



TACKLING CHILD POVERTY AND DESTITUTION:

NEXT STEPS FOR THE SCOTTISH CHILD PAYMENT
AND THE SCOTTISH WELFARE FUND

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EXECUTIVE SUMMARY

Scotland stands at a crossroads on its path to securing a fairer country, free from poverty and destitution. Even before the Covid-19 pandemic, rates of relative child poverty and deep poverty¹ across Scotland were rising, and the amount of food bank parcels distributed to households was at an all-time high (Hetherington 2020; Birt et al 2021; The Trussell Trust 2021). Now, as the pandemic subsides and emergency support is withdrawn, households face a mounting cost of living crisis, driven by rising food and fuel costs. While these pressures will strain households' budgets across Scotland, people already living on low incomes are likely to be the hardest hit by rising prices (ONS 2022a). Without action, these factors stand to form a perfect storm that could sweep more people into poverty or pull them deeper underwater.

Scotland has set ambitious and legally binding child poverty targets for 2030/31, with interim targets in 2023/24. Through its current Tackling Child Poverty Delivery Plan, the Scottish Government has introduced new measures designed to bring down rates of child poverty, most notably through the introduction of the Scottish Child Payment. As a new payment which will get money directly to families on low incomes, it has the potential to reduce poverty and protect against destitution over the long term. But in the face of strengthening headwinds, it will have to go further over the course of this parliament to deliver on its full potential.

Alongside long-term, preventative investment like the Scottish Child Payment, emergency support will also need to be strengthened to protect people across Scotland from destitution in the months ahead. For households already struggling to make ends meet, the unexpected cost of rapidly rising bills risks setting in motion a domino effect with potentially catastrophic consequences. To protect against the threat of destitution, emergency support – such as that offered by the Scottish Welfare Fund – must provide a stronger safety net.

As we look ahead to the Scottish Government's second Tackling Child Poverty Delivery Plan, due to be published in March, this report explores how these two forms of support can go further and faster to protect people across Scotland from the coming storm.

FUTURE DIRECTIONS FOR THE SCOTTISH CHILD PAYMENT

The Scottish Child Payment represents a major step in tackling child poverty and setting a path towards meeting the Scottish Government's statutory targets. Through our research, we find that the payment has been welcomed by the families who receive it – who value its reliability, certainty, and simplicity – but that does not mean there is no room for improvement. We find that the payment could better respond to individual circumstances by increasing in flexibility, especially with regards to frequency of payments, and families could benefit from simpler and more automated application processes across the range of support available from local government and Social Security Scotland. We also consider the early impacts of the payment and find that where its initial roll out to children aged under 6 coincided with the withdrawal of the Universal Credit uplift, or with children losing eligibility from their 6th birthday, its impact has been muted. It is clear the payment will need to go further to provide families with a springboard away from poverty, not just a lifeline.

We also find that the payment alone cannot do all the heavy lifting required – at least at its current level, or how it is targeted – to meet child poverty targets. Current IPPR Scotland estimates suggest it will lift

¹ We define deep poverty as living in a household with an income below 50 per cent of the median household income, after adjustment for household composition. Both measures refer to income after housing costs.

30,000 children out of poverty once fully rolled out by the end of 2022 – falling three percentage points, or 30,000 children, short of the Scottish Government’s interim target. In response, we consider whether alternative models of delivery could push Scotland closer towards realising its ambitions, and better lift those on the lowest incomes up, through a higher payment, increasing take up, and introducing additional premiums for families most at risk of poverty. We find that better targeting could help to bring more children above the poverty line and lift more families out of deep poverty, protecting them from the risk of destitution.

In response to our findings, we recommend that the Scottish Government should immediately:

1. Design and deliver a public awareness campaign in 2022-23 – coinciding with roll out to children aged under 16 – aimed at substantially increasing take up of the Scottish Child Payment. This should be co-designed by prospective claimants and engage a wide range of support workers and front-line service staff who might play a role in supporting eligible families to apply.
2. Bring together local and national government, along with anti-poverty groups, to develop plans to automate access to the Scottish Child Payment for families in receipt of Best Start Grants and Best Start Foods, and vice versa. This automation effort should be designed to pave the way to automated payments across all relevant support provided by Social Security Scotland and local authorities.
3. Convene COSLA and Social Security Scotland to explore how to ensure the Scottish Child Payment can act as a ‘passport’ to wider support – ensuring: a ‘no wrong door’ approach for families on a low income; that wherever possible links are drawn across public services; and, that sign-posting and proactive help is in place to ensure families can access the Scottish Child Payment and other forms of support, including advice on income maximisation and employability support.

Over the course of this parliament, the Scottish Government should:

4. Increase the level of the Scottish Child Payment from £20 to £40.
5. Ensure the Scottish Child Payment is triple-locked year-on-year to keep up with the cost of living, by linking increases to the highest of inflation, earnings, or 2.5 per cent. This should be done through legislation to provide a cast-iron guarantee.
6. Expand Scottish Choices to families in receipt of the Scottish Child Payment, providing an accessible opt-in system that offers weekly payments to those that prefer them.
7. Bring local and national-level payments for low-income families together under one umbrella application system.
8. As part of its forthcoming action plan to end the need for food banks, analyse the relationship between the Scottish Child Payment and destitution, including by developing a more methodical approach to data collection.
9. Explore all options to use its existing powers to shift the Scottish Child Payment from a top-up to reserved benefit to a stand-alone benefit. This would in turn enable government to design and implement a stand-alone means test to focus on prevention and increase take up among those with the greatest need, and a taper that avoids a cliff edge for families in receipt of the payment, so it is not immediately and fully withdrawn when an eligible household is no longer in receipt of an underlying benefit.

FUTURE DIRECTIONS FOR THE SCOTTISH WELFARE FUND

Since 2013, the Scottish Welfare Fund has provided a safety net for people living on a low income. Funds are administered by Scotland's 32 local authorities, providing discretionary assistance through Crisis Grants which aim to support people experiencing a financial emergency, and Community Care Grants which aim to help people live a settled life in the community. Through the pandemic, as more people across Scotland needed support to meet basic living costs, additional funding was made available to respond to rising demand. Now, as we look towards a looming cost of living crisis, ensuring the fund is properly resourced and well equipped to deal with continued high demand will be vital to protect against destitution.

We find that through the pandemic, the fund responded positively to unprecedented spikes in applications during the first and second national lockdowns, where households facing an income crisis relied on the funds.

Even with a spike in applications, turnaround times for getting money into people's bank accounts remained low, with 93 per cent of successful Crisis Grant recipients receiving money the day following application. However, the rate of exceptionally long delays also increased. Concerningly, we heard from applicants who had come to regularly rely on the fund because of inadequate social security income and/or unmanageable debts. As a cost of living crisis takes hold in the months ahead, we anticipate the fund will have to plug yet more holes in Scotland's social security infrastructure. It must also do more to link applicants to other forms of support.

As a discretionary fund, national trends can mask significant local variations. We find evidence of a postcode lottery, in which success rates and average award levels for Crisis Grants vary substantially across Scotland's local authorities. Ensuring greater consistency and clarity over how the fund operates and can be accessed, with greater certainty around the level of support that may be available, will be critical in ensuring it goes further to support those that rely on it in the months ahead.

In response to our findings, we recommend that the Scottish Government should immediately:

1. Expedite its review of the Scottish Welfare Fund so it can respond to the immediate cost of living crisis facing low-income families.
2. Place a default expectation in guidance that Crisis Grant applications have a same day decision, and ensure local authorities are resourced to work with and support applicants to provide all the necessary evidence to enable that.
3. Commit to increasing the total value of the Scottish Welfare Fund at the earliest opportunity, in anticipation of a cost of living crisis in 2022/23.
4. Invest in local government capacity to support the delivery of the fund, including through regular training for staff delivering the fund to ensure a dignity and human rights-based approach is applied in practice.
5. Introduce measures to ensure local authorities' Scottish Welfare Fund budgets are spent quarter on quarter. Beyond a basic cash terms floor which provides sufficient funding to meet expected need in each local authority (potentially based on historical spend), funds should be redistributed on a bi-annual basis from local authorities which are underspending, to those that are approaching their limit. This mechanism should be designed in collaboration with COSLA and local authorities to ensure support is reaching those who need it.

Over the course of this parliament, the Scottish Government should:

6. Work with local authorities and people with direct experience of financial hardship to develop a new Dignity Charter – to sit alongside Scottish Welfare Fund guidance – which ensures a dignity and human-rights informed approach to delivering support to people in crisis. This should include:
 - A commitment to upholding turnaround time guarantees for applications
 - A commitment to regularly reviewing accessible communication across eligibility criteria, application routes and outcome decisions
 - A centralised Scottish Government web portal to signpost applicants to local support
 - Signposting to additional local and national support services
 - A commitment to regular training of front-line staff to ensure they are trauma-informed so that applicants are treated with dignity and respect
7. Work with COSLA to develop a framework for minimum award levels for Scottish Welfare Fund applicants that seeks to protect against destitution across Scotland.
8. Work with third sector partners to establish an independent online and telephone advice hub to provide 24/7 support to applicants, and to provide links to support available across local government and Social Security Scotland, to specialist local support services, and to independent money advice and welfare rights advice.
10. Explore ways to provide financial support to adults with care needs and families with children with No Recourse to Public Funds who are in crisis, in partnership with local authorities – for example, through using Section 22 of the Children’s Act (Scotland) and Section 12 of the Social Work Act as a legal basis for the provision of crisis funds.
11. Explore all routes to moving the Scottish Welfare Fund away from a cash-limited, discretionary fund and towards a need-led funding model. This would provide a budget mechanism which ensures the fullest support for all successful applicants according to demand and need, and not dependent on a local authority’s allotted share.
12. Explicitly expand the remit of the funds to mitigate some of the most pernicious elements of Universal Credit. This would see the guidance for the funds amended to create specific routes to support for applicants experiencing the five-week wait for their first Universal Credit award, and also upfront childcare costs while on Universal Credit, or being subject to benefit deductions or sanctions.
13. Work to negotiate better data sharing agreements between Department for Work and Pensions and Social Security Scotland, and between Social Security Scotland and COSLA, to maximise the efficacy of the Scottish Welfare Fund.

While the Scottish Welfare Fund provides vital support for those at risk of financial crisis, it remains unavailable for some of the people at greatest risk of destitution – those subject to immigration controls and with No Recourse to Public Funds (NRPF). The Scottish Government should urgently look to work with the UK Government to find a viable long-term solution, but in the interim we recommend they should:

14. Work with Fair Way Scotland to establish a referral service for people with NRPF status who are experiencing an income crisis. The service should link applicants to partners who can provide appropriate grants and specialist support, including immigration advice.
15. Develop a protected budget through which to support adults and children with NRPF status who are at risk of destitution. This should ensure that financial grants and specialist support that are not restricted under the UK immigration legislation are made available across Scotland for people who are otherwise prohibited from accessing the Scottish Welfare Fund and other mainstream benefits.

Overall, this report finds that these two forms of support are vital for the people relying on them, but across both there are two common factors: (i) the overall budgets available, and in turn the level of individual awards, need to recognise and respond to the challenges they are designed to address, and (ii) they should prioritise simplicity, clarity, and long-term impacts for individuals – not simply be a passive form of short-term support.

The Scottish Government has committed to reviewing the Scottish Child Payment as part of its forthcoming Tackling Child Poverty Delivery Plan and is currently undertaking an independent review of the Scottish Welfare Fund. However, the cost of living crisis looming on the horizon means long-term policy changes must be accompanied by immediate action, beginning with the Scottish Government's forthcoming Tackling Child Poverty Deliver Plan and the action plan to end the need for food banks in Scotland, due to be published in early summer 2022.

INTRODUCTION

“Ending child poverty is the biggest challenge that we face as a Parliament and as a country, and we all have a responsibility and a role to play. All of us, whether in Government, Parliament, councils, businesses, the third sector or civic Scotland, will have to work together in new ways.”

These were the final words, spoken by the then Cabinet Secretary for Communities, Social Security and Equalities, in the final debate on the Child Poverty (Scotland) Bill – moments before it would go on to be passed unanimously in the Scottish Parliament. That was in 2017 – five years later, it remains the biggest challenge, with the evidence showing we are going the wrong way.

Despite strong cross-party and civic Scotland backing – and the Scottish Government declaring tackling child poverty a ‘national mission’ – Scotland has made little progress since then in realising its long-term ambitions to eradicate child poverty (Poverty Alliance 2021a). Poverty rates remain stubbornly high, especially when compared against statutory child poverty targets, and the financial challenge facing families has become starker – seen through increasing numbers accessing charitable food aid. Now, the withdrawal of emergency support, including the Universal Credit lifeline, combined with rising food and fuel costs stands to push more households into deeper poverty, and closer to destitution.

This report is an IPPR Scotland collaboration with the Trussell Trust and Save the Children – two organisations united by a shared mission of seeing poverty, destitution, and the increasing need for charitable food aid to be eradicated. It sets out the clear need for the Scottish Government to go further and faster to prevent rising poverty and destitution, focussed on two key levers available to it: the Scottish Child Payment, and the Scottish Welfare Fund.

These two forms of support are among the most effective and recognised ways of directly addressing financial hardship, with each bringing its own specific purpose: the Scottish Child Payment has been a direct way to tackle child poverty long-term, while the Scottish Welfare Fund offers quick support for those facing an immediate financial crisis. Both must fulfil those ambitions fully.

The report has been informed by the relevant literature, analysis of government statistics and the Trussell Trust data on food bank use, and engagement with policymakers across local and national government. Alongside descriptive data analysis and modelling, we also heard directly from people who had made an application to the Scottish Child Payment or the Scottish Welfare Fund and engaged with anti-poverty organisations across Scotland. Their perspectives and experiences of the fund and payment, and their ideas for change – together with new analysis of key issues, and potential policy reforms – have shaped this report and its recommendations.

The need for change is not just a moral imperative – it is a legal obligation. The Scottish Government’s statutory child poverty targets, set through the Child Poverty (Scotland) Act 2017, are fast approaching. Most immediately, interim targets set against 2023/24 commit to ensuring that fewer than 18 per cent of children live in relative poverty, and 14 per cent of children live in absolute poverty. So far, absolute child poverty rates have remained unchanged from 2010/13 to 2017/20, and Scotland’s relative child poverty rate has increased. At the same time, children living in combined material deprivation and low income (where the household cannot afford basic and necessary goods and activities) remains stubbornly persistent at 13 per cent, and over half of children living in poverty are in food insecure households

(where there are worries about running out of food, having to reduce meal sizes, or skipping meals altogether) (Scottish Government 2021a).

While this threat of continued – and even increasing – poverty and destitution are not new, there are strong headwinds which could only compound it. The end of pandemic support, including the withdrawal of the £20 Universal Credit uplift in October 2021, has squeezed low-income household budgets further. People also face a looming cost of living crisis, driven by rising food and fuel costs. While these new pressures will put additional strain on household finances across Scotland, lower-income households are likely to be hit hardest by rising bills (NEF 2022; ONS 2022a).

For those already struggling to make ends meet, rising food and fuel costs threaten to pull people further into poverty, and into impossible choices between heating and eating. Recent analysis from the Joseph Rowntree Foundation (JRF) finds the average low-income household will be spending 18 per cent of their income (after housing costs) on energy bills after April. This rises to a staggering 54 per cent for single adult households on a low income, while lone parent households and couples with children will be spending a quarter of their income on energy bills.

Unfortunately, in response to that crisis, the Scottish Government has chosen a similar path to the UK Government in its plan to deliver support for rising energy costs through council tax, with a £150 payment for households in tax bands A to D (in reality, likely to be a council tax rebate), and households in receipt of Council Tax Reduction. This is a poorly targeted plan which will see households receiving the support who do not need it – including almost one in three of those with the highest household incomes² – stretching scarce resources thinly, meaning the support offered to the poorest households will fall far short of what is required to meet the hole in household budgets (IPPR analysis of DWP 2021a DWP 2021b).

Given this urgency, the Scottish Government must ensure that all levers at its disposal, including the Scottish Child Payment and the Scottish Welfare Fund, are utilised to reduce poverty and guard against destitution. This report considers how these two available levers are performing currently and how they can be improved to better tackle poverty and destitution in the future.

As we come out of a pandemic and into a cost of living crisis, the overriding message is clear: action must go further and faster. It is vital that ambitions to solve poverty in Scotland are not reduced to just getting households over the official poverty line, but also prioritise urgent action to better support those on the very lowest incomes. Meeting interim child poverty targets in 2023/24 and final targets in 2030/31 should be the minimum, not the maximum of our ambitions.

Our findings, set in the context of persistently high rates of poverty and the increasing risk of destitution, make a clear case for the Scottish Government bringing forward an ambitious plan to tackle child poverty and destitution over the lifetime of this parliament. This report aims to inform action: both in the immediate term, through the Scottish Government's forthcoming Tackling Child Poverty Delivery Plan, and through long-term plans to tackle poverty and destitution.

2 Analysis refers to the share of people in the top household income decile who stand to benefit from the scheme.

CHAPTER 1: SCOTTISH CHILD PAYMENT

In this chapter we provide an overview of the history and rationale of the Scottish Child Payment and its potential as an anti-poverty tool. We then outline the future directions for the Scottish Child Payment as reinforced by our findings from data analysis and additional interviews with recipients of the payment.

1.1 BACKGROUND TO THE SCOTTISH CHILD PAYMENT

In 2017 the Scottish Government introduced and passed the Child Poverty (Scotland) Bill, receiving unanimous support in parliament. Among other provisions, this sets legally binding targets to substantially reduce rates of child poverty in Scotland. The current target for 2030/31 aims to see less than 10 per cent of children living in relative poverty; less than 5 per cent in absolute poverty; less than 5 per cent living in combined low income and material deprivation; and less than 5 per cent living in persistent poverty (Scottish Government 2017a). The Act also sets an interim target of fewer than 18 per cent of children in relative poverty by the year 2023/24 (Mitchell and Congreve 2021). Progress, however, has been disappointing.

Despite these targets, the latest official figures show an increase in child poverty in Scotland, with an estimated 26 per cent of children living in relative poverty in 2019/20 – pre-pandemic – up from 23 per cent in 2018/19 (Scottish Government 2021b). Post-pandemic, the financial pressures on families are only increasing: a recent survey of parents in Scotland reported that 46 per cent of parents found it more difficult to pay their bills between November and December 2021 than the year prior (Bussey 2022).

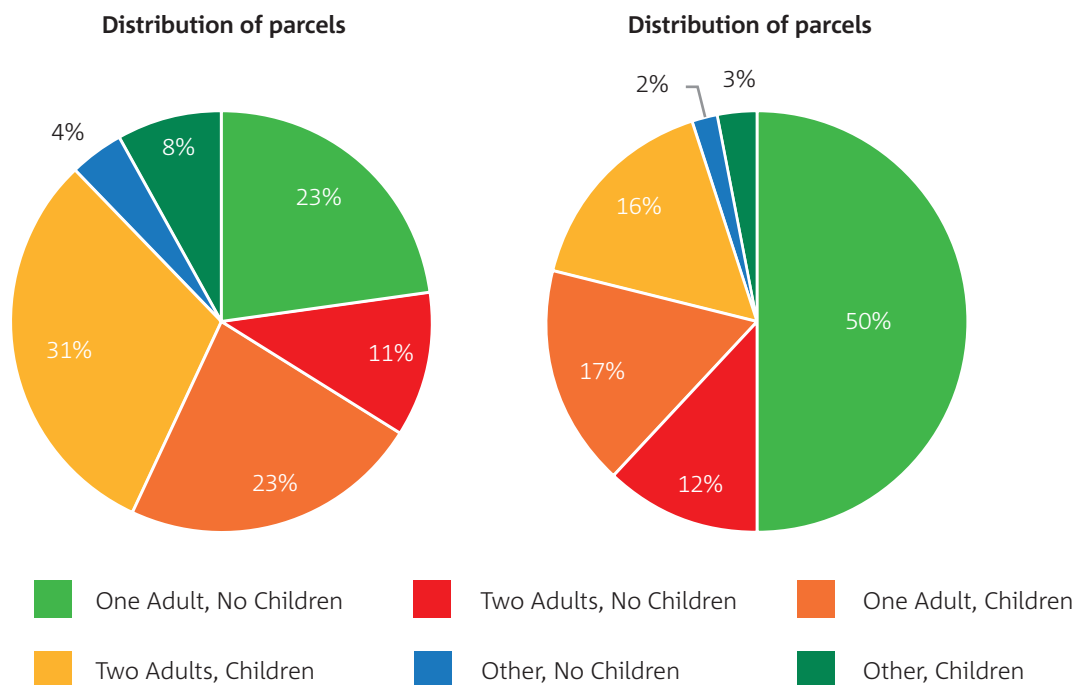
Meanwhile, in the run up to the pandemic, we have also seen a longer-term increase in the need for food banks in Scotland, just as the Scottish Government launched an ongoing consultation on how to end that need (Scottish Government 2021c).

Both before and during the pandemic, people accessing food parcels from the Trussell Trust were particularly likely to live in households with children. Although half of all referrals are to single, childless households, when looking at who receives food parcels, the majority (62 per cent) are provided to children and the adults who live with them.³

3 In the period January 2019 – September 2021

Figure 1: The majority of food parcels distributed across Scotland by Trussell Trust food banks from 2019-21 were for either children, or adults living with them

Distribution of people who use the Trussell Trust food banks by household type



Source: IPPR Analysis of the Trussell Trust Data. Data covers January 2019 – September 2021

It is within this context that the Scottish Government has begun the roll out of the Scottish Child Payment, a new benefit aimed at curbing child poverty.

In its first Tackling Child Poverty Delivery Plan, published in 2018, the Scottish Government announced plans to develop an income supplement designed to reduce child poverty. This work shaped the new Scottish Child Payment, which was first delivered to families in February 2021 through Social Security Scotland, Scotland's benefits agency. The introduction of the payment constituted a landmark moment in the development of Scotland's post-devolution welfare settlement and has been recognised by JRF as the most progressive policy measure to tackle poverty instituted since devolution began in 1999 (Congreve 2019).

It (currently) provides a £10 per week payment to families with a child under the age of six and in receipt of qualifying means tested benefits (including Universal Credit and equivalent legacy benefits), with no limit on the number of children per family eligible for the payment (Congreve et al 2019). By the end of 2022, the full roll out of the payment will see the age threshold rise to cover all children under 16 in eligible households (Scottish Government 2021d). The payment is also set to double in value to £20 in April of 2022, after all major parties at Holyrood committed to such an increase through May 2021's elections to the Scottish Parliament following a concerted campaign led by the End Child Poverty in Scotland coalition (Adam et al 2021; Child Poverty Action Group 2021).

Applications for the payment are processed by Social Security Scotland with eligibility verified through a data-sharing agreement with the UK Government's Department for Work and Pensions (DWP). For successful applicants, Social Security Scotland then makes a direct payment on a four-weekly basis in arrears.

The introduction of the Scottish Child Payment, and its forthcoming increase to £20 per week, has demonstrated an ambitious approach to using the powers of the Scottish Parliament to tackle child poverty, but significant, further action is required. Given the scale of change needed to meet both the Scottish Government's interim and final child poverty targets, the Scottish Child Payment alone – in its current form and at planned levels – is not enough.

As noted above, meeting the Scottish Government's interim child poverty target will require a child poverty rate of 18 per cent in 2023-24, against a current rate of 26 per cent⁴. That means 80,000 children being lifted out of poverty in the next two years. When the payment was first announced, at a level of £10 per week, per child, the Scottish Government estimated it would lift 30,000 children out of poverty. Since the Scottish Government announced its plans to double the payment, both the Scottish Government and several organisations have undertaken revised modelling of the expected impact on child poverty of a £20 per week payment for eligible children aged under 16, shown below.

Table 1: The estimated poverty impacts of a £20 per week Scottish Child Payment vary, but none put Scotland on track to meet its interim child poverty targets

| Organisation | Percentage point reduction in child poverty | Number of children lifted out of poverty |
|--|---|--|
| Scottish Government | -4 | 40,000 |
| Scottish Parliament Information Centre | -5 | 50,000 |
| IPPR Scotland | -3 | 30,000 |

Source: IPPR Scotland Modelling using the IPPR Tax-Benefit Model, SPICe 2021, Scottish Government 2021e

While each of these figures are projected using different models, and as such each will have varying underlying assumptions, none of them expect a child poverty reduction which meets the Scottish Government's interim targets. Even the most optimistic of projections leaves a gap of three percentage points, or 30,000 children still locked in poverty. And that is before considering the impact of both the pandemic and cost of living crisis on destitution and deep poverty, and the risk that many more households are pulled even further below the poverty line in the months ahead.

Clearly, the Scottish Child Payment cannot ever achieve the Scottish Government's final child poverty targets on its own. Alongside action to boost incomes through the payment, we would expect a range of equally ambitious and 'game changing' measures to be set out in the forthcoming Tackling Child Poverty Delivery Plan to improve parental employment prospects and reduce major costs, to demonstrate a credible path towards meeting the targets.

While the payment alone is not set to close the gap to meet Scotland's statutory child poverty targets, it also falls far short of delivering a minimum and acceptable standard of living – the ambition set out by a minimum income guarantee, which the Scottish Government has committed to exploring (see Statham et al 2021). Ensuring the payment can play its full role in paving a way towards a minimum income guarantee will mean ensuring that it rises at least in line with living costs to effectively protect families with children against poverty, destitution and needing to use a food bank.

⁴ Child poverty statistics are often reported on a three-year rolling average to show long-term trends. The most recent of these, for 2017-20, show a relative child poverty rate (after housing costs) of 24 per cent. However, the Scottish Government's child poverty targets are measured against single-year estimates – the most recent of which is 26 per cent and is used throughout this report for consistency.

Importantly, in the absence of any further immediate measures that can directly impact on child poverty, the payment will be required to do the heavy lifting to achieve the interim targets – and that will require further investment.

Fraser of Allander Institute analysis estimates that the Scottish Child Payment will need to be doubled again, to £40 per week, to meet the interim target (Mitchell and Congreve 2021). IPPR Scotland has previously called on the Scottish Government to do so by 2025/26, funded with the introduction of new social renewal supplement paid by higher rate taxpayers in Scotland (Statham et al 2021). So far, pressure from across Scottish civic society to double the payment has proved successful, demonstrating there is opportunity for further increases in the coming years (Poverty Alliance 2021b).

Alongside the level of the payment, when it comes to meeting Scotland's child poverty targets, the speed of the payment's roll out also matters. Ensuring the greatest number of eligible families apply for and access the payment as soon as possible will be vital. So far, there has been a gradual roll out of the Scottish Child Payment (delayed because of the Covid-19 pandemic), beginning in February of 2021, for families with children under the age of six. IPPR Scotland, JRF and the End Child Poverty in Scotland coalition have repeatedly called on the Scottish Government to expand the roll out as soon as possible to over sixes, having successfully campaigned for an equivalent bridging payment system for those not yet eligible, ahead of the planned roll out to children aged under 16 by the end of 2022 (McCormick and Hay 2020; Child Poverty Action Group 2021; Statham et al 2021). The End Child Poverty in Scotland coalition has also recommended that the payment delivery mechanism be kept under review to ensure it is successfully maximising take up and reaching the main carer (Child Poverty Action Group 2021).

There are several avenues for the Scottish Child Payment to deliver greater impact on poverty and destitution. Next, we explore these options in detail.

1.2 FUTURE DIRECTIONS FOR THE SCOTTISH CHILD PAYMENT

The Scottish Child Payment now stands as one of the single most effective levers available to the Scottish Government to prevent poverty and destitution for families with children. However, in the face of the mounting pressures on families' incomes, and the significant distance to travel to meet Scotland's child poverty targets, it will need to go much further during this parliament and the next if the Scottish Government is to both meet its statutory targets, and ensure we see the elimination of destitution and use of food banks. Through this chapter, we consider future directions for the payment and their potential impacts on rates of relative poverty and deep poverty across Scotland.⁵

To better understand the potential impacts of reform to the Scottish Child Payment, we have modelled the costs and policy impacts of various options using the IPPR tax-benefit model.⁶ Our modelling projects impacts for the year 2023/24, assuming the full roll out of the Scottish Child Payment to all eligible under 16s has been completed. Unless otherwise stated, we assume that the value of the payment is set at £20 per week, per eligible child.

We explore the impacts of increasing the value and take up of the payment, introducing premium payments for certain 'priority groups' as identified by the Scottish Government's Tackling Child Poverty Delivery Plan, and of broadening eligibility for the payment – considering both expenditure implications and impacts on relative and deep poverty. We consider deep poverty as a proxy for households at risk of destitution – while imperfect, this offers a robust estimate of how the payment could support households on very low incomes. This analytical decision reflects the challenges associated with modelling destitution impacts, and a lack of robust available data.

We also heard from a small group of lone parents with young children who had been in receipt of the payment through this first stage of its roll out. Their experiences of the payment and ideas for how it can go further to support families struggling to make ends meet are included in this chapter.

Increasing take up will magnify the impact of any Scottish Child Payment reforms

When it comes to maximising take up of the Scottish Child Payment, its current design means that there are two layers affecting the reach of the payment: first, the rate of take up of the qualifying (and reserved) benefits that eligibility is based on (including Universal Credit and legacy benefits), and secondly, the rate of take up of the Scottish Child Payment within that eligible group.

Official statistics on the take up rate of the Scottish Child Payment are not yet available; however, analysis by the Scottish Parliament Information Centre of administrative data in 2021 suggested it may be close to 60 per cent (SPICe 2021). This mirrors Scottish Fiscal Commission estimates of 60 per cent take up through the first phase of roll out. The Scottish Government has previously assumed a take up rate of 83 per cent of eligible claimants once fully rolled-out, mirroring Child Tax Credits (Scottish Government 2019). We assume across our modelling that take up will reach 80 per cent by 2023/24 as the policy becomes embedded. However, it should be noted that anything lower than this will in turn reduce the payment's impact.

Achieving high levels of take up is a clear first challenge for the Scottish Child Payment and will determine its impact. We know there will be returns to successfully increasing take up in the form of

⁵ We define deep poverty as living in a household with an income below 50 per cent of the median household income, after adjustment for household composition. Both measures refer to income after housing costs.

⁶ The IPPR Tax-Benefit Model is a microsimulation model which uses survey data from the Family Resources Survey to estimate the impact of policy changes at a household level.

greater poverty reductions. Below, we model the effects of increasing take up of the payment to 100 per cent for those on qualifying benefits. We find that maximising take up could reduce deep poverty by 10,000 people across Scotland in 2022/23 compared to a scenario with 80 per cent take up (Table 2).⁷

Table 2: Increasing the take up of the Scottish Child Payment from 80 per cent to 100 per cent of eligible families, would see 10,000 more people lifted out of deep poverty

| | Cost (£ million) | Child Poverty Reduction | Deep Child Poverty Reduction | Total Poverty Reduction (Adults & Children) | Total Deep Poverty Reduction (Adults & Children) |
|------------------------------------|------------------|-------------------------|------------------------------|---|--|
| Increasing Take Up to 100 per cent | 80 | 10,000 | 10,000 | 20,000 | 10,000 |

Note: IPPR analysis using IPPR Tax-Benefit Model. All modelling refers to financial year 2023/24, and the baseline scenario assumes 80 per cent take up is achieved. Full roll out of Scottish Child Payment is assumed. Take up of Universal Credit or other qualifying benefits is kept constant and is estimated using a probabilistic model. Figures are rounded to the nearest 10,000

Few benefits achieve 100 per cent take up, but some have come close (such as Child Benefit) which demonstrates the possibility if awareness is high, and stigma is low. As a top-up to reserved benefits, a much higher take up of the Scottish Child Payment by eligible households could be readily achieved, either by DWP topping up the qualifying benefits at source, or by a much stronger data sharing arrangement whereby Social Security Scotland could provide automatic payments. Both options present logistical – and no doubt political – difficulties, but it is imperative both governments work together to find ways to ensure the greatest possible take up.

Another key consideration for the Scottish Child Payment is the extent to which it can support income adequacy for families with children on a low income.

Families in receipt of the payment told us that the additional £10 per week, per eligible child, went some way to provide more security and flexibility in household finances. In the period under discussion, however, the impact of the Scottish Child Payment was blunted by the withdrawal of the £20 uplift to Universal Credit, cancelling out the breathing room offered by the payment for some families. Families reported spending the additional income on food and heating costs, or to cover children’s bus fares (this being prior to the introduction of free bus travel for under 22s, albeit there have been reports that this has not been readily accessible).

We also heard that the payment offered some mental ease to parents under pressure, who described the difference made by ‘not having to count every apple’ on a food shop. Parents described the greater flexibility the payment provided by acting as a small buffer for a very tight budget. This buffer awarded families more choices in their weekly budget, and, over time, the possibility of occasional spending

⁷ In line with the evidence the modelling does not assume full-take up of Universal Credit, and so impacts of SCP would be larger still if Universal Credit take up was higher.

on small additional items. The payment was felt to partly reduce the stress associated with financial insecurity, as one parent described:

“It alleviates that pressure, that I won’t be counting down every last penny”

The planned doubling of the payment to £20 per week was seen to allow for greater manoeuvrability in family budgets, that could help parents to meet the costs of fundamental necessities such as clothing, food, and travel, as well as recreational costs. Parents – particularly in larger families – were also looking forward to the full roll out of the payment later this year. One parent of four explained that the payment would help to mitigate against the impact of the two-child limit on her Universal Credit award, providing her with much needed income she could rely on.

Parents also stressed the importance of being able to set aside some money and build savings that could provide greater financial security. Some had hoped that the payment might help to build a financial buffer that could be used to pay for irregular costs, such as birthdays. Where the introduction of the Scottish Child Payment had, however, coincided with the withdrawal of the Universal Credit uplift, or with the withdrawal of other age-dependent payments such as the Best Start Grant, it meant the payment instead went towards basic weekly essentials, while a route towards financial security remained a far-off prospect. When asked how they felt about the prospect of the payment doubling in value, one parent told us:

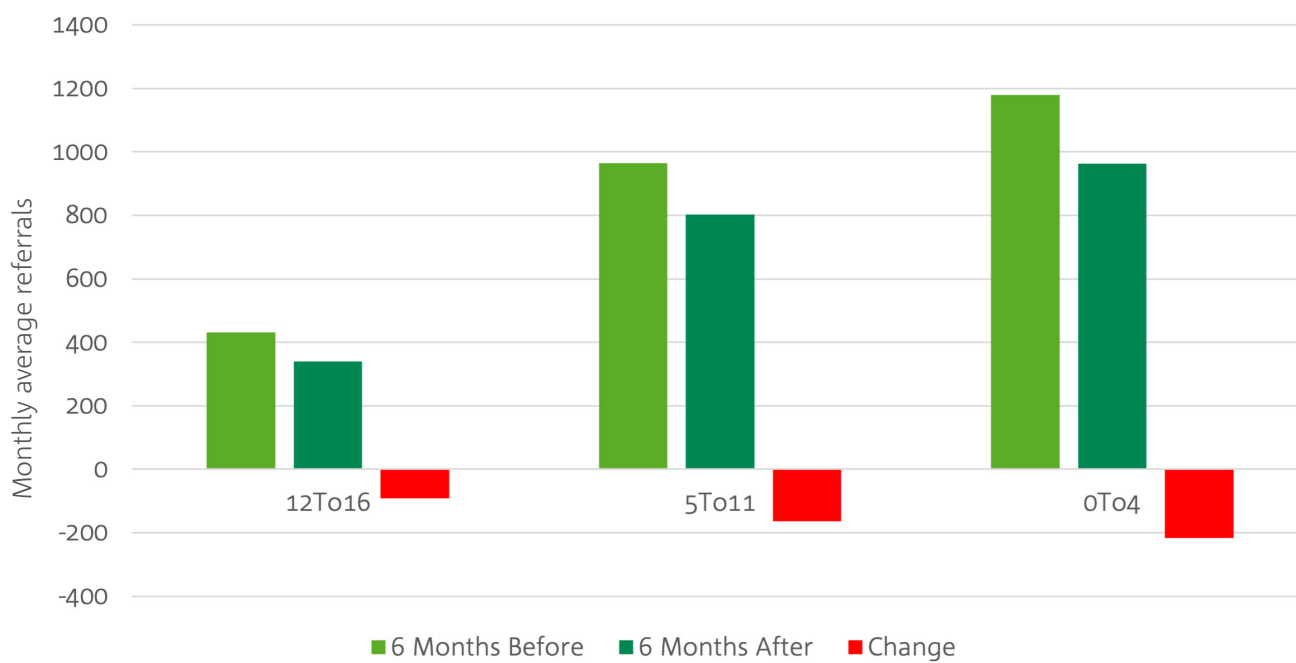
“I have no savings. Any more money will probably be spent, but it would be good to have a cushion, a buffer for times when it does get hard.”

Parents we heard from had spent their payment on food and fuel costs, while the prospect of affording small luxuries remained out of reach.

To examine what impact the introduction of the Scottish Child Payment might have had on families living on very low incomes during its early roll out, we examined levels of food bank parcel distribution over the same period. We consider average levels of food parcel distribution in the six months before and after the introduction of the payment to gauge if there was a notable reduction in families accessing food banks. We found that levels of food bank parcel distribution fell no more among families who were eligible for the payment than among families with older children who were not eligible.

Figure 2: Referrals to food banks in the Trussell Trust's network in Scotland fell by similar amount in proportionate terms among families eligible for the payment and those not yet eligible.

Impact on referrals to food banks for families with young children in the six months before and after the introduction of the Scottish Child Payment, by age of youngest child



Note: IPPR Scotland Analysis of the Trussell Trust food bank data

We find that although the absolute reduction in total referrals is largest amongst families with the youngest children, this comes from a higher base – as families with younger children were more likely to access a food bank overall. If we look at *proportional* reductions, we find that the largest reductions were reported among families with the oldest children. Families whose youngest child is aged 12-16 have seen a decrease in food-bank distribution of 21 per cent on average since the introduction of the Scottish Child Payment, despite not benefitting from the payment at this stage.

To assess these impacts more robustly, we would need to estimate and compare against what would have happened to food bank use in a world without the Scottish Child Payment. Estimating food bank use is, however, complex, and depends on various local factors for which data is not available. We also lack the complete picture of demand which goes beyond food parcels distributed by food banks in the Trussell Trust network, for which detailed data is similarly not available. Due to these limitations, we cannot say the Scottish Child Payment has had a statistically significant impact on food parcel distribution among families with young children.

Increasing the level of the payment

A clear route to increasing the impact of the payment on poverty and destitution is by increasing its value further. Previous modelling has suggested that to be on track to meet Scotland's interim child poverty targets, the value of the payment will have to double again from £20 to £40 by the end of this parliament (Mitchell and Congreve 2021; Birt and Milne 2021). As these estimates do not consider the additional pressures brought to bear on household budgets by rising food and fuel costs, the case for the value of the payment to rise further has only grown more urgent over the past year.

Next, we consider the cost and impact of increasing the value of the overall payment to £40 by the end of this parliament (Table 3). We estimate that this would see an additional 20,000 children in Scotland lifted out of relative poverty, and 10,000 children lifted out of deep poverty, with an additional cost of £290 million per year.

Table 3: Increasing the value of the Scottish Child Payment to £40 in 2023/24 would lift a further 30,000 children across Scotland out of poverty.

| | Cost (£ million) | Relative Child Poverty Reductions | Deep Child Poverty Reductions | Total Relative Poverty Reductions (Adults & Children) | Total Deep Poverty Reductions (Adults & Children) |
|--|------------------|-----------------------------------|-------------------------------|---|---|
| Increase Scottish Child Payment to £40 | 290 | 30,000 | 20,000 | 50,000 | 40,000 |

Note: IPPR analysis using IPPR Tax-Benefit Model.

Given the urgent need for action to protect against deep poverty in the face of a looming cost of living crisis, we compare this blanket increase to targeting increases in the value of the Scottish Child Payment for groups at higher risk of poverty.

Additional 'premium' payments can target specific groups at higher risk

As noted previously, the Scottish Government's Tackling Child Poverty Delivery Plan focuses on several 'priority groups' recognised as being at the greatest risk of poverty. In recognition of their greater risk and needs, we have modelled top-up payments to the Scottish Child Payment for four of these groups – where data on eligibility would be more readily available – with one additional payment of £20 per week for qualifying families, on top of the core £20 per week per child entitlement. Such premium payments are a common feature of the existing social security infrastructure across the UK, for example additional payments through Universal Credit for disabled people, or families with children.

- Families with 3 or more children
- Families with a child aged 1 or under
- Lone parent families
- Families where either a parent or child is disabled

We find that individually each of these premiums would have relatively smaller impacts (in comparison to the overall payment), with a lone parent premium likely to result in the greatest poverty impacts but also bringing the greatest costs. All four premiums together would cost around £270 million and reduce deep poverty by a further 40,000.

Table 4: Modelling results for introduction of different premiums (2023/24)

| Premium | Cost (£m) | Relative Child Poverty Reduction | Deep Child Poverty Reduction | Total Poverty Reduction (Adults & Children) | Total Deep Poverty Reduction (Adults & Children) |
|----------------------|-----------|----------------------------------|------------------------------|---|--|
| Lone Parent Premium | 110 | 10,000 | 10,000 | 10,000 | 10,000 |
| Large Family Premium | 30 | < 5,000 | < 5,000 | < 5,000 | < 5,000 |
| Disability Premium | 90 | 10,000 | < 5,000 | 10,000 | 10,000 |
| Young Child Premium | 40 | < 5,000 | < 5,000 | < 5,000 | 10,000 |
| All 4 Premiums | 270 | 20,000 | 20,000 | 30,000 | 40,000 |

Note: IPPR Scotland analysis using the IPPR tax-benefit model. All costs and poverty reductions presented are additional to the baseline presented earlier in this paper, of full roll-out of the £20 per, per eligible child aged under 16. Additional £20 premiums are paid per household not per child. Sums do not total due to rounding.

Each of these premiums offers different levels of cost effectiveness in terms of spending required to reduce deep child poverty. Overall, we find that applying a £20 a week premium would have similar effects on deep poverty compared to a flat increase of the value of the payment to £40 a week for all recipients, at a similar cost. However, while a flat value increase may present a simpler solution to achieve similar ends in terms of deep poverty reduction, greater impacts for the priority groups could be secured through varying and higher levels of premiums depending on the risk and severity of poverty for each group. There would, however, be trade-offs to any more targeted premiums in terms of complexity for the recipient, administration costs and the potential for “cliff edges” if individual circumstances change.

Extending eligibility to child benefit would boost spending but target deep poverty less effectively than just increasing Scottish Child Payment.

To provide an alternative benchmark for the impact of a flat increase and/or additional premiums to the existing payment on poverty, we also modelled the effects of changing the eligibility criteria for Scottish Child Payment to include recipients of Child Benefit. This would be a considerably broader group of recipients than is currently eligible, but as an underlying benefit Child Benefit enjoys a considerably higher take up rate compared to Universal Credit – we estimate take up of Child Benefit at 100 per cent in our modelling,⁸ compared to 86 per cent for Universal Credit.

⁸ In the latest data Child Benefit take up is 92 per cent, from a previous high of 98 per cent prior to the introduction of the High Income Child Benefit Tax Charge. For simplicity the model assumes 100 per cent take up, but with all higher income households losing this additional income through the surcharge. In reality this group would be unlikely to claim in the first place but in terms of modelling outcomes on household finances the results would be very similar.

Table 5: Modelled impacts of extending eligibility of Scottish Child Payment to Child Benefit recipients⁹ (2023/24)

| | Cost (£m) | Relative Child Poverty Reduction | Deep Child Poverty Reduction | Total Poverty Reduction (Adults & Children) | Total Deep Poverty Reduction (Adults & Children) |
|------------------------------|-----------|----------------------------------|------------------------------|---|--|
| Passporting to Child Benefit | 320 | 10,000 | 10,000 | 20,000 | 10,000 |

Note: IPPR Scotland analysis using the IPPR tax-benefit model. Note this analysis compares an expanded eligibility threshold (receipt of Child Benefit) against a baseline of the current Scottish Child Payment design. All modelling refers to financial year 2023/24.

Expanding eligibility to households in receipt of Child Benefit would benefit around 700,000 people, at a cost of an additional £320 million per year, and reduce both deep and relative child poverty by 10,000.

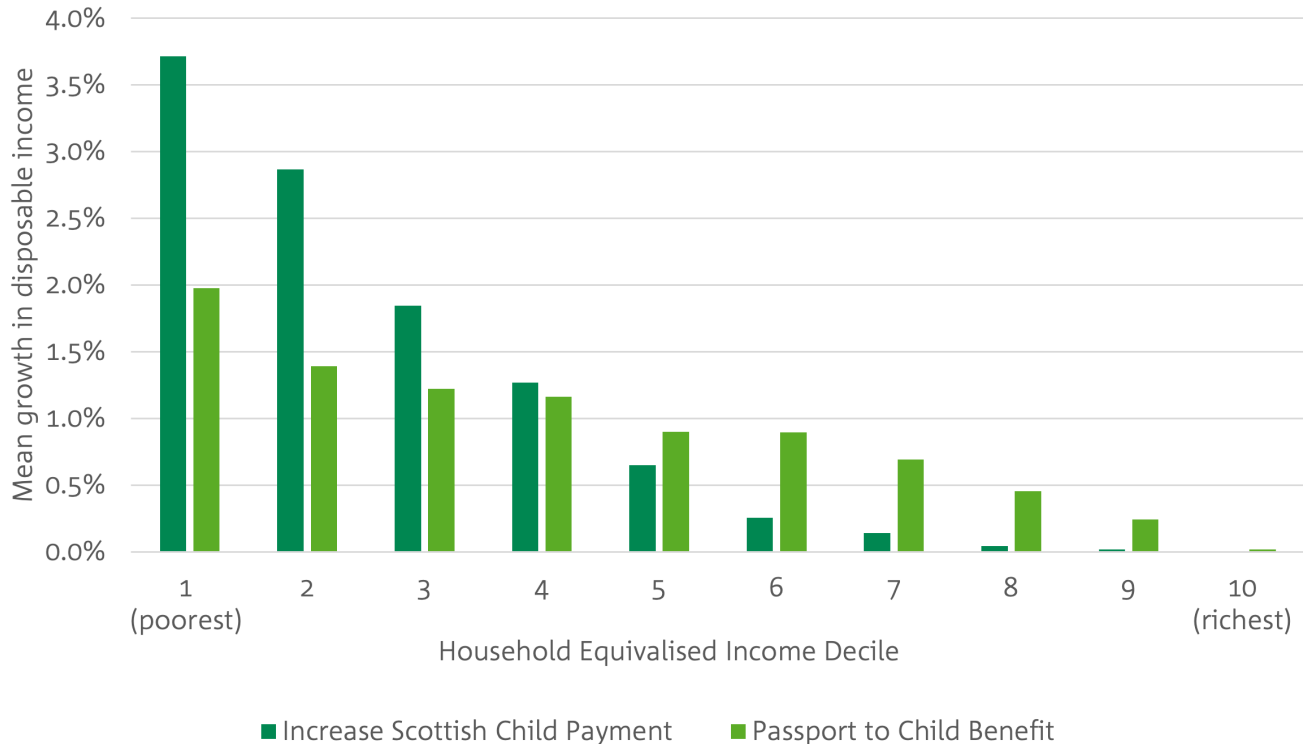
However, an important feature of those who would benefit, not shown, is that over 50,000 would be in the poorest 10 per cent of households. These are people who miss out under the current design of the payment as they do not claim qualifying benefits but are living on low incomes. It is worth noting, however, that compared to the flat value increases and priority family premium options considered above, additional spending is less focused on households at risk of deep poverty. This means that poverty reductions are relatively smaller per pound spent than through alternative options.

Our distributional analysis shows that while expanding eligibility to include Child Benefit reaches some of those households at greatest risk of destitution, it has less of an impact on the incomes of the poorest ten per cent of households than doubling the value of Scottish Child Payment again to £40, which would boost incomes among the lowest decile by an average of over 3 per cent.

⁹ Restricted to those whose Child Benefit is not eroded by the High Income Child Benefit Tax Charge.

Figure 3: Expanding eligibility to include Child Benefit benefits a broader range of household income groups than increasing the existing Scottish Child Payment, but spend is less targeted on poorer households

Distributional analysis comparing child benefit passporting and doubling Scottish Child Payment (2023/24)



Source: IPPR Scotland Analysis using IPPR Tax-benefit model and DWP 20201a

For these examples, it should also be noted that even by expanding eligibility to include Child Benefit, a central challenge of increasing take up of the Scottish Child Payment remains. While Child Benefit enjoys high take up, there would still be a requirement for people to apply separately for the Scottish Child Payment.

Reliability

It was clear from our discussion with parents that they value the Scottish Child Payment as a benefit they can depend on, which was drawn in contrast to many other benefits referenced in discussion. Some parents perceived both Universal Credit and legacy benefits to be too often subject to variation or withdrawal, which was ‘mentally draining’ for families relying on them. By contrast, the Scottish Child Payment was viewed as a welcome exception, providing certainty as a regular source of income, and (so far) operating in a ‘smooth’, reliable way. One parent described the payment as offering some ‘certainty’ to plan against, which was not offered by other benefits.

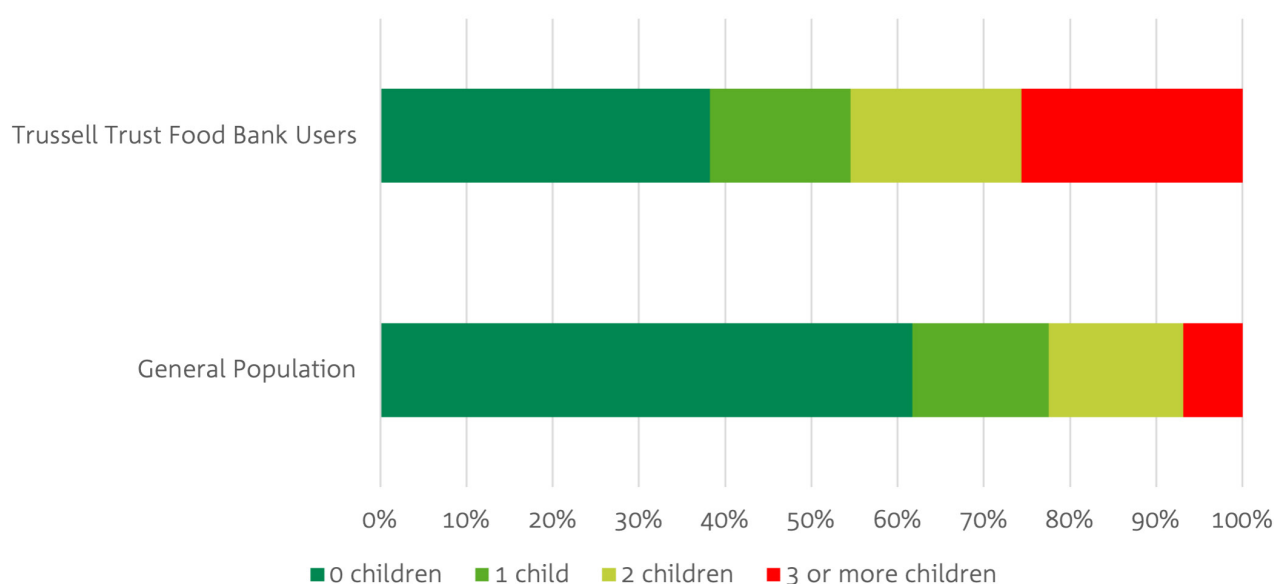
“The [Scottish Child Payment] is the one benefit we don’t have to worry about. That just takes off the stress...it makes a huge difference”

This benefit had not been felt, however, by parents whose child had turned 6 during the early roll out and therefore losing eligibility. While full roll out will deliver the Scottish Child Payment to all children aged under 16 in eligible families, there is a risk that reliability of the payment is undermined by the abrupt nature in which it is withdrawn. Due to the design of the payment and its eligibility criteria, a family whose income is increasing risks experiencing a ‘cliff edge’ at the end of the Universal Credit taper, where they could experience a substantial fall in income resulting from a small increase in earnings. This cliff edge stands to grow larger still where the value of the payment is increased, or premiums are introduced for particular groups.

A cliff edge will also have the greatest negative impact on larger families with multiple eligible children, especially if many of those children are of a similar age. Should several children in receipt of the Scottish Child Payment surpass the age of eligibility this could leave a huge hole in family finances as the payment is rescinded. Larger families are already at higher risk of poverty and receiving more food parcels, according to our analysis of recent data from the Trussell Trust on food bank usage.

Figure 4: Larger families and families with young children are more likely to access a food bank in Scotland

Distribution of emergency food bank parcels by household type in Scotland (January 2019-September 2021) compared to Scotland’s general population



Source: IPPR Analysis of the Trussell Trust Food Bank data and Households Below Average Income

A quarter of emergency food parcels distributed by food banks in the Trussell Trust’s network in Scotland are to households containing three children or more. In Scotland around 7 per cent of people live in large families (three children or more). We also find that support from food banks is particularly likely to go to families with young children and lone parent families, with support to lone parents households constituting 23 per cent of the distribution of emergency food parcels, compared to their prevalence of just 7 per cent of the total population in Scotland (IPPR analysis of HBAI). This serves to underline that larger families, families with young children and lone parents are at disproportionate risk of deep poverty.

Avoiding the abrupt withdrawal of the payment when on children’s 6th birthday will rely on better data sharing agreements between Social Security Scotland and DWP. Concerns have also been raised about the timely introduction of the under 16s’ payment if the required data on reserved benefits – used to evidence an applicant’s eligibility – is not forthcoming from DWP. Given the scale of the cost of living

and poverty crisis facing Scotland, however, it is incumbent on the Scottish Government to explore alternative options, so as not to risk the support families have told us is so important. Most immediately, they could double ‘bridging payments’, introduced for families with a child aged 6-16 and in receipt of free school meals, at the same time the Scottish Child Payment is doubled for under sixes. It is equally incumbent upon the UK Government to ensure the necessary data is made available to enable Scottish Government to successfully use the powers devolved to it.

While the certainty of a regular payment was also praised, we heard that some parents would prefer for the payment to be made on a weekly basis, rather than as a monthly payment by default. They perceived a weekly payment as a means to better spread income throughout the month and alleviate pressure on weekly budgets. Parents told us that this would go some way in ensuring families are not counting down the days until payment on the fourth week. This principle of greater flexibility is one the Scottish Government has agreed with and worked to implement across other benefits, introducing ‘Universal Credit Scottish Choices’ in 2017, enabling Universal Credit claimants in Scotland to receive their payments fortnightly (Scottish Government 2017b).

Simplicity of application

The importance of a simple application process was a particularly high priority for lone parents, who reflected on the lack of time which results from having to manage paid and unpaid work and childcare. Parents also outlined the pressures and difficulties associated with applying for traditional benefits which, owing to their complexity, “can turn people off applying”.

We heard from parents who had found applying for the Scottish Child Payment to be relatively simple, with a straightforward application form. This was considered positively in contrast to the ‘long forms’ associated with applying for means-tested benefits through the DWP, that could be ‘invasive’ and ‘disempowering’. One parent summarised the administrative burden faced by lone parents associated with applying for your typical social security benefit:

“you’ve got all of the pressures that [being a lone parent] brings and all of the juggling your time, and the fatigue, and the stress, and then on top of that you are having to fill in long forms and a lot of the other forms. You have to be really analytical as well about your conditions, about your state, about your finances, and it’s a lot to do”

This is not to suggest that this is the experience of all applicants, but to underline the importance of ensuring the application process for the Scottish Child Payment is simple and undaunting for applicants of all backgrounds and capabilities to complete. Given the increasing suite of benefits being delivered by Social Security Scotland, alongside wider welfare support being delivered by Scottish local authorities, it also speaks to a need to ensure that all efforts are taken to put in place an ‘only ask once’ approach, with automated payments where possible.

There is clear room to further improve the experience and reach of the Scottish Child Payment by making the payment automatic for qualifying families. Participants questioned why different government departments could not ‘talk’ to one another and coordinate applications to ensure families are enrolled and in receipt of their maximum possible entitlement.

“Why can’t they all talk together, why are they all separated?”

Participants suggested that families in receipt of other forms of means-tested support should be automatically enrolled to receive the Scottish Child Payment and other social security entitlements through a single form, and data-sharing arrangements across UK, Scottish and local government. We also heard that more support to assist parents in navigating the system was key to ensuring support reaches all eligible families.

1.3 CONCLUSIONS

Overall, both the experience of families receiving the Scottish Child Payment, and the views of the organisations advocating for them, are broadly positive of the payment and its potential. It is a signal of the ambitious action that can be taken, with the powers available, to tackle the immediate threat of destitution and longer-term risks of poverty too many families face. However, we should not be complacent, or see it as the finished product. Both the impact it delivers, and the way families receive it, could be improved to deliver even greater benefits.

Our modelling shows that increasing take up of the payment to 100 per cent would return significant impacts on deep poverty. And, ultimately, to secure the greatest possible poverty impacts, the payment should be doubled again. We also find that premiums targeted at priority groups identified by the Scottish Government are likely to return similar impacts on deep poverty as increasing the value of the overall payment. For families, reliability, accessibility, and flexibility are key, as is how the payment helps them to access a wider suite of support, ensuring that the welfare system provides support proactively, rather than making people – often in difficult circumstances – go looking for it.

To an extent, some of the challenges the payment will face – both in responding to the specific circumstances in Scotland and offering the greatest impact on poverty – will be due to the payment’s design, as a top-up to reserved benefits. In the long-term, these could be addressed by shifting the payment into primary legislation – as a new benefit – offering far greater flexibility.

1.4 RECOMMENDATIONS FOR THE SCOTTISH CHILD PAYMENT

Immediately, the Scottish Government should:

1. Design and deliver a public awareness campaign in 2022-23 – coinciding with roll out to children aged under 16 – aimed at substantially increasing take up of the Scottish Child Payment. This should be co-designed by prospective claimants and engage a wide range of support workers and front-line service staff who might play a role in supporting eligible families to apply.
2. Bring together local and national government, along with anti-poverty groups, to develop plans to automate access to the Scottish Child Payment for families in receipt of Best Start Grants and Best Start Foods, and vice versa. This automation effort should be designed to pave the way to automated payments across all relevant support provided by Social Security Scotland and local authorities.
3. Convene COSLA and Social Security Scotland to explore how to ensure the Scottish Child Payment can act as a ‘passport’ to wider support – ensuring: a ‘no wrong door’ approach for families on a low income; that wherever possible links are drawn across public services; and, that sign-posting and proactive help is in place to ensure families can access the Scottish Child Payment and other forms of support, including advice on income maximisation and employability support.

Over the course of this parliament, the Scottish Government should:

4. Increase the level of the Scottish Child Payment from £20 to £40.
5. Ensure the Scottish Child Payment is triple-locked year-on-year to keep up with the cost of living, by linking increases to the highest of inflation, earnings, or 2.5 per cent. This should be done through legislation to provide a cast-iron guarantee.
6. Expand Scottish Choices to families in receipt of the Scottish Child Payment, providing an accessible opt-in system that offers weekly payments to those that prefer them.
7. Bring local and national-level payments for low-income families together under one umbrella application system.
8. As part of its forthcoming action plan to end the need for food banks, analyse the relationship between the Scottish Child Payment and destitution, including by developing a more systemic approach to data collection.
9. Explore all options to use its existing powers to shift the Scottish Child Payment from a top-up to reserved benefit to a stand-alone benefit. This would in turn enable government to design and implement a stand-alone means test to focus on prevention and increase take up among those with the greatest need, and a taper that avoids a cliff edge for families in receipt of the payment, so it is not immediately and fully withdrawn when an eligible household is no longer in receipt of an underlying benefit.

CHAPTER 2: SCOTTISH WELFARE FUND

In this chapter we provide an overview of the Scottish Welfare Fund's history and rationale. We then outline potential future directions for the Scottish Welfare Fund, informed by our findings from data analysis and interviews with people who have made an application to it.

2.1 BACKGROUND TO THE SCOTTISH WELFARE FUND

The Scottish Welfare Fund offers support to people in financial crisis, through 'Crisis Grants', and to help people live a settled life in the community, through 'Community Care Grants' (Scottish Government 2022). Through the Covid-19 pandemic, the Scottish Welfare Fund has also offered financial support for people on low incomes who are advised to self-isolate and at risk of losing income as a result, through 'Self-Isolation Support Grants' (ibid).

Until 2013, Crisis Loans and Community Care Grants were available to people in Scotland facing a financial crisis through the Social Fund which was managed and administered by DWP. In April 2013, responsibility for these payments was devolved to the Scottish Parliament. A new national fund was then established and passed into law through the Welfare Funds (Scotland) Act 2015, formally establishing the Scottish Welfare Fund after two years of operation.

The Scottish Welfare Fund performs a similar function to the Social Fund before it, providing a safety net of last resort to protect low-income households. The statutory guidance underpinning the Scottish Welfare Fund describes the purpose of the fund as to 'provide occasional assistance (financial or otherwise) to individuals' and meet 'one-off' costs as opposed to 'ongoing expenses' (Scottish Government 2021f). In this way, the Scottish Welfare Fund is designed to prevent acute hardship or spiralling debt that might result from having to meet an unexpected or one-off cost. In a significant shift from the Social Fund, however, the Scottish Welfare Fund provides non-repayable grants. Since the launch of the Scottish Welfare Fund in 2013, upwards of 375,000 households have benefited from the fund, amounting to more than £235 million in grants provided (Scottish Government 2021g).

Guidance details that Crisis Grants should be offered 'where an individual is facing a disaster or emergency, and where there is an immediate threat to the health or safety of that individual or their family' (Scottish Government 2021f). This spans disasters such as a fire or flood, to taking on caring responsibilities for a child (Scottish Government 2021h). The grant can be used to cover the cost of the crisis in question, or for living expenses such as food or heating (ibid).

Community Care Grants are offered 'where a qualifying individual needs help to establish or maintain a settled home' or 'to support individuals and families facing exceptional pressure' (Scottish Government 2021f). These grants also aim to support people through specific transitions, including people leaving care, being resettled after homelessness, leaving a young offender's institution or prison, or fleeing domestic abuse (Scottish Government 2021i).

The Scottish Welfare Fund is coordinated by the Scottish Government, distributing funds to Scotland's 32 local authorities who are then responsible for assessing local applications and administering grants. The distribution of the Scottish Welfare Fund is weighted in line with the Scottish Index of Multiple Deprivation, so that areas with higher rates of deprivation have a relatively larger funding pot to distribute (Scottish Government 2021g). Once funds are distributed from Scottish Government it is within the discretion of individual local authorities to administer them in line with statutory guidance.

Ideally, this means councils can tailor the fund to meet local needs. In practice, however, there has been substantial variation in the proportion of the welfare fund budget spent across local authorities (Poverty and Inequality Commission 2020).

While access to the Scottish Welfare Fund is discretionary, applicants must meet basic eligibility requirements to qualify for assistance. Applicants must be a resident of the local authority they are applying to, aged 16 or above, and living on a 'low income' (though it is not necessary for an applicant to be in receipt of means-test benefits) (Scottish Government 2021h). For those who do qualify, Crisis Grants are required by regulations to be provided as cash, or cash equivalent, except in circumstances where an alternative would be more beneficial. Community Care Grants can also be paid in cash, or equivalent, but the most common form is 'in-kind' support, through the provision of new goods such as appliances or furniture.

Given its status as a designated public fund, the Scottish Welfare Fund is currently unable to support people in Scotland with No Recourse to Public Funds (NRPF) status in Scotland. Where people with NRPF status experience destitution 'risk factors', including redundancy, relationship breakdown, or unexpected costs, these are magnified by their exclusion from public funds (Scottish Government 2021j). Those with NRPF status are therefore a group who could most stand to benefit from emergency support like the Scottish Welfare Fund. During the pandemic, self-isolation support funds were successfully extended to people with NRPF status – recognising their risks and indicating potential solutions can be found. This represents an opportunity to continue to find alternative routes to deliver discretionary support to people with NRPF status across Scotland in future.

How the Scottish Welfare Fund could or should be used to respond to the reality of deepening poverty in Scotland is an urgent concern (Birt et al 2021). Across the UK, JRF reported a 35 per cent increase in the number of households experiencing destitution between 2017 and 2019, and the number of children experiencing destitution increased 52 per cent during that same period. This was before the Covid-19 pandemic took hold, when there was an expectation that overall levels of destitution in the UK would be double that of 2019's figure because of the pandemic and associated lockdowns (Fitzpatrick et al 2020). They also found evidence of destitution intensifying over the same period, with more households suffering from both a lack of essential items and low or zero incomes (Ibid).

In response to these longer-term trends of rising destitution, anti-poverty organisations came together in 2019 to launch the 'A Menu for Change report', *The Scottish Welfare Fund: Strengthening the Safety* (Hilber and MacLeod 2019). The report highlighted how the Scottish Government can use the Scottish Welfare Fund as a tool to directly combat instances of food insecurity and reduce reliance on emergency food aid through food banks. They recommended that this could be achieved by increasing the administrative and overall budget of the fund, as well as streamlining the application process by reducing the evidence that must be submitted to receive a Crisis Grant. This would make it more feasible for applicants to successfully apply for Crisis Grants and receive money in an emergency as soon as possible. To build on this research, we have conducted further analysis, to consider the relationship between food insecurity and financial hardship through the pandemic.

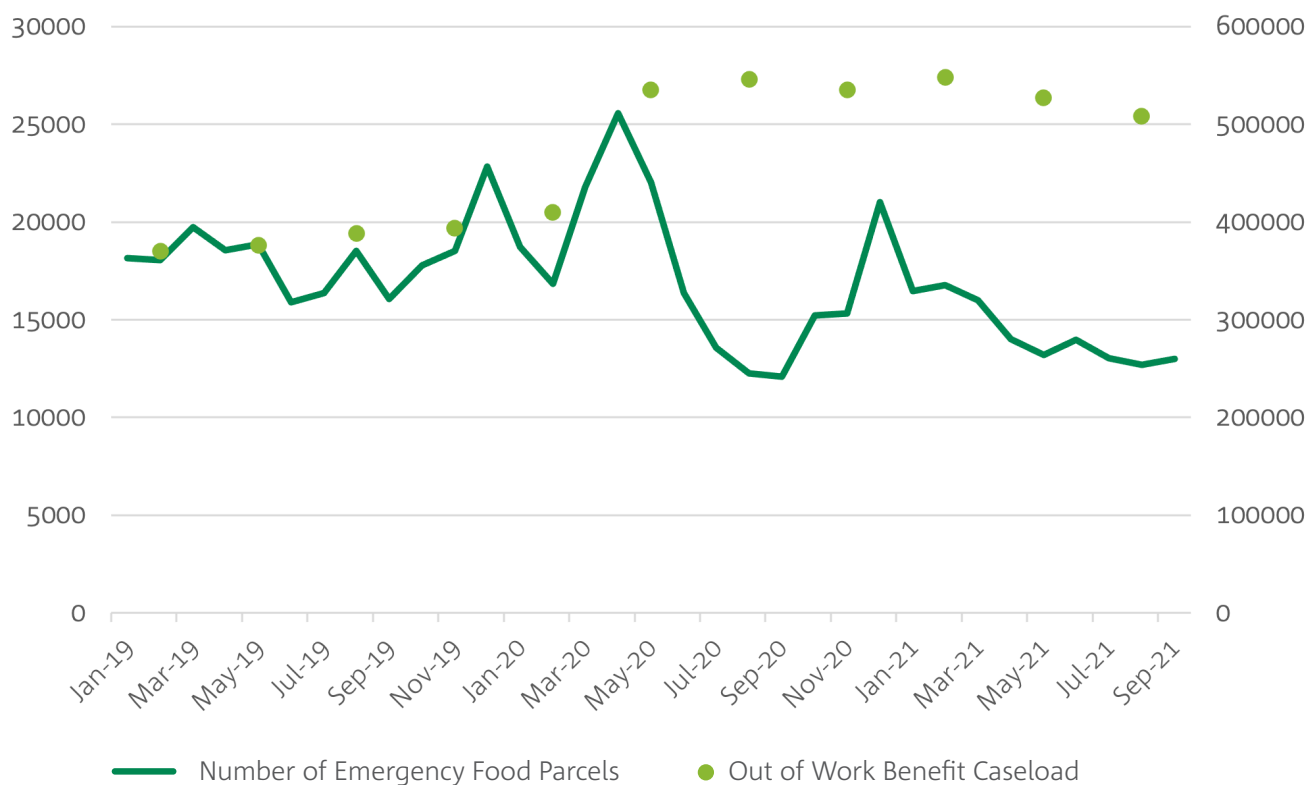
Analysis presented in this chapter draws on data collected by the Trussell Trust, and as a result is representative of the Trussell Trust's food bank network, and not all charitable emergency food provision that operates across Scotland. For example, the Independent Food Aid Network have reported large and continued increases in emergency food parcel distribution, and we know there has been a significant expansion in community food aid across Scotland, where often no referral is needed to access support. As a result, the analysis provides only a partial picture.

We find that there was a surge in need coinciding with the first national lockdown in Spring 2020, followed by a sharp reduction in the summer. There was then a second surge towards the winter in

2020. Although this corresponded with a re-tightening of national restrictions, it is a noteworthy that a similar “December surge” can be seen in 2019 prior to the pandemic.

Figure 5: Food parcels surged in the initial lockdown but distribution has been lower since but is likely to rise again

Total number of people receiving food parcels between January 2019 and September 2021



Source: IPPR Analysis of DWP StatXplore Data and the Trussell Trust data. Out of work benefit caseload is defined as the number of people on out of work Universal Credit, Jobseekers Allowance and Employment & Support Allowance.

These two surges are, however, different in character: the first saw across the board increases in the number of parcels distributed to, whereas the second was much more heavily skewed towards households with children. This is a trend which can also be seen in the previous winter surge of 2019, suggesting it is likely related to income pressures around Christmas which are particularly acute for households with children.

We also consider the relationship between food parcel distribution and the out of work benefit caseload in Scotland over the same period, which serves as a proxy for unemployment. Although we find a large surge in food bank need corresponding with the large surge in out of work benefit caseloads around the start of the pandemic, food parcel distribution has subsequently dropped sharply whilst the out of work caseload remains stubbornly high as of August 2021.

One possible explanatory factor could be the introduction of the £20 uplift to Universal Credit, which provided a boost to incomes for around half of people claiming out of work benefits in May 2020. If this were the case, we might also expect to see an increase in food parcel distribution from October 2021 as a direct effect of withdrawal of the same £20 Universal Credit uplift. Alongside the looming cost of living crisis and inadequate benefit uprating expected in April, we may reasonably expect food bank need to reach the levels seen at the peak of the pandemic again this year.

This analysis serves to further emphasise the precarious position many families find themselves in and reinforces the importance of support like the Scottish Welfare Fund, but also how it may be an underutilised tool when it comes to tackling destitution. This was highlighted by the Poverty and Inequality Commission in August 2020, which found that total expenditure from the fund fell from £9.7 million across April, May, and June 2019, to £8.6 million over the same period in 2020 (when the total fund was £57.6 million), when public health restrictions were at their peak (Poverty and Inequality Commission 2020).

As many more people are expected to struggle to make ends meet because of rising food and fuel costs in the months ahead, there is an urgent need to consider how funds can be deployed as effectively as possible to prevent destitution. It is hoped that such concerns will be addressed through the Scottish Government's review, currently underway, into how the Scottish Welfare Fund is working and whether and how it ought to be improved. Given the scale of the crisis ahead for many households, those conclusions must come sooner rather than later.

2.2 FUTURE DIRECTIONS FOR THE SCOTTISH WELFARE FUND

In March 2020, at the very beginning of the Covid-19 pandemic, the Scottish Government announced a funding increase for the Scottish Welfare Fund. While initially announced as a £45 million ‘boost’ to the fund – which would have more than doubled the size of the then £35.5 million fund – £22 million of this was subsequently held in reserve and released to local authorities later in the year, though not exclusively for the fund (Scottish Government 2020). This came just as the pandemic was about to stretch the fund to respond to greater demand than it had ever previously experienced. By examining how the Scottish Welfare Fund has performed, we can also identify where it can be improved into the future.

As part of our analysis, we have conducted a data analysis of available statistics on the Scottish Welfare Fund to better understand the operation of the fund and how it has responded in the pandemic. In addition, we heard from people who had experience applying for and/or receiving financial support through the Scottish Welfare Fund and from local authority representatives, via COSLA. Their experiences of applying to the Scottish Welfare Fund and their ideas on how the fund could be improved in future are included in this chapter.

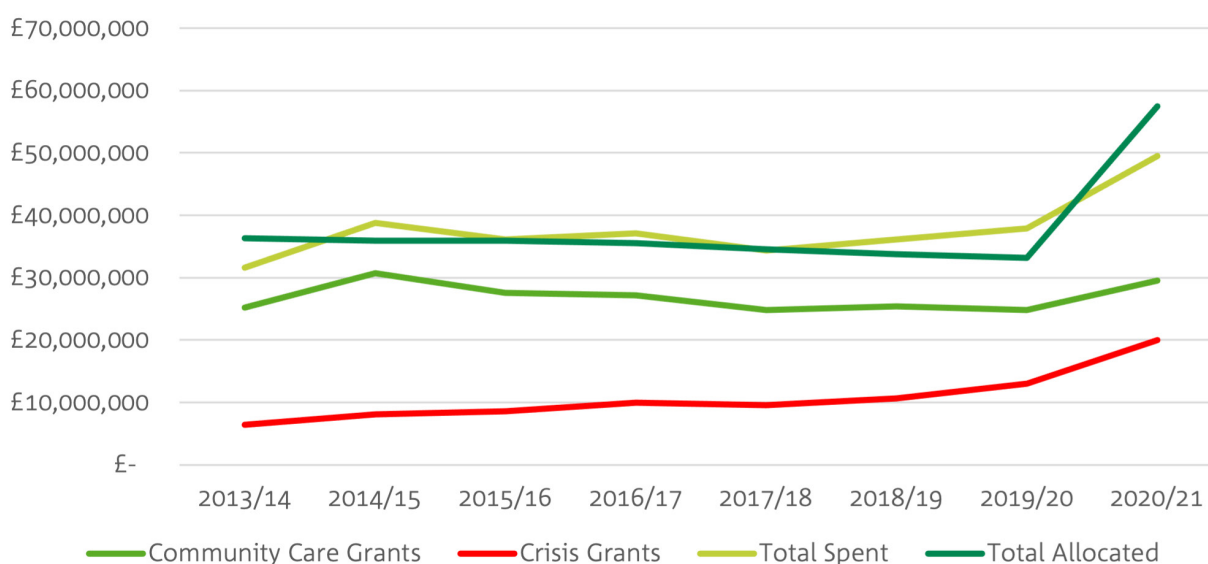
In reviewing how the Scottish Welfare Fund has performed in recent years, what immediately becomes apparent from our data analysis is how demand for Crisis Grants as a proportion of the fund has increased considerably.

Growing need for Crisis Grants

Crisis Grant expenditure has steadily grown throughout the life of the Scottish Welfare Fund, while Community Care Grant expenditure had been declining in real terms year-on-year since 2014/15 until the pandemic hit. Three quarters (75 per cent) of the overall increase in spending on the fund has come from a growth in Crisis Grant spending, which now constitutes over 40 pence in every pound spent through the fund in the latest year.

Figure 6: Across the lifetime of the fund, growth in spending on Crisis Grants has outstripped that of Community Care Grants (CCG)

Overall spending on Scottish Welfare Fund broken down by component (£2020/21 prices)



Source: IPPR Analysis of Scottish Government 2021k and ONS 2022b

While we can see in Figure 6 that the portion of the Scottish Welfare Fund that is spent on delivering Crisis Grants has increased, this has been true since 2013/14. However, it is between the period 2019/20 and 2020/21 that we see an acceleration of this trend.

The pandemic clearly had negative impact on household incomes, with people on Universal Credit in Scotland increasing from around 275,000 prior to the first lockdown of 2020, to approaching 500,000 as of June 2021 (Scottish Government 2021). This reflects the fact that low-income families have been hit hardest by the pandemic and the subsequent public health measures, while those in higher-paid work have often seen their household finances improve (Statham et al 2020).

This increase in need would therefore suggest that throughout the pandemic many individuals and households have turned to the Scottish Welfare Fund, and specifically Crisis Grants, as a form of income support to cover a loss in earnings. In this way Crisis Grants help keep household finances afloat, providing vital funds to pay for essentials like food and heating bills. We heard from one participant who had accessed the fund:

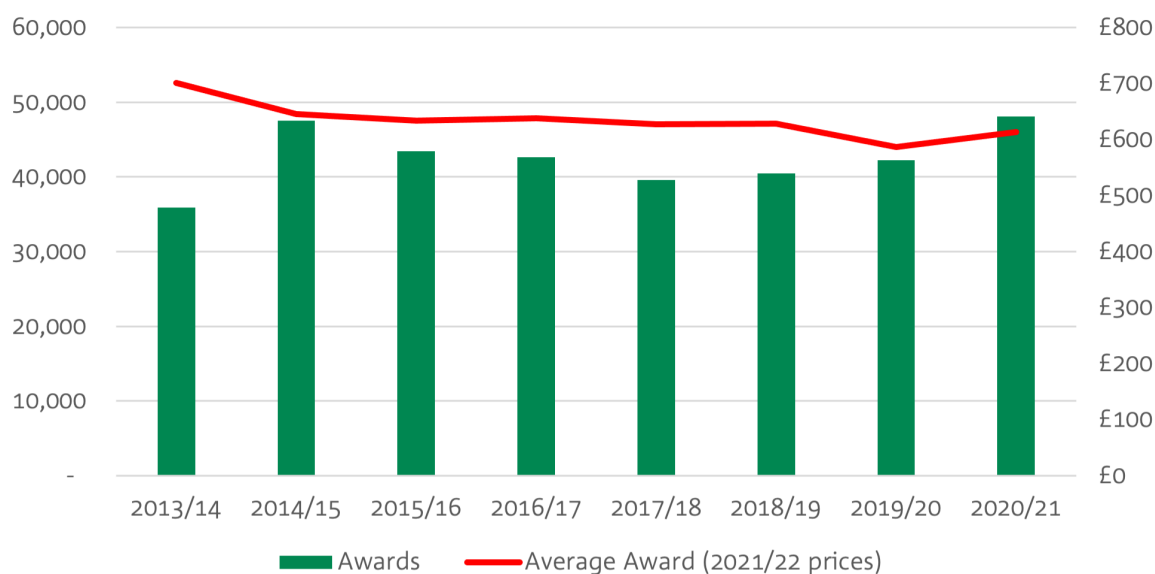
“[It] helped me get through – I struggle financially every month, I’ve had to use food banks three times in the last five to six weeks...Sometimes I need that extra help through Crisis Grants – halfway through month, times are tight – after bills, it’s just food and [pre-payment] meters”

As need for, and spending on, Crisis Grants grows as a proportion of the total Scottish Welfare Fund, this would suggest there is scope to increase the size of the overall budget of the Scottish Welfare Fund further. This would ensure the Scottish Welfare Fund could better support the increasing number of low-income households facing financial crisis in Scotland, today and in the future.

Just as the number of Crisis Grants issued have increased, we can also see in Figure 8 how this has tracked a notable increase in the average amount being awarded.

Figure 7: Community Care Grants awards have been falling in real value while the number of awards issued have remained largely steady

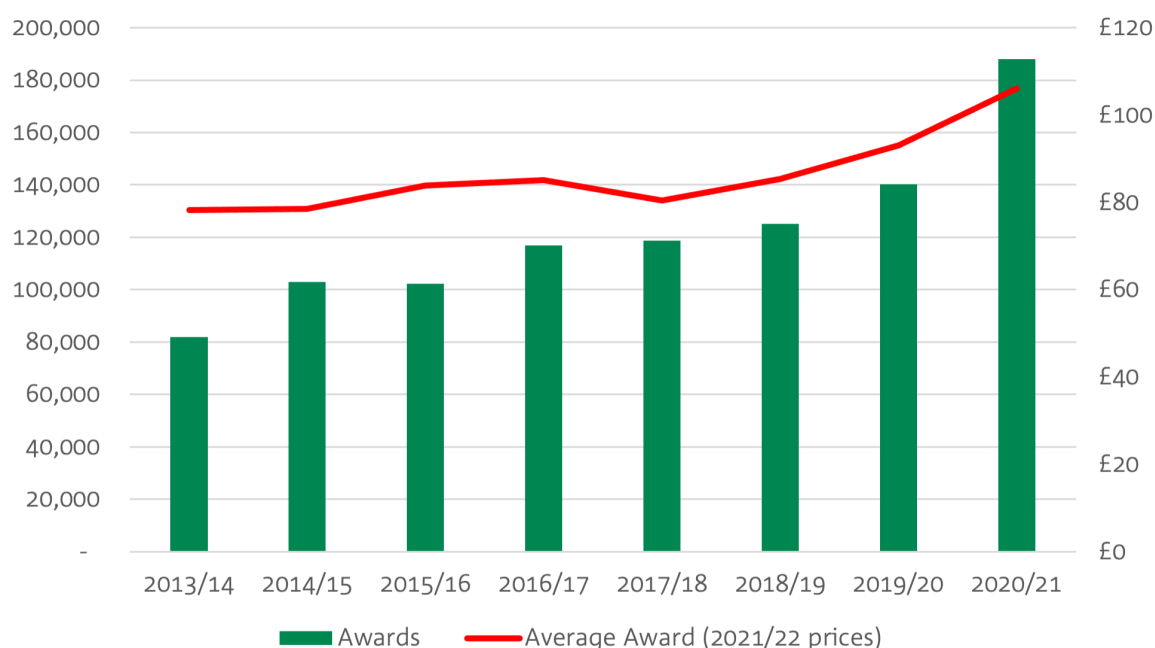
Average Awards (2021/22 prices) and number of Community Care Grants (CCG) awarded from 2013/14 to 2020/21



Source: IPPR analysis of Scottish Government 2021k and ONS 2022b

Figure 8: Crisis Grant spending has increased through both increased number of grants and a rising average award

Average Awards (2021/22 prices) and number of Crisis Grants awarded from 2013/14 to 2020/21



Source: IPPR analysis of Scottish Government 2021k and ONS 2022b

Meanwhile, the increase in Community Care Grants has been less dramatic and the average value of these awards has stagnated. After adjusting for inflation, we find that the average value of a Community Care Grant award has fallen by a fifth on average (18 per cent), compared to Crisis Grants which have increased by over a quarter.

This increase in the average Crisis Grant award may reflect the scale of the income crises people have been faced with in the past few years. The Covid-19 pandemic has brought significant disruption to the finances of people working in sectors made particularly vulnerable to the crisis, such as hospitality, and to those excluded from government support, such as the newly self-employed, or people working in the informal economy (ONS 2021a). This also serves to highlight how the existing social security apparatus, outside of the Scottish Welfare Fund, is failing to provide a secure and minimum standard of living for people on low incomes, so they are left relying on Crisis Grants to meet their day-to-day costs instead.

There are many different scenarios which might explain why average awards have increased. However, despite this initial increase in the average award of Crisis Grants, the amount awarded could be increased further still. This can mean that in some circumstances, even when an applicant has successfully applied, people are left to absorb significant one-off costs, and pushed into debt as a result. One participant who successfully applied for a Crisis Grant to cover an exceptional cost had received significantly less than the sum they had requested. As a result, they continued to experience acute financial hardship:

“it did lead me to struggling to eat for a few days. It never helped me out as much as I would have hoped.”

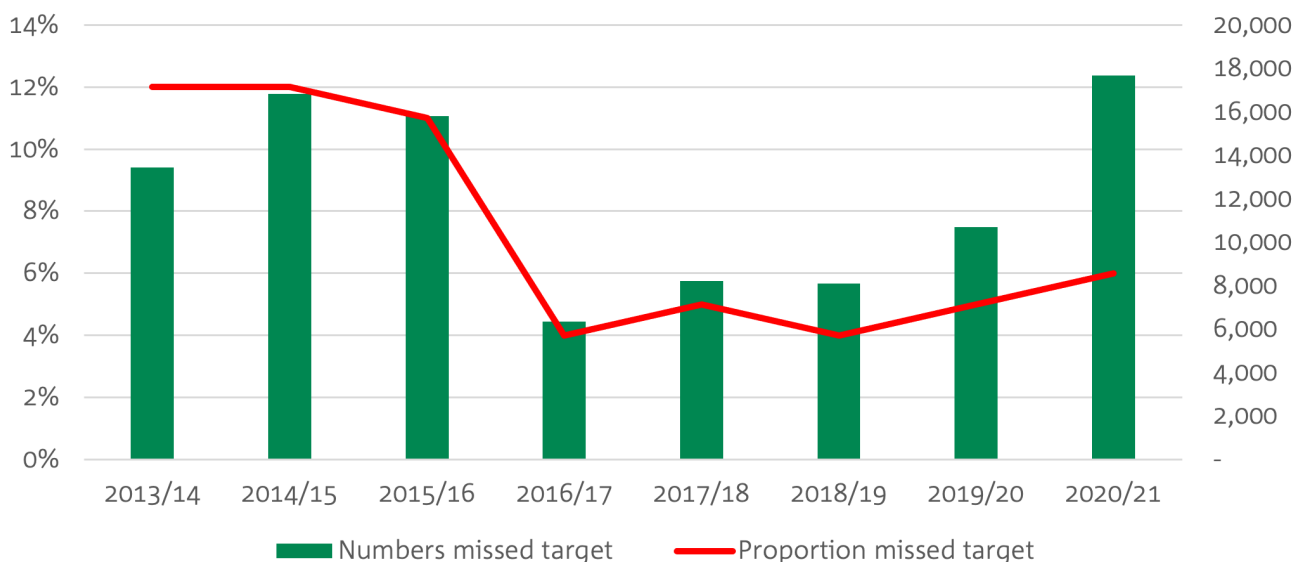
Only by ensuring all successful applicants of Crisis Grants receive the full monetary support necessary to cover the costs of their crises can we avert further income crises spiralling in the weeks and months ahead into a longer term, more entrenched state of crisis.

Responsiveness

Given the nature of the fund, and the emergency situations it responds to, it is imperative that applications for Crisis Grants in particular are processed and (if successful) support delivered swiftly. From our analysis of Scottish Government data, we were able to examine the turnaround from application to payment of Crisis Grants and Community Care Grants.

Figure 9: The fund was able to respond well to the increase in demand experienced through the Covid-19 pandemic

Total number of Crisis Grant applications compared against the proportion of total applications which missed the turnaround target



Source: IPPR Analysis of Scottish Government 2021k

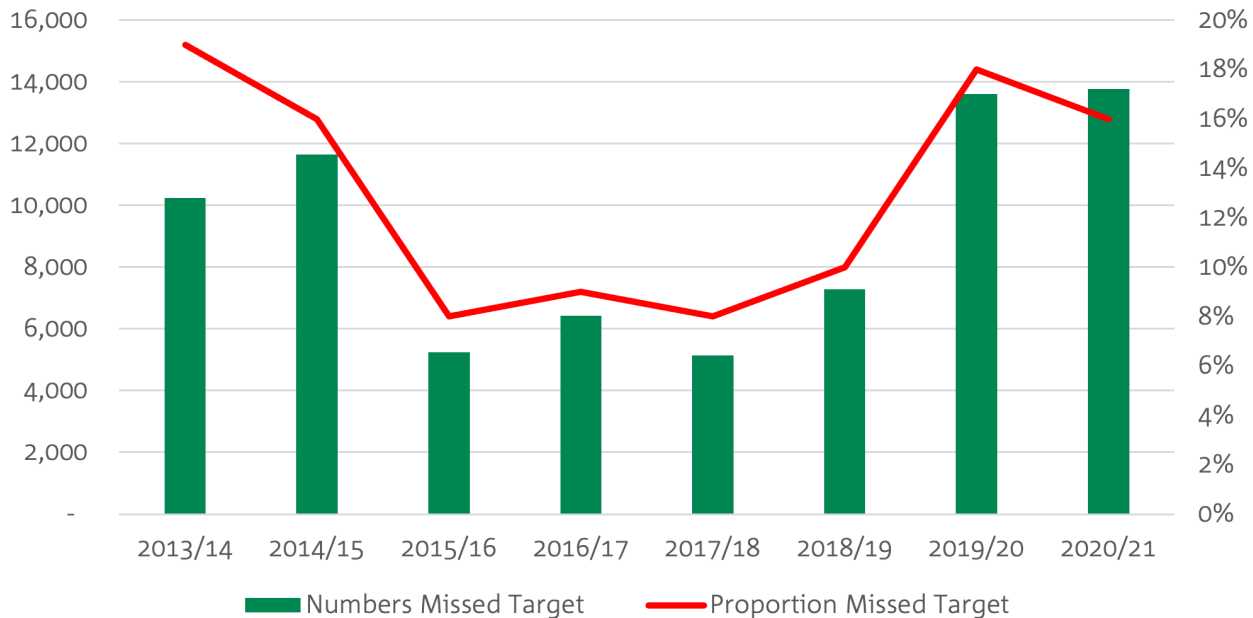
Fortunately, despite a large increase in the number of applications for Crisis Grants, local authorities were successful in ensuring that 93 per cent of successful applications were paid by the end of the next working day following their application. That said, due to the sheer additional volume of people applying it meant people for whom a decision took two days or more was at an all-time high, some 17,700 applicants in 2020/21.

There was also a significant increase in people experiencing very long waits of six days or more, which more than doubled to over 3,400 applicants, or 1.25 per cent – much higher than in 2019/20 (0.64 per cent), though still considerably lower than in the early days of the scheme where over 3 per cent of applicants waited over six days for a decision to be made.

The timeliness of Community Care Grants was also not compromised throughout the pandemic when looking at a 15-day target: in fact, the percentage of decisions which took 15 or more days was lower in 2020/21 than 2019/20, though still considerably higher than it had been historically.

Figure 10: The share of decisions taking 15 days or more for Community Care Grants (CCGs) declined through the Covid-19 pandemic

Total number of Community Care Grant applications compared to the proportion of total applications which missed the turnaround target



Source: IPPR Analysis of Scottish Government 2021k

Focusing on the 15-day target alone does, however, risk missing an important nuance: for Community Care Grants, there was a notable boost in the proportion of applications which took 30 days or more, making up 7 per cent of claims in 2020/21 – up from just 2 per cent of claims in the year prior. This suggests that once an application missed the target it was then much more likely to become stuck in the system, with priority potentially going to maintaining the proportion under the 15-day target.

Through this research, we heard about the impact of delayed decisions on applicants' lives. Where applicants had their Community Care Grant outcome delayed beyond the 15-day target, they described living in a state of constant anxiety, waiting to receive news and unable to plan for the future. This added to already desperate situations, including where applicants were experiencing homelessness. When long delays resulted in a rejection from the fund, applicants described feeling particularly dejected:

“[I] didn’t expect to get what I asked for, I didn’t think I’d get it all, but I thought I would have got some help somehow...[it was] back to the drawing board”

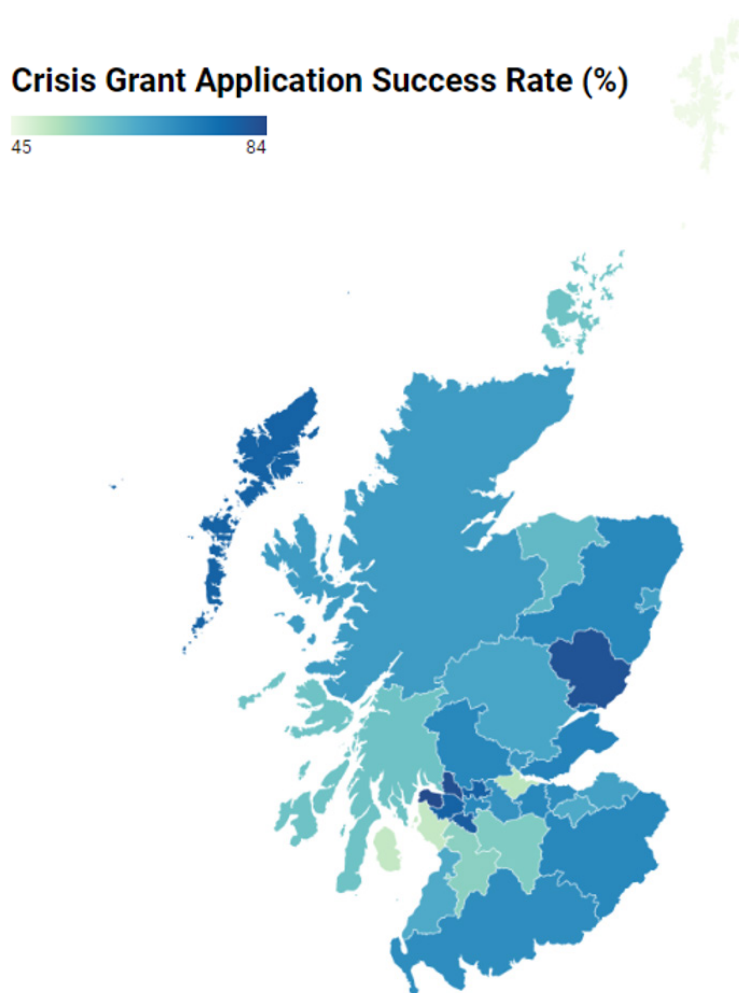
Ensuring local authorities can respond swiftly to applications in future will be critical to ensuring the funds can effectively protect against destitution. Current guidance says that people applying for a Crisis Grant should have a decision made immediately after all information is provided for an application. Even where all the required information is not provided, a decision should be made by the end of the next working day. However, those applying for support from the fund will be in desperate situations and require an immediate response to ensure they do not fall into destitution or need to use a food bank; the expectation should be for a decision reached and payment made in the same working day.

Local variation

Just as important as how long it takes a decision to be reached is whether an applicant will face any variation in their likelihood of success in any given area. Looking across all local authority areas in Scotland, we find that the success rate for Crisis Grant applications varies across the country, ranging from 45 per cent in Shetland to as high as 84 per cent in Inverclyde. This stark variation in success rates suggests there may be issues with consistency of approach across local authorities, creating a potential ‘postcode lottery’ of emergency support provision.

Figure 11: Success rates for Crisis Grants vary substantially across local authorities

The percentage of successful Crisis Grant applications shown across Scotland’s 32 local authorities (lighter = lower success rate, darker = higher success rate)



Source: IPPR analysis of Scottish Government 2021k

Note: Created using datamapper.ie

We find that local authorities with higher Crisis Grant application rates are slightly more likely on average to have *higher* success rates, but this alone can only explain 7 per cent of the variation in success rates we see between local authorities in 2020/21. Otherwise, we see no significant relationship between success rates and other local authority characteristics.

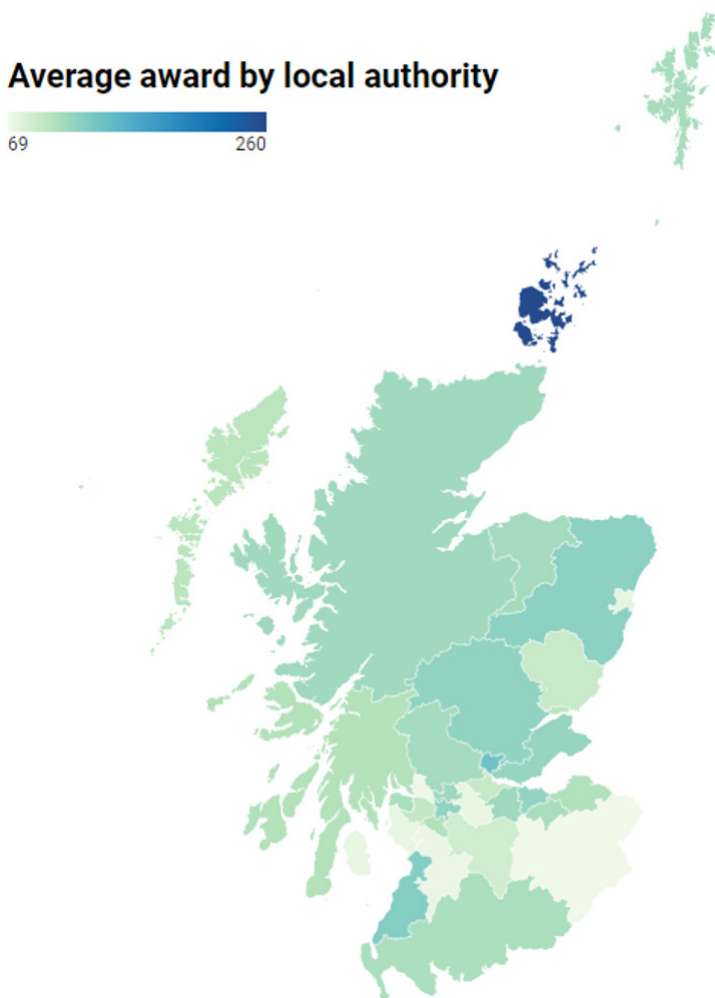
We also know there is considerable variation in the average payment by local authority, ranging from £69 in Scottish Borders to £260 in Orkney, however 90 per cent of local authorities had an average

payment between £73 and £111. This means that depending on where a person applying for support happens to be living may determine not only the likelihood their application is successful, but also the size of the award they are granted.

With discretionary and cash limited budgets like the Scottish Welfare Fund there will always be a risk that decisions can be guided – even inadvertently – by the budget available rather than the need of an applicant. This could see lower awards paid out than might otherwise be the case, to ensure sufficient allocation throughout the year, or the budget running out altogether. Mechanisms should be put in place to guard against this. Ideally, this would see a need-led funding model – where local authorities make decisions and then draw down whatever funding is required to reimburse those. As a first step, to explore how demand and funding may fluctuate, a reallocation process could be put in place – with funding being reallocated from lower demand areas to higher demand ones.

Figure 12: The average award paid out to people applying for Crisis Grants also vary across local authorities

Average award of Crisis Grants across Scotland's 32 local authorities (lighter = lower average award, darker = higher average award)



Source: IPPR analysis of Scottish Government 2021k

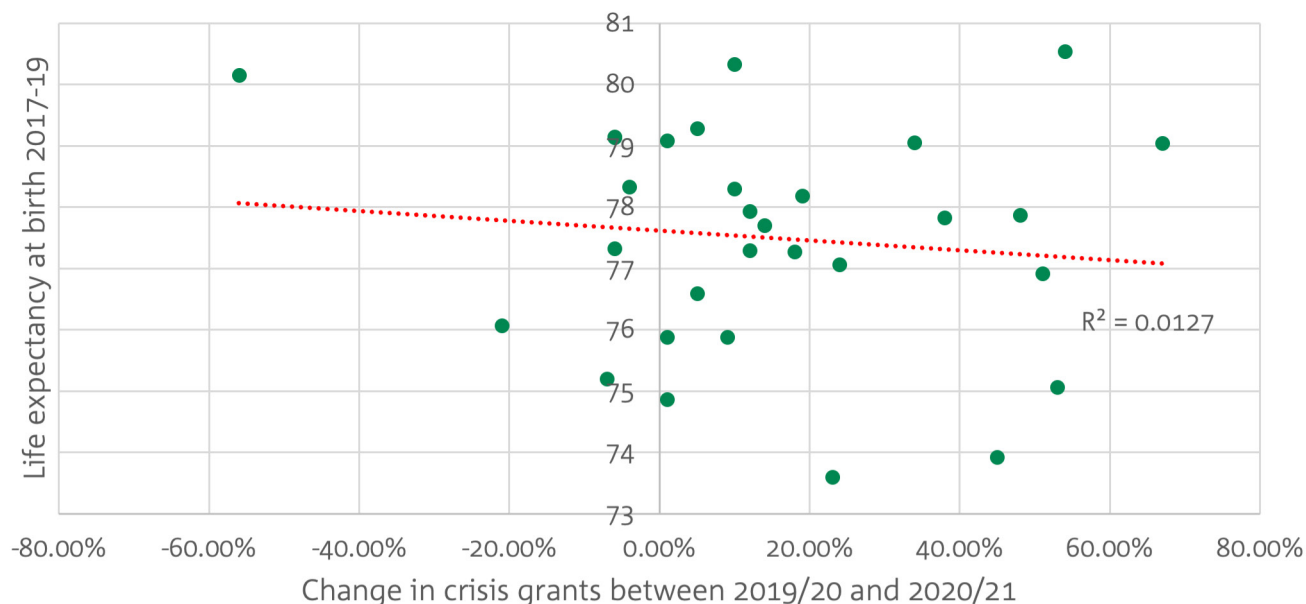
Note: Created using datawrapper.ie

While considering the increased demand, likelihood of success, and average value of Crisis Grants in Scotland, we also wanted to assess how the number of Crisis Grants applications differed geographically.

We considered whether the places which had seen the largest increase in Crisis Grants applications were more or less deprived, or experiencing more or less demand for income support, using life expectancy at birth and Universal Credit claim rates as available proxies.

Figure 13: Crisis Grants increased significantly across a range of local authorities by life expectancy

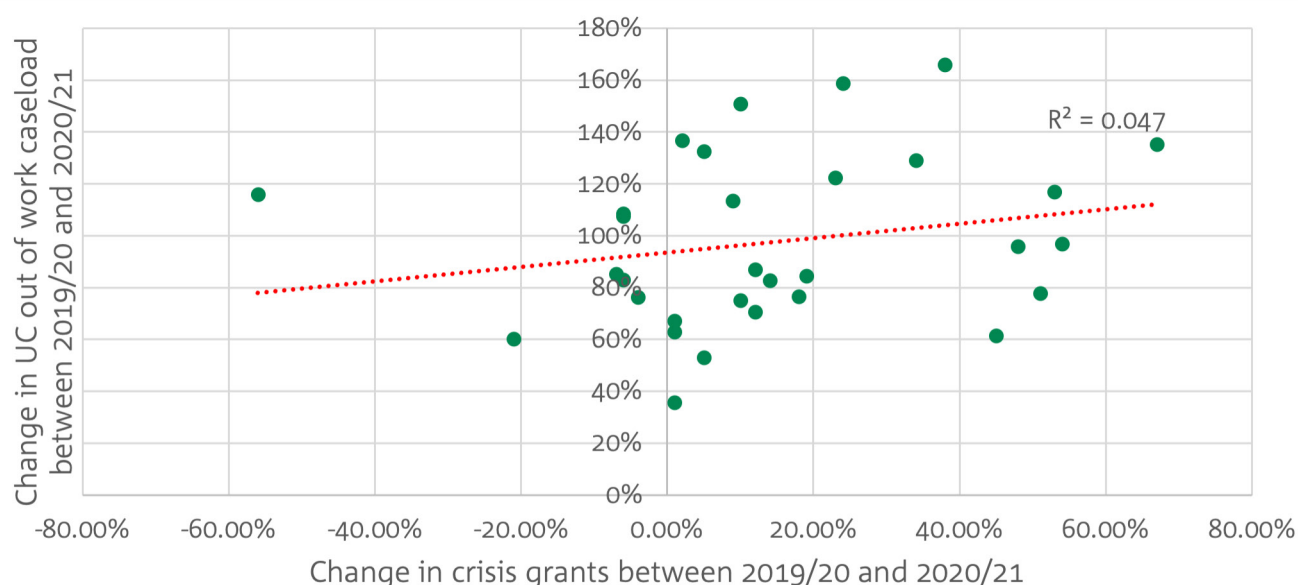
Growth in Crisis Grants applications from 2019/20 to 2020/21 by life expectancy at birth



Source: IPPR Analysis of Scottish Government 2021k and National Records of Scotland 2021. Analysis excludes Edinburgh due to issues with data collection.

Figure 14: Crisis Grants increased significantly across a range of local authorities by Universal Credit caseload

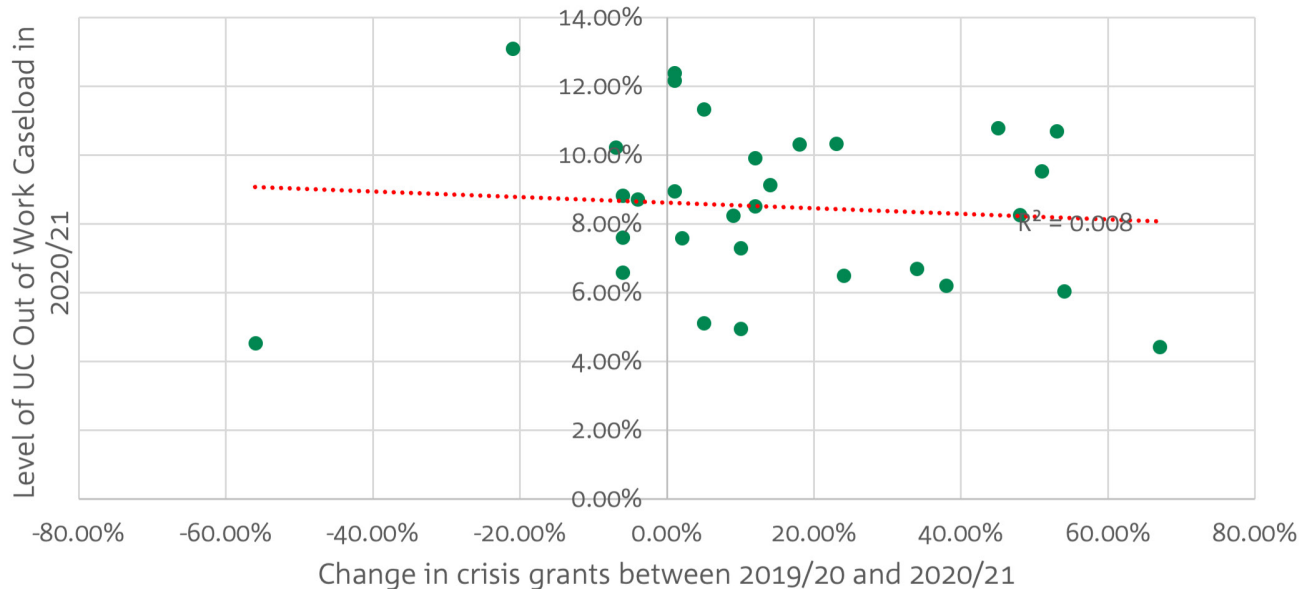
Growth in Crisis Grants applications by growth in Universal Credit caseload between 2019/20 and 2020/21



Source: IPPR Analysis of DWP 2022c Scottish Government 2021k. Analysis excludes Edinburgh due to issues with data collection.

Figure 15: Crisis Grants increased significantly across a range of local authorities by out of work Universal Credit claims

Growth in Crisis Grant applications by 2020/21 out of work Universal Credit caseload relative to working age population



Source: IPPR analysis of Scottish Government 2021e 2021k, DWP 2022c ONS 2021b. Analysis excludes Edinburgh due to issues with data collection.

The weak correlation between the growth in applications by local authorities and proxies of deprivation suggest that the additional strain has not been concentrated in the most deprived local authorities but has been spread more evenly across Scotland.

For example, some of the least deprived local authorities by life expectancy at birth, such as East Dunbartonshire, saw the highest proportional increase in applications between 2019/20 and 2020/21, while local authorities whose life expectancy is among the lowest in Scotland, such as Inverclyde, reported lower rates of growth in applications. This could reflect the significance of local support services in mitigating demand for Crisis Grants, or in determining levels of awareness of the fund.

Clarity on criteria

Key to ensuring that individuals are best placed to make a successful application for support is having a clear and simple process for applying. Since the Scottish Welfare Fund is designed to accommodate those who are experiencing crisis, it is crucially important that applicants fully understand what is expected of them and are supported to complete the application. This means ensuring the criteria that underpins whether an applicant will be successful is made plain to people before they make their submission to the local authority. This can be accomplished with an emphasis on improving the readability of the application forms as well as a reiteration of the criteria applicants must meet to be successful. This may include the extent to which applicants must provide local authorities with their personal circumstances, the type of crisis they face, or any evidence that must be submitted.

From our review of the Scottish Welfare Fund, we have noted that there is definite room for

improvement in enhancing the clarity in which the two grants are articulated to the applicant. Ensuring people who wish to access support from the Scottish Welfare Fund have a very clear idea of what criteria they will be judged against is essential.

We heard from people who were confused over what distinguished Crisis Grants and Community Care Grants from one another, and therefore which grant to apply for. One person who had their Community Care Grant application rejected told us:

“I’m living a crisis day to day but it’s not like a disaster has happened, a flood, or a big accident...wouldn’t class it a crisis, phone 999...Community Care Grant, it says it in the title: ‘Community Care’”

We also heard from a person who was unsuccessful in applying for a Crisis Grant due to their income crisis no longer constituting ‘exceptional circumstance’. This left them feeling disheartened as:

“You feel like you are begging. You feel bad for asking...I thought ‘how have I come to this’ having to ask, beg the council for help... [when rejected] you feel like you are getting a door slammed in your face”

Moving forward, to ensure people do not feel rejected or misunderstood, clarifying the criteria applicants must meet to be deemed successful will be crucial. It saves the person making the claim time and potential distress if they are forced to wait a long time only to be denied funds. The effect of greater clarity also means the local authority can dedicate all their resources responding to and processing applications which have been lodged according to the correct criteria.

Ensuring the application process is regularly assessed and judged according to the clarity of application form and criteria would be a logical next step. It is also important that when applicants are unsuccessful due to not meeting the criteria, they are pointed in direction of alternative means of support, which we will come to later.

Communication with applicants

Those who are in direct communication with the people who are seeking support through the Scottish Welfare Fund (either via email, telephone, or both) need to be able to adopt a consistent and compassionate approach during the application and decision process. This is especially true when considering that applicants are often in a very difficult position, suffering from acute financial troubles caused by a crisis – but also, increasing numbers of people, due to the pandemic, are submitting applications who will never have applied for such support before. It is especially important that people’s first experience with accessing the fund is positive and understanding of their circumstances.

Through this research, we heard from officials within a range of local authorities and COSLA, who explained how additional caseload demands on the Scottish Welfare Fund through the pandemic meant capacity was an ongoing challenge for teams administering the funds, who were often thinly stretched, and administration outsourced to non-specialist staff.

We also heard from applicants that communication from local authorities could be improved. Current approaches, which see applicants receive email and telephone notification of the outcome of their application, were experienced by some applicants as alienating and de-personalised. As one Crisis Grant applicant explained:

“Effort is already being put into phoning to say it was unsuccessful. It could be made more personalised and not just reading off a script...it can’t be that way for every person”

There is evidently some way to go to realise a person-centred approach to delivering the funds across Scotland. Greater communication between different parts of the social security system at the local, Scotland and UK level would help to improve access to support where it is needed, while a system for recognising repeat applications or recurring emergency circumstances could better understand and respond to the drivers of crisis people are experiencing. People who are repeatedly claiming for crisis assistance for the same reason, whether that be paying energy bills or help to afford food, shows those who are struggling most, and where local authorities can invest in greater financial security accordingly.

Alternative support where an application is unsuccessful

Communicating an unsuccessful outcome could be used as an opportunity to offer alternative support beyond the Scottish Welfare Fund, including by making connections to appropriate local services. While the case for making links to wider support services is particularly clear where applicants are turned away from the fund, we also heard that a person-centred approach to delivering the funds could help address the source of financial crises applicants are experiencing faster and support better outcomes over the longer term. One applicant we heard from through this research had made repeated applications for Crisis Grants over the past two years because of persistent problem debt. Until they were pointed to debt advice services through a support worker at their local food bank, the financial challenges driving them into destitution were not addressed. The participant felt that had they been pointed to independent advice services earlier, they would not have been in a position of needing to regularly rely on Crisis Grants to meet food and fuel costs:

“I got myself into a muddle with it all...It would definitely have helped to be pointed to [debt advice] support earlier so it didn’t need to get that bad”

Applicants may also find themselves in circumstances which exclude them from accessing the Scottish Welfare Fund, but which nonetheless put them at risk of destitution. This could be the case because of legislative barriers, as in the case of people with No Recourse to Public Funds status, or due to technical barriers constructed by interpretation of the funds guidance – such as where an applicant’s circumstances are deemed to be non-exceptional. We heard from applicants who had repeatedly accessed Crisis Grants due to recurrent income crises where, for example, basic household bills or debts regularly outstripped their incomes. Applicants who had regularly relied on Crisis Grants described being turned away where their circumstance were deemed to be non-exceptional – underlining the need for greater clarity on the purpose of the funds in the coming months, when rising food and fuel costs stand to push many more households into crisis.

2.3 CONCLUSIONS

Overall, we find the Scottish Welfare Fund to be a vital source of support for many households in Scotland – offering a last line of defence in instances of emergency and crisis. However, against a backdrop of enduring poverty and destitution, and in the face of a looming cost of living crisis, that risk of financial insecurity will become even more acute, and the fund must be equipped and resourced to respond to it.

While, in principle, discretionary support provided at a local level can enable locally tailored responses, we find that it also risks a ‘postcode lottery’ – across timeliness and responsiveness, levels of award, and the ease with which it can be accessed. People accessing this support should have a guarantee that it will respond rapidly to the immediate crisis they face, and local authorities should have the confidence that all necessary funding will be made available, so they do not need to worry about the budget running out or limiting what they can offer.

In that context, people cannot wait for a prolonged, formal review from the Scottish Government, and urgent steps must be taken in the interim to address any weaknesses in the fund and strengthen the safety net it offers.

2.4 RECOMMENDATIONS FOR THE SCOTTISH WELFARE FUND

Immediately, the Scottish Government should:

1. Expedite its review of the Scottish Welfare Fund so it can respond to the immediate cost of living crisis facing low-income families.
2. Place a default expectation in guidance that Crisis Grant applications have a same day decision, and ensure local authorities are resourced to work with and support applicants to provide all the necessary evidence to enable that.
3. Commit to increasing the total value of the Scottish Welfare Fund at the earliest opportunity, in anticipation of a cost of living crisis in 2022/23.
4. Invest in local government capacity to support the delivery of the fund, including through regular training for staff delivering the fund to ensure a dignity and human rights-based approach is applied in practice.
5. Introduce measures to ensure local authorities’ Scottish Welfare Fund budgets are spent adequately quarter on quarter. Beyond a basic cash terms floor which provides sufficient funding to meet expected need in each local authority (potentially based on historical spend), funds should be redistributed on a bi-annual basis from local authorities which are underspending, to those that are approaching their limit. This mechanism should be designed in collaboration with COSLA and local authorities to ensure support is reaching those who need it.

Over the course of this parliament, the Scottish Government should:

6. Work with local authorities and people with direct experience of financial hardship to develop a new Dignity Charter – to sit alongside Scottish Welfare Fund guidance – which ensures a dignity and human-rights informed approach to delivering support to people in crisis. This should include:

- A commitment to upholding turnaround time guarantees for applications
 - A commitment to regularly reviewing accessible communication across eligibility criteria, application routes and outcome decisions
 - A centralised Scottish Government web portal to signpost applicants to local support
 - Signposting to additional local and national support services
 - A commitment to regular training of front-line staff to ensure they are trauma-informed so that applicants are treated with dignity and respect
7. Work with COSLA to develop a framework for minimum award levels for Scottish Welfare Fund applicants that seeks to protect against destitution across Scotland
 8. Work with third sector partners to establish an independent online and telephone advice hub to provide 24/7 support to applicants, and to provide links to support available across local government and Social Security Scotland, to specialist local support services, and to independent money advice and welfare rights advice.
 9. Explore ways to provide financial support to adults with care needs and families with children with NRPF who are in crisis, in partnership with local authorities – for example, through using Section 22 of the Children’s Act (Scotland) and Section 12 of the Social Work Act as a legal basis for the provision of crisis funds.
 10. Explore all routes to moving the Scottish Welfare Fund away from a cash-limited, discretionary fund and towards a need-led funding model. This would provide a budget mechanism which ensures the fullest support for all successful applicants according to demand and need, and not dependent on a local authority’s allotted share.
 11. Explicitly expand the remit of the funds to mitigate some of the most pernicious elements of Universal Credit. This would see the guidance for the funds amended to create specific routes to support for applicants experiencing the five-week wait for their first Universal Credit award, and also upfront childcare costs while on Universal Credit, or being subject to benefit deductions or sanctions.
 12. Work to negotiate better data sharing agreements between DWP and Social Security Scotland, and between Social Security Scotland and COSLA, to maximise the efficacy of the Scottish Welfare Fund.

While the Scottish Welfare Fund provides vital support for those at risk of financial crisis, it remains unavailable for some of the people at greatest risk of destitution – those subject to immigration controls and with No Recourse to Public Funds (NRPF). The Scottish Government should urgently look to work with the UK Government to find a viable long-term solution, but in the interim, we recommend they should:

13. Work with Fair Way Scotland to establish a referral service for people with NRPF status who are experiencing an income crisis. The service should link applicants to partners who can provide appropriate grants and specialist support, including immigration advice.
14. Develop a protected budget through which to support adults and children with NRPF status who are at risk of destitution. This should ensure that financial grants and specialist support that are not restricted under the UK immigration legislation are made available across Scotland for people who are otherwise prohibited from accessing the Scottish Welfare Fund and other mainstream benefits.

CHAPTER 3: CONCLUSION

Overall, this report finds that both the Scottish Child Payment and the Scottish Welfare Fund play important roles, in their own ways, in tackling poverty and preventing destitution. Each has elements which make it a welcome and important addition to the welfare system, but further reform is needed to provide a stronger safety net for people across Scotland who are at risk of being swept into poverty or pulled deeper underwater.

The Scottish Child Payment has been hailed as a ‘gamechanger’ in the fight against child poverty. As a direct means to get money to children and families at risk of poverty, we find that it has been welcomed by parents as a positive addition to an often discredited and mistrusted UK benefits system. We also find, however, that without further action it will simply not go far enough, by itself, to meet Scotland’s statutory child poverty targets. To meet these targets will require equally ambitious choices to provide greater targeted support for those most at-risk of poverty, and to increase the value of the payment further. At the same time, the principles of simplicity and reliability that underpin the payment can be built upon further to ensure take up is maximised.

The Scottish Welfare Fund, while not providing the same long-term poverty reduction, plays an equally important role – protecting people on the cusp of financial crisis, and going some way to prevent the domino effect which can pull people towards destitution. It similarly has been welcomed by many of the people who have had to rely on it to stay afloat, and the efforts of local authorities across Scotland in administering the fund during the pandemic ensured that, overall, it was able to weather even the most difficult of circumstances in the face of increasing applications. However, for as long as it remains a discretionary fund, limited by the budget provided each year by the Scottish Government, it risks becoming a postcode lottery – both in the amounts it provides, and how quickly it gets vital support to those who need it.

Across both policy levers, action can and must be taken here and now to make immediate improvements to both the Scottish Child Payment and the Scottish Welfare Fund, as we look to longer term reform. The Scottish Government’s forthcoming Tackling Child Poverty Delivery Plan, and their action plan to end the need for food banks, present just that opportunity. To provide a fairer future for families in or at risk of poverty, and to weather the cost of living storm ahead, it is an opportunity that must be grasped.

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