POLICY NOTE

THE CARER'S ALLOWANCE UP-RATING (SCOTLAND) REGULATIONS 2019

SSI 2019/21

The above instrument will be made in exercise of the powers conferred under sections 70(8), 90, 122(1) and 175(1) and (3) the of the Social Security Contributions and Benefits Act 1992 ('the 1992 Act'). The instrument is subject to the negative resolution procedure and will come into force on 8 April 2019. For the purposes of this note, the instrument will be referred to as 'the 2019 Regulations'.

Purpose of the instrument.
These Regulations increase the amount which a person eligible for payment of Carer's Allowance from the Scottish Ministers can earn in a given week without being considered to be gainfully employed and, therefore, not entitled to receive Carer's Allowance. They also increase the amount which the partner of a person receiving Carer's Allowance can earn each week without the person receiving the Carer's Allowance losing any entitlement to an additional payment in the form of Child Dependency Increase. Child Dependency Increase is payable where a person receiving Carer's Allowance is entitled to receive Child Benefit in relation to a child or children. Child Dependency Increase was abolished in 2003 but saved for transitional cases which affects a small number of recipients, potentially up to 2023.

Policy Objectives
The purpose of the 2019 Regulations is to increase the Carer's Allowance earnings threshold and the earnings threshold for Child Dependency Increase for a first child and additional amount for each subsequent child.

The functions of the Secretary of State for Work and Pensions in relation to Carer's Allowance payable to people resident in Scotland were transferred to the Scottish Ministers with effect from 3 September 2018. The result is that the Scottish Ministers are responsible for the provision of Carer's Allowance to people who usually live in Scotland. An agency agreement has been entered with the Secretary of State for Work and Pensions, exercising powers arising from the Scotland Act 1998 (Agency Arrangements) (Specification) Order 2018. This has the effect that the Secretary of State delivers Carer's Allowance on behalf of the Scottish Ministers. In terms of that agreement, the Scottish Ministers are committed to increase the Carer's Allowance earnings threshold at the same rate as the Department for Work and Pensions. It is, though, for the Scottish Ministers to make regulations to effect the increase. Given the transfer of functions, the Secretary of State for Work and Pensions has no power to make legislation in relation to Carer's Allowance payable by the Scottish Ministers.

There is no mandatory requirement in legislation to increase the Carer's Allowance earnings threshold but, any increase will match the rate that the UK Government will apply to the earnings threshold in England and Wales.

A person is entitled to Carer's Allowance for any day on which that person is engaged in caring for a severely disabled person provided that, amongst other things, the person claiming Carer's Allowance is not gainfully employed. A person is only to be treated as gainfully employed on any day in a week if their total earnings in the immediately preceding week have exceeded a prescribed amount. If they have exceeded that amount, the person will be

treated as being gainfully employed on every day of the next week. The Regulations raise the prescribed amount from £120.00 to **£123.00**.

There is also an earnings threshold for entitlement to payment of Child Dependency Increase for a first child and for each subsequent child. This is an additional payment payable where a person who is receiving Carer's Allowance is entitled to receive Child Benefit in relation to a child or children. Child Dependency Increase was abolished in 2003 but saved for transitional cases which affects a small number of recipients, potentially up to 2023. The earnings threshold relates to weekly earnings by the partner of the person who is entitled to the Child Dependency Increase. The limit in relation to the first child is increased from £235.00 to **£240.00** and for each subsequent child is increased from £31.00 to **£32.00**. For each subsequent child, the limit relates to each complete sum of £32 by which the earnings limit for the first child is exceeded. These figures match the rate that the UK Government will apply to the earnings threshold for Child Dependency Increase in England and Wales. There is again no mandatory requirement in legislation to increase the earnings threshold for Child Dependency Increase each year.

The increases will take effect on 8 April 2019 and forecasts show an estimate of 82,000[1] recipients of Carer's Allowance in Scotland in 2019/20.

The Cabinet Secretary for Finance and Fair Work announced the proposed rates of Carer's Allowance for 2019/20 to the Scottish Parliament during the Scottish Budget on 12 December 2018.

Consultation

There is no statutory requirement to consult on this instrument. However, the issue of uprating was discussed in the consultation on Social Security in Scotland for devolved social security benefits, which ran from 29 July 2016 to 30 October 2016. The consultation included a chapter on uprating and sought the views of stakeholders on the best way to ensure that devolved benefits kept pace with the cost of living. There was clear agreement that devolved benefits needed to keep pace with the cost of living.

The issue of uprating was also widely debated during parliamentary scrutiny of the [then] Social Security (Scotland) Bill and while the Scottish Ministers were committed to annually uprate disability benefits this commitment was included within the Bill with amendments during Stage 2 and 3 to annually uprate carer's, disability, employment-injury and funeral expense assistance.

Impact Assessments

The full range of impact assessments were considered and completed where necessary for the Social Security (Scotland) Bill (which included provision for the Carer's Allowance Supplement) and will take place for each of the devolved benefits e.g. impact assessments are already in development, or have been published, for Best Start Grant, Funeral Expense Assistance, Young Carer Grant. Impact assessments for any new Scottish carer's benefits will be undertaken at the point where policy is being developed and regulations are being drafted.

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[1] Source: (Table 4.11, p166): http://www.fiscalcommission.scot/media/1435/scotlands-economic-and-fiscal-forecasts-december-2018-full-report.pdf

As the increase to Carer's Allowance earning threshold ensures that the benefits people receive maintain the current situation, then it is considered that there is no significant impact on the private, voluntary or public sector.

Financial Effects
A Financial Memorandum was completed prior to introduction of the Social Security (Scotland) Bill.

Link to the original Financial Memorandum:
http://www.parliament.scot/S5_Bills/Social%20Security%20(Scotland)%20Bill/SPBill18FMS052017.pdf

The Financial Memorandum considers the costs of uprating and recognises that the methodology of uprating of benefits for inflation is a source of financial risk as any future policy differentials between Scotland and the UK for uprating could result in additional pressures on the Scottish Budget.

However, as this increase to Carer's Allowance earnings threshold for recipients in Scotland is the same as for recipients in England and Wales this means there will be no impact on the Scottish Budget. The block grant adjustment methodology detailed in the "Agreement between the Scottish Government and the UK Government on the Scottish Government's fiscal framework" published on 23 February 2016, continues to link adjustments to the Scottish block grant in respect of welfare to spending on equivalent policy areas in England and Wales. This means the Scottish Government is funded to provide the same level of benefits as in England and Wales.

Scottish Government
Social Security Directorate

29 January 2019