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Social Security and Social Justice Committee

23rd Meeting, 2023 (Session 6), Thursday, 28 September 2023

2024-25 Pre-budget scrutiny

Introduction

1. This paper provides background and suggested areas for questioning for the second panel of witnesses on the pre-budget scrutiny.
2. At its meeting of 29 June 2023, the Committee agreed to hear from stakeholders covering the main aspects of its remit with the first panel discussing in general terms budget priorities and the context for decision making on budgets. The remaining panels would focus more on specific budget priorities covered by the Committee's remit and consider what a wellbeing economy would mean for these areas.

Background

3. For ease of reference the paper repeats the background information provided last week, new material starts on page 5.
4. The Scottish Parliament's budget process, as recommended by the Budget Process Review Group (BPRG) in its 2017 report, is centred around four core objectives to:
 - Have greater influence on the formulation of the Scottish Government's budget proposals,
 - Improve transparency and raise public understanding and awareness of the budget,
 - Respond effectively to new fiscal and wider policy challenges, and
 - Lead to better outputs and outcomes, as measured against benchmarks and stated objectives.

5. The committee has a wide ranging remit including social security, social justice, child poverty, homelessness, third sector, kinship carers, refugees and asylum seekers and the Office of the Scottish Charity Regulator.
6. [In 2023-24, the largest area of identifiable spend relevant to the Committee's remit is the approximate £5bn on social security](#). There are some other areas where spend has been easily identifiable, for example in 2023-24 other budget lines related to the included Third Sector (£22m), Office for the Scottish Charities Regulator (£3m), Social Justice (£40.9m) and Discretionary Housing Payments (£83.1m).
7. Some areas of spend have been more difficult to scrutinise, for example cross-cutting policies such as tackling poverty do not have specific budget lines.
8. The [Scottish Government's Medium-Term Financial Strategy](#) (MTFS), published in May 2023, and the Scottish Fiscal Commission's latest [Economic and Fiscal Forecasts May 2023](#) set out the financial pressures ahead. For example, the Scottish Fiscal Commission noted that social security spending is forecast to increase from £5.3 bn in 2023-24 to £7.8 bn in 2028-29. By 2027-28. It expects the Scottish Government to spend £1.3 bn more on social security than the funding received from the UK Government through the Block Grant Adjustment.
9. The MTFS also raised the theme of tough choices noting that "tough and decisive action must [...] be taken to ensure the sustainability of public finances and that future budgets can be balanced" and also indicates "there will be difficult choices about reprioritisation [of spend] to make".

Last year's pre-budget report

10. In its [pre-budget report](#) for 2023-24, the Committee looked at the spending review, in-year cuts to the 2022-23 budget and expectations for the Equalities and Fairer Scotland budget (EFSBS) statement. Key themes were:
 - Data and analysis needed to take a 'human rights based approach' to budget decisions
 - Cost of living – including for those with no recourse to public funds and the impact on the Third Sector. Recommended uprating of benefits by 10.1%.
 - Homelessness
 - 2022-23 in-year budget cuts to employment support.
11. The Scottish Government responded to pre-budget reports in chapter 3 of the Budget and, more fully, [in a letter received on 10th January 2023](#). Key points made in the response included:
 - Welcoming feedback on the EFSBS, noting that the Scottish Government continues to evolve and develop the approach to equalities and human rights budgeting

- The cost crisis forms the context for the 2023-24 budget. The letter sets out key policies such as the Scottish Child Payment, uprating all benefits by 10.1% (as recommended by the Committee), continuing the £1 billion for early learning and childcare and £20m fuel insecurity fund.
- The Scottish Government recognises the impact of the cost crisis on the third sector saying “we are committed to increasing multi-year settlements”.
- Welcoming the Committee’s support for further devolution of borrowing powers to provide greater fiscal flexibility.

Scottish Government Priorities

12. In the Vision for Scotland, [Equality, opportunity, community: New leadership – A fresh start](#), the First Minister set out the three critical – and – interdependent – missions for the government to be underpinned by refreshed national outcomes:

- Tackling poverty and protecting people from harm
- A fair, green and growing economy
- Prioritising our public services.

13. The document noted the challenging context arising from, for example, the recovery from the COVID pandemic and the cost of living crisis and that this would “mean taking some tough decisions to ensure that we target every pound we spend and invest in order to get the maximum value, ensuring it reaches those that need it the most.”

14. In [Equality, opportunity, community: New Leadership](#), the Cabinet Secretary for Social Justice confirmed what the Scottish Government hoped to achieve by 2026 (see Annex A). Aims included:

1. Reduced child poverty rates through delivery of our tackling child poverty plan Best Start, Bright Futures, using all available levers
2. Investment of a further £1.3 billion in our game-changing Scottish Child Payment – which is forecast this financial year to lift 50,000 children out of poverty.
3. Building on the successful establishment of our social security system and delivered Scottish Government benefits worth £18 billion to over two million people, treating them with dignity, fairness and respect

15. The focus of the [Programme for Government](#) was on tackling poverty. In terms of social security, this is mostly to be achieved by continuing existing policies. As with last year, the flagship policy is the Scottish Child Payment.

16. Last week the Committee discussed the government’s priorities. The Cabinet Secretary described how the Scottish Government is ensuring that the priority for tackling child poverty is addressed across government. She described how

policies are assessed for their impact, and that decisions must be made in a difficult financial context. She said:

17. “The FM has made it very clear that this is a challenging financial time [...] yes there will have to be tough decisions [...] what we are trying very hard to do [...] is about how we can best use our resources.”
18. She described how work goes on within government to analyse “through the Best Start Bright Futures programme board, the Ministerial group and so on to constantly check in that what we are doing is using the money in the most effective way possible.” ([Committee meeting 14 September, 10.18am](#)). Referring to balancing what stakeholders are asking against the financial context, she emphasised that tough decisions will be required across government.
19. Asked about how policies are assessed to ensure they are focused on where they have the greatest impact, the Cabinet Secretary referred to examples including impact assessments, modelling work underpinning Best Start Bright Futures and the annual reporting on progress on tackling child poverty. That work is used: “to challenge ourselves about what more we can do” ([Committee meeting 14 September, 10.23am](#)).

Public participation

20. As part of its work on human rights budgeting and increasing public participation in the budget process, the Equalities, Human Rights and Civil Justice Committee gathered information through a set of open and broad questions in a survey designed to be answerable within 5-10 minutes. The hope was that this would be more accessible to the public and would help to reach more individuals and hear from people other than ‘the usual suspects’ (organisations and witnesses who contribute regularly to committees).
21. The survey received 121 responses, 114 of which were from individuals. [A summary has been published online.](#)
22. As a brief overview, the responses revealed varied levels of understanding of the budget. Some positive comments included that the Scottish Government has undertaken spending to help people ‘less fortunate’ than them and has mitigated the impact of UK Government policies such as the bedroom tax. Several people raised concerns about the level of tax paid, particularly in relation to the disparity in the level of Income Tax paid in Scotland versus the rest of the UK. Understanding the reasoning for this was a key point – there were many comments that related to wanting to know more about why decisions had been made, the alternatives and the underlying data, but this was mentioned in relation to tax policy more than any other policy area.
23. There were some concerns about the level of legitimacy of the Scottish Government’s spending decisions, and whether it had the mandate from the public and the transparency of decisions. In some cases, people said that in

some cases, basic needs were not being met, with health, social housing and employment being referenced in this context.

24. Respondents were asked “What do you think would make it easier for people to understand and have their say on how well public money is used?” Responses can be grouped under broad headings of Advertising/reach and education, Online engagement and participation, Face to face engagement, Trust and Transparency.

Witness submission

25. At time of writing it was confirmed that the Committee will be taking evidence from Paul Bradley, Policy and Public Affairs Manager, SCVO. The following summarises key points from their submission.

26. SCVO’s submission was based on the following headings:

Influencing how the budget is prepared to support a well-being economy

SCVO supports the Scottish Government’s vision to transition to a well-being economy. However, it argues a crucial gap remains in that “the significant contributions of the voluntary sector to this vision remain largely unacknowledged there is a widely held misconception that the voluntary sector is outside rather than part of the economy”.

It argues that the Scottish Government and local government must fully integrate the sector into economic strategy and policy development. To support effective budget decision making it argues that the Scottish Government should: broaden and deepen representation; improve communication and have more financial transparency.

Improving transparency, participation and accountability in the budget

SCVO acknowledges the Committee and other Committees’ work on highlighting the need for data collection and transparency making links between spending and the national outcomes and aligning the budget with the core principles of human rights budgeting.

SCVO welcomed commitments in the Scottish Budget 2023/24 to increase transparency around public finances and acknowledged the work of the Scottish Exchequer as part of the Open Government Action Plan. It recognises that improving data infrastructure is complex but argues that the Scottish Government should commit to ongoing improvements such as adopting the 360Giving data standard and track fair funding metrics.

Responding to Fiscal and Wider policy challenges in the Committees remit.

SCVO states that inflation and rising living and operational costs are straining the sector and the communities it works with arguing that the voluntary sector remains underappreciated and under resourced. Wave five of the Scottish Third Sector tracker found that 10% of voluntary organisations are uncertain about their future viability.

SCVO notes the UK Government's decision in the spring statement to give over £100m of additional support for charities and communities in England. Since then, charities and community organisations in England have been invited to apply for a government support package worth £76m. It states that around £10m in Barnett consequential has, to date, not been made available to the sector. The Scottish Government have informed SCVO that Barnett consequential are not ring-fenced and "we will continue to prioritise support for individuals and the sector as we move through 2023-24 as part of optimising the application of the budget we have available and as part of the developing the 2024-25 Budget later in the year".

Budget priorities for better results and outcomes when compare against the Scottish Government's targets and goals

SCVO notes that there are opportunities for the Scottish Government to address existing funding challenges that undermine the efforts to provide the fair funding the voluntary sector needs to offer Fair Work, support volunteerism, and continue to provide the services and support people and communities rely on. For example, it argues that the Scottish Government needs to align funding priorities and take immediate action, review and improve the grant making process and make progress on multi-year funding.

Suggested themes for discussion

The following suggests two themes for discussion

- Theme 1: priorities, responding to challenges and supporting a well-being economy
- Theme 2: Transparency, participation and accountability and human rights approach

Theme 1: priorities, responding to challenges and supporting a well-being economy

Members may wish to discuss:

- 1. Can you describe how the cost of living crisis is affecting organisations in the voluntary sector and the clients they support? In what ways do you think the impact of the cost of living crisis should influence the Scottish Government's budget decisions?**
- 2. Your submission highlights the UK Government's additional support package for the voluntary sector in England. Why do you think similar additional funding is needed in Scotland, and what should it be used to support?**
- 3. Do you have any comments to make about progress the Scottish Government is making to ensure that its commitment to fair funding**

principles in investing in the voluntary sector is implemented and progress towards multi-year funding commitments is made?

4. Do you have any views on how the Scottish Government can seek to close the funding gap that the Scottish Fiscal Commission has highlighted? Is there a role for changes to taxation to help increase funding available?
5. Reducing child poverty is a priority of the Scottish Government. How does funding of the voluntary sector support tackling child poverty? Does this have any implications for how funding is allocated?
6. At the previous Committee meeting, the Committee heard that in addition to reducing child poverty, there were other groups of people suffering from poverty such as young single people and older people who need further support. Would you agree with this and how can the Scottish Government seek to take this into account in its budget decisions?
7. The [Verity House Agreement](#) signed by COSLA and the Scottish Government includes commitments to agree a new Fiscal Framework governing how local authorities' funding is allocated, reducing ring-fencing and giving them greater control over their budgets to meet local needs. What implications do you think this will have for voluntary organisations working with local councils? Do you envisage any benefits to funding and partnership arrangements with councils?
8. Your submission states that the contributions of the voluntary sector to the vision for a well-being economy “remain largely unacknowledged.” Can you explain this view in more detail and what you think the Scottish Government needs to do to improve the situation?

Theme 2: Transparency, participation and accountability and human rights approach

Members may wish to discuss:

9. The evidence the Committee has received has highlighted ongoing concerns about the transparency of the budget. Have there been any improvements in the transparency of the budget and what more needs to be improved? Given the financial and time pressures in preparing the budget, what is the realistic scope for further transparency in the process?
10. How should the Scottish Government involve the public in setting the overall priorities for spending? What is the realistic scope for meaningful public participation in more detailed consideration of budget decisions?

Kate Berry and Camilla Kidner

SPICe Research 25 September 2023

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Annex A: Extract from Equality, opportunity, community: New leadership – A fresh start

As the Cabinet Secretary for Social Justice, working with my Cabinet colleagues, I commit that by 2026 I will have:

4. Reduced child poverty rates through delivery of our tackling child poverty plan Best Start, Bright Futures, using all available levers.
5. Invested a further £1.3 billion in our game-changing Scottish Child Payment – which is forecast this financial year to lift 50,000 children out of poverty.
6. Built on the successful establishment of our social security system and delivered Scottish Government benefits worth £18 billion to over two million people, treating them with dignity, fairness and respect.
7. Transferred the awards of over 700,000 people from the Department for Work and Pensions to Social Security Scotland.
8. Worked with partners including Local Government to identify ways to reduce the number of people living in temporary accommodation, taking account of the recommendations of the Homelessness Prevention and Strategy Group (HPSG) Temporary Accommodation Task and Finish Group.
9. Acted decisively to protect lives by assessing and remediating medium and high rise multi-residential buildings with unsafe cladding and by holding developers to account for their commitments to residents and homeowners.
10. Provided sanctuary to people displaced by war in Ukraine, and ensured support is available for those fleeing conflict and persecution to integrate into our communities in line with the New Scots Strategy.
11. Delivered world leading Human Rights legislation, subject to the agreement of parliament, protecting economic, social and cultural rights and established an Equality and Human Rights Mainstreaming Strategy across the public sector.
12. Established the first independent Anti-Racism Observatory for Scotland, recommended by the Expert Reference Group on COVID-19 and Ethnicity, signalling our commitment to anti-racism.
13. Progressed Fairer Funding arrangements, including exploring options to implement multi-year funding deals, enabling the third sector to secure the resilience and capacity it needs to support the transformation and delivery of person-centred services for Scotland's people and support our thriving social enterprise economy.
14. Supported people and employers to navigate the complex UK immigration system when moving to Scotland, through the establishment of a Talent Attraction and Migration Service, and begun to address community depopulation challenges, including through tailored, community-driven migration solutions which support local economies and public services, through an Addressing Depopulation Action Plan.