that is used in benefit uprating.

- 24 Figure 8 compares the new forecast against the version we published in May 2022. In our updated forecast, spending is around £15 million higher in 2022-23 because the start date for the expansion to children over six and higher payment rate is earlier than we had assumed, and an average of £25 million higher from 2024-25 onwards because we are now using a higher inflation forecast. All our forecast assumptions, including inflation, will be reviewed in the next full update to Scotland's Economic and Fiscal Forecasts.

**Figure 8: Change in Scottish Child Payment forecast since May 2022**

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
May 2022 forecast	204	428	439	444	449	451
August 2022 costing	219	428	466	472	473	474
Difference	15	0	26	29	24	23

Source: Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#)), Scottish Fiscal Commission.

Figures may not sum because of rounding.

## Behavioural responses

- 25 We have not assumed any behavioural response to the measures costed here. When we first costed the doubling of the weekly amount from £10 to £20 in our December 2021 forecasts we did assume an increase in the numbers claiming qualifying benefits and in the take-up rate. Given the uncertainty around this effect and the fact that the increase to £25 is coming within months of the previous increase, our assessment is that there is unlikely to be a further material behavioural effect over and above any response to the increase to £20.

## Uncertainty

- 26 The Scottish Child Payment has now been in place for over 18 months, with regular statistics being published by Social Security Scotland for the children under six who currently receive it. We can have some confidence in our forecast of the numbers of young children in receipt and the costs of increasing their weekly payment to £25, but significant uncertainty remains as to how many older children will receive payment.
- 27 The economic outlook is also uncertain. We have used an updated forecast of inflation for this costing, but at this point we have not changed our view of the number of families receiving qualifying benefits or the underlying forecasts of unemployment. We will review these when we produce our next set of forecasts.

## Population, eligibility and take-up rates

- 28 Our view of the population and the proportion of children who are eligible are unchanged from our May 2022 forecasts. Our view of the take-up rate is unchanged except for a slightly higher assumption in 2022-23 to reflect that the earlier start date will mean a higher average caseload over the period that the payment is available to older children during 2022-23.
- 29 The population, eligibility and take-up assumptions are set out below for completeness, and are also available in the supplementary tables published alongside our May 2022 forecasts. We will review all these assumptions in our next full forecast update.

### Population

- 30 Figure 9 gives our projection of the number of children under six and under sixteen. We expect the number of children in the Scottish population to fall steadily over the forecast period. This is partly driven by an assumed fall in the number of births, but is mainly determined by the fall in births that has already happened over the last decade.

**Figure 9: Population projection for children in Scotland**

Thousands	2022	2023	2024	2025	2026	2027	2028
Children under six	303	295	287	281	277	275	271
Children over six	598	595	589	580	570	556	544
Total under sixteen	901	890	876	861	848	831	815

Source: Scottish Fiscal Commission

Figures may not sum because of rounding.

Populations shown here are Scottish Fiscal Commission projections for the middle of the calendar year, for comparability with other population estimates and projections. Eligibility and caseload figures in other tables are shown on a financial year basis.

### Eligibility

- 31 Figure 10 shows the assumed proportion of children who are in households receiving the relevant qualifying benefits (usually Universal Credit or Child Tax Credit). These are the same as in our May 2022 forecast.

**Figure 10: Assumed eligibility rates for Scottish Child Payment**

Per cent	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Children under six	41.0	41.0	41.5	42.0	42.5	42.5
Children over six	47.5	47.5	48.0	48.5	49.0	49.0

Source: Scottish Fiscal Commission

- 32 Figure 11 shows the assumed take-up rates. These are the same as in our May 2022 forecast, except that we assume a slightly higher rate in 2022-23 for children over six because of the earlier start date.

**Figure 11: Assumed take-up rates for Scottish Child Payment**

Per cent	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Children under six	85	85	85	85	85	85
Children over six	71	80	80	80	80	80

Source: Scottish Fiscal Commission

33 Figure 12 shows the number of eligible children implied by the population projections and eligibility assumptions. These are the same as in our May 2022 forecast. The eligibility and take-up assumptions combine to give the caseload forecast that was shown in Figure 3.

**Figure 12: Forecast number of children eligible for Scottish Child Payment**

Thousands	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Children under six	123	120	119	118	118	116
Children over six	284	282	281	280	278	271
Total under sixteen	407	402	400	398	395	387

Source: Scottish Fiscal Commission

The figure for children over six in 2022-23 is the forecast of the average for the period from 14 November 2022.

Figures may not sum because of rounding.

# Other elements of the regulations

34 The regulations also provide for several smaller changes to Best Start Foods, Best Start Grant and Scottish Child Payment.

## Automation of Best Start Grant

35 Social Security Scotland will make automated payments of the Best Start Grant Early Learning Payment and School Age Payment to families who are already receiving Scottish Child Payment. This policy was announced in the recent child poverty delivery plan and was included in our May 2022 forecasts. Our estimate of the cost of this measure is unchanged and is below our £5 million materiality threshold, but is restated in Figure 13 below for completeness.

**Figure 13: Estimated cost of Best Start Grant automation**

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Cost of automation policy	5	3	2	2	2	2

Source: Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#))

## Other measures in the regulations

- 36 The regulations also include minor changes to eligibility criteria for Best Start Foods, Best Start Grant and Scottish Child Payment. These are set out in more detail in the Policy Note accompanying the regulations and include:
- Widening the definition of kinship care used in the Scottish Child Payment, Best Start Grant and Best Start Foods eligibility criteria
  - Ensuring that all formal surrogacy arrangements are recognised in the Best Start Grant and Best Start Foods eligibility criteria
  - Ensuring that eligibility for Best Start Grant applies for children in local authority residential care, where all other eligibility criteria are met
  - Widening access to the higher rate of Best Start Grant Pregnancy and Baby Payment (which is normally paid only for first children) in situations where families with a new child are more likely to be starting from scratch
  - Continued payment of Scottish Child Payment after the death of a child
  - Maintaining the existing rules which allow late requests for redeterminations or appeals relating to an individual's claim for Scottish Child Payment where the reason is related to Coronavirus, and restarting a previous claim for Scottish Child Payment where an individual becomes entitled again through receipt of a qualifying benefit.
- 37 The regulations also correct an oversight in the previous regulations designed to exempt people fleeing Ukraine from residency tests. This will ensure that Irish citizens are covered as originally intended.

38 Our assessment is that the costs associated with any of these are likely to fall below our negligibility threshold of £2 million, but we note that while the individual changes are small, it is possible that they could collectively reach our £5 million materiality threshold.<sup>3</sup>

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<sup>3</sup> For more on our approach to materiality see Annex C of Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#))

# Additional information

## Abbreviations

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BSF	Best Start Foods
BSG	Best Start Grant
CPI	Consumer Price Index
SCP	Scottish Child Payment
UC	Universal Credit

A full glossary of terms is available on our website:

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

## Professional Standards

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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).<sup>4</sup>

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 Statistics Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.<sup>5</sup>

## Correspondence and enquiries

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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](mailto:info@fiscalcommission.scot). Press enquiries should be sent to [press@fiscalcommission.scot](mailto: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:

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

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

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ISBN: 978-1-911637-51-6

Published by the Scottish Fiscal Commission, September 2022