

## **Poverty and Inequality Commission**

### **INITIAL ADVICE TO THE SCOTTISH GOVERNMENT ON THE COST OF LIVING CRISIS**

14 June 2022

#### **1. The request for advice from Scottish Government**

The Commission has been asked by the Cabinet Secretary for Social Justice, Housing and Local Government to provide advice on:

- Actions the Scottish Government could take in the short, medium and long term to support those most at risk with the cost of living crisis that are aligned with a dignified and cash-first approach;
- The impact these actions would have, including which particular group(s) of people each action would support; and
- The associated cost of each action (where known).

The Scottish Government has also requested that the advice includes:

- Prioritisation of the actions the Commission suggests
- How the Commission would re-prioritise current budgets (i.e. what things to reduce or stop) to deliver the suggested actions within existing 2022/23 budgets, or what actions could be taken forward if more funding become available.

#### **2. The approach the Commission has taken to developing its advice**

Since the Commission received the Cabinet Secretary's request for advice on the cost of living, the UK Government has announced its cost of living package. The Commission welcomes the direct financial support that is being provided by the UK Government to those on low income benefits, disability benefits and pensioners. It goes some way to supporting the households in most need, with the important caveat that much of this support is a one-off and the scale and ongoing nature of the living crisis means that more will be needed.

We are aware that the approach taken by the UK Government means that there are limited consequentialials – around £41 million – coming to Scotland as a result of the package. In the light of this, and the pressures on the Scottish Government budget, the Commission is being pragmatic and focusing this initial advice on where the gaps are in the UK Government support, and what could be delivered quickly using the consequential money.

The Commission and our Experts by Experience Panel have looked at which households are missing out, or receiving insufficient support for the costs they face, and thought about what options there might be for filling these gaps. Again we have been pragmatic about the options available, recognising that existing mechanisms are not always ideal, but are often the best way of getting money to people quickly. We have given some consideration to how existing funding could be repurposed. We have started to consider some of the longer term opportunities that there might be, and will explore these more fully in our final advice in August.

### **3. Where are the gaps in current support?**

The Commission and our Experts by Experience Panel have identified a number of groups who miss out, or receive limited support, under the UK Government's plans. These are:

- Larger families
- Unpaid Carers
- Disabled people who face higher energy costs but don't qualify for low income benefits
- Households whose income drops after the UK Government payments have been made/after the qualifying date for payments
- Households just above the benefits threshold
- Households using off-grid fuel, such as those with oil heating
- Those who pay fuel bills via a landlord or site owner, this may particularly impact Gypsy/Travellers, those in park homes and adults in shared accommodation

We consider that initial action on the cost of living should focus on supporting these groups wherever possible.

### **4. Short term options for direct financial support**

The Commission identifies a number of actions below for the Scottish Government to consider in the short term. We identify which households these actions would help, and where possible we have provided an indicative cost estimate for them, though more accurate estimates will be able to be provided by relevant Scottish Government officials. We recognise that the Scottish Government may not be able to implement all of them immediately, but could implement some now, and others as and when money becomes available. Given the urgency of the crisis the funding that is available should be deployed to those who need it as quickly as possible.

In recommending these options – and when assessing others not included here – the Commission has considered factors like the reach and scale of impact among groups missed out by the UK Government package, feasibility, and also efficiency and value. While we have only included options the Commission believes have an acceptable profile in relation to these factors the options that follow do not appear in a simple priority list. Each targets a different beneficiary, and while there is overlap between some, no one option addresses all groups. We do indicate where we think some options are better targeted than others and where costs mean that an option might not be in the first tranche of actions considered.

Taken together, the total cost of all these options (even at their lowest level of implementation, where applicable) substantially exceeds the level of consequentials arising from the UK Government package. Given the tight resource envelope set out in the recent Scottish Government resource spending review, this implies reprioritisation of existing spend will be required in order to deliver a range of these options.

#### 4.1 Scottish Child Payment & Bridging Payments

The Scottish Government has already committed to providing bridging payments (£130 x 4) in 2022 for school age children receiving free school meals, ahead of the full roll out of the Scottish Child Payment. The bridging payments are equivalent to £10 per week, while the Scottish Child Payment has been doubled to £20 per week for under 6s, and only reach a proportion of those who will be entitled to the Scottish Child Payment on full roll out.

The Commission's preference would be that all children who will be entitled to the Scottish Child Payment should receive the bridging payment, not just those entitled to free school meals. We recognise, however, the practical difficulties in setting up a system to implement this and the need to focus on the full roll out of the Scottish Child Payment by the end of the year. In the interim, we recommend that children who will turn six between now and the end of 2022 should have their payment continued rather than having it removed until full roll out. Some of our experts by experience panel members have told us that they think many people do not realise that the payment stops when their child turns six, and that this will be a big loss for them.

We also recommend an increase to the bridging payments. This would be well targeted on families on the lowest incomes and, as a payment is received per child, it would benefit larger families. We understand from Scottish Government figures<sup>1</sup> that this would reach approximately 145,000 children. We have provided three options that the Scottish Government could consider, depending on the budget available.

Option	Target group	Number of children reached	Estimated cost
Provide an additional £100 payment with the Christmas payment	Low income families with children, including larger families	145,000	£14.5 million
Increase the 3 remaining payments this year by £50 each (£150 total)	Low income families with children, including larger families	145,000	£21.75 million

<sup>1</sup> <https://www.gov.scot/news/doubling-the-scottish-child-payment/>

Double the bridging payments (increasing to £260 x 4 from £130 x 4)	Low income families with children, including larger families	145,000	£75.4 million
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**Recommendation:** The Scottish Government should continue the Scottish Child Payment for children who will turn six between now and the end of 2022.

**Recommendation:** The Scottish Government should increase the amount of the Scottish Child Payment bridging payments.

## 4.2 Carer's Allowance Supplement

Unpaid carers were identified by both the Commission and the Experts by Experience Panel as a group that did not receive any targeted support through the UK Government's cost of living announcement, although some may be entitled to the low income benefits or pensioner payments, or be in a household with someone entitled to the disability payment. The Commission recommends that an additional payment should be made to unpaid carers through the Carer's Allowance Supplement.

Option	Target group	Number of people reached	Estimated cost
Double Carer's Allowance Supplement in December	Unpaid carers	90,000	£22.1 million
Increase Carer's Allowance Supplement in December by £150 (equivalent to the UK payment to people receiving disability benefits)	Unpaid carers	90,000	£13.5 million

**Recommendation:** The Scottish Government should make an additional payment to unpaid carers through Carer's Allowance Supplement.

## 4.3 Support for off-grid heating costs

The Commission and the Experts by Experience Panel have identified a particular gap in support for those who use off grid fuel, such as heating oil, gas canisters or solid fuels. The 2019 Scottish House Condition Survey<sup>2</sup> found that 8% of homes in Scotland did not use mains gas or electricity, with 5% of homes used oil as their primary heating fuel. It estimated that 58,000 households whose primary heating fuel was not mains gas or electricity were in fuel poverty<sup>3</sup>. Heating oil prices have more

<sup>2</sup> [2 Key Attributes of the Scottish Housing Stock - Scottish house condition survey: 2019 key findings - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/2-key-attributes-of-the-scottish-housing-stock.aspx)

<sup>3</sup> As set out in section 3 of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act, a household is in fuel poverty if:

than doubled, which is a particular issue for rural areas of Scotland. A further consideration is that those who use off grid fuel need to pay upfront, and normally for a fixed minimum amount to guarantee delivery (e.g. for oil this is 500 litres, which currently equates to over £500).

As the £400 energy bill discount is applied to electricity accounts, it will be of limited help to households struggling to afford to buy oil or other fuel. This may be a particular issue for households just above the benefits threshold who are not entitled to any other support. One panel member said of the £400 energy bill discount:

‘My electricity is about a fifth of what my oil bill is. Having all that money sitting on my electricity is one thing but I would rather have that in my bank account so I could put it to my oil bill.’

The Commission is also aware that some councils will not give crisis grants through the Scottish Welfare Fund to households for off-grid fuel costs.

The Commission considers that some dedicated support is needed for households with off-grid heating. The Scottish Government should lobby the UK Government to provide additional support for these households. In the interim the Scottish Government should provide funding for dedicated support for those struggling with off-grid heating costs. One option might be to increase funding for the already announced £10 million Fuel Insecurity Fund, with a portion specifically targeted for households struggling with off-grid costs. Given the vast majority of households relying on off-grid fuel are in rural or semi-rural areas, a locally delivered fund might be the best way of delivering support, although an alternative might be to use the Home Heating Support Fund. The Scottish Government should also provide guidance to local authorities to confirm that crisis grants can be provided through the Scottish Welfare Fund for off-grid fuel costs.

Option	Target Group	Number of people reached	Estimated cost
Support fund for off-grid heating costs	Low income households dependent on off-grid fuel	Approximately 58,000 households using off-grid fuel were considered to be in fuel poverty in 2019. This is likely to have risen with rising costs	As a starting point for considering funding, approx. £8.7 million would provide a fund sufficient to give £150 each for the 58,000 households

**Recommendation:** The Scottish Government should lobby the UK Government for more support for households dependent on off-grid fuel.

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- in order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted (i.e. after housing costs) net income; and
  - if, after deducting those fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living.

**Recommendation:** The Scottish Government should provide a dedicated fund for off-grid heating costs.

**Recommendation:** The Scottish Government should instruct local authorities that crisis grants can be provided through the Scottish Welfare Fund for off-grid fuel costs.

#### 4.4 Cost of living fund

The Commission and Experts by Experience Panel have identified a number of groups who potentially fall through the gaps of existing support, but where there is no straightforward mechanism to target support to these households. We consider that the Scottish Government should establish a locally delivered cost of living fund to support those who miss out on the existing support.

The Commission discussed whether this would be best delivered through the Scottish Welfare Fund, but has concerns that the Scottish Welfare Fund is not the best way of targeting the funding. Use of the Fund is variable between local authorities, with some local authorities spending more than their allocation and others spending less, and when additional funding was providing for COVID-19 during 2020-2021 only 83% of the overall funding was spent.<sup>4</sup>

A cost of living fund could be delivered by both local authorities and third sector organisations and provide a cash-first response to households needing support. The Scottish Government should learn from what worked with the Winter Support Fund. The previous Winter Support Fund gave £25m to local authorities and £6 million to third sector organisations to support households. The Commission considers it would be beneficial to increase the amount given to third sector organisations that are often well placed to target those most in need and act quickly. The Scottish Government should use evidence from the previous experience of the Winter Support Fund to identify the appropriate split of funding to most effectively target those in need.

Option	Target Group	Number of people reached	Estimated cost
Establish a cost of living fund	Households who are struggling due to the cost of living but don't qualify for other support	Variable depending on how the fund is used – for example, it could distribute varying amounts to groups who miss out on other support. £35m could provide the equivalent of £150 to nearly a quarter of a million households or a £500 payment to	In the region of £35m to be split between local authorities and third sector organisations.

<sup>4</sup> [Scottish Welfare Fund statistics: annual update 2020-2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-welfare-fund-statistics-2020-2021/pages/10.aspx)

		70,000. The amount distributed per household could vary and a substantial proportion could be distributed via third sector organisations.	
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The Scottish Government could look at ways of working with other grant funders and with private sector organisations, such as energy companies, to co-ordinate funding to achieve a bigger impact.

The Scottish Government should also look at whether changes are needed to the guidance and legislation for the Scottish Welfare Fund in order to enable it to respond effectively to the ongoing crisis situation that many households are now finding themselves experiencing. Changes should be made quickly and directly so that the Scottish Welfare Fund is fit for purpose before the coming winter. Where local authorities are underspending their budgets the Scottish Government should consider whether underspend should be given to local third sector organisations to distribute.

**Recommendation:** The Scottish Government should establish a cost of living fund to be delivered locally by local authorities and third sector organisations.

**Recommendation:** The Scottish Government should make any changes that are needed to the Scottish Welfare Fund guidance and legislation to ensure it is fit for purpose before the coming winter; this should include considering reallocating underspends to local third sector organisations to distribute.

#### 4.5 Write off school meal debt

Over £1 million pounds of debt for school meals is currently owed by families<sup>5</sup>, mainly of older primary school children. Some of these debts are being referred to debt recovery services at levels as low as £10. This is debt for meals that the Scottish Government is working towards providing for free in the future. The Scottish Government should provide local authorities with funding to write off this debt. This would remove a significant burden for these families. It also removes a barrier that has been created between these families and their children's school, which could have wider benefit in parental engagement with school and learning.

Option	Target groups	Number of people reached	Estimated cost
Write off school meal debt	Low income families, including larger	Upwards of 24,000 pupils (mainly primary)	Around £1 million

<sup>5</sup> [Summary-of-School-Meal-Debt-processes-June-2022.pdf \(aberlour.org.uk\)](#)

	families and families who do not meet the income threshold for free school meals		
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**Recommendation:** The Scottish Government should provide local authorities with funding to write off school meal debt.

#### 4.6 Low Income Winter Heating Assistance

The Scottish Government could consider increasing the Low Income Winter Heating Assistance Payment. This would benefit people in receipt of pension credit, or low income households with a disabled adult or child, or a child under 5. This would help households at high risk from the cost of living crisis, including those households that do not have a domestic electricity connection, but the Commission considers that this is somewhat less well targeted than previous options, such as increasing the bridging payments and carers allowance supplement, in terms of filling gaps. A significant amount of the funding would go to low income pensioners who are relatively well served by the UK Government's actions.

We have costed this option based on an increase for everyone receiving the payment, but the Commission suggests that the Scottish Government should look at whether it would be possible to direct a supplement only to those households who are entitled to the payment because of a disabled adult or child, or a child under 5.

Option	Target Group	Number of people reached	Estimated cost
Double the Low Income Winter Heating Assistance payment from £50 to £100	Low income households with a disabled adult or child, or a child under 5	400,000	£20 million

**Recommendation:** The Scottish Government should explore if it would be possible to provide a supplement through the Low Income Winter Heating Assistance Payment to households with a disabled adult or child, or a child under 5.

#### 4.7 Adult & Child Disability Payments

Many disabled people face particularly high energy costs, because of the need to run specialist equipment and maintain consistent temperatures at home, and have received limited support as part of the UK Government's cost of living announcement. It should be noted that the assistance given to those receiving disability payments was the lowest level of support at £150.

One option for the Scottish Government would be to increase Adult Disability Payment and Child Disability Payment. The Commission has welcomed the Scottish



Government's decision to increase most Scottish social security benefits by 6% in the light of the rising cost of living. However, Adult Disability Payment and Child Disability Payment have only been increased by 3.1% in line with the equivalent benefits (Disability Living Allowance and Personal Independence Payment) which are still administered by DWP.

The Commission understands the Scottish Government's intention is to avoid creating a two-tier system where individuals paid by Social Security Scotland are paid more than clients whose cases have not yet transferred to the Scottish system. We recognise that the current stage of transfer means making any changes is very complicated. We also recognise that increasing disability benefits at this stage would leave the Scottish Government with an immediate and ongoing shortfall in funding for these benefits, before they have been fully transferred to Social Security Scotland and would exceed the financial parameters for social security set out in the recent Scottish Government Spending Review.

Given the significant costs faced by disabled people, however, the Commission recommends that the Scottish Government should look at what might be possible, especially if additional funding becomes available from the UK Government.

We do not have accurate information about the transfer of benefits that would allow us to properly cost this option, but just looking at the overall budget for 2022-23 for Adult Disability Payment (£1,948.5 million), Attendance Allowance (£544.6 million) and Disability Living Allowance (£444.6 million) an increase of 2.9% would cost in the region of £85.2 million. For Child Disability Payment, calculating the same increase in the same way would cost in the region of £7.7 million.

The Commission recognises that increasing disability payments may be extremely difficult within the existing funding, therefore it recommends that it should be considered if further funding becomes available.

Option	Target Group	Number of people reached	Estimated cost
Increase Adult Disability Payment, Disability Living Allowance, Attendance Allowance and Child Disability Payment by 2.9%	Households with a disabled adult or child	339,000 <sup>6</sup> working age adults, approximately 54,500 children (52,000 <sup>7</sup> cases are expected to transfer from DWP, plus 2500 <sup>8</sup> new applications so far), and approximately	£92.9 million Composed of £85.2 million (working adult & pensioner) & £7.7 million (child) – based on 2.9% increase to budget

<sup>6</sup> [Adult Disability Payment launch dates announced - gov.scot \(www.gov.scot\)](http://www.gov.scot)

<sup>7</sup> [Child Disability Payment opens for applications - gov.scot \(www.gov.scot\)](http://www.gov.scot)

<sup>8</sup> [Child-Disability-Payment-Publication-May-2022.pdf \(socialsecurity.gov.scot\)](http://socialsecurity.gov.scot)

		123,000 pensioners <sup>9</sup>	
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**Recommendation:** If funding can be identified, the Scottish Government should consider increasing Adult Disability Payment, Disability Living Allowance, Attendance Allowance and Child Disability Payment by a further 2.9% to bring them into line with other Scottish Social Security payments that have been increased by 6% this year.

## 5. Reprioritising spending

The request for advice asked that the Commission consider how current budgets could be re-prioritised to deliver the suggested actions within existing 2022/23 budgets. The Commission is making some suggestions here about re-prioritising where money is being spent to address poverty. This should not be taken as meaning that the Commission thinks the Scottish Government should only reprioritise this spend. The Scottish Government should be looking across its whole budget to see where funding may need to be reprioritised to support households with the cost of living. However, the Commission does not have the knowledge of the Scottish Government budget and spending as a whole to be able to say where budgets for Justice or Rural Affairs, for example, could be re-prioritised. This work needs to be carried out by Scottish Government.

### 5.1 Scottish Attainment Challenge Funding

The Scottish Government is investing £1 billion over this Parliament to tackle the poverty-related attainment gap, with the majority of funding being distributed through Pupil Equity Funding, directly to schools, and Strategic Equity Funding to local authorities. There is a mixed picture about the impact that the £750 million spent up until 2021 has had and the Commission and Experts by Experience Panel consider that the funding could be re-prioritised to focus more directly on tackling the impact of poverty on children, particularly during this cost of living crisis. One of our Panel members said of the Pupil Equity Funding:

‘It’s not being used the way it should. Schools are desperately trying to use up their PEF so they continue to get it [...] Staff are telling me they’re trying to get the money spent so they can get it again, so it does need to be overhauled because it doesn’t feel like a very fair process. Just because you live in a more affluent area on paper, doesn’t mean there aren’t as many children who need it. We need to look at how it is distributed and what it is allowed to be spent on.’

The Scottish Government should provide guidance for use of the funding that prioritises direct support for children experiencing poverty. This could include writing off school meal debt and raising the thresholds for free school meal entitlement.

<sup>9</sup> [Summary statistics for Carer's Allowance Supplement, October eligibility date 2021 and Carer's Allowance, Disability Living Allowance, Attendance Allowance and Severe Disablement Allowance at August 2021](#)

**Recommendation:** The Scottish Government should re-prioritise Scottish Attainment Challenge Funding to directly support children experiencing poverty.

## 5.2 Concessionary travel funding

People in Scotland are entitled to free bus travel from the age of 60. As the state pension age is rising and will reach 67 by 2028, this means many working people, many of whom are not on a low income, are now entitled to a free bus pass.

The Commission recommends that the Scottish Government should gradually raise the age of entitlement to concessionary travel until it is equalised with the state pension age. The money saved could be used to expand support for low income users of public transport. This could include free, or substantially discounted, public transport and further subsidising transport availability for rural communities.

**Recommendation:** The Scottish Government should gradually raise the age of entitlement to concessionary travel until it is equalised with the state pension age and use the money saved to expand support for low income users of public transport

## 6. Other short term actions

### 6.1 Cost of living taskforce

The Scottish Government should consider whether there is a need to establish a short-life cost of living taskforce with cross sectoral membership, involving the public, third and private sector, and including frontline staff. The time-limited taskforce could have a remit for co-ordinating cross sector action and looking at what is working well and what needs to be changed, planning ahead and providing early warning as the crisis develops.

**Recommendation:** The Scottish Government should consider establishing a short-life cost of living taskforce.

## 7. Longer term options to address the cost of living

The Commission will explore longer term options for addressing the cost of living in its final advice in August. In the meantime, we are highlighting here some of the areas that we are thinking about, that the Scottish Government could also start considering. These are:

- Extending the thresholds for free school meals, which have not kept pace with inflation, and expediting the automated registration of free school meals
- The potential for Scottish Government to procure oil/off grid fuel directly in order to help people to benefit from bulk pricing
- Increased investment in insulation and energy efficiency measures for low income households
- A 'debt amnesty' for public debt, such as council tax debt, suspending arrears for the period of the cost of living crisis, and reducing the timeframe for writing off council tax debt from 20 years to 5-6 years

- Council tax reform and review of income levels at which households lose council tax reduction
- Changes to legislation to allow for additional council tax charges on second homes (which will benefit from the UK Government £400 energy bill rebate)

## 8. Summary of recommendations

In order to support the groups who are most at risk of missing out or receiving only limited support from the UK Government package, the Commission advises the Scottish Government to adopt a range of measures.

The Commission considers all the options below to be of acceptable reach, scale and efficiency in supporting households in Scotland through the cost of living crisis. To deliver on these recommendations within current budgets and anticipated future spending parameters will require substantial reprioritisation.

The Scottish Government should:

- continue the Scottish Child Payment for children who will turn six in between now and the end of 2022
- increase the amount of the Scottish Child Payment bridging payments
- make an additional payment to unpaid carers through Carer's Allowance Supplement
- lobby the UK Government for more support for households dependent on off-grid fuel
- provide a dedicated fund for off-grid heating costs
- instruct local authorities that crisis grants can be provided through the Scottish Welfare Fund for off-grid fuel costs
- establish a cost of living fund to be delivered locally by local authorities and third sector organisations
- make any changes that are needed to the Scottish Welfare Fund guidance and legislation to ensure it is fit for purpose before the coming winter; this should include considering reallocating underspends to local third sector organisations to distribute
- provide local authorities with funding to write off school meal debt
- explore if it would be possible to provide a supplement through the Low Income Winter Heating Assistance Payment to households with a disabled adult or child, or a child under 5
- if funding can be identified, consider increasing Adult Disability Payment, Disability Living Allowance, Attendance Allowance and Child Disability Payment by a further 2.9% to bring them into line with other Scottish Social Security payments that have been increased by 6% this year
- re-prioritise Scottish Attainment Challenge Funding to directly support children experiencing poverty
- gradually raise the age of entitlement to concessionary travel until it is equalised with the state pension age and use the money saved to expand support for low income users of public transport
- consider establishing a short-life cost of living taskforce