

Scottish Child Payment

Updated Policy Position Paper

January 2020

SCOTTISH CHILD PAYMENT: UPDATED POLICY POSITION PAPER – JANUARY 2020

INTRODUCTION

On 26 June 2019, Scottish Ministers announced their intention to introduce a brand new benefit to provide financial support for low income families, to tackle child poverty head on: the Scottish Child Payment.

As we have previously set out, the Scottish Child Payment will be administered by Social Security Scotland through an application-based process, and will be a payment for each eligible child in the family. There will be no cap on the number of eligible children a family may receive a payment for.

Assuming that we get the delivery support we need from the UK Government, the Scottish Child Payment will be introduced for all eligible children under 16 by the end of 2022. Once fully rolled out, it could support up to 410,000 children and young people – meaning that over a third of all children in Scotland will be eligible. We expect to invest around £180 million a year in the benefit, and reduce relative child poverty by three percentage points.

We also announced that the Scottish Child Payment will be introduced early to families with children under the age of 6 – recognising that, of all children in poverty, almost 60% live in a household where the youngest child is aged under 6, and that the early years are key to improving long-term outcomes. These early payments could support around 170,000 eligible children in around 140,000 households, and we expect to invest around £71 million in 2021/22 (the first full year of payments to under 6s).

At the time the initial announcement was made, we expected these early payments to begin before the end of the current Parliamentary term in 2021. However, following further detailed work, and in recognition of the scale of the challenge on child poverty, we announced in the 2019 Programme for Government that this date would be brought forward and that the Scottish Child Payment will open for applications in autumn 2020, with the first payments reaching families by Christmas 2020 (again, this assumes that we will have the continued cooperation from the UK Government which we need to introduce the payment).

We have so far published two position papers on the Scottish Child Payment: the [first in June](#), setting out the process of its development, and the [second in October](#), setting out further developments undertaken over summer 2019.

This third position paper focuses on delivery aspects of the Scottish Child Payment, including the design and implementation decisions that we have taken in order to introduce this crucial financial support for families as quickly as possible, and manage the large volumes of applications that we hope and expect Social Security Scotland to receive for the new payment. Specifically it considers arrangements for the launch of the Scottish Child Payment, how and when initial payments will be made to families, and the work that we are undertaking to ensure that all supporting services required for Social Security Scotland to deliver the Scottish Child Payment (including appeals and redetermination, audit and financial processes) are further developed in time for the launch of this first high-volume recurring benefit. The paper also covers recent decisions on the regulations for the benefit and how these will affect its delivery in practice.

DESIGN AND DELIVERY DEVELOPMENT

Arrangements for launch of the Scottish Child Payment

When the Scottish Child Payment is introduced in autumn 2020, it will mark the first time that Social Security Scotland has administered a very high-volume, recurrent benefit. An estimated 140,000 households with children aged under 6 will be eligible for the new payment. Applying an assumed 83% take-up rate (based on Child Tax Credits take-up by income, which we have assumed to be the closest comparator), we would expect around 116,000 applications for the benefit from eligible households.

A percentage of ineligible households is also likely to apply: based on comparator benefits we estimate that 7% of applications received will be from people who are in fact ineligible for the new payment. This will take the total number of applications that Social Security Scotland needs to be prepared to consider immediately after launch of the benefit to approximately 125,000. To put that in context, over the whole period from 10 December 2018 to 30 September 2019 Social Security Scotland received around 96,000 applications for all three Best Start Grant benefits and Best Start Foods put together.

This means that launch of the Scottish Child Payment will be an unprecedented challenge for Social Security Scotland. Given the expected volumes of eligible households, and as this is a brand new benefit to be applied for, if we introduce the new payment in the same way that we introduced previous benefits, we would expect an immediate large backlog of cases to develop in the first week and continue to build in the first months of its operation. This would lead to unacceptable delays in processing cases and making payments to eligible clients, which could spiral as people contact the agency to find out how their application is progressing, meaning that staff are spending more time explaining what stage an application is at and less time processing cases.

We have concluded that the best way to avoid this scenario would be to have a gap of a few months between the date when people can first apply for the Scottish Child Payment, and the date from which they will be paid (the “eligibility date” for the benefit). Social Security Scotland will contact people to let them know the decision on their application after the eligibility date, with payments following thereafter in arrears.

This approach should give Social Security Scotland the opportunity to process the majority of the expected applications before the eligibility date. It will also mean that at the time they apply for the new payment, people will know when they can expect a decision on their application, and approximately when they can expect to be paid if they are eligible, allowing them to plan ahead and reducing the need to get in touch with the agency to find out what is happening with their claim. This will also allow us to spread out the work for Social Security Scotland to administer the expected application volumes for the Scottish Child Payment, and reduce the pressure on the agency’s services and the risk that staff will need to be redeployed from other benefits to administer it.

Payment cycles

People who apply for the Scottish Child Payment *before* the eligibility date will be *paid from the eligibility date*. As set out in previous papers, payments will be made in arrears: this is because we are making the payments using our top-up powers, which require us to know

that a person was entitled to a reserved benefit during the period for which we are making the payment, and it is only possible to know this in retrospect. When the new payment is fully up and running, and being administered on a “business as usual” basis, people will receive their payments every four weeks.

However, we will need slightly different arrangements for the first batch of payments for the new benefit, since the expected high volume of applications will require a very large number of payments to be made in quick succession following the eligibility date. Even though there will be a single eligibility date, to manage the very high payment volumes, Social Security Scotland will make these payments over several weeks rather than making payments to all of the expected 116,000 eligible applications in a single day (and every four weeks thereafter).

Accordingly we plan to issue the first round of payments for the Scottish Child Payment over a four-week period following the eligibility date, with some people receiving a one, two or three-week payment to get them into their normal four-weekly cycle. This will allow Social Security Scotland to manage the volume of payments successfully, while also ensuring that clients are not disadvantaged. After the eligibility date, we will start to write to people to confirm whether or not they are eligible and when they should expect their first and subsequent payments.

Date from which initial payments will run

As set out above, there will be a single eligibility date for our first Scottish Child Payment clients. All payments will start from this date regardless of when exactly anyone applies in the window between when we begin accepting applications for the benefit, and the eligibility date. We will make sure that clients who will be affected are told about this approach at the time when they apply, and reminded again while their application is being processed.

This is a temporary measure which will apply in the first months after the launch of the new benefit. We have adopted it for two main reasons:

- i. Paying from a single eligibility date means that it will be easier for Social Security Scotland to encourage a managed influx of claims, rather than a rush of tens of thousands of new applications. Clearly if people know that they will be paid from the date they apply then it is in their best interests to apply as soon as possible, creating the kind of backlog and payment delays discussed above. By paying everyone from a single set date that they will know about in advance, we will make sure that people aren't financially disadvantaged by putting in their application slightly later, and thereby reducing the administrative burden on Social Security Scotland.
- ii. In terms of operational delivery, it will also be quicker and more straightforward for Social Security Scotland staff to use a single eligibility date when they are processing initial applications for the Scottish Child Payment than to generate individual backdated entitlements for each claim. Quicker processing times will help the agency to manage the expected high volume of claims in the first months after applications open for the new benefit.

Supporting services

As well as the work underway to deliver the Scottish Child Payment, the Social Security Programme and Social Security Scotland are undertaking a significant amount of work on key supporting service areas, to ensure that they are robust enough to support the high volumes of applications expected. Supporting services are the fundamental services that Social Security Scotland needs to administer all benefits, e.g. appeals and debt, and audit and financial controls.

The programme is prioritising development in service areas where existing solutions delivered to support the current low-income benefits require improvement, or where they would not be able to accommodate the substantially higher volume of applications expected for the Scottish Child Payment. Key areas for development include:

- i. Appeals and redeterminations. At present, requests for redeterminations and appeals are largely managed clerically; but the high volumes of Scottish Child Payment cases expected will mean that we need a digital solution to ensure that Social Security Scotland continues to meet the statutory timescales associated with such requests. The digital solution will also mean that we can automatically collect and report management information on redeterminations and appeals: at present this is done manually.
- ii. Debt and error. The Scottish Child Payment will be the first benefit where we will have the opportunity to recover overpayments via deductions directly applied to a client's Scottish Child Payment award. We will undertake additional work to ensure that this functionality will also be available for debt management. This will improve the client journey, and align with user research conducted ahead of the launch of our Debt Management Service in February 2019, where 74% of clients surveyed told us that this would be their preferred method of repayment.
- iii. Financial processes. The expected high volumes of Scottish Child Payment applications and the recurring nature of the payments will greatly increase demand on financial processes, meaning that some of the more resource-intensive handling arrangements currently in use will no longer be sustainable and will need to be automated.
- iv. Audit. In light of the increased caseload that launch of the Scottish Child Payment will create, it is critical that system level controls are strengthened. Specifically, we will need to develop automatic internal controls on Social Security Scotland's case management system to ensure robust operational and regulatory risk management on existing and future cases.
- v. Management information. We need to ensure that we build a system that enables data required for management information purposes to be captured in time for the launch of Scottish Child Payment so that we can ensure coverage of all cases, and be in a position to report on delivery of the new benefit to Parliament and stakeholders, and to the Scottish Fiscal Commission for their forecasts.
- vi. Public Protection. The Scottish Child Payment will increase interactions between clients and Social Security Scotland, and so we will need to implement and enhance the processes needed to safeguard clients, staff and any other users whilst using the service. Areas covered by Public Protection include Unacceptable Actions, Lone Workers and the Multi Agency Public Protection Agreement (MAPPA).

From January 2020 onwards we will concentrate resources on addressing these six key areas. We have already awarded an additional contract to support the development work required.

LEGISLATIVE DEVELOPMENTS AND STAKEHOLDER UPDATE

Background

Given the tight timescales for delivery, the Scottish Child Payment will be introduced through secondary legislation, using the powers to top up a reserved benefit contained in Section 79 of the Social Security (Scotland) Act 2018. The draft regulations are currently being scrutinised by the Scottish Commission on Social Security (SCoSS). SCoSS held a stakeholder event to consider the shape and detail of the draft regulations on 18 November.

The Commission will publish a report following their scrutiny process which will contain their recommendations to the Scottish Government. We will consider SCoSS' recommendations when we are finalising the draft legislation and will provide a formal response to SCoSS' report when the regulations are laid in the Scottish Parliament in spring 2020.

Alongside work to finalise the legislation, we continue to engage with stakeholders as part of the Scottish Child Payment's development. We have prioritised user research and testing, ensuring those who will benefit directly from the payment have an opportunity to shape what it will look like, and how it will be delivered. To date, we have engaged with over 200 citizens in this way.

We are also continuing to engage with stakeholders from a policy perspective, particularly to consider issues around benefit take-up. The Scottish Government recognises that groups with protected characteristics will often experience barriers to accessing benefits, which could be social, accessibility related or resulting from a lack of information. We recently published our first Benefit Take-up Strategy¹, setting out the ongoing work of the Scottish Government and Social Security Scotland to address barriers to benefit take-up. For the Scottish Child Payment this is a key part of our user research and we are working across partner agencies, advice and advocacy services to understand how we can best raise benefit awareness.

We are also engaging with stakeholders around the impacts of the Scottish Child Payment on those with protected characteristics for the impact assessments which accompany the draft regulations. We have hosted a specific equalities event on this, with further equalities workshops planned shortly.

Development of regulations

Before laying regulations in the Parliament, Scottish Ministers are required to refer draft regulations to SCoSS, who undertake a period of scrutiny and submit a report and recommendations to the Scottish Government on them. This section sets out the changes

¹ The Social Security Benefit Take-up Strategy <https://www.gov.scot/publications/social-security-scotland-act-2019-benefit-take-up-strategy-october-2019/>

that have been made to the revised regulations that we published on 20 December. This includes changes made in response to points raised by SCoSS during its scrutiny process.

We will also provide a full response to SCoSS' final report when it is published, and may also subsequently make further changes to the regulations.

Maximising uptake

We are committed to ensuring that application processes for the Scottish Child Payment are as simple as possible, and that we do all that we can to maximise uptake of the benefit. As such we have made a number of changes to the "determination without application" provisions of the draft regulations.

We have included provision to allow for a 12 week "linking period" during which the client would stay on the system and would not have to reapply for the Scottish Child Payment if they subsequently came back into qualifying benefit or child responsibility benefit entitlement. A 12 week linking period for the Scottish Child Payment replicates the 12 week period which Best Start Foods has in place, ensuring that the processes for both benefits are aligned, given that we will be offering a combined application.

In keeping with Scottish Ministers' commitment to minimise the burden on clients, we have also included determination without application provisions, which means that clients are not required to make a whole new application for any additional children they may become responsible for. This is in line with points made by SCoSS during the scrutiny process for the regulations.

As set out in the position paper of 4 October, the draft regulations also include provisions to allow Scottish Ministers to make a determination without application where an individual been unsuccessful in their Scottish Child Payment application as a result of an incorrect reserved benefit decision. Further to comments from SCoSS, we have included provision relating to a backdated award of a child responsibility benefit (in addition to the existing provision on qualifying benefits) and removed the word "appeal" to ensure that we capture all instances of incorrect reserved benefit decisions.

Child Responsibility Test

Legal/Parental orders

Following further consideration of the issues, we have determined that the Scottish Child Payment should not include provisions for individuals with a legal/parental order to use this as evidence of child responsibility. The exception to this will be orders to evidence kinship care. In the first draft of the regulations we had initially replicated the Best Start Grant responsibility test; however, such orders were only included to ensure that non-birth mothers would be eligible for the Pregnancy and Baby Payment where the main eligibility condition is that the applicant (or partner or dependant of the applicant) has been at least 24 weeks pregnant or has given birth in the last 6 months.

As such we do not consider that there is a need to include such orders to evidence child responsibility for the Scottish Child Payment, as there is a risk that maintaining them may create an (unnecessary) two-tier system. There are also risks as to how ongoing responsibility would be tested through such orders, as they only evidence child

responsibility at that specific point in time. In any instance where a person has taken responsibility for a child following surrogacy or adoption, they would become eligible for a child responsibility benefit, and should be expected to apply for that as a means also to be eligible for the Scottish Child Payment, in the same way as a birth parent would. This approach ensures that we can be more responsive to changing family circumstances, with reference to the underlying child responsibility benefits.

Competing claims

We have been considering further how to treat competing claims, for instance in circumstances where couples have separated, as only one payment can be made for any individual child. For the child responsibility benefits, HMRC and DWP would expect parents to decide between them who will claim a benefit (and will decide themselves if agreement cannot be reached). However, it is possible for one parent to claim Child Benefit, while the other claims Child Tax Credits, Universal Credit Child Element, or Pension Credit Child Addition. Where both parents are also in receipt of an eligible qualifying benefit, both could therefore claim the Scottish Child Payment.

To resolve this, we are proposing to introduce a hierarchy of benefits to be used in instances of competing claims. Under UK benefit regulations, Child Tax Credits, Universal Credit Child Element, and Pension Credit Child Addition are seen as having a more robust test of responsibility, given that the child has to live with the person who is claiming the benefit. As such, in cases where there were competing claims, we would specify that the agency will pay the person in receipt of Child Tax Credits/Universal Credit Child Element/Pension Credit Child Addition, rather than Child Benefit.

Residential care

Further to comments provided by SCoSS, we have removed the exclusion on individuals being eligible for the Scottish Child Payment if the child they are responsible for is in residential care. This ensures that we capture individuals who should remain eligible (e.g. parents of disabled children who are in special education). Moreover, as with legal orders, any change in responsibility should be captured by reserved benefits, and as a top-up based on reserved benefit entitlement, we will follow that benefit entitlement.

Partner application

As set out in the previous policy position paper, the Scottish Child Payment will have a simplified application process which links with Best Start Grant and Best Start Foods so new applicants only need to provide information once. As with both of these benefits, Scottish Child Payment applications will allow either of a couple in a household to apply. This decision was taken given that we are utilising the same technical build for the Scottish Child Payment as Best Start Grant and Best Start Foods, which will provide a streamlined application process and reduce the burden on clients.

Whilst we are currently accepting partner applications for the Scottish Child Payment, we are also exploring how the benefit might be paid to the main carer of the child in future. The legal route that we have chosen to deliver the payment quickly means that child responsibility for the Scottish Child Payment is determined through the data that we receive from DWP and HMRC. We are therefore reliant upon the information that they hold recognising that a “main carer” is usually only determined when a couple has separated. We recognise the importance of this issue, however, and are considering what options might be available within our legal powers and the data that could be made available.

NEXT STEPS

We will continue to work at pace to deliver the Scottish Child Payment, making further progress with developing and testing the systems we need to implement the new payment as part of our Agile service design, and undertaking the work required to deliver the necessary improvements to Social Security Scotland's six priority supporting service areas. In parallel Social Security Scotland will continue to recruit the additional staff needed to deliver the Scottish Child Payment.

As we have made clear in previous position papers, we continue to depend on the co-operation of the UK Government to ensure we can start making payments this year and that we can extend the Scottish Child Payment to all eligible families with children under 16 in 2022. We continue to work closely with DWP and HMRC in particular, focusing especially on the necessary data sharing and legislative requirements to allow us to introduce the new benefit to time.

We are continuing to work with SCoSS to support their scrutiny process and will consider their recommendations as we work to finalise the draft regulations for the payment. We will continue our engagement with stakeholders to utilise their experience and expertise as we consider strategies to promote take-up of the benefit, with a particular focus on seldom heard groups. This work will be captured in the suite of impact assessments which will accompany the draft regulations when they are laid in Parliament.



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