



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Social Justice and Social Security Committee

Thursday 25 January 2024

Session 6



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Pàrlamaid na h-Alba

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SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE

2nd Meeting 2024, Session 6

CONVENER

*Collette Stevenson (East Kilbride) (SNP)

DEPUTY CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

COMMITTEE MEMBERS

*Jeremy Balfour (Lothian) (Con)

*Katy Clark (West Scotland) (Lab)

John Mason (Glasgow Shettleston) (SNP)

Roz McCall (Mid Scotland and Fife) (Con)

*Marie McNair (Clydebank and Milngavie) (SNP)

*Paul O'Kane (West Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

James Dornan (Glasgow Cathcart) (SNP) (Committee Substitute)

Stephen Kerr (Scottish Government)

Sean Neill (Scottish Government)

Shirley-Anne Somerville (Cabinet Secretary for Social Justice)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 25 January 2024

[The Convener opened the meeting at 10:15]

Decision on Taking Business in Private

The Convener (Collette Stevenson): A very good morning to you, and welcome to the second meeting in 2024 of the Social Justice and Social Security Committee. We have received apologies from Roz McCall and John Mason. I welcome James Dornan, who is online, as a substitute for John Mason.

Our first item of business is a decision on taking in private item 4 on our agenda. Are we agreed on doing so?

Members indicated agreement.

Subordinate Legislation

Welfare Foods (Best Start Foods) (Scotland) Amendment Regulations 2023 (SSI 2023/371)

The Convener: Our next item is the consideration of a Scottish statutory instrument: the Welfare Foods (Best Start Foods) (Scotland) Amendment Regulations 2023, which is subject to the negative procedure. Its purpose is to amend the Welfare Foods (Best Start Foods) (Scotland) Regulations 2019. The main changes are the removal of the income thresholds for qualifying benefits; a further alignment of the eligibility criteria with the best start grant and Scottish child payment; and some technical changes to how payments are made. Do members have any comments on the instrument?

Bob Doris (Glasgow Maryhill and Springburn) (SNP): Of course, I am not going to support the instrument, but best start foods is sometimes seen as a poor relation when it comes to investment in supporting children and families across Scotland, so it is important to put on the record that, since their inception, the best start grant, which is given in cash, and the best start foods scheme, which gives voucher support—in effect, pre-paid cash support to children and families—have benefited more than 400,000 people with £105 million, £17.3 million of which

has benefited people in Glasgow, including my constituents.

If the instrument passes, an additional 20,000 children and families will benefit. I know that it makes a real difference. The committee would be wise sometimes to hear directly from the lived experience of people who receive such grants, in order to see the focused difference that they make on the ground. I just put that on the record.

In addition, the regulations have value for women who are pregnant in removing the income threshold on qualifying benefits. Every four weeks, they will receive £19.80—or £36.90 during their child's first year. That is the most generous and supportive series of grants anywhere in the United Kingdom. In the round, the five grants will see children in Scotland receive an additional £10,000 by their sixth birthday. At the heart of it, the best start foods scheme makes a laser-like focused difference to some of the poorest and most vulnerable children in Scotland.

Sometimes, the passing of such instruments goes completely unnoticed. This instrument extends the entitlement to an additional 20,000 children and is a £6 million investment. It is important to put such things on the record, because they involve public money for public benefit, and this will really deliver.

The Convener: I very much welcome your comments, Bob, which will be on the record.

Are members content to note the instrument?

Members indicated agreement.

Budget Scrutiny 2024-25

10:19

The Convener: Our next item is an evidence session on the budget for 2024-25. The committee's pre-budget report was published in November and the Scottish Government provided its response on 19 December, on which date the budget was also published.

Today we will undertake scrutiny of the budget with Shirley-Anne Somerville, the Cabinet Secretary for Social Justice. I welcome her and hope that she is feeling much better. I also welcome the officials accompanying her: Stephen Kerr, director, social security; Shirley Laing, director, tackling child poverty and social justice; and Sean Neill, director for local government and communities. They are all from the Scottish Government and I thank them for joining us today.

Before we turn to questions, I invite the cabinet secretary to make a short opening statement.

The Cabinet Secretary for Social Justice (Shirley-Anne Somerville): Thank you, convener, and good morning.

The budget-setting process has been challenging, given the backdrop of continued austerity at Westminster and catastrophic cuts to Scotland's block grant. Our Barnett funding, which is driven by UK spending choices, has fallen by 1.2 per cent in real terms since the 2022-23 budget was presented. The UK Government did not inflation-proof its capital budget, which has resulted in an almost 10 per cent real-terms fall in our UK capital funding over the medium term. As a result, this Government has had to take some difficult decisions, but I am confident that we have prioritised our resources to deliver on our three missions of equality, opportunity and community.

At the heart of this budget is the social contract between the Scottish Government and the people of Scotland, in which people's tax contribution is based on their ability to pay and strong public services are understood as enabling a strong society and a growing economy. Those services include free prescriptions, free access to higher education, the baby box and the Scottish child payment.

That is why, in the coming year, the draft budget allocates more than £3 billion to policies to tackle poverty and to protect people, as far as possible, during the on-going cost of living crisis. Those policies include supporting households by providing 1,140 hours of funded childcare for all three and four-year-olds and for eligible two-year-olds; providing free bus travel for more than 2 million people; and offering free school meals to all

children in primaries 1 to 5, as well as to eligible children in other school years.

We continue to build a Scottish social security system that has dignity, fairness and respect at its heart. In line with Scottish Fiscal Commission forecasts, we are investing a record £6.3 billion for benefits expenditure in 2024-25, providing support to more than 1.2 million people. That money will go directly to those who need it most. We are investing just over £1 billion more than in 2023-24 and are supporting disabled people, supporting older people to heat their homes in winter and helping low-income families with their living costs. That investment is £1.1 billion more than the level of funding forecast to be received from the UK Government through the social security block grant adjustments.

We are also increasing our unique benefit, the Scottish child payment, in line with inflation, to £26.70 a week, giving more support to the more than 329,000 under-16s who receive it. That investment continues to underline our commitment to do everything within the scope of our powers and budget to be relentless in our focus on meeting our statutory child poverty targets.

I am pleased to announce that, alongside that significant investment, there will be additional funding this financial year of more than £0.5 million for local projects to tackle poverty and inequality. In 2023-24, our cash first fund and child poverty practice accelerator fund will support a total of 17 projects across the country to, respectively, improve flexible local access to cash in a crisis and develop new approaches to tackling child poverty. The Scottish Government's draft budget for 2024-25 will enable those partnerships to continue providing vital evidence that can help to shape future policy and practice.

In housing, inflationary pressures, the impacts of Brexit and wider market conditions have combined to trigger various issues, including rising construction costs and workforce challenges. The housing sector has done incredible work to deliver homes in those circumstances, and we continue to work with partners to mitigate the impacts. One of the most difficult choices that we have taken is to reduce funding for affordable housing. However, I can confirm that more £555 million will be made available in 2024-25, despite the failure of the UK Government to inflation-proof the capital budget.

We have also maintained our homelessness and housing support resource budget at broadly similar levels to those in 2023-24, with £35 million allocated to specific action to end homelessness and reduce the number of households living in temporary accommodation. That is in addition to homelessness funding provided through the local government settlement and an investment in discretionary housing payments of more than £90

million—an increase of more than £6 million—to mitigate the worst impacts of UK Government welfare reform.

We are investing £45 million in Ukrainian resettlement, including £5 million of capital through a Ukraine long-term resettlement fund. Working to the principles of the “A Warm Scots Future” strategy, the Government will continue its partnership with the Convention of Scottish Local Authorities, the Scottish Refugee Council and the volunteer community.

The budget also includes a £41 million investment in the cladding remediation programme.

We are committed to delivering fairer funding for the third sector. Therefore, in 2024-25, we will ensure prompt notification of grant awards to third sector bodies, increasing the number of multiyear awards, and review grant conditions. The agenda recognises the critical role that the third sector plays.

The UK Government’s autumn statement was the worst-case scenario for Scotland following a decade of austerity, a hard Brexit and disastrous economic mismanagement at Westminster. Despite those challenges, I am pleased with the overall package of support in my portfolio and its contribution to the equality mission.

I thank the committee for its pre-budget scrutiny and look forward to taking your questions.

The Convener: Thank you very much, cabinet secretary. I will now invite members to ask questions. Initially, though, I am intrigued to hear a bit more from you on the cash first fund that you announced. Can you elaborate on that?

Shirley-Anne Somerville: There are two parts to that funding. First, there is the child poverty practice accelerator fund, which supports nine local authorities with small-scale projects. That important fund was opened for applications last summer, and the announcement that was made today was on the successful applications.

Secondly, there is the cash first fund, which meets our plan to end the need for food banks—which, it is worth remembering, is the first plan of its kind in the UK. The fund will provide £1.8 million during the next three years to support a number of local partnerships and improve urgent access to cash in a crisis.

The Convener: To what extent has the £1 billion additional spend on social security benefits been funded through higher than expected income tax revenue?

Shirley-Anne Somerville: The additional spend does not come from one specific revenue stream, so it would not be correct to draw a line between a

particular policy on income tax and how that policy is responsible for funding a commitment. Rather, the entirety of the funding position—what we receive from the UK Government through the block grant and what we choose to raise in taxes—supports ministerial decisions on Government policy priorities.

Some of the changes that have led to the £1 billion of additional spend relate to aspects that impact on the whole of the UK and may therefore be dealt with through block grant adjustments, but not all of them.

I draw the committee’s attention to one aspect that I mentioned in my introductory remarks, which is that the Scottish Government intends to spend £1 billion more than we receive from the UK Government in social security block grant adjustments. That is because the Scottish Government has taken decisions that are unique to Scotland. A lot of that is to do with new benefits—for example, the Scottish child payment—but we also have other social security payments, such as the Scottish welfare fund, discretionary housing payments and the spend above block grant adjustments for social security in areas where there are benefits within the UK. One of the most obvious examples of that is our higher spending on the adult disability payment compared to what is spent on the personal independence payment. I believe that the Scottish Fiscal Commission gave evidence on that and the reasons why it may be the case, but much of it is down to the decisions that the Scottish Government has taken on eligibility and our encouraging people to apply for benefits.

The Convener: I invite Katy Clark, who is joining us online, to ask questions.

Katy Clark (West Scotland) (Lab): Cabinet secretary, why is the programme budget increasing when the programme business case suggested that it would be falling by this stage? Is the programme still expected to finish at the end of 2025, as is stated in the business case?

10:30

Shirley-Anne Somerville: The programme business case covers only resource and capital budgets, and it was published in February 2023. The Scottish Government’s draft budget for 2024-25 includes other costs that are not in the programme business case, one example of which is depreciation. That is why a like-for-like comparison is not straightforward. The programme business case sets out forecasts for resource and capital spending of £99 million, although the budget allocation is actually £162.6 million. The difference in those costs is caused by, for example, Scottish Government pay awards, which

have increased staffing costs, and the fact that we now have dedicated funding for transition costs, which were not part of the programme business case.

I can ask Stephen Kerr to go into further detail on that, should the member wish.

Katy Clark: The cabinet secretary may be able to keep the committee advised on that. Does her colleague want to add anything?

Stephen Kerr (Scottish Government): Not really. In its annual audit, Audit Scotland pointed out that funding for transition would have to be found as part of the move of services from the programme—which is where they are designed and delivered—into the agency. The budget settlement has now started to provide a regular funding stream to allow us to do that.

I will give an example of what that means, because it can sound a bit complicated. We design and deliver a document management system that is then handed to the agency. That is how it ensures that all the material and paperwork that it receives are stored and used correctly by client advisers. Once that system is handed over, it might be improved or expanded in the future to cope with more volume, which would involve a cost. We are now starting to see recognition of those costs, which are being built into the funding that we receive.

Katy Clark: Given that that seems to be a changing situation, it would be helpful if the committee could be kept closely advised on it.

Another issue is the new benefits that are coming in. The Scottish Government is introducing two new benefits this year: pension age disability payment and pension age winter heating payment. How much is it costing to create the systems and processes to deliver those new benefits, and how is it envisaged that those benefits will be different from the equivalents delivered by the Department for Work and Pensions?

Shirley-Anne Somerville: We do not provide cost estimates for individual benefits such as the two that the member mentions, because the Social Security Scotland system is an integrated one in which much of the work on new benefits builds on what is already there. We are not building separate systems for different benefits and attaching them together; there is one integrated system. That is important, because it allows some of the functionality that we design into the system, such as application forms or correspondence with clients, to be used for a number of benefits. That helps with overall costs and ensures that we are using the system as effectively and efficiently as possible.

The member asked about differences. I will explain pension age disability payment first. One particular difference is that there are inclusive application channels. One of the most important ones, which colleagues will already be aware of, is the in-person support through our local delivery service. That increased support is provided directly by Social Security Scotland and improves access. In essence, that will help to improve take-up rates, so that more people get what they are entitled to.

Some of the improvements coming through for pension age disability payment are similar to those that are already there in child or adult disability payments. For example, there will be new definitions of terminal illness, and short-term assistance will be available, along with important help in gathering supporting information.

The pension age winter heating payment will replace the winter fuel payment for winter 2024-25. We intend to deliver a replacement that will ensure a safe and secure transition for around 1 million eligible people. We have committed to the fact that no one will lose out once we take responsibility for pension age winter heating payment. Under a like-for-like replacement for the winter fuel payment, everyone who is currently eligible to receive winter fuel payment will continue to receive the benefit that they have been entitled to.

Katy Clark: The committee will want to continue to scrutinise the new benefits. So, if the cabinet secretary will keep the committee advised, that will be much appreciated.

The Convener: I call James Dornan, who also joins us remotely.

James Dornan (Glasgow Cathcart) (SNP): Good morning, cabinet secretary. The Government's response to the committee refers to spending of almost £3 billion in 2023-24 on tackling the cost of living. However, there was reference previously to almost £3 billion being spent on that in 2022-23. Has the figure increased, given the background of high inflation, or has it remained roughly the same as it was in the previous year?

Shirley-Anne Somerville: It is important that we continue to recognise the pressure on household budgets, which is why, since 2022-23, we have continued to allocate around £3 billion a year to policies that tackle poverty and protect people as much as possible.

Spending in 2022-23 reflected a number of aspects that are no longer included in the budget for this year, because of changing circumstances. For example, in 2022-23, we invested in cost of living payments that were worth £150, which the committee will remember.

However, there has been increased spending on other policies, which has meant that the Scottish Government has continued to invest £3 billion a year. This year, in addition to continuing investment, we are setting aside £144 million in the Scottish budget to reach agreement across local government to deliver the council tax freeze

I will give some examples from the £3 billion spending that is forecast for 2024-25. The largest contributors to that include our continuing commitment on concessionary travel; the council tax reduction scheme; free eye examinations and optical vouchers, which are funded by the national health service; the Scottish child payment; and funding for early learning and childcare. There are many more items. We endeavour to provide as much support as we can, given the relatively fixed budget that the Scottish Government has.

James Dornan: Would it be easier for the Government to send an itemised list of the policies that were included in the 2023-24 figure for addressing the cost of living, along with an indication of the budget for 2024-25 on those items?

Shirley-Anne Somerville: I am certainly happy to provide in writing some more information for the committee on what the budget has been for 2023-24 and what is forecast for 2024-25. In my original answer, I gave Mr Dornan information on some of the larger items in that forecast spending for 2024-25, but we can provide the committee with more detail on, for example, free period products, the baby box, the best start foods scheme—which was mentioned earlier, when the committee considered secondary legislation—and other items. We can provide that in writing, rather than having me go through every row just now, convener.

James Dornan: I, too, would prefer that you do not do that, cabinet secretary. [Laughter.]

Given the continuing high levels of fuel poverty, what has the Scottish Government put in place to replace the fuel insecurity fund?

Shirley-Anne Somerville: We have had to make very difficult choices to balance the budget this year. Although the fuel insecurity fund is not committed for 2024-25, the further support that we are providing includes maintained investment in national fuel poverty schemes, warmer homes Scotland and area-based schemes, as well as funding in social security benefits.

Over the course of this parliamentary session, we are allocating at least £1.8 billion to heat and energy efficiency measures in support of people who are least able to pay, and we will continue to provide that. However, many of the powers to make a difference at source remain with the United Kingdom Government. It is not the only

one, but one of the most obvious calls that we have made to the UK Government is in relation to the importance of a social tariff, which, unfortunately, the UK Government has chosen not to move forward on.

James Dornan: Finally, it is well worth putting on the record again the fact that we are making record social security investments, in contrast with the welfare cuts that are being made at Westminster. How will the reductions in employability budget lines impact on employability support for parents?

Shirley-Anne Somerville: Decisions to reduce employability budget lines have not been easy to make, but in the challenging financial context they have, unfortunately, been necessary. Every savings decision related to employability funding has been taken with the primary aim of protecting investments in front-line services as much as we possibly can.

The number of parents accessing services since parental employability support became a funded priority in April 2020 has risen year on year, and we remain committed to increasing the effectiveness of our services for parents in line with our child poverty commitments. That is, of course, done very much in partnership with local government.

The draft budget sets out our plan to invest up to £90 million in devolved employability services in 2024-25, and we will continue to prioritise specific investment that is aimed at supporting parents during that process.

The Convener: Following the theme of child poverty and the cost of living, Marie McNair would like to ask a supplementary question.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning, cabinet secretary. Alongside the two-child policy and universal credit, the basic cap is a policy that denies families with children basic subsistence levels from UK benefits. I have been a long-term campaigner for mitigation and was delighted when the Scottish Government funded mitigation through the discretionary housing payment. In what way does the budget maintain mitigation, and how effective is that mitigation in tackling child poverty?

Shirley-Anne Somerville: The budget ensures that we continue to mitigate some of the worst excesses of UK Government decisions, and we will continue to do that next year. We have the funding to continue to mitigate the bedroom tax and the benefit cap, and we have the Scottish welfare fund.

I will raise two points alongside that. I would class the Scottish child payment as a mitigation measure, because, quite frankly, if universal credit

was at the rate that it should be, we would not need to come in with additional funding for the Scottish child payment, and we could spend that money elsewhere.

The other aspects of mitigation, apart from the Scottish child payment, cost £127 million in 2023-24—the financial year that we are currently in. Clearly, that is money that we could have spent in a different way this year or next year if the UK Government had agreed with the proposal for an essentials guarantee that would ensure that universal credit was at a level that allowed people sufficient money to deal with essentials. We are simply talking about paying for essentials—not for a high standard of living.

If we were not having to mitigate UK Government decisions, the Scottish Government could be spending the money that is being spent on mitigation measures and the Scottish child payment on other poverty measures, and not just on child poverty.

Again, I am happy to provide in writing to the committee further detail on the mitigation costs.

Marie McNair: The Joseph Rowntree Foundation report backs up that point about poverty levels in the UK and makes the case for, as you mentioned, the essentials guarantee. The Scottish welfare fund helps to mitigate destitution in a way that is not available in other parts of the UK. How is the Scottish welfare fund being supported in the budget? Do you view it as an important contribution in helping those who are experiencing the worst forms of poverty?

10:45

Shirley-Anne Somerville: The member is right to point to that recent work by the Joseph Rowntree Foundation. The JRF estimates that, if the universal credit standard allowance was set at £120 per week for a single adult and £200 for a couple, that could lift 1.8 million people out of poverty, including 600,000 children, across the UK. That recent report provides stark figures on the number of children who are being held in poverty because universal credit is not fit for purpose.

We will protect the £41 million investment that we are making in the Scottish welfare fund, which will deliver support right across Scotland, which is on top of the continuing investment in discretionary housing payments—which mitigate the bedroom tax—and a number of other measures.

Marie McNair: Thank you. I will now—

The Convener: I am sorry, but can I stop you there? I am really conscious of the time.

Marie McNair: I am just going on to my next question.

The Convener: Before that, I invite Paul O'Kane to come in with a supplementary.

Paul O'Kane (West Scotland) (Lab): I am grateful, convener. Good morning, cabinet secretary.

I return to the matter of employability funding and the reductions in the lines for that. In the programme for government, the First Minister made much of economic growth being the hallmark of his Government, and its importance in poverty reduction. Would you reflect on the fact that reducing employability funding does not contribute to the overall strategy of economic growth? In fact, is it not a rather short-termist approach, given what we are trying to do to get people back into work and drive growth in the economy?

Shirley-Anne Somerville: As I said in my earlier remarks, we have endeavoured very much to protect investment in front-line services as much as possible. That includes our focus on parental employability support, which is a funded priority. I totally appreciate that members will have views on what budgets might be increased, and I am happy to work with Scottish Labour—as are colleagues across the Cabinet, I am sure—should members wish to come forward with costed proposals for how employability budget lines could be changed. As always, where there is a request to increase employability and other budget lines, we would need to discuss what changes could be made in other budgets that would allow such an increase. I am happy to work with Mr O'Kane if he feels that something should be done in that regard, and I am sure that my colleague Neil Gray would be happy to do so, too.

The Convener: As I have said, I am conscious of the time, but Bob Doris wishes to come in with another supplementary before we move on to housing and homelessness. We have until around 11:15, so I remind everyone to be clear and succinct in their questions and answers.

Bob Doris: Cabinet secretary, I do not see how we can scrutinise the Scottish budget and not ask specifically about the £457 million for the Scottish child payment in the coming year. I know that it benefited more than 300,000 children in the previous year. However, money that is spent on that is money that is not being spent on something else. It is welcome spending, but it has to be evidence led.

In our parental employment inquiry, we heard that modelling work for the Scottish Government has child poverty at 19 per cent. I understand that the real figures that are available for Wales showed 28 per cent, and perhaps 31 per cent for

England. That appears to be evidence that the investment is paying off. Can you give us the latest update on the impact of that £457 million on tackling child poverty?

If I have time I will come back with another supplementary, but I will look to the convener on that.

The Convener: Could you make your questions more direct? Thanks, Bob.

Shirley-Anne Somerville: The modelling estimates that, as a result of Scottish Government policies, 90,000 fewer children will be living in relative or absolute poverty this year. Of that number, 50,000 are connected directly to the Scottish child payment, so we can see the difference that the benefit is making.

In the interests of brevity and of preserving my voice, I point to what I said earlier about the Joseph Rowntree Foundation. If universal credit was done right, and if it was fit for purpose and included an essentials guarantee, we would not have to spend that money on the Scottish child payment, or elsewhere.

Our modelling suggests that the payment is making a difference. I am happy to provide more detail in writing about where we are in relation to our targets, but we can certainly prove that the Scottish child payment and our other anti-poverty measures are making a difference.

However, there is no room for complacency, because child poverty rates in Scotland remain too high. That is something that the Scottish Government, and the UK Government, must be cognisant of, as we make policy decisions.

Bob Doris: I have a follow-up question, but perhaps you could reply in writing to save the wrath of the convener and to save your voice.

Ironically, we invest more in the Scottish child payment, but when better-off calculations are done for parents who may be trying to get back into employment and off universal credit, there is a cliff edge as that financial support is taken away. That is an unintended consequence, but it is a consequence nonetheless. What is the Government's thinking about how to smooth out that cliff edge? I know that that would require money to taper benefits as people move off universal credit and back into full employment. That may be something that the committee will have to look at in the months to come.

Shirley-Anne Somerville: That might be an aspect of how the Scottish child payment could be developed in the future. The way in which the payment was introduced makes that rather impossible, but it might be possible to change the statutory underpinnings for the Scottish child payment when the bill on those statutory

underpinnings comes to Parliament soon, and we might be able to look at a more nuanced approach.

The Scottish child payment was delivered as it was to ensure that that happened as quickly as possible. The time between policy decision and implementation was only 18 months, which was the quickest introduction of a benefit either in Scotland or the UK, and was an important aspect of this Government's anti-poverty measures.

Marie McNair: My questions cover the greatly pressing issue of homelessness. Prior to this meeting, we had a briefing from the homelessness charity Crisis and heard about the devastating impact of UK welfare policies on homelessness. We also heard about the positive impact of the Scottish child payment.

Given the importance of affordable housing in reducing poverty and homelessness, is the Scottish Government concerned that pressures on capital spending will hamper efforts to provide the affordable housing that is desperately needed in Scotland?

Shirley-Anne Somerville: As I said in my opening remarks, the decisions about the affordable housing supply programme have been some of the most difficult that we have had to undertake. We continue working with partners to mitigate the impacts that have led to the construction supply issues, workforce challenges and increased mortgage costs that are having an impact on the deliverability of affordable housing.

We are still investing £556 million from within the budget in affordable housing next year and are undertaking a great deal of work with partners to increase the delivery of affordable homes, the vast majority of which will still be for social rent. That includes supporting the acquisition of existing properties.

On homelessness, I point to the fact that the level 4 figures for homelessness have remained similar to those of the past financial year, so we have protected that investment. However, although we have a good record in delivering affordable homes, the issues with the affordable housing supply programme continue to be among the most challenging areas of the budget.

Marie McNair: How confident are you that the target to deliver the 110 affordable homes per 1,000 people by 2032 is realistic?

Shirley-Anne Somerville: We still have that target, but, as the Deputy First Minister said when she appeared before the committee, it is at risk. We have arranged a review to ensure that that is looked at. The review is not a review of the target, but of how we can deliver it. It goes much wider than capital budget challenges—although we have

those challenges—and considers the impacts on workforce, construction inflation and increased mortgage costs. The review will look at deliverability.

A great deal of work is going on to ensure that we are looking at more innovative finance measures and at boosting investment from the private sector, for example. We want to do everything that we can to bring in further investment not just from the Scottish Government but from elsewhere. There is a continued focus on deliverability to ensure that we are doing everything that we can with the budgets that we are given.

Jeremy Balfour: There is a clear link between homelessness and housing. In Edinburgh, people are turning up who are homeless and cannot get accommodation. If we cut the budget for the housing supply by 27 per cent, the long-term effect is that we will have more homeless people, because there will be no homes for them to live in. Will that short-term measure have immense long-term implications for homeless people across Scotland?

Shirley-Anne Somerville: With the greatest respect, Mr Balfour, if the UK Government is slashing the level of financial transactions that we have—which has been one of the key ways in which we have been able to deliver affordable housing—and we are also seeing a real-terms capital budget decrease of 10 per cent over five years, where will that money come from?

If the member is disappointed by the figures for housing, I suggest that there is a genuine challenge when the capital expenditure budget from the UK Government is falling off a cliff. Difficult decisions have had to be made, and the Deputy First Minister has said that affordable housing will be prioritised in the budget should further capital money be found or made available to the Scottish Government. However, with a decreasing budget, increasing construction inflation and the workforce challenges caused by Brexit, there will inevitably be implications for the number of capital programmes that the Scottish Government can undertake.

Jeremy Balfour: With respect, cabinet secretary, it was agreed in the chamber last night that the Scottish capital budget has gone up this year; it has not gone down.

Shirley-Anne Somerville: Because of the lack of time that we have to go into that, I am happy to furnish the committee with the forecast for the Scottish Government budget for capital and tell it why we continue to have to make difficult decisions. If Mr Balfour would like to see that forecast increased, he will have to suggest where the money will come from.

11:00

The Convener: I am conscious of the time. We still have a lot of questions to get through.

Paul O’Kane: In relation to the 27 per cent cut, the Joseph Rowntree Foundation said in its written submission to the Finance and Public Administration Committee that it is

“baffling that the affordable housing supply programme should be the victim of such a brutal cut as the one announced in the Scottish Budget 2024-25”.

Given the impact on children and families in poverty, to what extent have the cabinet secretary and her officials undertaken an equality impact assessment of that cut?

Shirley-Anne Somerville: As we have gone through the budget, we have looked at a number of aspects in terms of their impact on different groups. For example, in its entirety, the cutting of the financial transactions of the Scottish Government by 58 per cent just for next year inevitably has an impact on how much we can do. We look at the topic in the round. It is not about just equality impact assessments; it is about our wider budget and the decisions that are made across different portfolios.

I appreciate that the JRF and others have given their critiques, but our budget decisions are based on fiscal sustainability, legal requirements, contractual obligations and previous commitments, as well as a range of social, economic, political and environmental issues. Those factors sit alongside aspects that involve equality impact assessments. I am happy to provide the committee with information on the analysis that we do to ensure that we deliver the budget in the best possible way.

Paul O’Kane: For clarity, is there no equality impact assessment of that £27 million cut? Has that not been done?

Shirley-Anne Somerville: There is always analysis of impacts on budgets.

Paul O’Kane: Was an analysis done of the specific cut to the housing supply budget?

Shirley-Anne Somerville: We were well aware that our decisions would mean a decrease to that budget. We are still working through how we can use that budget in different ways to allow more innovative finance, in order to get the maximum number of homes for our budget. That work is ongoing and it is important that we continue to look at the different ways of financing, to ensure the maximum number of homes. I will bring in Sean Neill on that. We are continuing to work on how we can maximise that budget, which will, of course, vary the impact assessment at the end of the day.

Sean Neill (Scottish Government): As the cabinet secretary has said, we are working through a range of factors. As the committee will be aware, the supply chains necessary to bring forward the houses for this budget are complex. We have said that we will work with stakeholders to understand supply chain and cost-related issues, for example, because the overall cost of building the houses has gone up. We need to find a way to mitigate and manage some of those costs as much as possible, to get the most from the budget. That is one of the challenges in value for money, impact and effectiveness.

As the cabinet secretary outlined, we need to see whether there are other tools that we can use and other ways in which we can leverage in private sector finance to support and supplement the overall ambition for the affordable housing target. That work is under way and we will happily keep the committee involved and up to speed as it develops.

Paul O'Kane: I am particularly interested in the £60 million commitment in the affordable housing supply programme for the national acquisition plan, to increase the supply of affordable homes. What progress has been made on spending that money? Given some of the commentary that we have heard this week from various people in the housing sector about the need to speed up our acquisitions, it would be useful for the committee to understand what progress is being made.

Shirley-Anne Somerville: We are making good progress on that. Clearly, it is still a bit of a moving feast, given that we are still in the financial year 2023-24, but I have a high degree of confidence that that £60 million will be spent on acquisitions.

I am happy to provide the committee with further detail at the end of the financial year about how the acquisitions plan is going, but that is not an area of concern for us at the moment. I can assure you that the money for the national acquisitions plan is being spent as it was directed to be spent.

Paul O'Kane: Can I ask one more question?

The Convener: You can ask one more before we move on to the theme of refugees and asylum seekers. Can you make it brief?

Paul O'Kane: I certainly will.

Given what the cabinet secretary has said about her intention to maintain the target for house build starts, and given this week's report by Homes for Scotland about the unrealistic nature of that target, is it her intention to review it with key stakeholders in the sector to ensure that the target is as realistic as possible? The West of Scotland Housing Association has said that the Government's budget decisions mean that it has essentially surrendered in this area.

Shirley-Anne Somerville: I draw members' attention to one of the caveats in the Homes for Scotland report, which says that it does not think that the headline figure given in the report is the actual number of homes needed in Scotland. I appreciate that that figure attracted a lot of attention, but I caveat that with the part of the Homes for Scotland report that says that that is not actually its belief and that not that many homes are actually required.

Forgive me, Mr O'Kane, but my post-flu brain has forgotten the other part of your question. With my apologies to the convener, please say again what that was.

Paul O'Kane: The point was about—

Shirley-Anne Somerville: It was about working with stakeholders.

Paul O'Kane: You have maintained the target, but stakeholders are asking for engagement.

Shirley-Anne Somerville: We absolutely will involve stakeholders in that work. The Government will undertake a review, but it will be done in partnership with stakeholders.

Bob Doris: Cabinet secretary, you will be aware that Glasgow has declared a housing emergency, largely as a consequence of the UK Home Office fast-tracking asylum and refugee applications, which has led to hundreds of decisions—hopefully positive ones for many people—being made at the same time, which has put huge pressure on homelessness services in the city. That lets down refugees and other homeless people in the city. There is also a wider issue with homelessness and refugees across Scotland. What additional funding is the Scottish Government providing to local authorities to address homelessness among refugees?

Shirley-Anne Somerville: There is much concern about how the Home Office's streamlined asylum process is pushing people into destitution and rough sleeping. That is greatly concerning for Glasgow.

We have long called for the Home Office to improve the speed and quality of asylum decisions, but the challenge here is the recent change of pace and the lack of support and co-ordination to accompany that. The Minister for Equalities, Migration and Refugees wrote to the UK Government in October to request funding to support local authorities to manage that pressure. The reply received from the UK Government confirmed that it will not provide additional funding to support local authorities impacted by the increase in asylum support cessations. That is exceptionally disappointing, given that we still firmly believe that the UK Government must recognise the impact of the streamlined asylum

process, and other policy decisions, on local authorities.

Shifting the burden on to local authorities and putting newly recognised refugees at the risk of destitution is an unacceptable consequence of the change in Home Office policy, and we will continue working with local authorities to put pressure on the UK Government to recognise the implications of its policies and to fairly support local authorities during the transition process.

Bob Doris: The committee might take a view on the support that the UK Government should be giving, but we can perhaps discuss that in private session when we consider the evidence that we have heard.

Given our time constraints, this will be my final question. In your opening remarks, cabinet secretary, you mentioned support for Ukrainian refugees. There was a time-limited £10 million commitment, which is no longer there. Can you explain the Scottish Government's thinking on that and put on record what support will be available in the coming financial year?

Shirley-Anne Somerville: We continue to recognise the important work that is being undertaken to support Ukrainian refugees, and the Scottish Government remains committed to working with our local authorities on that. In 2023-24, we invested £3.2 million in local authority resettlement teams, building on the investment that we made in 2022-23. Funding of £30 million has been made available to local authorities in 2023-24 to support Ukrainians into longer-term housing and to prevent homelessness.

Funding also comes from the UK Government. We continue to press the UK Government to ensure that any funding decisions that it makes also mean a fair settlement for Scottish local authorities. We are concerned about some of the recent announcements from the UK Government on supporting our local authorities, and we continue to work with our Welsh counterparts to encourage a fairer settlement.

We will continue to support local authorities next year. There is a difference in the budget for that, because the number of Ukrainians in welcome accommodation has been decreasing and will continue to decrease as we move people out of welcome accommodation and into more settled accommodation. The budget and its profile will change over time as the number of Ukrainians in welcome accommodation changes.

Bob Doris: I have no more questions. The specific £10 million seems to be part of a larger global spend, and there is a connection between UK Government commitments and Scottish Government responsibilities. It would be helpful to get clarity on that in writing.

The Convener: I am conscious of the time—we are running behind. I will bring in Jeremy Balfour on the theme of the third sector.

Jeremy Balfour: Before I go on to that, the cabinet secretary talked about wanting to help and work with local authorities, but I did not hear about any money lying behind that. Perhaps, for reasons of time, you could write to us about what extra money local authorities will get to help Ukrainian refugees. I appreciate that we have to move on.

Last year, the cabinet secretary wrote to us saying that she was "determined to move forward" with fairer funding "in the next financial year"—that is, 2023-24—for the third sector. Can you give us a brief update on what progress has been made and how much third sector funding will be made as two-year grants in the 2024-25 budget?

Shirley-Anne Somerville: For the sake of brevity, I will say that there is continuing revenue and capital support for local authorities to help Ukrainian refugees. I am happy to provide in writing both that information and information about some of the challenges caused by the decreasing level of support from the UK Government for our local authority partners.

For the sake of time, I will move on to the third sector. The First Minister reiterated our commitment to fairer funding at the Gathering last year, and we are determined to pursue those commitments during the budget process. We are still going through that process, but we remain committed to the aspects that the First Minister discussed at the Gathering, which include further work on multiyear grant awards.

We need to communicate to third sector organisations their levels of grant funding as soon as is practically possible, and before the end of March. We are working on the commitments that the First Minister made as the budget process continues.

11:15

Jeremy Balfour: I think that we are on the fourth cabinet secretary or minister who has made that promise of multiyear funding for the third sector. We are probably three or four years down the road now, but it still does not seem to be happening. What is the likely date when the Scottish Government will actually provide multiyear funding for the third sector, rather than just saying that it is a commitment?

Shirley-Anne Somerville: A number of the funding streams are being provided on a multiyear basis. For the sake of time, I am happy to provide the committee with some examples of how multiyear funding has been introduced. There is

not a blanket approach, but there has been movement on it.

I suggest that one of the main ways to give the Scottish Government certainty over its budget and thereby allow further work to be done on multiyear funding is for the Scottish Government to receive multiyear funding packages, so that it has better knowledge of the funding that it will have. A great deal of work and implementation has been done, and I can provide the committee with some examples of where multiyear funding has been introduced in the past few years for different third sector streams, if that would assist the committee. It is work in progress.

Jeremy Balfour: I am sure that it would assist.

This is my final question, and it is probably the easiest one of the day for you. Will you keep the committee informed of the number of funding notifications for 2024-25 that are made before the end of March 2024?

Shirley-Anne Somerville: We will certainly be able to provide the committee with information on how we have made progress on that, yes.

Jeremy Balfour: I am grateful.

The Convener: On the basis of transparency, accountability and participation, the equality and fairer Scotland statement is intended to consider the impact of budget decisions. However, it does not really identify how and why budget allocations have changed or how those changes impact on equality and human rights. Why is that?

Shirley-Anne Somerville: In response to an earlier question, I set out how some of the budget decisions can be interconnected, not just in relation to equality and fairer Scotland impacts but also in relation to some of the other factors involved. Alongside the budget, we published analysis showing the impact that tax and social security measures have had on households with different income levels and characteristics. In response to feedback, this year's equality and fairer Scotland statement included eight case studies, setting out the rationale for budget decisions in a transparent and accessible way, and one of those was on social security.

A great deal of work goes into the statement itself. This year, that has included a Cabinet-level workshop on the equality and fairer Scotland considerations. We will continue our process on the equality and fairer Scotland statement and make changes to it in the years ahead to develop that work further.

The Convener: Thanks very much, cabinet secretary—I really appreciate that response. You will be happy to know that we have now concluded all our questions and our public business for today

is therefore concluded. Thank you for attending, cabinet secretary, and I also thank your officials.

11:19

Meeting continued in private until 11:32.

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The deadline for corrections to this edition is:

Monday 26 February 2024

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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