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# **Supplementary Costing: Scottish Adult Disability Living Allowance**

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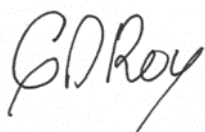
# Foreword

The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues and devolved social security spending to inform the Scottish Budget.

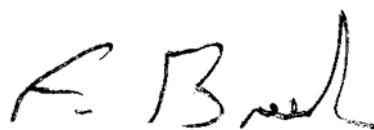
Our forecasts represent the collective view of the Scottish Fiscal Commission, comprising the four Commissioners. We take full responsibility for the judgements that underpin them.

For legislation relating to social security payments, our objective is to ensure the Scottish Parliament has an independent estimate of the financial effects of the policy changes proposed by the Scottish Government.

This report presents our revised forecast for the Scottish Government's Scottish Adult Disability Living Allowance which will provide support to adults with a disability or long-term health condition. The regulations for this payment are being laid in the Scottish Parliament today, 1 November 2024.



Professor Graeme Roy



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1 November 2024

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# Scottish Adult Disability Living Allowance costing

## Introduction

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- 1 Since Scottish Ministers took executive competence for disability payments in April 2020, the Scottish Government have been replacing disability payments administered by the UK Government with payments which will be administered by Social Security Scotland.
- 2 Today, 1 November 2024, the Scottish Government laid the Disability Assistance (Scottish Adult Disability Living Allowance) (Scotland) Regulations 2024 before the Scottish Parliament. These regulations make provision for the introduction of Scottish Adult Disability Living Allowance (Scottish Adult DLA). This payment will replace Disability Living Allowance for adults in Scotland, which is currently administrated via agency agreement by the Department for Work and Pensions (DWP).
- 3 Since May 2022, we have published indicative forecasts for Scottish Adult DLA. Previous forecasts were based on our assumption that people receiving Scottish Adult DLA would be transferred to Adult Disability Payment (ADP) when they reached the end of their award or reported a relevant change of circumstances (CoCs).
- 4 To assist scrutiny of the current legislation, we are now providing an updated forecast based on the confirmed policy details and timings. This includes spending on people receiving DLA for adults from DWP until all existing clients in Scotland are receiving Scottish Adult DLA.

**Figure 1: Spending on Scottish Adult Disability Living Allowance, £ million**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Spending	424	394	361	333	306	281

Source: Scottish Fiscal Commission.

## Measure description

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- 5 Scottish Adult DLA is a new social security payment to provide support to adults with a disability or long-term health condition. It will replace DLA for adults from 21 March 2025, and it will be a closed payment only available to people already receiving DLA.
- 6 Scottish Adult DLA delivery will reflect the Scottish Government's approach to social security and maintain similar eligibility criteria and rates of assistance as DLA, except where there are clear differences in the Scottish system, for example on the terminal illness rules.

- 7 Under current plans, only adults already receiving the devolved DLA from DWP will have their award transferred to this new payment. We forecast that approximately 65,000 people will still be receiving DLA in Scotland when Scottish Adult DLA is introduced. Contrary to our previous assumption, that people receiving Scottish Adult DLA would be transferred to ADP when they reached the end of their award or reported a relevant change of circumstances; the new policy states that award reviews will be processed within Scottish Adult DLA, and the client will continue to receive Scottish Adult DLA if eligible.

## The costing

- 8 From August 2022, in Scotland, DLA clients born after 8 April 1948 have been transferred to ADP if they reported a relevant CoCs, reached the end of their award, or requested a voluntary transfer.
- 9 Our baseline forecast represents the continuation of these transfers from DLA for adults to ADP. The baseline forecast includes an assumption that there would be an increase in relevant CoCs requests, from clients born after 8 April 1948, which result in a transfer to ADP. This assumption reflected the fact that, since the introduction of ADP, clients receiving DLA may have an incentive to report a relevant change of circumstances or to voluntarily request a transfer to move to the Scottish social security system.
- 10 This policy costing represents the net effect on social security spending. This reflects the end of the DLA to ADP journey and additional spending because of the managed case transfer from DLA to Scottish Adult DLA.

**Figure 2: Scottish Adult DLA policy costing, £ million**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
End of DLA to ADP journey	1	-2	-2	-1	-1	-1
Case transfer to Scottish Adult DLA	0	2	0	0	0	0
Net effect on overall social security spending	1	0	-2	-1	-1	-1

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

### End of the DLA to ADP journey

- 11 From spring 2025, when Scottish Adult DLA is introduced, the current DLA to ADP journey will come to an end. If an award is due to be reviewed or they report a relevant CoCs, a client will instead have their award transferred to Scottish Adult DLA.

- 12 Once transferred, clients born after 8 April 1948 will be able to apply for ADP from Scottish Adult DLA. However, we do not think this will result in a material change in spending. Evidence shared by Scottish Government officials suggest that few DLA recipients have requested to have their award transferred to ADP despite having the ability since 2022.
- 13 We assume that allowing clients to have their award reviewed in Scottish Adult DLA will result in an increase in spending in Scottish Adult DLA, and a decrease in spending in ADP as there will not be mandatory transfer to ADP. In addition, allowing clients to have their award reviewed within Scottish Adult DLA will result in slight increase in average payment awards over time. However, we think the effect of this increase will be lower than if clients had moved to ADP instead.
- 14 The net effect on overall social security spending is an average decrease of £1 million a year from 2024-25.

**Figure 3: Effect on spending from the end of the DLA to ADP journey, £ million**

Payment	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Scottish Adult DLA	1	12	21	29	37	42
Adult Disability Payment	-1	-14	-23	-31	-38	-44
Net effect	1	-2	-2	-1	-1	-1

Source: Scottish Fiscal Commission.

Figures may not sum because of rounding.

- 15 We have not adjusted our assumption for the average payment award of the clients born on or before 8 April 1948 as this group have a lesser incentive to have their award reviewed because they would not be eligible for an increase in their mobility award. In addition, this group have been able to remain in DLA after having their award reviewed under DLA rules with DWP and because of their advanced age we assume that they may be more risk adverse to have their award reviewed.

### Case transfer to Scottish Adult DLA

- 16 Social Security Scotland will begin selecting a small number of cases for transfer to Scottish Adult DLA in spring 2025 before progressing to higher numbers later in the year. The case transfer is expected to be completed by the end of 2025.
- 17 Awards will not be reviewed at the point of transfer. If a client born after 8 April 1948 reports a relevant change of circumstances (CoCs) or reaches the end of their award, their initial Scottish Adult DLA award at transfer will be the same as their current rate of DLA. The Scottish Adult DLA award will then be reviewed within 12 months of the transfer. We do not expect that the transfer will result in a material change in the net spending. If a client born on or before 8 April 1948 reports a relevant CoCs, this will be managed by DWP, and if the client remains entitled to DLA their award will then transfer later to Scottish Adult DLA.

- 18 At the point of transfer, Social Security Scotland aims to align all clients' payment cycles. Scottish Adult DLA clients will receive one payment every four weeks in arrears. However, there are approximately 19,000 DLA clients whose payment covers three weeks in arrears and one week in advance. To maintain the same payment date, they will receive payment for an overlapping week of Scottish Adult DLA and DLA for the first week of entitlement when transferred to Scottish Adult DLA. We estimate that this overlapping payment will lead to a one-off £2 million of additional spending in 2025-26.

## Uncertainty in the costing

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- 19 We assume that the average payment for people receiving Scottish Adult DLA will increase. Those born after 8 April 1948 have not had their awards reviewed since 2013, so there is no direct evidence on the outcome of reviews. This is a judgement informed by the award review outcomes for other disability payments, and it will be reviewed as more data becomes available.
- 20 Once clients start receiving Scottish Adult DLA, those born after 8 April 1948 will be able to apply for ADP. We have not incorporated an explicit assumption on a higher number of voluntary applications to ADP. This may pose a risk to the accuracy of our Scottish Adult DLA forecast, as higher numbers of clients applying for ADP would reduce the spending on Scottish Adult DLA. However, the risk would be mitigated by there being a similar increase in the ADP forecast, so it should not lead to a material change in overall social security spending.
- 21 In this costing, we have not factored in the effect of the policy relating to the suspension of assistance when a client is admitted to legal detention facilities. In Scottish Adult DLA, a client continues to receive their payments for the first 28 days after entering a legal detention facility, after which the payments stop. This differs from the DLA approach, in which the payment award is suspended immediately after entering a legal detention facility, and if acquitted, the client receives a back payment for their time in custody. We assess the effect of this provision to be below our materiality threshold.



# Additional information

## Abbreviations

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ADP	Adult Disability Payment
BGA	Block Grant Adjustment
CoCs	Change of Circumstances
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
GDP	Gross Domestic Product
OECD	Organisation for Economic Cooperation and Development
SFC	Scottish Fiscal Commission

A full glossary of terms is available on our website: [Glossary | Scottish Fiscal Commission](#).

## Professional standards

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The Scottish Fiscal Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Cooperation and Development (OECD).<sup>1</sup>

The Scottish Fiscal Commission also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily comply as far as possible with the UK Statistics Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.<sup>2</sup>

## Correspondence and enquiries

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All charts and tables in this publication have also been made available in spreadsheet form on our website. For technical enquiries about the analysis and data presented in this paper please contact:

Francisco Forner [Francisco.Forner@FiscalCommission.scot](mailto:Francisco.Forner@FiscalCommission.scot)

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1 OECD (2014) [Recommendation on Principles for Independent Fiscal Institutions - OECD](#)

2 Scottish Fiscal Commission (2022) [Statement of Voluntary Compliance with the Code of Practice for Statistics and Error Policy | Scottish Fiscal Commission](#)

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