Multi Criteria Decision Analysis of Approach to Uprating Devolved Social Security Assistance: January 2024

January 2024

Scottish Government
Riaghaltas na h-Alba

Contents

Executive Summary

1. This report presents a Multi Criteria Decision Analysis of the Scottish Government's approach to uprating devolved social security assistance delivered by Social Security Scotland in 2024-25.

2. Section 86A(1) of the Social Security (Scotland) Act 2018 ('the Act') requires Ministers to:

   (a) calculate the inflation adjusted level of each benefit rate provided under Chapter 2 of Part 2 and section 79 of the 2018 Act;
   (b) prepare a report stating what the figure is, how it has been calculated and if and how Ministers are responding.

3. Section 86B of the Act provides a duty to uprate disability and carers benefits, Funeral Support Payment and Scottish Child Payment. Carers Allowance Supplement uprates automatically under section 81 of the Act. For all other benefits, it is at Ministers' discretion whether uprating takes place in any given year.

4. Where uprating is either legislatively required or Ministers make a decision to, this analysis provides a recommendation for how that uprating should be applied in 2024-25 through three distinct steps:

   - Defining the options.
   - Defining criteria.
   - Scoring of options.

5. Each option is a potential method to uprate devolved social security assistance delivered by Social Security Scotland, and is made up of a metric and a reference period. A metric is the specific measure used to measure inflation (e.g. CPI); a reference period is the time period over which the metric is measured (e.g. September 12 month rate). A variety of metrics and reference periods were considered before narrowing down to a shortlist to eight possible options of three metrics and four reference periods. These are:

   A. September CPI
   B. January CPI
   C. Forecast CPI
   D. Forecast and re-base CPI
   E. September CPIH
   F. January CPIH
   G. September Household Costs Index (Decile 2)
   H. December Household Costs Index (Decile 2)

6. The next step was to identify the criteria the options would be evaluated against. There are a number of factors that must be considered as part of the Scottish Government's decision on the approach to uprating. Based on internal

consultation and analysis, four final criteria were defined to assess the options: robustness, relevance, delivery and transparency.

7. Each option was scored from 1 (Very Low) to 5 (Very High) on how well it satisfies each criteria. The scores were totalled with equal weighting for each criteria to give a total score and then ranked from highest to lowest.

8. The option that scored highest is using the annual September rate of CPI. Sensitivity analysis was also undertaken to understand whether changes to weighting or other parameters that contribute to the scoring would alter the ranking of options, and in each example, this did not alter the preferred option.

9. In conclusion, this Multi Criteria Decision Analysis recommends the Scottish Government uses the September CPI to uprate devolved social security assistance in 2024-25, where Ministers are either required to uprate certain rates of benefits under section 86B of the 2018 Act or where Ministers have chosen to uprate certain benefits not mandatory to uprate.

Introduction

10. This report sets out a Multi-Criteria Decision Analysis of the options available to the Scottish Government to uprate devolved social security assistance in 2024-25. This analysis only considers the uprating of devolved social security assistance delivered by Social Security Scotland.

What is uprating?

11. Uprating is the regular review of the nominal value of devolved social security assistance to maintain their real value[1] as prices rise in the economy.

Purpose of uprating

12. Following the Scottish Ministers' review under section 86A of the Social Security (Scotland) Act 2018, Scottish Ministers are obliged to uprate certain rates of benefits specified in section 86B of that Act. Other benefits delivered under that Act need not be uprated and Ministers must decide whether to uprate those other rates of benefits. Where uprating does take place it should be designed so the true value of benefit rates keep pace with changes in prices[2]. Inflation[3] affects standards of living because as prices rise relative to income in the economy, families can buy less with their income. Uprating aims to prevent this by increasing the nominal value of devolved social security assistance by inflation to maintain clients' purchasing power.

Uprating and its effect on real value of devolved social security assistance

Table 1

Scenario	Effect on Real Value
When the rate used to uprate is **higher** than the inflation rate	↑
When the rate used to uprate is **lower** than the inflation rate	↓
When the rate used to uprate is **the same** as the inflation rate	↔

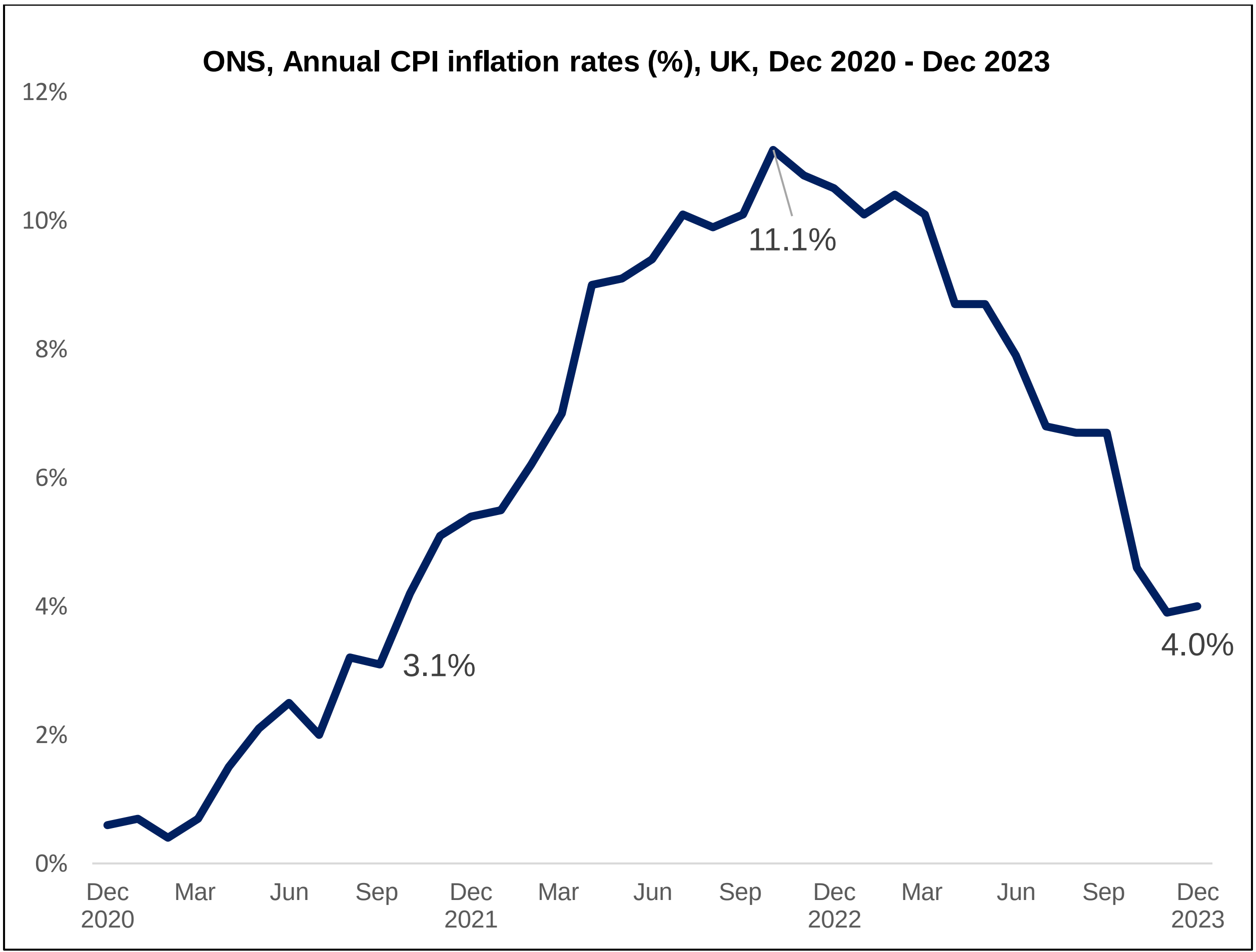
Cost of living crisis

13. Inflation in the UK began to rise steadily in mid-2021 and although it has remained higher for longer than forecasters initially expected[4], more recently it has begun to fall. The November 2023 12 month CPI rate of 3.9%[5] was the

[1] Real value measures relative purchasing power accounting for price inflation. Comparing real values of benefit payments allows for comparisons over time, since in any given year £1 may not buy the same amount of goods or services as one year ago, due to price rises in the economy.
[2] Social Security in Scotland: consultation - gov.scot (www.gov.scot)
[3] By inflation we mean the change in the level of prices of goods and services. There are a number of different measures of inflation.
[4] Economic and fiscal outlook - March 2022 - Office for Budget Responsibility (obr.uk)
[5] Consumer price inflation, UK - Office for National Statistics

lowest since September 2021 and compares with a peak of 11.1% in October 2022. See Figure 1.

Figure 1

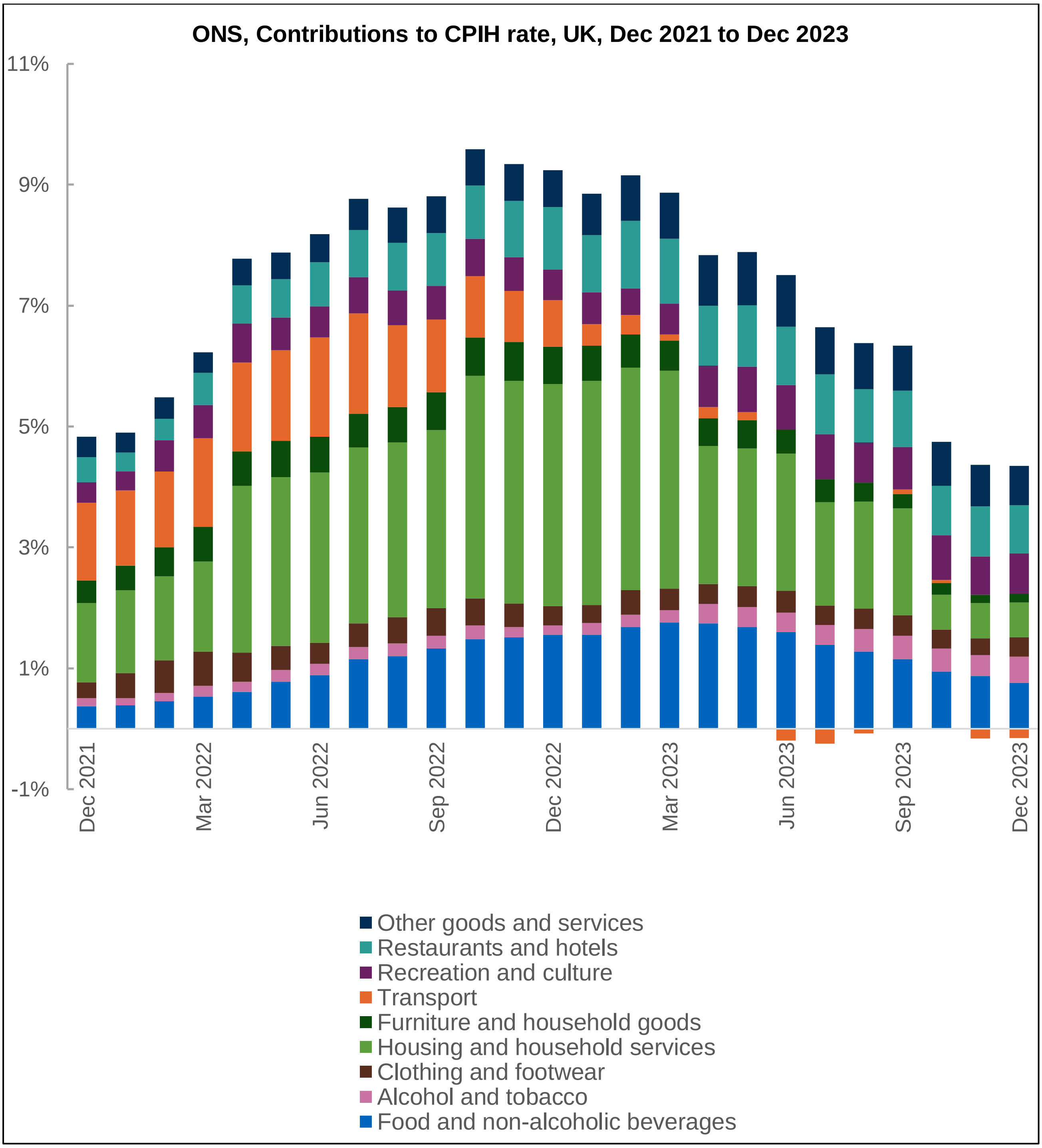


Source: Consumer price inflation from the Office for National Statistics

14. High inflation has largely been driven by energy price increases (within Housing and household services) to date, but their impact has decreased in recent months partly due to a reduced energy price cap and also a base effect[6]. Although their contribution to overall inflation has been steadily declining since Spring 2023, increases to food prices remain the second-biggest contributor to inflation of any price category, see Figure 2.

[6] Beware Base Effects | National Statistical (ons.gov.uk)

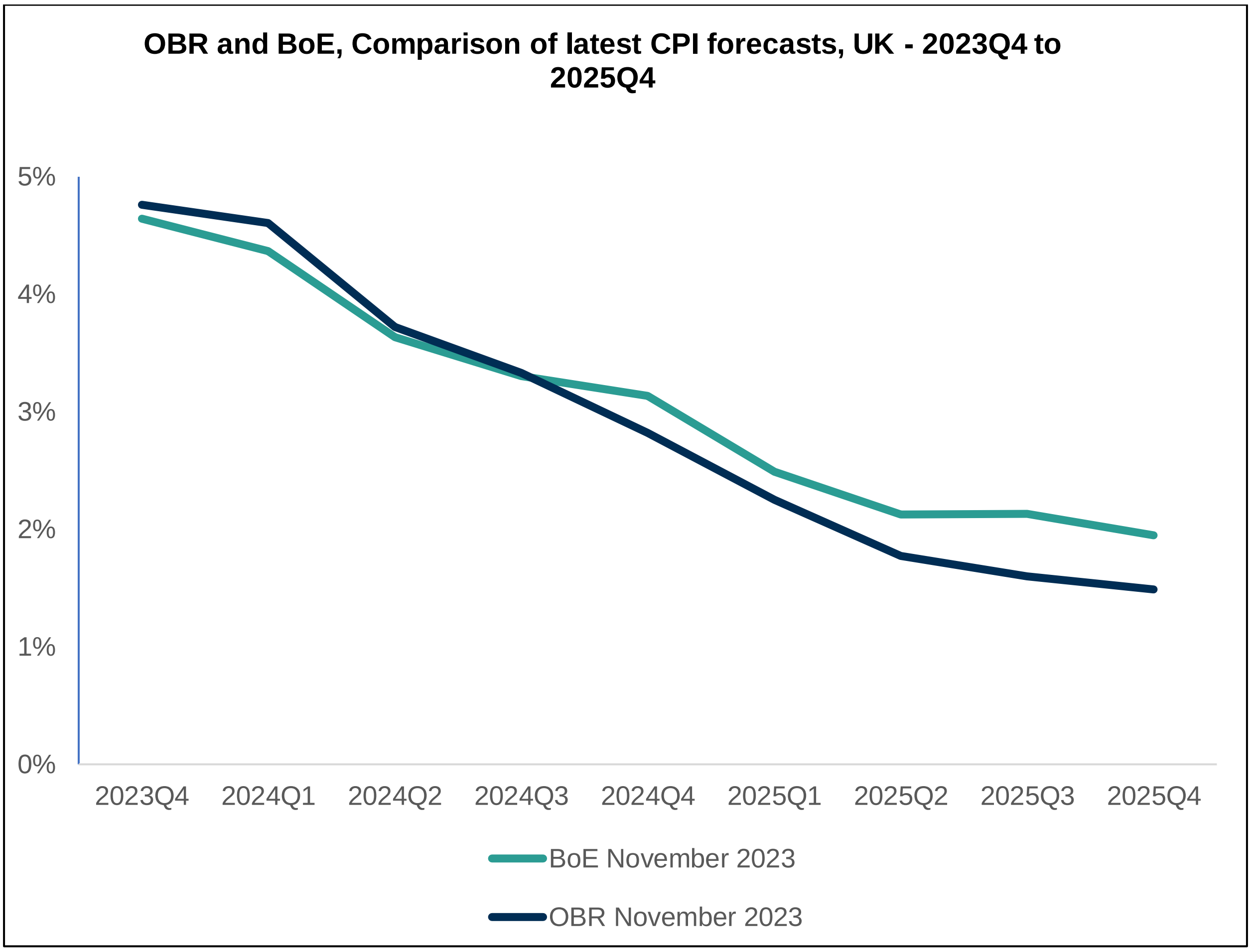
Figure 2



[Source: Consumer price inflation from the Office for National Statistics]

15. Forecasters expect inflation to fall further in the coming months. The latest Office for Budget Responsibility forecast predicts that inflation will fall back below the target level of 2% by mid-2025. See figure 3:

Figure 3



Source: Office for Budget Responsibility[7] and Bank of England[8]

16. Inflation does not affect all groups in society equally. The types of households who are likely to be recipients of devolved social security assistance have been particularly affected by inflation and an increased cost of living. There is evidence a higher proportion of disabled people than non-disabled people are spending less on food shopping and essentials due to increases in the cost of living[9] and that lower income households have experienced higher inflation rates than higher income households[10]. See Figure 4 showing Household Costs Indices for lower income deciles (lowest incomes are represented by decile 2).

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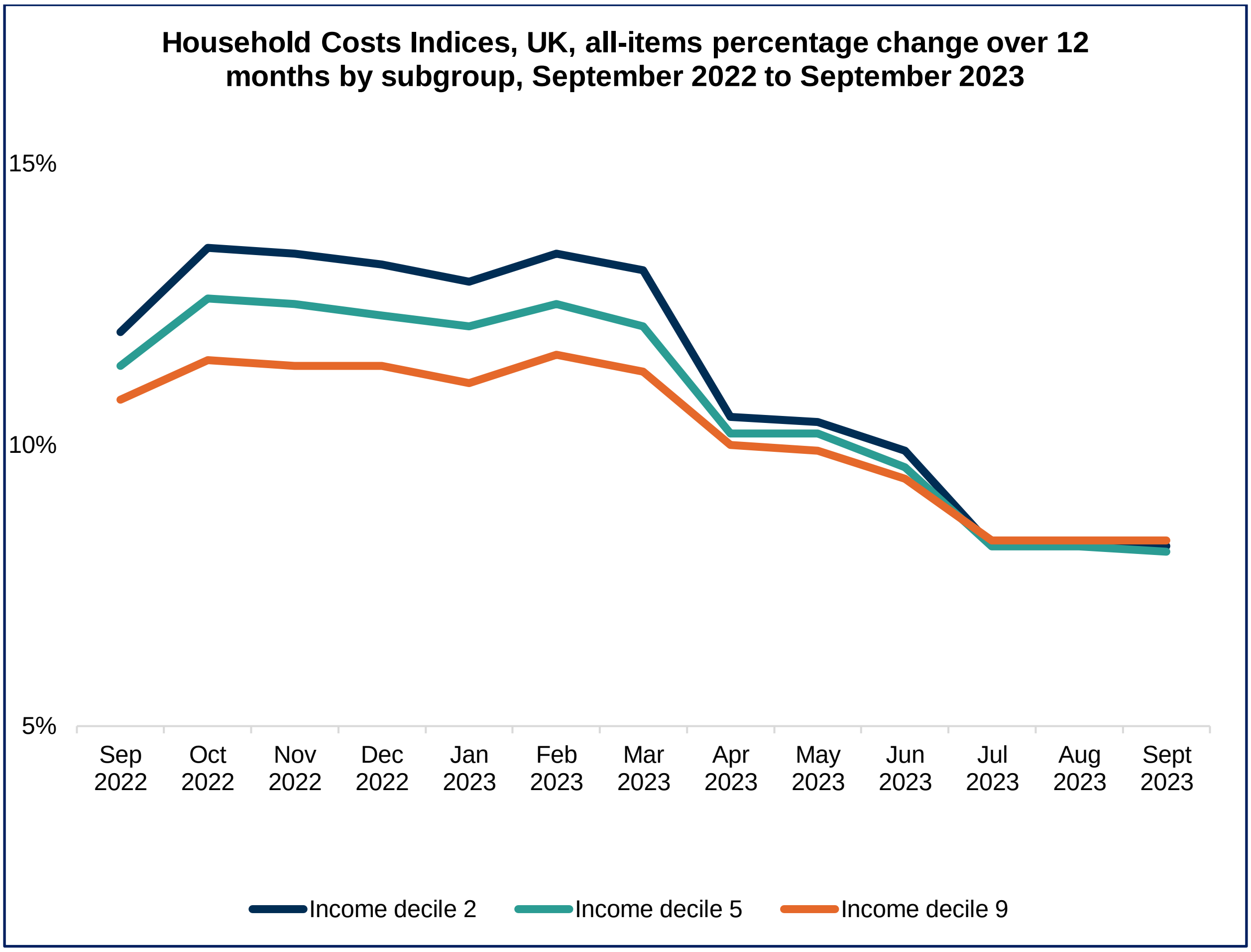
[7] Economic and fiscal outlook – November 2023 (obr.uk)
[8] Monetary Policy Report - November 2023
[9] Impact of increased cost of living on adults across Great Britain: July to October 2023 - Office for National Statistics (ons.gov.uk)
[10] CPIH-consistent inflation rate estimates for UK household groups - Office for National Statistics

Figure 4



Source: Office for National Statistics[11]

2023-24 Uprating approach

17. Governments have different approaches to uprating social security assistance. **Annex B** provides an overview of uprating practices across Europe. There is no general consensus amongst countries of an optimal uprating approach. There is variation across Europe on the timing and frequency of uprating, and metric and reference periods used to uprate social security assistance.

18. In April 2023, all devolved assistance (except Scottish Child Payment which was uprated early when increased to £25 in November 2022) were uprated by the September 2022 Consumer Prices Index (CPI) rate of 10.1%. This is in line with the approach taken by the UK Government and the latest Scottish Government uprating position published in a 2019 policy paper[12]. This approach was a departure from the prior two years where in response to the exceptional circumstances arising through COVID-19 and then rising inflation, Scottish Ministers decided to apply enhanced uprating to a range of devolved assistance to increase the financial support provided to clients. Although the September

[11] Household Costs Indices for UK household groups: January 2022 to September 2023 - Office for National Statistics (ons.gov.uk)
[12] Scottish Government uprating policy paper and analytical report (September 2019)

2022 CPI rate was applied in April 2023 with no enhanced uplift, this exceeded the rate of inflation at the time it was applied (10.1% vs 8.7%). See table 2 below.

Table 2

Year	Approach taken
April 2021	Uprated a range of devolved assistance by an enhanced rate of 1% (September 2020 CPI was 0.5%).
April 2022	Uprated a range of devolved assistance by an enhanced rate of 6% (September 2021 CPI was 3.1%).
April 2023	Uprated all devolved assistance by September 2022 CPI rate of 10.1%.

Why use a multi-criteria decision analysis to assess uprating options for 2024-25?

19. The Green Book[13] is used by the UK and Scottish Governments as guidance to undertake options appraisals of proposals that concern public spending. Different options for uprating devolved social security assistance have the potential to lead to higher or lower expenditure for the Scottish Government and different financial outcomes for clients.

20. The techniques set out in the Green Book prioritise policy options by their relative value for money for the taxpayer – as defined by cost benefit analysis metrics e.g. Benefit Cost Ratios and Net Present Values. However, this form of explicit value for money assessment is not normally undertaken for transfer payments (e.g. social security benefits) as they are normally excluded from social values analysed in economic appraisals as they do not affect output or consumption of resources. There is also a direct inverse relationship between government expenditure and financial outcomes for benefit clients, so assessing uprating options based on their expected costs and benefits to the economy as a whole would not be appropriate.

21. Scottish Government officials agreed a more appropriate approach would be to undertake a multi-criteria decision analysis where each option could be assessed against agreed criteria. This report sets out the results of that analysis.

22. This report will broadly follow the stages set out in the Green Book supplementary guidance[14]. The following sections will:

    a) Define the options.
    b) Define the criteria.
    c) Score the options.
    d) Examine the results and provide a recommendation.

[13] The Green Book and accompanying guidance and documents - GOV.UK (www.gov.uk)
[14] Green Book supplementary guidance: multi-criteria decision analysis - GOV.UK (www.gov.uk)

Defining the Options

23. Each option for uprating devolved social security assistance includes an inflation metric and a reference period. The inflation metric is the specific measure used to calculate inflation (e.g. CPI) and the reference period is the period over which a metric is measured (e.g. the year to September 2022). A range of inflation metrics and reference periods have been combined to form a set of options.

Possible Inflation Metrics

CPI

- Consumer Prices Index is a National Statistic and is a headline measure of inflation in the UK.
- It is used by the Bank of England for inflation targeting and official forecasts are available for CPI.
- **This metric is included in the options appraisal.**

CPIH

- Consumer Prices Index including owner occupiers housing costs is a National Statistic and a headline measure of inflation in the UK.
- It is a relatively new measure based on the methodology of CPI but including housing costs.
- Official forecasts are not available for CPIH.
- **This metric is included in the options appraisal.**

RPI

- Retail Prices Index lost its status as a National Statistic in 2013 due to methodological flaws but has been used to uprate social security assistance in the UK in the past.
- **This metric has been excluded from the options in line with National Statistician guidance that RPI is a very poor measure of general inflation[15].**

CPI estimates for lowest income households

- Estimates of inflation rates (consistent with CPI methodology) specific to UK household types are published by ONS[16].
- Available for household characteristic, e.g. income level or presence of children.
- The estimates use spending habit information to weight the goods and services in the CPI basket to make it specific to the household type.
- ONS have classified these statistics as experimental and have cautioned against their use for anything other than research purposes[17].

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[15] Shortcomings of the Retail Prices Index as a measure of inflation - Office for National Statistics (ons.gov.uk)
[16] CPIH-consistent inflation rate estimates for UK household groups - Office for National Statistics
[17] Ibid.

- **This metric has been discontinued by ONS and so is excluded from the appraisal as it is unlikely to be available for future uprating decisions.**

Household Costs Indices

- ONS have been developing Household Costs Indices since November 2017[18] and officially launched them on 4 December 2023. The indices will be published quarterly and are intended to complement lead measures of inflation CPIH and CPI by providing insight into the inflationary experience of different household subgroups.
- This data reflects that different household groups can experience different levels of inflation and builds upon previous ONS releases of CPI and CPIH consistent inflation rate estimates for UK household groups based on characteristics such as income levels and house tenure.
- This data is not classified as national statistics but experimental and so ONS advise a degree of caution when using these statistics.
- **This metric is included in the options appraisal.**

A sector specific inflation rate

- ONS publish detailed information on inflation rate components of CPI. These could be used to uprate devolved social security assistance according to their purpose. For example, food inflation could be used to uprate Best Start Foods.
- However one sector specific inflation rate is unlikely to be reflective of recipients' overall spending needs and may be difficult to identify for some devolved assistance. For example, for Scottish Child Payment it is for clients to decide what they spend payments on[19]. Most devolved social security assistance does not prescribe what payments should be spent on.
- These rates are more prone to volatility and uprating has implications for both present and future rates and costs (e.g. future uprating is applied to those rates). For instance, ONS note that food and energy prices are particularly volatile[20].
- Additionally, this analysis considers all devolved social security assistance as a whole. It was deemed to require a disproportionate amount of resource to undertake an options appraisal using different options for different payments.
- **This metric has not been considered further because of these issues.**

An inflation rate specific to Scotland

- There is experimental work being undertaken by ONS to develop CPIH consistent rates for UK regions[21] (starting with Northern Ireland[22]).
- This is likely to be more reflective of price changes in Scotland.
- **This metric is still under development so has not been used here but officials will continue to monitor its development for future use.**

[18] Developing the Household Costs Indices (HCIs) - Office for National Statistics (ons.gov.uk)
[19] Scottish Child Payment - mygov.scot
[20] New estimates of core inflation, UK - Office for National Statistics (ons.gov.uk)
[21] Feasibility study into producing CPIH consistent inflation rates for UK regions - Office for National Statistics
[22] Boosting the Northern Ireland price sample for the Consumer Prices Index - Office for National Statistics

Possible Reference Periods

Table 3

Reference period	Description
September	• Use annual rate for month of September. • Any month before September 2022 has not been considered to prevent double-counting of inflation since devolved social security assistance was uprated in 2023-24 by the September 2022 12-month CPI rate which includes changes in prices between September 2021 and 2022.
More recent month	• Use annual rate for a more recent month, closer to the time of uprating. • For each respective metric, the latest feasible month that outturn inflation would be available has been used, allowing enough time to implement in April. Scoring more than 1 more recent month was deemed to require a disproportionate amount of time and resource (e.g. October, November and December). • Also, given that inflation has fallen consistently in 2023, any month after September has an equal or lower CPI rate than currently forecast for January 2024. So as per option B, would provide a negative change in real terms benefit values over the past 4 years, shown in Annex A1. This means it is unlikely October, November or December periods would score more highly than September as they would not have a higher relevance score than September but would have a lower score for delivery. • The latest months possible are January[23] for CPI and CPIH; and December[24] for Household Costs Indices.
Forecast	• Use a forecast rate from the Office for Budget Responsibility (OBR). • The 2024 Q2 forecast from the OBR Autumn forecasts could be used for this to reflect the period when uprating is applied (e.g. April). • This is only available for CPI.
Forecast and re-base	• Use the forecast rate but then re-base the values in the following year based on the difference between the previous year's uprating and the realised inflation rate, to bridge any gap between forecast and out-turn inflation. • For example, if uprating in April 2023 used a forecast rate of 5% but the out-turn inflation rate was 10% then the rate used to uprate next year would be increased to account for this. See example below. • Figure 5 shows a comparison between forecast and outturn CPI rates for April/Q2 (to represent April when uprating is applied). Out-turn inflation in April 2022 was much higher than forecast.

[23] Published mid-February.
[24] Next release scheduled for 26th February 2024.

Example: Forecast and re-base for April 2024

24. All figures are illustrative.

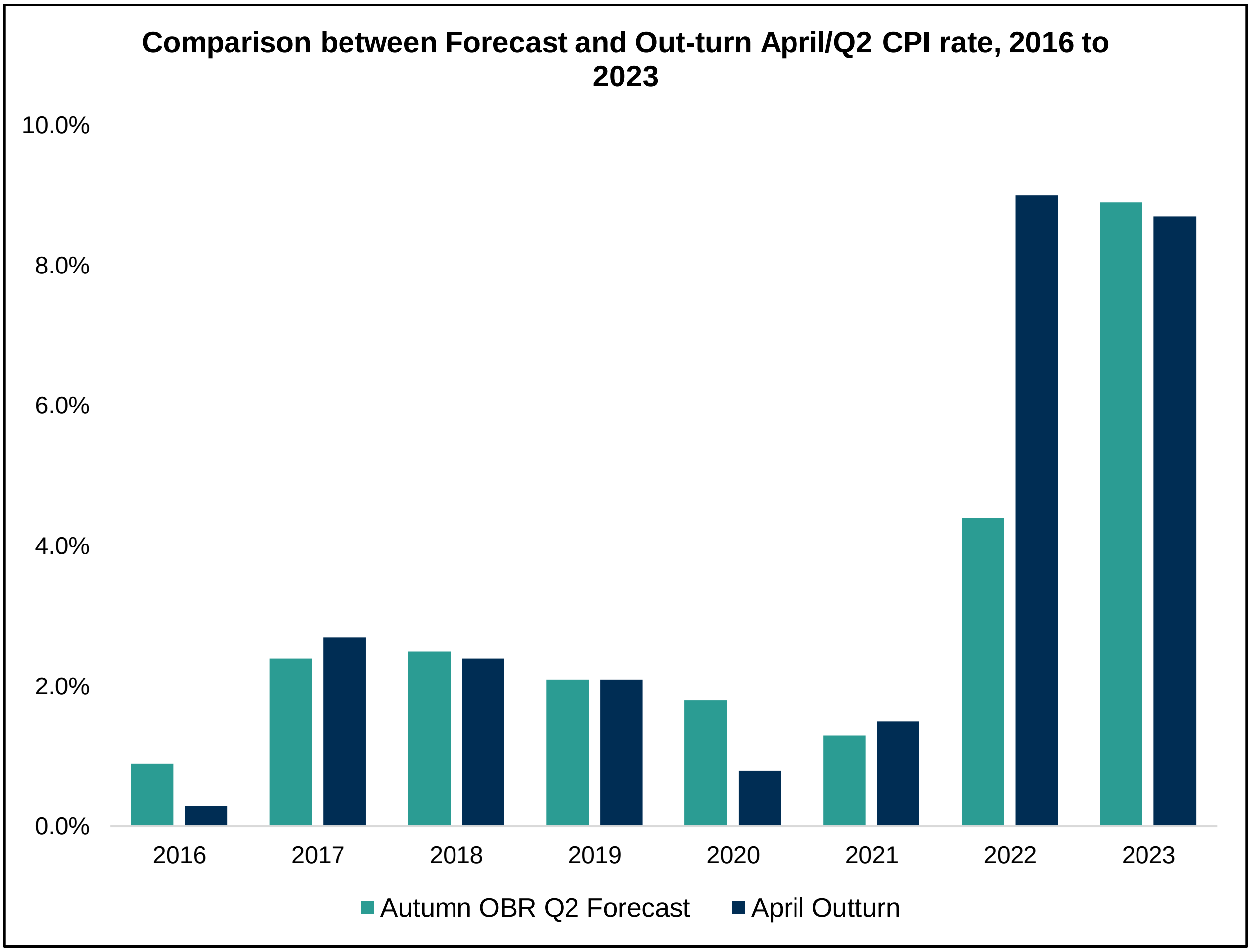
Table 4

Rate used to uprate for April 2023	A	5%
Outturn 2023 inflation rate	B	10%
2024 Q2 Forecast rate	C	10%

$$Uprating\ rate = \left(\frac{(1+B)}{(1+A)}\ X\ (1+C)\right) - 1$$

$$Uprating\ rate = \left(\frac{(1+10\%)}{(1+5\%)}\ X\ (1+10\%)\right) - 1 = 15.2\%$$

Figure 5



Source: Internal analysis of OBR Economic and Fiscal Outlooks and ONS CPI Inflation

Remaining Options

25. The matrix in Table 5 shows the possible combinations of metrics and reference periods to define potential uprating options. Not all combinations are possible, those which are not are marked with an **X**.

Table 5

Metric	**Reference Period**			
	September	More recent month	Forecast	Forecast and re-base
CPI				
CPIH			**X**	**X**
Household Costs Indices			**X**	**X**

Final list of options

26. The remaining options are:

Table 6

Option	Reference period	Metric
A	September	CPI
B	January	CPI
C	Forecast	CPI
D	Forecast and re-base	CPI
E	September	CPIH
F	January	CPIH
G	September	Household Costs Index (Decile 2)
H	December	Household Costs Index (Decile 2)

Timing of Uprating

27. The current Scottish Government uprating approach is to implement uprating annually at the beginning of the financial year in April, as is set out in the Act.

28. One of the disadvantages of annual uprating is clients can experience rising prices in the economy with a delay in the corresponding uplift of their devolved social security assistance income, this is a particular issue when inflation is rising quickly in the economy. This could be addressed by uprating more frequently, for example bi-annually or quarterly, or by automatically uprating when the uprating index increases by a certain threshold[25].

29. However there are also challenges with more frequent uprating:

    a) Delivery of devolved social security assistance becomes more challenging because of having to update payment systems more often. It would also lead to higher devolved social security assistance rates and costs due to compounding effects of uprating being applied to higher rates (compared with less frequent uprating) at each round of uprating.

    b) The robustness of the measure used to uprate may decrease as the frequency of uprating increases. Transitory changes in prices, such as market shocks, may have a larger impact on a measure assessed over a shorter period of time.

30. Given these significant challenges and the existing legislation which states the Scottish Government must bring forward regulations annually before April to amend the level of devolved social security assistance listed in section 86B of the Social Security (Scotland) Act 2018, the recommendation is to continue to apply uprating on an annual basis. Scottish Government officials will keep this approach under review.

31. There are other mechanisms that government can use to get support to those who need it in particular circumstances, such as the Scottish Government's additional Carer's Allowance Supplement Coronavirus payment made in 2020 and 2021.

Stakeholder Engagement

32. In producing and applying both the list of possible options and scoring criteria, input was received from several internal Scottish Government stakeholders, including operational staff in Social Security Scotland, and legal and policy teams within the Scottish Government. Although formal engagement with external stakeholders was not deemed necessary as part of this process, previous recommendations made by external stakeholders regarding government benefit uprating policy, including by the Scottish Commission on Social Security, were considered in producing this analysis.

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[25] As seen in some other European countries. See Annex B.

Defining Criteria

33. This section will define the criteria used to score the defined options.

Factors that determine the uprating decision

34. The following factors determine the Scottish Government's uprating decision:

a) Legislation.
b) Measuring inflation.
c) Delivery.
d) Transparency.
e) Consistency with UK Government uprating approach.
f) Outcomes for clients.
g) Government expenditure.
h) Maintaining real value.

Legislation

35. There are three key legal restrictions on the Scottish Government's decision.

- The Act provides a duty under section 86A to consider the effects of inflation as it relates to the value of certain types of devolved social security assistance made under the Act before the end of each financial year. The Act requires Scottish Ministers to prepare and lay a report before Scottish parliament each year outlining the inflation-adjusted rate of each relevant social security payment, how the figure was calculated and how the decision was made.

- The Act instructs the inflation adjusted rate for each relevant social security payment should reflect the change in the general level of relevant prices. It is for Scottish Ministers to decide what prices are relevant prices.

- Section 86B of The Act also sets out a number of devolved social security assistance made under the Act that must be uprated each year by law (see the "Mandatory" column in Table 7 below). There are also other forms of assistance under the Act and out-with the Act's framework so not covered by this duty (see the "Discretionary" column of table 7 below.) This report does not set out a view on which assistance should be uprated as that is a decision for Scottish Ministers.

Table 7

Mandatory	Discretionary
Disability related assistance[26]	Best Start Grant
Carer related assistance[27]	Best Start Foods
Funeral Support Payment	Child Winter Heating Payment
Scottish Child Payment	Winter Heating Payment
Employment-injury assistance[28]	Job Start Payment

[26] Adult Disability Payment and Child Disability Payment.
[27] Carer Support Payment and Young Carer Grant.
[28] This form of assistance has not yet been made under the Act.

36. **Legislation will not be included as a scoring criteria** but options that do not meet the requirements set out in this existing legislation (e.g. wage inflation cannot be used as this would not reflect the change in prices) have been ruled out as potential options.

Measuring Inflation

37. Under existing legislation it is necessary for uprating to accurately reflect changes in prices, as set out in Section 86A of the Act. Therefore the analytical robustness of the option we choose to represent inflation is important (e.g. the UK Statistics Authority have advised RPI should not be used to measure inflation in the economy). **This aspect will be included as a scoring criteria and referred to as robustness**.

38. It is also important how well the measure of inflation reflects the changes in prices experienced by clients (e.g. The Producer Price Index would not be used to reflect the price changes experienced by consumers in the economy). **This is included as a scoring criteria and referred to as relevance**.

Delivery

39. There is an established process for implementing uprating which includes allowing time for the implementation and scrutiny of regulations, for inclusion of the uprating decision in the Scottish Budget and for Social Security Scotland to update systems prior to new rates coming into force. It is essential that uprating does not impede Social Security Scotland's ability to pay clients in time and therefore **delivery will be included as a scoring criteria**.

Transparency

40. The Scottish Government's approach to uprating should be transparent, so easily understandable and unambiguous to clients and other stakeholders, including the general public. **Transparency will be included as a scoring criteria**.

Consistency with UK Government approach

41. It will take time for the devolution of social security assistance to Scotland to fully complete and some forms of devolved social security assistance are still delivered to clients in Scotland by the Department for Work and Pensions via agency agreements, while the rollout of the Scotland-specific version is ongoing (e.g. Adult Disability Payment and Personal Independence Payment). It is a priority of Scottish Government to prevent a two-tiered system where clients paid by Social Security Scotland are paid differently to Scottish clients whose assistance is administered by the Department for Work and Pensions. Therefore for the forms of assistance where this applies, maintaining a consistent approach between uprating decisions made by the Scottish and UK Governments is an important consideration until these benefits are fully transferred over. Despite this arrangement, the decision of how to uprate these benefits is solely for Scottish Ministers to make.

42. Divergence from UK Government uprating approach could also create fiscal sustainability issues for devolved social security assistance which have a Block Grant Adjustment if the Scottish Government's uprating policy is more generous and the Scottish Government pays out more than it receives in funding.

43. These considerations do not apply to all benefits, and also relate to delivery impacts and therefore **consistency with the UK Government will not be considered as a scoring criteria but will form part of the consideration for the delivery criteria**.

Outcomes for Clients and Government Expenditure

44. It is imperative the Scottish Government consider the impact of uprating on both benefit client and government finances. However, this has not been directly included in the scoring criteria of options. This analysis considers the potential uprating options that best deliver the Government's legislative uprating obligations and policy objectives and explicitly including financial outcomes for benefit client and government finances in the scoring criteria would be inconsistent with those obligations and objectives.

45. Uprating approaches are not intended to either save Government money or maximise benefit income for clients but to maintain the true value of payments as prices rise in the economy. Although the cost to government of benefit expenditure is a crucial factor in Ministers' decision whether to uprate discretionary benefits or not, this analysis is concerned with the method to uprate benefits rather than which benefits to uprate, so **financial considerations will not be included as a scoring criteria**.

Maintaining Real Value

46. Uprating aims to protect the true value of devolved social security assistance as prices rise in the economy and ensure parity between financial years. Ministers are required to consider the effects of inflation on payment rates. This means the extent to which an option maintains the true value of devolved social security assistance is a key consideration and it is important this is assessed both year to year and in the long term. **Annex A** provides estimates of the real value impacts of each uprating option, taking into account Scottish Government uprating decisions since April 2021.

47. The change in real value is only known once inflation has occurred. As such we cannot accurately evaluate each option's effectiveness at maintaining real value in advance, this is a particular issue for approaches that use forecast inflation figures. **Maintaining real value is not included as a separate scoring criteria but is considered in the scoring for relevance.**

Scoring Criteria

48. Following the above discussion, the following four criteria will be used to score options:

Table 8

Criteria	Description
Robustness	How analytically robust is the methodology and data used for the option (e.g. quality and reliability of data)?
Relevance	To what extent does the option reflect inflation experienced by clients, including real terms value changes over time?
Delivery	Does implementing the option cause any operational problems? (e.g. Social Security Scotland needs to implement changes to systems to make payments to clients).
Transparency	How easily is the option understood by stakeholders? And how easily accessible is the information? (e.g. Is the approach clear and accessible to the general public?)

Scoring

49. Each potential uprating policy option will be scored on the extent the criteria is met as: Very High, High, Medium, Low or Very Low.

Table 9

Colour Code	Extent to which criteria is met	Score
	Very High	**5**
	High	**4**
	Medium	**3**
	Low	**2**
	Very Low	**1**

50. There is a degree of subjectivity to this assessment and an explanation of scores for each option is provided. Sensitivity analysis has been carried out to assess how different scoring would affect the recommendation.

51. The potential options will be ranked by highest score to determine which option scores most highly against the scoring criteria. The highest scoring option will be the recommendation this analysis provides.

Weighting

52. Weighting is often applied across criteria when scoring options to account for their relative importance. An equal weighting has been applied in this analysis because it has been judged to be equally important each criteria is satisfied.

53. Sensitivity analysis will be undertaken to examine the extent the weighting affects the overall results.

Double Counting

54. It is important double counting is not present as criteria with double counting are likely to be given more weight in the final overall decision than they should. Double counting is a risk within a Multi Criteria Decision Analysis because it is possible for a single factor to influence more than one scoring criteria. For this reason, some factors have not been included as an individual criteria due to their influence on other criteria (e.g. maintaining real value is considered within relevance).

Scoring of Options

Table 10

Option	Reference period	Metric	Robustness	Relevance	Delivery	Transparency
A	September	CPI	5	3	5	5
B	January	CPI	5	3	1	5
C	Forecast	CPI	2	3	5	4
D	Forecast and re-base	CPI	3	4	5	3
E	September	CPIH	5	3	4	5
F	January	CPIH	5	3	1	5
G	September	Household Costs Index (Decile 2)	4	4	2	4
H	December	Household Costs Index (Decile 2)	4	4	1	4

55. The following provides an explanation of the scores allocated to each option.

A. September CPI

Robustness scored VERY HIGH (5)

- CPI is robust because it is an established headline measure of inflation and has a proven track record as a National Statistic.
- This is an outturn rate of inflation that has occurred.

Relevance scored MEDIUM (3)

- This measure reflects the change in the general level of prices faced by all consumers, but does not include owner-occupier housing costs such as council tax. There are measures that could be more fully reflective of price changes faced by benefit clients.
- September is approximately 6 months away from April, when uprating is applied. When inflation is increasing quickly it may mean assistance is uprated by a lower amount than inflation faced by clients at the time of

uprating. However, when inflation is falling, clients would gain from higher uprating the following year as uprating exceeds inflation.
- Using this option this would mean benefits increasing in value by around 0.9% over the past 4 years (see Annex A1), so matching inflation quite closely.

Delivery scored VERY HIGH (5)

- CPI is published as a single rate which can easily be applied to uprate assistance and future years are officially forecast by OBR which is useful for robust financial planning.
- September’s rate is published in October allowing sufficient time for uprating processes to be carried out (scrutiny of regulations, implementation of changes to payment systems etc.).

Transparency scored VERY HIGH (5)

- CPI is easy for stakeholders to access and interpret as underlying data is routinely reported by ONS and is reported widely in the media.

B. January CPI

Robustness scored VERY HIGH (5)

- CPI is robust because it is an established headline measure of inflation and has a proven track record as a National Statistic.
- This is an outturn rate of inflation that has occurred.

Relevance scored MEDIUM (3)

- This measure reflects the change in the general level of prices faced by all consumers, but does not include owner-occupier housing costs such as council tax. There are measures that could be more fully reflective of price changes faced by clients.
- January is closer to the time of uprating in April than September. So when inflation is increasing quickly it should mean assistance is uprated by a figure closer to the rate faced by clients at the time of uprating. However, when inflation is falling, clients would likely experience lower uprating in the following year than when using September.
- Although the time period would be closer to April than September, using this option would mean benefits decreasing in value by around 1.1% over the past 4 years (see Annex A1).

Delivery scored VERY LOW (1)

- CPI published as a single rate which can easily be applied to uprate assistance and future years are officially forecast by OBR which is useful for robust financial planning.

- January's rate (published in February) may cause issues as it is unlikely to be available in time for the Scottish budget[29]. Additionally, it may cause significant issues to fulfil the uprating process including the laying of regulations and Section 86A report, and official scrutiny.
- The timing of its release might also cause difficulties for implementing the rates in payment systems by the beginning of April and ensuring clients do not get paid late. This may also have a negative impact on the current timetable to deliver change and improvements to existing products, systems and technology.

Transparency scored VERY HIGH (5)

- CPI is easy for stakeholders to access and interpret as underlying data is routinely reported by ONS and is reported widely in the media.

C. Forecast CPI

Robustness scored LOW (2)

- CPI is robust because it is an established headline measure of inflation and has a proven track record as a National Statistic.
- A forecast is not as robust as outturn data because it is based on assumptions and projections that may not transpire rather than inflation that has occurred.
- An inflation forecast that over-estimates price increases would mean clients receive uplifts greater than true inflation and a forecast that under-estimates price increases would result in uprating being lower than true inflation.

Relevance scored MEDIUM (3)

- This measure reflects the change in the general level of prices faced by all consumers, but does not include owner-occupier housing costs such as council tax. As a universal measure it may not be fully reflective of price changes faced by clients.
- A forecast is relevant as it relates to the period uprating is applied. However, the forecast rate may not transpire and could be higher or lower than realised inflation.
- Using this option would mean benefits decreasing in value by around 2.0% over the past 4 years (see Annex A1), demonstrating how benefit clients could lose out when inflation is under-forecast.

Delivery scored VERY HIGH (5)

- CPI forecast published as a single rate which can easily be applied to uprate assistance and future years are officially forecast by OBR which is useful for robust financial planning.

[29] Usually takes place in December.

- Official OBR forecasts normally published in November are likely to be available in time for uprating process (scrutiny of regulations, implementation of changes to payment systems etc.).

Transparency scored HIGH (4)

- CPI forecasts are publicly available through OBR's forecast reports however these are likely to be less well known, understood and accessible to the general public, compared with headline inflation measures (e.g. CPI and CPIH) published by the ONS.

D. Forecast and re-base CPI

Robustness scored MEDIUM (3)

- CPI is robust because it is an established headline measure of inflation and has a proven track record as a National Statistic.
- A forecast is not as robust as outturn data because it is based on assumptions and projections rather than inflation that has occurred. Forecast inflation could be higher or lower than realised inflation. However, re-basing rates with outturn inflation corrects deviations between forecast and realised inflation rates.
- However there is a risk to government finances if inflation forecasts turn out to be much higher than realised inflation and uprating could only be reconciled by reducing devolved social security assistance rates, which may not be possible under legislation. This could mean benefit clients would receive uprating above true inflation.

Relevance scored HIGH (4)

- This measure reflects the change in the general level of prices faced by all consumers, but does not include owner-occupier housing costs such as council tax. As a universal measure it may not be fully reflective of price changes faced by clients.
- A forecast is relevant as it relates to the period over which uprating is applied.
- Under this approach, if realised inflation was lower than the last uprating, in the next uprating round, benefit clients will experience a negative adjustment to account for any "over-payment" in the previous period.
- Since we don't yet have out-turn inflation for April 2024, the real terms change estimated in Annex A1 is based on a comparison between forecast and out-turn inflation for April 2023 and is illustrative only.
- Over the long term nominal benefit rates should be aligned with April inflation.

Delivery scored VERY HIGH (5)

- CPI published as a single rate which can easily be applied to uprate assistance and future years are officially forecast by OBR which is useful for robust financial planning.

- Official OBR forecasts normally published in November are likely to be available in time for uprating process (scrutiny of regulations, implementation of changes to payment systems etc.).

Transparency scored MEDIUM (3)

- Although CPI forecasts are publicly available through OBR's forecast reports, the re-basing would be subject to an internal calculation. This may be difficult for clients and stakeholders to anticipate and would be less accessible than published figures. This could be partly mitigated by Scottish Government publishing details of the calculation.

E. September CPIH

Robustness scored VERY HIGH (5)

- CPIH is a leading measure of inflation and was designated as a National Statistic in 2017.
- This is an outturn inflation rate determined by inflation that has occurred and therefore is robust.

Relevance scored MEDIUM (3)

- This measure reflects the change in the general level of prices faced by all consumers including owner-occupier housing costs such as council tax. As a universal measure it may not be fully reflective of price changes faced by clients.
- September is approximately 6 months away from April, when uprating usually occurs, so it may not be a good representation of inflation faced by clients between uprating periods.
- Using this option would mean benefits increasing in value by around 0.5% over the past 4 years (see Annex A1), a close match with inflation.

Delivery scored HIGH (4)

- September's rate will be published in October allowing time for complete uprating process (scrutiny of regulations, implementation of changes to payment systems etc.).
- CPIH is published as a single rate which can easily be applied to uprate assistance but is not officially forecast. This does not easily enable robust financial planning. However, CPI forecasts could be used as a proxy.

Transparency scored VERY HIGH (5)

- CPIH is easy for stakeholders to access and interpret as underlying data is routinely reported by ONS and is reported widely in the media.

F. January CPIH

Robustness scored VERY HIGH (5)

- CPIH is a leading measure of inflation and was designated as a National Statistic in 2017.
- This is an outturn inflation rate determined by inflation which has occurred and therefore is robust.

Relevance scored MEDIUM (3)

- This measure reflects the change in the general level of prices faced by all consumers including owner-occupier housing costs such as council tax. As a universal measure it may not be fully reflective of price changes faced by clients.
- January is closer to April than September but may still not be a very good representation of inflation faced by clients between uprating periods. When inflation is high and volatile, there can be substantial differences between January and April rates.
- Using this option would mean benefits decreasing in value by around 1.1% over the past 4 years (see Annex A1).

Delivery scored VERY LOW (1)

- CPIH published as a single rate which can easily be applied to uprate assistance but is not officially forecast. This does not enable robust financial planning.
- January's rate (published in February) may cause issues as it is unlikely to be available in time for the Scottish budget and also may cause timings issues to fulfil the complete uprating process, including laying of regulations and Section 86A report in parliament, and official scrutiny.
- The timing of its release could cause difficulties for implementing the rates in payment systems by the beginning of April and ensuring clients do not get paid late. This may also have a negative impact on the current timetable to deliver change and improvements to existing products, systems and technology.

Transparency scored VERY HIGH (5)

- CPIH is easy for stakeholders to access and interpret as underlying data is routinely reported by ONS and is reported widely in the media.

G. September Household Costs Index (Decile 2)

Robustness scored HIGH (4)

- ONS have been developing Household Costs Indices since November 2017 and officially launched them on 4 December 2023. The indices will be published quarterly and are intended to complement lead measures of

inflation CPIH and CPI by providing insight into the inflationary experience of different household subgroups.
- This data is not classified as national statistics but experimental and so ONS advise a degree of caution when using these statistics.
- This is an outturn inflation rate determined by inflation which has occurred and therefore is robust.

Relevance scored HIGH (4)

- This metric is more specific to low-income benefit client households than a universal measure.
- However, clients are not always in the lowest equivalised income quintiles (e.g. for non-means tested disability benefits) so the rate may not be relevant to all benefit clients.
- September is approximately 6 months away from April, when uprating usually occurs, so it may not be a very good representation of inflation faced by clients between uprating periods.
- Using this option this would mean benefits increasing in value by around 2.3% over the past 4 years (see Annex A1).

Delivery scored LOW (2)

- September's rate should be published in December which should allow time for complete uprating process (scrutiny of regulations, implementation of changes to payment systems etc.).
- The publication schedule of these statistics is designated as quarterly but they are relatively new so there is a risk this could change and there is an element of uncertainty about when this data and the periods covered will be published.
- Household Costs Indices are not forecast. This does not easily enable robust financial planning.

Transparency scored HIGH (4)

- The metric is published by ONS and is relatively easily accessible, however, it is likely to be less well known, understood and accessible to the general public, compared with headline inflation measures (e.g. CPI and CPIH) published by the ONS.

H. December Household Costs Index (Decile 2)

Robustness scored HIGH (4)

- ONS have been developing Household Costs Indices since November 2017 and officially launched them on 4 December 2023. The indices will be published quarterly and are intended to complement lead measures of inflation CPIH and CPI by providing insight into the inflationary experience of different household subgroups.
- This data is not classified as national statistics but experimental and so ONS advise a degree of caution when using these statistics.

- This is an outturn inflation rate determined by inflation which has occurred and therefore is robust.

Relevance scored HIGH (4)

- This metric is more specific to low-income benefit client households than a universal measure.
- However, clients are not always in the lowest equivalised income quintiles (e.g. for non-means tested disability benefits) so the rate may not be relevant to all benefit clients.
- December is closer to April than September but may still not be a very good representation of inflation faced by clients between uprating periods. When inflation is high and volatile, there can be substantial differences between December and April rates.
- Using this option this would mean benefits increasing in value by around 0.9% over the past 4 years (see Annex A1).

Delivery scored VERY LOW (1)

- December's rate (published in February) may cause issues as it is unlikely to be available in time for the Scottish budget and also may cause timings issues to fulfil the complete uprating process, including laying of regulations and Section 86A report in parliament, and official scrutiny.
- The timing of its release could cause difficulties for implementing the rates in payment systems by the beginning of April and ensuring clients do not get paid late. This may also have a negative impact on the current timetable to deliver change and improvements to existing products, systems and technology.
- Household Costs Indices are not forecast. This does not easily enable robust financial planning.

Transparency scored HIGH (4)

- The metric is published by ONS and is relatively easily accessible, however, it is likely to be less well known, understood and accessible to the general public, compared with headline inflation measures (e.g. CPI and CPIH) published by the ONS.

Ranking of Options

Table 11

Rank	Option	Reference period	Metric	Robustness	Relevance	Delivery	Transparency	Total
1	A	September	CPI	5	3	5	5	18
2	E	September	CPIH	5	3	4	5	17
3	D	Forecast and re-base	CPI	3	4	5	3	15
4	B	January	CPI	5	3	1	5	14
	C	Forecast	CPI	2	3	5	4	14
	F	January	CPIH	5	3	1	5	14
	G	September	Household Costs Index (Decile 2)	4	4	2	4	14
5	H	December	Household Costs Index (Decile 2)	4	4	1	4	13

Results

56. Option A, September CPI scored highest across the defined criteria and is therefore the recommended policy option.

57. See **Annex C** for sensitivity analysis.

Conclusion

58. As a result of the Multi Criteria Decision Analysis, this report recommends devolved social security assistance, where Ministers must uprate under section 86B of the Social Security (Scotland) Act 2018 or where they choose to uprate discretionary benefits following their general review under section 86A of that Act, is uprated in April 2024 using the September 2023 rate of CPI, ranking highest in the scoring of multi-criteria options.

59. Additionally, September CPI’s ranking as highest scoring did not change when sensitivity analysis was conducted (see **Annex C**) and did not provide negative real terms financial outcomes for clients (as estimated in **Annex A**), unlike some other scoring options.

ANNEX A Outcomes for Clients

1. Table A1 shows the estimated cumulative change[30] in the real value of devolved social security assistance between April 2020 and April 2024, for each option. The real value calculations show how well payments are keeping up with inflation through uprating. A negative change means payments are worth less in real terms than at the start of the period[31].

2. The change in real value is a function of how realised inflation rates compare to the uprating rate applied. When the realised inflation rate is higher than the uprating rate, this will mean a loss in real value – and vice versa. **There will be no change in real value if the uprating rate is the same as the inflation rate.**

3. Table A1 follows the approach taken by the Scottish Government for most devolved assistance up until April 2023, with each option applied for April 2024.

Table A1

	April 2021	**April 2022**	**April 2023**
Rate applied to uprate assistance	1%	6%	10.1%

Metric	**Reference period**	**Rate applied**	**Each £1 this year uprated to**	**Change in real value April 2020-April 2024**
CPI	**September**	6.7%	£1.07	0.9%
CPI	**January**	4.6%	£1.05	-1.1%
CPI	**Forecast**	3.7%	£1.04	-2.0%
CPI	**Forecast and re-base[32]**	3.5%	£1.04	-2.2%
CPIH	**September**	6.3%	£1.06	0.5%
CPIH	**January**	4.6%	£1.05	-1.1%
Household Costs Index (Decile 2)	**September**	8.2%	£1.08	2.3%
Household Costs Index (Decile 2)	**December**	4.9%	£1.05	-0.9%

4. These results show the following approaches when applied to benefit rates in 2024-25 are estimated to produce the closest match between uprating to benefit

[30] These estimates are based on officially forecast (where available) and internally estimated inflation rates, and as such should be interpreted with caution.
[31] A mixture of actual CPI rates between 2020 and 2023 and a forecast inflation rate for April 2024 have been used to estimate change in real value.
[32] Since we don't yet have out-turn inflation for April 2024, the real terms change estimated is based on a comparison between forecast and realised inflation for April 2023 and is illustrative only.

rates and realised inflation rates between April 2020 and April 2024, represented by the estimated change in real terms values:

- September CPIH (+0.5%)
- September CPI/December Household Costs Index (+0.9%/-0.9%)

5. For comparison, Table A2 follows the approach taken by UK Government to uprate most reserved assistance and the effect on real terms values of each option. These values may be more relevant for benefit clients in Scotland on particular benefits (e.g. Adult Disability Payment) whose equivalent benefits (Disability Living Allowance and Personal Independence Payment) are still administered by the DWP through agency agreements, since uprating has followed the UK Government approach for these benefits.

6. In this instance the September Household Costs Index provides the closest match between rates applied to uprate assistance and inflation, with a -1% loss in value.

Table A2

	April 2021	April 2022	April 2023
Rate applied to uprate assistance	0.5%	3.1%	10.1%

Metric	Reference period	Rate applied	Each £1 this year uprated to	Change in real value April 2020-April 2024
CPI	**September**	6.7%	£1.07	-2.4%
CPI	**January**	4.6%	£1.05	-4.3%
CPI	**Forecast**	3.7%	£1.04	-5.1%
CPI	**Forecast and re-base**	3.5%	£1.04	-5.3%
CPIH	**September**	6.3%	£1.06	-2.8%
CPIH	**January**	4.6%	£1.05	-4.3%
Household Costs Index (Decile 2)	**September**	8.2%	£1.08	-1.0%
Household Costs Index (Decile 2)	**December**	4.9%	£1.05	-4.0%

ANNEX B Approaches to uprating across Europe[33]

Table B1

Country	Approach
Republic of Ireland	Assistance rates are not automatically uprated and is a government decision each time.
Belgium	Some assistance is automatically uprated by 2% every time CPI index increases by 2%. There is regional variation for some assistance.
Bulgaria	Assistance amounts adjusted annually taking into account economic situation and poverty line in year up to uprating.
Denmark	Uprate annually by bespoke adjustment rate which is based on wage growth.
Finland	Some assistance uprated annually by national pensions index. Caregiver's Allowance is uprated annually by a weighted index considering wage (80%) and price (20%) inflation.
France	Uprate assistance annually in April by CPI (excluding tobacco). Provided an additional uprating in July 2022 because of high inflation.
Germany	Assistance is uprated at irregular intervals (up to every 3 years) according to price developments.
Greece	Disability assistance uprated annually in January by average of annual change in CPI and GDP. Some unemployment assistance is uprated when the average wage of a manual worker changes.
Hungary	Disability assistance is uprated annually in January by forecast CPI rate.
Luxembourg	Assistance is automatically uprated when CPI index increase by 2.5% since last uprating.
Malta	Some assistance increased annually by bespoke cost of living index.
Norway	Assistance uprated annually by CPI or changes in income level, depending on their purpose.
Poland	Disability assistance uprated annually by CPI plus 20% of real growth in monthly earnings. Unemployment assistance uprated by CPI.
Slovenia	Assistance uprated annually by price index for basic necessities.
Switzerland	Some assistance uprated by CPI every two years or earlier if CPI index increases by more than 5%.

33 Comparative tables - MISSOC

ANNEX C Sensitivity Analysis

1. Sensitivity analysis examines how different preferences can impact the scoring of options and is therefore an integral part of undertaking a robust Multi Criteria Decision Analysis.

2. The weighting and scoring applied to each category and across each option can be subjective. The equal weighting reflects the importance that each criteria selected is satisfied. Several different weightings have been applied to each criteria below and in each case **the preferred option remains the same**. Examples 1 and 2 are provided in the next pages.

3. Example 3 demonstrates different scores applied across criteria where scoring decisions were marginal, but keeping original criteria weighting and again, **the preferred option remains the same.**

4. Sensitivity analysis was also undertaken to understand how changes in circumstance may alter the scoring of options for each criteria. For example, if January CPI could be provided earlier and allowed enough time to be included in budget process and uprating process then this option would score higher on delivery, and could change the results. Similarly if forecasts were available for CPIH then options including CPIH this would score higher on delivery because it would enable robust financial planning. However, neither of these changes in circumstance are deemed realistic or likely so were not scored specifically.

5. It was considered that reference periods later than September but earlier than January might score differently (e.g. October, November, December). However, since inflation has fallen consistently over that time, each of those months had a lower inflation rate than the January forecast, and so would result in a real terms value loss for benefit clients similar to January as shown in Annex A. Therefore it was judged an October, November or December period would not score higher than September as they would score no higher on relevance but likely receive a lower score for delivery.

6. The factors which influence our decision also constrain the available options. Other options not currently available can be considered too as part of the sensitivity analysis. An example of this is if legislation was changed and was not explicit about using relevant prices to measure inflation then we could consider earnings inflation as a metric to include within the options. However, current legislation does include this requirement.

Example 1.

- This was selected as transparency could be considered as the least important of all criterion.

Table C1

	Robustness	Relevance	Delivery	Transparency
Weighting	33%	33%	33%	0%

Rank	Option	Reference period	Metric	Robustness	Relevance	Delivery	Transparency	Total
1	A	September	CPI	5	3	5	5	17.2
2	E	September	CPIH	5	3	4	5	15.8
	D	Forecast and re-base	CPI	3	4	5	3	15.8
3	G	September	Household Costs Index (Decile 2)	4	4	2	4	13.2
	C	Forecast	CPI	2	3	5	4	13.2
4	B	January	CPI	5	3	1	5	11.9
	F	January	CPIH	5	3	1	5	11.9
	H	December	Household Costs Index (Decile 2)	4	4	1	4	11.9

Example 2.

- This was selected because the score for Robustness and Delivery showed the most variation across options so is particularly important in determining final scores.

Table C2

	Robustness	Relevance	Delivery	Transparency
Weighting	40%	10%	40%	10%

Rank	Option	Reference period	Metric	Robustness	Relevance	Delivery	Transparency	Total
1	A	September	CPI	5	3	5	5	19.2
2	E	September	CPIH	5	3	4	5	17.6
3	D	Forecast and re-base	CPI	3	4	5	3	15.6
4	C	Forecast	CPI	2	3	5	4	14
5	B	January	CPI	5	3	1	5	12.8
	F	January	CPIH	5	3	1	5	12.8
	G	September	Household Costs Index (Decile 2)	4	4	2	4	12.8
6	H	December	Household Costs Index (Decile 2)	4	4	1	4	11.2

Example 3 (original equal weighting).

- For Robustness, options G and H could be scored a 3 rather than 4, to further reflect the difference between experimental and national statistics.
- For Relevance, to reflect the increased relevance of a period closer to the time of uprating (e.g. January rather than September), options B and F could be scored a 4 rather than 3.
- For Delivery considerations, option E could be scored a 3 rather than 4 to further reflect the disadvantages in not having forecasts.
- For Transparency, option D could be scored a 2 rather than 3, to further reflect the difference in transparency of an option undertaking an internal calculation compared with an option using headline inflation metrics.

Table C3

Rank	Option	Reference period	Metric	Robustness	Relevance	Delivery	Transparency	Total
1	A	September	CPI	5	3	5	5	18
2	E	September	CPIH	5	3	3	5	16
3	B	January	CPI	5	4	1	5	15
	F	January	CPIH	5	4	1	5	15
4	D	Forecast and re-base	CPI	3	4	5	2	14
	C	Forecast	CPI	2	3	5	4	14
5	G	September	Household Costs Index (Decile 2)	3	4	2	4	13
6	H	December	Household Costs Index (Decile 2)	3	4	1	4	12

This publication is available at **www.gov.scot**

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83521-873-0 (web only)

Published by The Scottish Government, January 2024

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1407234 (01/24)