

Chair of the Poverty and Inequality Commission
Bill Scott



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Kate Forbes MSP
Cabinet Secretary for Finance and the Economy

By email

7 February 2022

Dear Cabinet Secretary,

Cost of Living Crisis and Child Poverty

The Poverty and Inequality Commission understands that you will be making an announcement to Parliament in the coming week about how the expected £290 million in consequentialia will be used to alleviate the cost of living crisis being faced by low income families.

Unfortunately the Commission are not in a position to develop detailed advice in the very limited time available. That said, and given our public duties, we felt it was important to offer some comment and suggestions we feel may be useful. The Commission's key concern with the current cost of living crisis is that at least part of the additional funding made available should be used to support those most likely to be in the greatest poverty. These priority groups are identified in the Child Poverty Delivery Plan as lone parent households; families containing a disabled adult or child; younger families with children aged under 5 years old; larger families and minority ethnic families.

Whilst it is difficult to identify some of these families through the Social Security system (in particular minority ethnic households) nevertheless a large proportion are already eligible for assistance with fuel costs through the Cold Weather Payment scheme. However, the eligibility for assistance from that scheme is fraught with uncertainty as it depends on cold weather spells of seven consecutive days of zero degrees Celsius or lower before a payment of £25 becomes payable.

The Scottish Government is currently consulting on proposals to replace Cold Weather Payments with Low Income Winter Heating Assistance (LIWHA) payments of £50. These would be paid automatically each winter to all 400,000 households potentially eligible for Cold Weather Payments thus removing the current uncertainty about whether assistance will, or will not, be forthcoming.

The proposed LIWHA is a potential delivery mechanism which could ensure that a large proportion of the households in greatest need would receive additional assistance with energy costs. That is because the eligibility criteria include families claiming means tested benefits (Universal Credit, ESA, Income Support, Child Tax Credits etc.) containing disabled adults or children; families with younger children (aged under five); and those receiving pension credits or pension premiums.

As around 40% (100,000 children) of all Scottish children live in households containing a disabled adult or child, and families with young children are those most likely to enter poverty, the proposed LIWHA is an extremely well targeted benefit in terms of reaching families in the priority groups. However, those families are currently facing an average 50% increase in their fuel bills amounting to nearly £700 a year. Those on the lowest incomes are the least able to adjust to this massive increase. Therefore the Commission would urge you to increase the level of the LIWHA Payment to a minimum of £100. Though we recognise this will be nowhere near sufficient to address the increasing fuel costs it will at least be certain of reaching a substantial proportion of the households worst affected.

Other assistance could then be targeted to low-income households through other routes, perhaps learning from the approaches to the payments made via local authorities during the course of pandemic – i.e. to families in receipt of free school meals and/or school uniform grants.

We hope that you find this advice helpful and look forward to hearing Scottish Government's proposals on how the £290 million in consequential will be used.



Bill Scott
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