POLICY NOTE

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

SSI 2019/XXX

The above instrument will be made in exercise of the powers conferred by sections 150(9) and 189(1) and (4) of the Social Security Administration Act 1992 ('the 1992 Act'). The instrument is subject to the affirmative procedure. For the purposes of this note, the instrument will be referred to as 'the 2019 Order'.

Purpose of the instrument.
This Order provides for an increase in the weekly rate of payment of Carer's Allowance, along with an increase in what is paid by way of Adult Dependency Increase. Adult Dependency Increase is an additional payment payable where the person receiving Carer's Allowance has a dependent adult living with them who is their husband, wife or civil partner, or who looks after their [the recipient's] children. Adult Dependency Increase was abolished in 2010 but is to be paid for a transitional period for those claims made before 6 April 2010. It will come to an end when the conditions for receiving the Adult Dependency Increase are no longer met or on 6 April 2020, whichever is the earlier date in any particular case.

Policy Objectives
The purpose of the 2019 Order is to uprate the weekly rate of payment of Carer's Allowance and Adult Dependency Increase.

The functions of the Secretary of State for Work and Pensions in relation to Carer's Allowance payable to people resident in Scotland 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 uprate Carer's Allowance at the same rate as the Department for Work and Pensions. It is, though, a matter for the Scottish Ministers to make an order effecting the uprating. Given the transfer of functions, the Secretary of State has no power to make legislation in relation to Carer's Allowance payable by the Scottish Ministers.

Section 150(1) of the 1992 Act requires a review of Carer's Allowance, among other benefits, and to uprate them where there has been in increase in the general level of prices. It has been determined that there has been an increase in the general level of prices in the past year. Accordingly, this Order is brought forward in reliance on section 150(2)(a), to increase the relevant sums so far as they fall within the competence of the Scottish Ministers. In line with the approach of the Department for Work and Pensions, the uprate to be applied is according to the September 2018 Consumer Price Index (CPI) as published on 17 October 2018, in this case **2.4%**. This is the 12-month inflation rate, which compares prices for September 2018 with the same month a year ago. There is an individual rounding convention for how new rates are calculated and they are rounded to the nearest multiple of 5 pence.

The Order provides for an increase in the weekly rate of payment of Carer's Allowance from £64.60 to **£66.15.**

There is also an increase from £38.00 to **£38.90** of the weekly payment of Adult Dependency Increase. This is an additional payment payable to a recipient of Carer's Allowance who has living with them a dependent adult who is their husband, wife or civil partner, or who is not their husband, spouse or civil partner but who looks after their [the recipient's] child or children. This addition was abolished in 2010 but is to be paid for a transitional period for those claims made before 6 April 2010. It will come to an end when the conditions for receiving the Adult Dependency Increase are no longer met or on 6 April 2020, whichever is the earlier date in any particular case.

Child Dependency Increase is an additional weekly payment payable to a recipient of Carer's Allowance who is entitled to receive Child Benefit in relation to a child or children. While the Child Dependency Increase is not uprated the current weekly payment of **£11.35** needs to be restated in the Order in compliance with section 150(2)(c) of the 1992 Act. Child Dependency Increase was abolished in 2003 but saved for transitional cases which affects a small number of recipients, potentially up to 2023.

These figures match the rate that the UK Government will apply to Carer's Allowance, Adult Dependency Increase, and Child Dependency Increase in England and Wales. The increases to Carer's Allowance and Adult Dependency Increase will take effect on 8 April 2019, unless arrangements have been made for payment on a Wednesday in which case they will take effect on 10 April 2019. Forecasts show an estimate of 82,000[1] recipients of Carer's Allowance in Scotland in 2019/20. The uprate will ensure that Carer's Allowance will keep pace with price inflation.

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. In accordance with the 1992 Act, a draft of this Order is laid before the Scottish Parliament for approval by resolution.

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 the 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 Stages 2 and 3 to annually uprate carer's, disability, employment-injury and funeral expense assistance.

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

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.

As the uprating of Carer's Allowance ensures that the benefits people receive keep pace with inflation, and 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 uprate to Carer's Allowance for recipients in Scotland is the same as to 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