OFFICIAL REPORT
AITHISG OIFIGEIL

Social Justice and Social Security Committee

Thursday 23 June 2022

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 23 June 2022

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SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE
20th Meeting 2022, Session 6

CONVENER

*Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP)

DEPUTY CONVENER

*Natalie Don (Renfrewshire North and West) (SNP)

COMMITTEE MEMBERS

*Jeremy Balfour (Lothian) (Con)
*Miles Briggs (Lothian) (Con)
*Foysol Choudhury (Lothian) (Lab)
*Pam Duncan-Glancy (Glasgow) (Lab)
*Paul McLennan (East Lothian) (SNP)
*Emma Roddick (Highlands and Islands) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Tom Arthur (Minister for Public Finance, Planning and Community Wealth)
Kate Forbes (Cabinet Secretary for Finance and the Economy) (SNP)
Robin Haynes (Scottish Government)
Alex Reid (Accountant in Bankruptcy)
Shona Robison (Cabinet Secretary for Social Justice, Housing and Local Government)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 23 June 2022

[The Convener opened the meeting at 08:45]

Decision on Taking Business in Private

The Convener (Elena Whitham): Good morning. Welcome to the 20th meeting in 2022 of the Social Justice and Social Security Committee. Our first item of business is to decide whether to take items 4 and 5 in private. Do we agree to do that?

Members *indicated agreement*.

Resource Spending Review

08:45

The Convener: Our next item of business is an evidence session on the resource spending review. I welcome to the meeting Shona Robison, the Cabinet Secretary for Social Justice, Housing and Local Government, and Kate Forbes, the Cabinet Secretary for Finance and the Economy. I welcome the cabinet secretaries' officials: we are joined in person by Gemma Dalton, who is the public spending team leader, and Kevin Stevens, who is the head of strategic and programme finance. Good morning. Thanks for coming in early to join us today—that is fantastic. We are joined remotely by Julie Humphreys, who is the deputy director for tackling child poverty and financial wellbeing, Sarah O'Donnell, who is the strategic lead for finance and governance, and Joanne Farrow, who is the deputy director of employability.

I will hand over to the cabinet secretaries to make their opening statements. Shona Robison, do you want to go first?

The Cabinet Secretary for Social Justice, Housing and Local Government (Shona Robison): Thanks, convener, for inviting us to the committee, alongside Kate Forbes, to help you to explore the impact of the resource spending review on social justice and social security. Tackling child poverty is our national mission and, of course, it is one of our four resource spending review priorities. When we published "Best Start, Bright Futures: tackling child poverty delivery plan 2022 to 2026" in March, we set out our actions to tackle child poverty, including increasing social security support, taking action on employability and fair work, and investing in more warm affordable homes.

The resource spending review underpins key actions to tackle child poverty, including in relation to childcare, transport and employability. Notably, it commits more than £23 billion for social security payments that will provide direct support to more than one million people in Scotland each year. That includes almost £1.8 billion for the Scottish child payment, which will increase to £25 per eligible child per week when the payment is extended to under-16s at the end of the year.

Modelling conducted as part of developing the tackling child poverty delivery plan projected that, with progress to date and the package of measures planned, around 17 per cent of children will live in relative poverty in 2023-24, 60,000 fewer than when the Child Poverty (Scotland) Act was passed in 2017. That will drive child poverty in Scotland to the lowest level in 30 years, against a very challenging backdrop. Importantly, the actions set out lay the foundation for the transformation in our economy and public services that will be required to meet the 2030 targets and set Scotland on a path to sustained poverty reduction.

As we navigate the cost of living crisis, these interventions, currently and over the next four years, will be all the more vital in supporting household incomes. Through the budget for 2022-23, the Scottish Government has allocated almost £3 billion to a range of supports that will contribute to mitigating the impact of the increased cost of living on households. That includes work to tackle child poverty, reduce inequalities and support financial wellbeing, alongside social security payments that are not available anywhere else in the United Kingdom.

The resource spending review provides a multiyear funding framework, which will bring to life our tackling child poverty delivery plan and provide direct support to those who need it most. I look forward to hearing your questions later.

The Convener: Thanks, cabinet secretary. I would like to hear from Kate Forbes now.

The Cabinet Secretary for Finance and the Economy (Kate Forbes): I thank the committee for its input to the resource spending review. As I have said publicly, this is a particularly challenging time to be setting out our resource spending review. We are recovering from the pandemic, there is an unprecedented cost of living crisis and there is very significant volatility in the fiscal outlook. When the UK Government published its spending review last autumn, which is the basis on which our spending review is drafted, inflation was 3.1 per cent. As members will know, just yesterday, inflation reached a height of just over 9 per cent—a 40-year high—and it is due to increase further.

Despite that, the reason why we proceeded with a spending review was to give our partners as much clarity and transparency as possible. The resource spending review sets out how we will spend £180 billion over the next few years.

In light of some of the challenges, we set out a number of priorities in order to focus where we would spend our money over the next few years. Those include the long-term ambitions of tackling child poverty, addressing the climate crisis, strengthening the public sector and growing a stronger and fairer economy. Despite the challenging circumstances, we have set out an ambitious spending review that maximises that £180 billion over those four key areas.

We have also chosen to prioritise social security in the spending review, and the social security allocation shows the strength of our commitment to building a modern social security system that has dignity, fairness and respect at its heart. Clearly, that will help us to meet our child poverty targets.

My last point before I stop is that it is obviously not a budget. Detailed tax and spending plans will still be a matter for the annual budget process. The spending review is, in essence, a planning document that shows our commitment to delivering on our key priorities.

I look forward to the committee's questions.

The Convener: Thank you, and welcome to you both. The committee has quite a lot of questions to get through and we have a specific amount of time allotted to that, so if members and cabinet secretaries could keep their questions and answers concise that would be fantastic. I will kick off.

The Cabinet Secretary for Social Justice, Housing and Local Government has already alluded to this. Yesterday, the Minister for Public Finance, Planning and Community Wealth mentioned the figure of around £3 billion that is being deployed in this financial year across the range of supports that are helping to mitigate the impacts of the cost of living increases that we are seeing across the whole of the UK. Could the cabinet secretaries expand on that for us and outline to the committee how the Scottish Government believes that that aligns with the priorities that are set out in the resource spending review? It would be very helpful if they could specifically mention the areas that the committee is interested in.

Shona Robison: The almost £3 billion is a range of supports that will contribute to mitigating the impact of the increased cost of living on households. It includes work to tackle child poverty, reduce inequalities and support financial wellbeing, alongside social security payments that are not available anywhere else in the UK. We can certainly furnish the committee with the list of supports that it covers, but it will not surprise you to hear that it covers the doubling of the Scottish child payment and then its extension to £25, our five family benefits, the uprating by 6 per cent of our eight Scottish social security payments, the fuel insecurity fund, the carers allowance supplement, discretionary housing payments and support for free school meals. The list would probably take me too long to go through, but suffice it to say that all those things are areas that are really important at the moment to support low-income households. We believe that it provides a rounded package that is a considerable investment in supporting the cost of living.

Kate Forbes: My only comment is that a lot of that £3 billion-worth of investment is unique in

Scotland. As members will understand, within a fixed budget there are ways in which we can pass on consequentials that come from the UK Government or decisions that we make on what to prioritise within our budget. By definition, if you prioritise one area, you cannot prioritise everything else. We have very intentionally prioritised seeking to support families with the increased costs that they are facing right now and we have tried to be conscious of inflation, despite the fact that our budget is not inflation proofed.

For example, the Scottish child payment has gone up by 100 per cent since April and is due to rise again by 150 per cent in December, in comparison with inflation at around 9 per cent. We have also uprated social security benefits by the rate of inflation at the time of the budget. We are trying to help families as those costs increase, but that is from the position at which our budget was set, when inflation was at about 3 per cent.

Those are conscious choices to help families, but it is an extremely challenging piece of work to manage a budget that is not inflation proofed, despite what families are facing.

The Convener: Thank you for those answers. I move to questions from members. We will start with Emma Roddick, who is in the room, then Pam Duncan-Glancy, who joins us remotely. The first set of questions is about the prioritisation of social security.

Emma Roddick (Highlands and Islands) (SNP): Good morning to both witnesses. First, I pick up on the expectation that was laid out to the Finance and Public Administration Committee that short-term social security spend that addresses child poverty will mean that, in the longer term, fewer people will require that support. Will you explain a bit more about how the long-term finances are expected to be improved in order to deliver that?

Kate Forbes: My point to the Finance and Public Administration Committee was on its line of questioning, commenting on the fact that, essentially, the gap between what the Scottish Government spends on social security and what we receive from the UK Government is set to increase by more than £1 billion over the next few years. That has been an intentional choice. You cannot talk about putting fairness and dignity at the heart of social security and not put your money where your mouth is. In fact, I do not think that any member has ever voted in the chamber against that fairness point when it comes to social security. It is right that that funding is there.

On the other side, however, the reason why we have been intentional about investing in increasing the Scottish child payment, alongside, for example, significant investment in employability support for families—supporting the payment of the living wage and supporting families into work—is because we want to reduce child poverty. Ultimately, to be effective will be to see Scottish child payments, in the round, reducing over the long term.

We all want there to be fewer children in poverty and therefore fewer children who are eligible. I was very clear with the Finance and Public Administration Committee that I am talking about the long term, if we are to be effective in doing that.

We will continue to invest in other areas of social security, such as disability benefits and so on. We have put fairness and dignity at the heart of social security, so those payments will, rightly, continue.

My point was that, ultimately, we want those forms of support to deliver the outcome of reducing the number of children in poverty and, by extension, the number of eligible families, because they no longer need that support.

The Convener: Is that helpful for you, Emma?

Emma Roddick: Yes.

The Convener: We move to questions from Pam Duncan-Glancy, who joins us remotely, then from Jeremy Balfour, who is in the room.

Pam Duncan-Glancy (Glasgow) (Lab): Good morning. First, I apologise for not being able to join you in person, and I hope that you can pick up what I am saying from where you are. I also welcome both cabinet secretaries and their opening statements, which I found helpful.

My first question is probably for cabinet secretary Kate Forbes. You made the point that your budget is "not inflation proofed" and you set out the difficulties that you have in managing it. You are right to point out that it is about choices. Will you therefore set out why you chose to use the Barnett consequentials from the cost of living payments to give £150 each to basically the same group of people that the Tories chose to give it to, as opposed to targeting it to the four groups of people—pensioners, disabled people, carers and people on low incomes—who that payment could help to lift out of poverty, as the Scottish Labour Party suggested?

Kate Forbes: I am very happy to answer that question. The priority at the time was to balance the need for effective targeting—you talked about the four groups of people—with the need to deploy that funding as quickly as possible. We consulted with the Convention of Scottish Local Authorities to understand how we could do that.

09:00

It is not often that politicians stand up and accept that processes or schemes are imperfect, but I am pretty sure that when I announced this I accepted that it was imperfect, but that it was imperfect for a purpose. That purpose was to get funding out as quickly as possible. We looked carefully at mirroring what was done with the low income winter payments that were deployed by local government during winter. That took months and months to deploy, and my view was that, in April, families did not have months and months to wait for funding. Therefore, although council tax is imperfect by design it was the fastest way to get money out the door.

The other element is that our council tax reduction scheme is unique in the UK; it does not exist elsewhere, and, if memory serves, it captures about 394,000 households on the basis of low income. It is based on not only property value, but income, so we could use it to reach families, including pensioners, who might not be in council tax bands A to D. The third thing that we did was to increase the fuel insecurity fund.

We sought to target as effectively as possible within the commitment that I made to deploy the funding as quickly as possible. I appreciated the ideas and suggestions that we received from a number of stakeholders, and they were all carefully considered, but all of them would have taken longer to deploy—probably six to nine months longer—and they did not reach as many people as possible.

Pam Duncan-Glancy: I am interested in why it would have taken nine months to make payments to people who are, for example, receiving the carers allowance supplement, because I assume that the Government already knows who and where those people are.

I also have a further question that falls under the theme of social security, but it is not related to my initial questions, so I will hold on to it.

Shona Robison: As you know, we increased support for carers throughout the pandemic. As to whether we can go further than that, we have said that if further resource becomes available during this financial year carers will be a priority.

Since its launch in 2018, until the end of 2021, we invested £188 million in the carers allowance supplement, which has supported more than 126,000 carers. A carers allowance supplement payment worth £245.70 was paid on 10 June, and in addition, we are supporting young carers. However, as Pam Duncan-Glancy knows, we have said that should additional resources become available in this tight fiscal environment, carers are a priority.

Pam Duncan-Glancy: Thank you, but forgive me, cabinet secretary, my question was not specifically about the support that the Government has given unpaid carers—although I have a number of questions about that, some of which I raised in the chamber yesterday. My question was about the length of time that the cabinet secretary for finance said that it would take to reach the groups of people to whom the resource that came from the Barnett consequentials would have been better targeted. It was not so much about the support that the Government has given to unpaid carers, but about why it would take nine months to reach those four groups, when we already know where they are. The question is why the process takes so long.

Kate Forbes: I can pick that up. From memory, the amount to be deployed was more than £200 million, and we chose the quickest way to deploy the full amount. The point that I made about other ways taking from six to nine months is mirrored on the time that it took for the low income payments to be deployed. We worked with COSLA to understand the fastest way to deliver the money. Carers are one group that need additional support and Shona Robison outlined what support was provided to them.

They are not, however, the only group needing support. There are significant groups of pensioners and of households with children and there are groups of people who do not fit into any of those three categories but who also need help and support. At a time like this, there is a huge group of people who need help and support. We will continue trying to deploy funding through the schemes that we already have in place.

You will recall that the announcement that the money was coming was made completely unexpectedly in the middle of February and that we had two or three weeks to not only figure out a way of deploying it quickly, but put it in people's pockets. Doing that for as many as possible of the people who are struggling required us to move at pace.

There are a number of different schemes that could be identified to create that jigsaw of getting help out. To deploy the full £200 million or more in the round would have taken significant time. That is not to say that the ideas and suggestions about the carers allowance and other things are not still live and pertinent. As Shona Robison said, we absolutely will do more if we can. The fastest way to get that money out in the round without over-complicating the systems was by working with COSLA and responding to its very helpful feedback.

Pam Duncan-Glancy: Perhaps the committee and the cabinet secretaries can have a future discussion about how long it takes to deploy money in circumstances such as the cost of living crisis.

As we all know, more and more people are falling into poverty and the cost of living crisis is growing. Will the cabinet secretaries set out how the Government is using funds to challenge the causes, rather than the symptoms, of poverty? I appreciate that both cabinet secretaries began by setting out their aspirations to reduce the number of people who are eligible for payments such as the Scottish child payment. Will you explain how your spending plans will support people to stay out of poverty in the long term and ensure that any social security costs pertaining to that remain manageable?

Shona Robison: I will kick off. Key for me is the balance of spend in the tackling child poverty delivery plan. Pam Duncan-Glancy knows that, when I set out the plan to Parliament, I made it clear that, as well as the support that is provided by putting money in people's pockets here and now—primarily through the Scottish child payment—it was really important to tackle the root causes of poverty, which we know are many and complex.

Supporting parents into employment is a key aspect of the plan. It is clear that traditional employability supports were missing a whole cohort of parents, for reasons that we could probably spend the whole day talking about. The doors to traditional employability programmes were either not known to parents who were struggling or were not offering attractive enough support.

We set out our ambitions to change that and to look at more bespoke support for parents moving into employment by tackling issues, such as childcare, that are barriers to getting parents into employment. We set out a significant investment in employability programmes that are targeted at parents and that try to move them into employment. We know that that is the best way out of poverty. We have a target of supporting 12,000 parents into employment over the course of the plan. That will make a big change to structural inequalities and to poverty in families.

Kate Forbes might want to speak in more detail about employability.

Kate Forbes: The issue is very specific to my portfolio of finance and economy, in which the outlook—as is the case in every other portfolio—is very challenging. If you look at all the budget lines, you will see that the employability line is going up by a significant margin over the next five years. That is almost entirely driven by our commitments around tackling child poverty. Pam Duncan-Glancy has identified that we need to tackle the root causes of poverty. It is clear that employability has a key role to play in doing that. We want to support families who are not in secure, well-paid employment into such employment through the new offer to parents and the no one left behind approach.

I have identified our four priorities. The nature of prioritising is such that, if you prioritise one area, you have to deprioritise elsewhere. In my portfolio, that prioritisation is clearly visible in the employability line, which is intentionally designed to significantly expand employability services to help us to reach our child poverty targets.

Jeremy Balfour (Lothian) (Con): Good morning, and thank you for coming along.

First, I would like to follow up that issue with the finance secretary. Post-Covid, people with disability are struggling to get into employment more than they were before Covid. The figures show that the problem has grown. Many people with disability are also in poverty. Are there specific measures that you intend to take over the next few years to tackle the issue of people with disability who are looking to get into employment?

Kate Forbes: Yes is the short answer. Shona Robison might have something to add on the policy question.

I do not have the figure in front of me, but I think that the funding will go up by about £100 million over the next five years. The funding is intended to provide a wraparound service for people who are furthest from the job market. That will include disabled people. It is a highly intentional investment that involves the very labour intensive and financially intensive process of working alongside people for 12 months and continuing to support them when they are in work.

I would be happy to follow up on specific policy areas but, from a financial perspective, I would make the point that funding is there. We must remember that such work—if we are serious about it—is extremely financially intensive.

As well as the moral imperative of supporting disabled people into employment, which you have identified, there is the economic imperative of doing so. Unemployment is at 3.2 per cent so, essentially, we are at full employment. We know how desperate businesses and so on are to find workers. Although economic inactivity, if I can use that phrase, is reducing—it is about 21.9 per cent, according to the most recent statistics—there are people in that group who would be keen to work if we can provide the right support. As well as having a moral impact, that would have a huge economic impact.

Jeremy Balfour: I am grateful for that answer, although it would be good to hear a bit more on the policy side.

I genuinely do not mean this in a “Look at that!” sort of way, but the figure seems to be going in the opposite direction in England. I have asked lots of people why that is the case and no one seems to have an answer. I wonder what is going on. Is that to do with population or age? I genuinely do not know the answer, but it would useful to know whether the Scottish Government has done any work—we might need to ask the UK Government about this, too—on why the figures are different for the situations on either side of the border, given that the employment laws are similar.

My main question—to get the convener back on board—is about the independent review of adult disability payment that you will be aware is under way. The mobility issue is being dealt with first and there will be a full review of the whole benefit next year. I think that the expectation in the disability community is that there will be a divergence between what is happening in England and what is happening under the new ADP. Is there a realistic prospect of making disability benefits more generous if the review considers that to be appropriate? If it does, how would that be financed?

09:15

Shona Robison: We are already creating a fairer system of disability assistance in which the culture is one of encouraging people with disabilities to access their rights and entitlements by making significant improvements to the application and the decision-making processes.

I am sure that you will be aware of the new social security advocacy service, which was launched in January. It is doing a tremendous job in supporting people with disabilities to access and apply for Social Security Scotland assistance. The service proactively encourages people to apply.

As you will also know, the Scottish Fiscal Commission has forecast that more people will be eligible for ADP than for the personal independence payment. Also, awards are expected to be higher than PIP. That demonstrates the impact of those improvements in the here and now.

I will come on to the review, but it is important to note that what you have asked about is already the case because of a change in culture. By 2026-27, we expect to invest more than £500 million a year over and above the level of funding that we receive from the UK Government through the block grant adjustment.

On the independent review of ADP, I do not want to pre-empt its findings in relation to expectations around changes to how ADP is delivered. However, whatever comes out of that will be required to be resourced and we will need to manage that within our resources.

It is fair to say that—because of the Scottish Fiscal Commission projections and because it is the right thing to do—we have already prioritised spend for social security. Kate might want to say something about the fiscal framework and the need for that. I know, having sat on your predecessor committee previously, that we spent a lot of time interrogating the fiscal framework and its detail. However, because of its restriction on borrowing, our ability to increase the size of the cake is very restricted. I will not get into the detail because Kate knows it far better than I do.

We have a commitment around increasing the trajectory of spend on social security—we have prioritised that in the resource spending review. However, it would be extremely helpful to us as a Government to have a more flexible framework.

Kate Forbes: Shona might have said this already, but the Scottish Fiscal Commission’s forecasts bind us, as it were, to what we spend. They also bind us in terms of having to meet demand-led schemes, which is absolutely right. I know that the committee has expressed an interest in the topic before, but I think that the discussions about the fiscal framework often fixate on taxation and borrowing. However, one of the biggest changes that we have seen in the past few years is trying to manage the volatility in a demand-led scheme.

I have to allow—quite rightly—for sufficient budget to meet demand. I cannot say, in this year of volatility, that we will allocate £4.2 billion—which is the figure that we have allocated for social security—and then get to January only to realise that the demand is £4.6 billion and I need to identify £400 million from within a fixed budget. You cannot do that. You cannot identify £400 million from within a fixed budget in a matter of weeks. That figure is almost the entirety of some portfolios. Therefore, you have to manage the demand-led schemes, but the level of risk is so substantial that I think that we need the tools in the budget to manage that.

If ADP becomes more generous—our schemes are already more generous by a margin of £1.3 billion over the next few years—in my technical world, managing a more generous scheme requires me to have the right tools to meet that demand.

If there is error and the Scottish Fiscal Commission forecasts are wrong—every economist makes errors, because nobody can predict to the precise penny what something will cost, so that is not being wrong but just the nature of the job—in that situation, any other Government would borrow for the shortfall. It would not go digging in other pots of money from other portfolios to take that and scupper those areas to fund the shortfall. I cannot borrow for that shortfall. My borrowing allowance for forecast error is £300 million, and you will already have seen from the tax position that we are forecast to have to meet a gap that is significantly higher than that, and this is before we even talk about social security.

I make that point in answer to Jeremy Balfour's question because I think that we all have genuine interest in ensuring that we have tools in place to manage demand-led schemes. It might sound technical, dull and irrelevant, but it makes all the difference in the world to the individuals who are eligible for the schemes.

Jeremy Balfour: I appreciate that.

I will finish by remarking that although, according to the Scottish Government, it might be easier to apply in the new system, a no is still a no. None of the criteria with regard to benefits has changed under ADP compared with PIP. I might get a nicer letter from Social Security Scotland saying no, but it will still be a no. The disability community is looking for some work on that.

Kate Forbes: I will make just one point on that. It is worth looking at the Scottish Fiscal Commission's assumptions, which are that more people will be eligible for ADP than were eligible for PIP. I do not know whether you will have the SFC in front of the committee, but it might be worth unpacking why it believes that.

Jeremy Balfour: Time will tell.

Kate Forbes: Those are the SFC's assumptions, rather than mine.

The Convener: Before we move on to the impact of flat-cash allocations on child poverty, I want to stick briefly with the conversation about demand-led budgets, but with regard to the uptake of benefits. Many UK Government benefits are not taken up, which obviously has an impact on the envelope of resources that come to us. How can we ensure that we prioritise at both Government levels? The Scottish Government needs to ensure that people take up the benefits that we already provide here, but how can we work with the UK Government to ensure that it has a campaign so that people recognise what they are entitled to and so that uptake increases? That will then help to passport people on to benefits here and will also potentially increase the money that we have available in Scotland for that.

Shona Robison: You make an important point. As you will be aware, we see it as a duty of the Scottish Government to ensure that people access the social security benefits to which they are entitled. You will be aware of the second benefit take-up strategy, which was published last October, I think, and which set out how we are working to ensure that people can access the support to which they are entitled. At the heart of that is a recognition that benefit take-up is part of the bigger picture of maximising income, which is so important at the moment, given the cost of living issues.

We are investing £10 million over the current session of Parliament to increase access to advice in accessible settings. That includes expanding the welfare advice and health partnerships through location in general practitioner surgeries, which is working well. GPs and other health staff can signpost people to a service just down the corridor to find out what they might be entitled to. A person might be at the doctor because of worries about debt and money, which are impacting on their mental health. We are joining the dots there.

Obviously, we encourage the UK Government to take a more joined-up approach to the promotion of benefits. We will seek to work with it where we can because a number of reserved benefits, such as universal credit, are gate-openers to supports such as the Scottish child payment. Therefore, we encourage the UK Government to do more, particularly at the moment, on promoting and raising awareness of what people might be entitled to.

The Convener: We will move on to questions on flat cash allocations and the impact on child poverty.

Natalie Don (Renfrewshire North and West) (SNP): Good morning. I appreciate the comments that have already been made on employability and the focus on steps that have already been taken towards addressing that priority. What impact will the flat cash allocations for schools and tertiary education have on the ability of those sectors to improve parents' employment prospects?

Kate Forbes: There are a number of lines or portfolios in the resource spending review that all contribute to the wider picture on employability. You can, of course, look at the education and skills line or the employability lines in my portfolio. Prioritising one area means, by extension, not prioritising others. In my portfolio, I have prioritised employability.

I mention that because we must become more flexible in supporting parents if we are going to tackle child poverty. You cannot consider simply the more conventional skills routes. You can rightly scrutinise higher and further education but, in my portfolio, on employability, I am excited about the significant increase in investment in the no one left behind strategy and the significant investment in a new commitment, which is the offer to parents. That brings together a range of services and support, including not only employability but childcare, health, support to access transport and family wellbeing. In other words, it is a wraparound support that focuses on families that are at the greatest risk of experiencing poverty.

This year, we have allocated up to £113 million to employability services. That includes up to £81 million to support delivery of the commitments on the second tackling child poverty delivery plan. That enables you to see the trajectory across the RSR.

I dispute the premise of the question, because we need to think far more flexibly about employability. Therefore, you need to consider the RSR in the round. The four priorities that have been identified, one of which is tackling child poverty, must run through every portfolio. It cannot be just Shona Robison's job to tackle child poverty; it has to be my job in finance and employability, the Cabinet Secretary for Health and Social Care's job and the Cabinet Secretary for the Constitution, External Affairs and Culture's job. It is all of our jobs. We all should prioritise it, which is what you see in my portfolio.

Natalie Don: You mentioned the expansion of early learning and childcare. Do the flat cash allocations for local government take into account the future costs of early learning and childcare—for example, the expansion of free school meals? You also mentioned volatility. Is there an element of that to what the review says on that expansion?

Kate Forbes: I am happy to answer on local government, but it is probably a policy question if you want to answer it, Shona.

Shona Robison: The local government settlement overall is challenging. We have already set out clearly that we have prioritised social security spend. You have a pot of money and you cannot spend it twice. Having said that, it is worth reiterating that many of the measures to support people through the cost of living crisis, such as discretionary housing payments or the welfare fund, are routed through local government.

As, I am sure, Kate Forbes would hasten to add, additional money was added at stage 2 of the Budget (Scotland) Bill—£120 million—but final decisions on the annual local government settlement and the level of funding provided for policies such as early learning and childcare expansion are taken through the annual budget process. The RSR sets out the framework, but the budget sets out the actual money that will be allocated. That is the top-line answer to your question.

09:30

We currently invest more than £1 billion a year in delivering the 1,140 hours of early learning and childcare. That is a big commitment. As members will be aware, we committed in the programme for government to building a system of school-age childcare to support children and families and to developing a new offer for early learning and childcare for one and two-year-olds, starting with those who would benefit most from that. That very much links back to the child poverty plan by supporting those families who need it most.

That is a big financial commitment and a big priority, because we know, to go back to parental employability, that affordable childcare is key in that regard.

I hope that that answers your question.

Natalie Don: Absolutely. Thank you. The RSR is obviously just a review—as you said, these decisions will be made in the budget. That is why I asked about volatility, as we do not necessarily know where we are with inflation and everything else.

The Convener: As always, we are running over time, and we have a number of questions to get through. I will bring in Pam Duncan-Glancy and then hand over to Jeremy Balfour before we move on to the next section.

Pam Duncan-Glancy: I am keen to talk a little about the child poverty delivery plan in the context of the flat cash allocations elsewhere, outside the social security portfolio.

Both cabinet secretaries have talked this morning about a 17 per cent rate of child poverty. However, they will be aware that both Save the Children and the Joseph Rowntree Foundation published an independent analysis, the "Delivering for Families?" report, this week. The report said:

> "it is hard to conclude that the"

child poverty

> "Plan fully delivers a comprehensive set of activity that will meet its lofty ambitions. A stronger prescription is needed to meet the diagnosis."

I think that the committee will concur with me that we have heard evidence from third sector organisations that the plan, while it had "lofty ambitions", to use the term from the report, was a bit light on detail.

The independent report says that the Government is likely to miss the targets and that families might have to "freeze or eat". Those are quite strong words, but they come from an independent analysis.

In the context of that report, will you comment on how you expect to meet the child poverty target? In particular, it appears that it took quite some time to get to the point of taking enough action, so it is possible that the only option now is the Scottish child payment, but I think that it is important to look elsewhere. What is the plan to meet those targets now that it looks as though you are going to miss them?

Shona Robison: I welcome the latest report from the JRF and Save the Children, and we continue to work with them and other key stakeholders to take forward our work on child poverty.

We have set out significant resources to deliver on the plan. As I said, the RSR allocates up to £300 million for tackling child poverty and social justice. It also commits more than £23 billion through social security payments in the next four years, with almost £1.8 billion for the Scottish child payment.

The report welcomes the plan. It states:

> "the Plan is a strong diagnosis of the struggle that many families currently experiencing poverty face. In many respects the Plan also correctly identifies the areas where additional action is needed."

The report welcomes—as those organisations did when the plan was published—the balance between putting money into people's pockets, reducing costs and employability. We were advised to balance those three pillars within the plan.

As I said in my opening remarks, the modelling that we have done around the plan would, as I set out to Parliament, deliver a rate of 17 per cent of children living in relative poverty, which would meet the relative poverty target. The JRF and Save the Children have said that they used a different system of modelling to reach their conclusions. I can bring in Julie Humphreys if the committee wants to know more about the differences in the modelling, as that is a different modelling system.

The absolute child poverty target is extremely difficult to meet in times of rising inflation because it is very much linked to inflation. It would be extremely difficult to chase that target by using the Scottish child payment, for example. The modelling that we did showed that, at that point, we would have needed to set a Scottish child payment at around £55 per week per child in order to chase that target, because it is linked so much to inflation. That figure would be even higher now, as the rate of inflation has gone up since the plan was published.

I am afraid that that is not a sustainable position. That is why the other things that we are doing, such as mitigating the benefit cap and providing all the other supports, are an attempt to tackle and target the poorest families. That approach is more likely to produce a shift with regard to the absolute poverty target.

I do not underestimate the challenge here, and we welcome the scrutiny from organisations that are dedicated to this work. We have said on a number of occasions that we will keep the Scottish child payment under review. I know that the organisations concerned had asked for a Scottish child payment of £40 by the end of the current session of Parliament. Of course, we will keep the Scottish child payment under review, but we have to balance it with the other elements such as employability to ensure that we encourage people to take up fair work opportunities where they can and remove the barriers to enable them to do so.

Pam Duncan-Glancy: Thank you for that answer, cabinet secretary. Of course that is the case, and increasing employability options has to be the way forward so that people can get out of, and stay out of, poverty.

However, at this point, organisations are saying—as they were even at the beginning of the current session of Parliament—that action on reducing the structural inequality that exists in society has not been significant enough and that the only option was to use mechanisms such as the Scottish child payment.

I take your point that the organisations used slightly different modelling. Nonetheless, they state in the report that they used the same figures and modelling as the Government used and still could not get to the point that the Government got to.

I am interested to hear what more you are going to do to meet those targets. By the Government's own estimate, we might just get there; independent analysis says that we will not. It is fair to say, therefore, that more action is needed. So, what other actions is the Government going to take?

Shona Robison: We have not kept the modelling secret—it was laid out in a fully transparent way as part of the plan, so that everybody could see the modelling and the way in which it was used to get to the figure of 17 per cent. It was driven, by and large, by the increase in the Scottish child payment, which is going up to £25 by the end of this year. It was also supported by the work around parental employability and all the other areas that we are investing in. We are mitigating the benefit cap with up to £10 million of investment each year, which will help around 4,000 Scottish households—mainly single parents and those who are really struggling.

We are investing at least £500 million over this session of Parliament in the whole family wellbeing funding, to give families access to the help that they need, where and when they need it. Again, that is more bespoke support.

In addition, there are all the other aspects. As Kate Forbes rightly pointed out, it is not just for me and my portfolio interests to tackle child poverty; it is about early learning and childcare support, skills support and all the other elements across the Government that can help to support families and drive down poverty levels.

We will continue to look at what more we can do. Work to identify whether there are other levers that we need to use is going on across the Government as we speak, and we will remain open to that.

The Convener: We have run to our allotted time, but I want to bring in members who have not spoken yet. Miles Briggs has some questions, as does Paul McLennan, who is participating online. We will put in writing the remaining questions that members want to put to the cabinet secretaries, because we need to leave enough time this morning for the final evidence session in our inquiry, which we must report on quickly.

Miles Briggs (Lothian) (Con): Good morning. I thank the cabinet secretaries and their officials for joining us this morning.

There are reports today that the £41 million that the Scottish Government received from the UK Government to alleviate the cost of living crisis has not been allocated. Where is that additional resource likely to be allocated? Will there be a statement to Parliament about that before the recess?

Kate Forbes: I will make a few comments about that. First, at a time of extreme volatility, costings that we established perhaps a few weeks ago will inevitably rise. We might have forecast that a particular pot of funding would be provided to deal with a certain number of people, but it is highly likely that, in the light of inflation, demand will increase or the support that we require to give will increase. I make that point in relation to project management—additional consequentials do not sit there unused. That is quite important. We have to manage the budget so that I do not get to January and discover that there is still more demand.

The second point on that funding is that things will probably become even more challenging than they are now. Inflation is at 9.1 per cent, and the Bank of England has forecast that it will rise to 11 per cent. I am not being political when I say that the UK Government is adamant that it will not do anything further on the cost of living now because of what it perceives to be the risks of contributing to inflation. I do not foresee any further consequentials coming down the line. We also need to ensure that any funding that we have in hand is used well and used to cover the rest of the year.

Those are the two considerations when it comes to that funding. I do not have much more to add, apart from making the point that every single penny that is for cost of living measures will go on cost of living measures. We have set out today the £3 billion figure; we had been using the figure of £770 million of additional resources to address the cost of living.

My final point is that pay is one of our direct cost of living measures. Right now, we are, quite rightly, engaged in a number of pay negotiations, and we are conscious of other on-going negotiations. We must see pay as a cost of living measure.

I mention those three areas to set the context for how we manage all funding, including the £41 million. That is why I do not have a more definitive answer. It would not be particularly wise to allocate funding without being conscious of those three pressures.

I do not know whether Shona Robison has anything to add.

09:45

Shona Robison: I reiterate the point about the £3 billion—every pound is a prisoner, as the saying goes. We already provide support to households that is not available anywhere else in the UK, particularly to low-income families. The consequentials that Miles Briggs refers to are those from the household support fund, which was routed through local government in England. We already provide a range of supports—some of which are routed through local government—that are well in excess of that.

I do not want the impression to be given that money is being spent on supporting low-income households in England but is not being spent on such support here in Scotland, because we have already gone well beyond some of those supports. We continue to consider what more we can do within our financial constraints.

Miles Briggs: In the interests of time, I will try to merge my questions on the equality and fairer Scotland budget statement. Could the Scottish Government have gone further in that statement by presenting, even in broad terms, how it has sought to minimise the impact of real-terms cuts in some budget areas? Could local government be one of those areas, given that it has had a £250 million cut? As the cabinet secretary has said, that will impact on the policy agendas that local government is tasked with delivering. The committee has been very passionate about free school meals, but councils' ability to write off school meal debt is being impacted. Has the cabinet secretary considered the unintended consequences relating to other budget areas and delivering this portfolio agenda?

Kate Forbes: The resource spending review sets out broad parameters and is a lot more strategic than a budget would be. In that regard, the equality and fairer Scotland budget statement is very similar to the resource spending review in its approach—it uses a strategic lens.

I will keep my comments brief. The resource spending review does not replace the budget, so it does not include anything lower than level 2, which is, comparatively, quite a high level. It is difficult to get into the depths of specific lines that would normally be published in a budget at levels 3 and 4, which constrains how detailed an equality and fairer Scotland budget statement can be.

Shona Robison: Miles Briggs mentioned free school meals. We have prioritised the expansion of free school meals, which we see as vital support. The policy was expanded to include primary 4 and 5 pupils during 2021 and 2022, and it is supported in this financial year with £40.2 million of additional funding. We will work with local government and other partners on the delivery and implementation of the further expansion. There might be many criticisms in this area, but I am not sure that a fair one could be the provision of free school meals.

We are keen to work in partnership with local government on a new fiscal framework. We want to get the balance of flexibilities right, and we want much more discussion with Parliament on what that would look like. We are keen to take that forward, and we have started to have positive discussions with the new COSLA presidential team.

Miles Briggs: We have already discussed policies on tackling child poverty. What work is the Government undertaking to analyse how resources are being targeted in policies? We have had that discussion in relation to children in temporary accommodation on a number of occasions, and resources do not seem to be being well utilised, given that the cost is £27,000 per case. Is wider reform of resource allocation taking place?

Shona Robison: The resource spending review was an opportunity to interrogate areas of spend. The affordable housing supply programme is a key lever in addressing poverty, including child poverty, which is why we are investing £3.6 billion.

We have discussed on a number of occasions the challenges of temporary accommodation. We are working with local government on reducing the need for and use of temporary accommodation. Its funding has been discussed with local government on a number of occasions. I remember that the committee was looking at the cost of temporary accommodation, particularly for those who are in work, and the challenges that that brings. However, that is primarily a local government issue, and there is a reliance on housing benefit revenues in funding that.

In the interests of time, I will be happy to come back with a bit more detail on the work that we are doing on temporary accommodation.

The Convener: Paul McLennan, who joins us online, will ask the final questions in the session.

Paul McLennan (East Lothian) (SNP): Good morning, cabinet secretaries. I apologise that I cannot be with you in the committee room.

I want to expand a little on the issues relating to the fiscal framework that Kate Forbes mentioned. You talked about the vagaries of Government forecasting. The Office for Budget Responsibility had forecast the cost of interest on Government borrowing as £87 billion. This morning, it has said that the cost will be more than £100 billion. That highlights the vagaries in trying to forecast. An extra £13 billion has literally just been added on.

Cabinet secretary, you mentioned the restrictions under the fiscal framework. You talked about increased borrowing powers and mentioned a figure of about £300 million. Does the Scottish Government have an estimated figure that would give us that flexibility, particularly on demand-led spend, as you have said?

I also want to ask about the impact of spillover issues. I do not know whether you want to tackle those two issues together. I have one other question, but those are my main two on the fiscal framework.

Kate Forbes: I will start with borrowing. I have outlined the reasons for borrowing. As a reminder, we can borrow for two main reasons, but resource borrowing is entirely for forecast error—that is what the £300 million relates to. To put that in context, I note that, in a budget of £45 billion—give or take—£300 million is a pretty small figure.

I emphasise that, over the next few years, in order to manage the reconciliation figures, which are the result of forecast error, not of policy decisions, we have to use spending power—actual money that would go to the health service, social security and all the other priorities of members around the Parliament. This is literally just about smoothing budgets.

If a big reconciliation is required, as it will be next year and the year after, there could be a big cliff edge for the health service. We have avoided that through prudent and careful budget management. However, resource borrowing is not an intangible and irrelevant side issue that accountants worry about; it has a direct impact.

You asked me, straight up, what should be required. I think that we should have the same powers as local government—we should be able to borrow according to affordability. That is what grown-up Governments do.

We are engaged in a review of the fiscal framework with the UK Government, and I will be making that case. My compromise position—which I probably should not confess to in public—is that we should at least index the borrowing to the budget, because, as the budget increases inevitably with inflation, that £300 million remains fixed, so it will become an ever-decreasing proportion of the budget.

As Shona Robison said, I could probably bore for Scotland on the fiscal framework, so I will stop there, but I hope that that helps to answer your question.

Paul McLennan: Thanks, cabinet secretary. I also asked about spillover. In the medium-term strategic framework, there is mention that there are still issues about the restrictions relating to spillover. Will you touch on that?

I think that you have answered my next question, which is about how the discussions with the UK Government are going. Is there an indicative timescale for when we expect to get an answer back from the discussions on the fiscal framework?

Kate Forbes: I am delighted to be welcoming the Chief Secretary to the Treasury to Edinburgh on Monday. We will be meeting to discuss both the spillover dispute and the fiscal framework. We are hoping to announce details about the independent report, which has to precede the review. We are a bit behind time, which is unfortunate, because that independent report should, theoretically, have been completed by the end of last year, and we should be in the review phase. We need to move as quickly as possible.

I am extremely keen that we get a resolution to the spillover dispute, which is about real money. There is a disagreement about the methodology to calculate what the Scottish Government is entitled to. The principle has been agreed—both Governments agree that the Scottish Government is entitled to additional funding as a result of UK Government policy changes on income tax. That principle has been conceded, but we are still in discussion about the quantum of funding, because that is not as clear cut. I have a duty to represent the Scottish Government in that regard, because if there is a principle in place, that raises a question of fairness.

Paul McLennan: We can see that more fiscal flexibility would help both the cabinet secretary and the committee.

The Convener: I thank both cabinet secretaries for coming to the committee this morning. We will gather together the questions that members did not get to put to you and write to you with them.

09:56

Meeting suspended.

10:02

On resuming—

Low Income and Debt Inquiry

The Convener: Welcome back. Our next item of business is the final evidence session in our inquiry into low income and debt problems. I welcome back to the meeting Shona Robison, the Cabinet Secretary for Social Justice, Housing and Local Government, and I welcome Tom Arthur, the Minister for Public Finance, Planning and Community Wealth. We are also joined by Elaine Moir, who is head of the Scottish Government's financial wellbeing unit; Robin Haynes, who is head of council tax and alternative local tax policy at the Scottish Government; and Alex Reid, who is head of policy development at the Accountant in Bankruptcy. Everybody is in the room with us today.

I invite the cabinet secretary to make a short opening statement.

Shona Robison: Thanks very much, convener.

I am acutely aware that households across the country are facing a serious cost of living crisis and that those on the lowest incomes are being hit the hardest. Many of those households are likely to then carry an increased burden of debt.

As I said earlier, through the budget for 2022-23, the Scottish Government has allocated almost £3 billion to a range of supports that will contribute to mitigating the impact of the increased cost of living on households. That includes work to tackle child poverty, reduce inequalities and support financial wellbeing, alongside social security payments that are not available anywhere else in the UK. It includes investing £83 million for discretionary housing payments, including £68.1 million to mitigate the bedroom tax and an additional £14.9 million to mitigate the damaging impact of other UK Government welfare cuts.

In response to the crisis, we took the decision to uprate eight Scottish benefits by 6 per cent and to invest a further £10 million in our fuel insecurity fund to support households at risk of severely rationing their energy use or self-disconnecting. Our Scottish welfare fund provides a vital and important safety net to those who are most in need. We have committed £41 million to that fund this year. That offers significant financial support for those living in Scotland, and it will provide a protection for those on the lowest incomes.

Ensuring that people have enough money to live on, that they are receiving all the benefits and entitlements that they should be receiving, and that they are appropriately supported around their debts are priorities for the Scottish Government. That is why we are committed to maximising benefit take-up, as shown in our benefit take-up strategy. We are investing more than £12 million this year to support free advice services to help people to maximise their incomes and manage their debt.

We know that there is more to do, which is why we have committed to increasing the accessibility of advice over this parliamentary session. We will continue to work with advice services to understand and respond to the on-going impact of the rising cost of living and to ensure that our limited resources support the people who are struggling the most.

The Minister for Public Finance, Planning and Community Wealth (Tom Arthur): Good morning to the committee.

I have had the chance to read through much of the evidence that has been given in previous sessions, including from those who have experienced the pressures of debt and low income. That evidence has provided a stark and salient reminder of the pressures that households across the country and those who are trying to help them face. There is a reason why we are talking about a cost of living crisis.

The number of personal insolvencies dropped significantly during the pandemic, but it is now rising again. There can be little doubt that rising inflation—not just in energy costs—will bring more people into unsustainable debt. There are whole categories of debt that individuals do not necessarily choose to incur, including council tax and benefit repayments debts, and other involuntary debts. That is why we must look at the system itself, so that we are not asking those who cannot afford it to pay towards what are, in effect, the costs of the state. The cabinet secretary has set out much of what we have been doing recently on that front to put extra money into people's pockets.

On the available debt solutions, I believe that we have a very strong foundation. High-quality advice is at the centre of our solutions—it is a prerequisite to accessing them. We believe that that is exactly the right approach. We have reduced the fees for accessing bankruptcy and removed the fees completely for the most financially vulnerable.

We continue to take action. We have made changes to the Coronavirus (Recovery and Reform) (Scotland) Bill to continue the extended moratorium period of six months beyond the end of September, and we support John Mason's amendment on bank arrestments. It was good to see the changes to the moratorium getting cross-party support at stage 2.

I believe that giving people time and space to consider the right solution can deliver benefits to all sides, creditors included. We cannot take that too far, though, because we would only harm the interests of those on low incomes if we made creditors unwilling to lend to them.

I know that we have more to do. As the committee knows, we are in the midst of a stakeholder-led review of debt solutions. I would welcome any suggestions from the committee on where we should focus our attention.

The Convener: I thank both of you for your opening statements. We come to questions from members. To kick off, we will hear from Paul McLennan, who is participating online. Paul has questions about accessing money advice, which will be followed by questions about the delivery of money advice.

Paul McLennan: Good morning, cabinet secretary and minister. I apologise that I cannot be with you in the committee room this morning.

A few weeks ago, three or four of us from the committee met people with lived experience. That was a very worthwhile exercise. One chap mentioned the financial problems that he had got himself into. He went to his general practitioner and was told about social prescribing. He said that that referral literally saved his life. What are your views on the role of social prescribing in relation to accessing debt advice? That is one example; I am sure that there are many others.

Shona Robison: That is really important. I think that I am aware of the case that Paul McLennan has mentioned, which was a powerful testimony.

The key thing is the 200 community link workers located in general practices across Scotland, which we have funded through the primary care improvement fund. They are now a well-established component of multidisciplinary teams in primary care. Someone may present to their GP with stress or other mental health issues, but worries about money and debt may underlie that. The ability to signpost people in the here and now just along the corridor to someone who can help them to look at the money situation, entitlements and options around debt management is very important. That is the value of the community link workers, and you can multiply that testimony many times.

The experiences and insights of the community link workers are crucial in helping us to plan future policy. The Scottish Government has commissioned Voluntary Health Scotland to develop a new national network and community of practice for community link workers so that we can build on that expertise. They do a crucial job.

Paul McLennan: Thank you.

The Convener: We will move on to questions on the delivery of money advice. To start off, we have Pam Duncan-Glancy, who is online.

Pam Duncan-Glancy: Good morning, minister, and hello again, cabinet secretary. Thank you for your opening statements.

I wholly concur that high-quality advice is one of the most important issues. The committee has heard from various advice providers that they are absolutely burst at the seams. For example, Citizens Advice Scotland told us that staff working in the bureaux are actually going to bed at night worrying about the same money problems for which they are having to support people during the day. Money advice services are in a very difficult environment right now, but we have seen a 10-year decline in funding for those services. How will the cabinet secretary and the minister address that? Do they accept that people need more and not fewer services at this point?

Shona Robison: It is important to note that, for 2022-23, the Scottish Government is investing more than £12 million to support advice services in the provision of free income maximisation and welfare and debt advice. At the same time, we would want to acknowledge that, like every other sector, the advice sector is under pressure due to the cost of living crisis and the impact of Covid, which is still being felt.

The cost of living crisis and the Scottish Government’s commitment to tackling child poverty require a framework for Scottish Government-funded advice services that goes beyond debt advice to the provision of accessible holistic services that will help people to maximise their incomes and provide the support that they require. We are therefore committed to reviewing the way in which the Scottish Government funds advice, and we await advice on a refreshed approach later this year that will take account of, for example, the Improvement Service’s work on funding models for the debt advice levy and other models—for example, we are looking at the Welsh single advice fund.

We understand the pressures, and we are looking at how best we can address those. Funding is just one component of that. We are aware of the issues, and I put on record my thanks to the advice services for all the work that they are doing at this time.

Pam Duncan-Glancy: Can you confirm whether the review will look at the three-year funding proposals? Can you update the committee on how you are implementing three-year funding proposals, particularly for money advice services?

Shona Robison: As the First Minister said recently, we know how much importance the third sector places on multiyear funding settlements, and we will continue to work with the sector on the issue of fair and stable funding and try to move to multiyear funding where possible. That is very much in line with the discussions that we have been having with third sector organisations, which want to move to multiyear funding, of course.

One of the constraints on the Government is that we have not had multiyear funding. However, through the resource spending review, we have had the opportunity to set out our funding priorities, and tackling poverty—child poverty in particular—is clearly one of the key priorities.

The short answer is that that is very much on the table.

10:15

Pam Duncan-Glancy: Do you expect the implementation of a three-year funding cycle to be imminent?

Shona Robison: That has to be part of the discussions with the third sector, which are not just about multiyear funding; they are also about some of the reviews and the way that we will deliver services. There are discussions to be had about ensuring that the third sector is working collaboratively and avoiding duplication. The multiyear funding discussions need to be part of that wider discussion with the third sector. We will continue those discussions with third sector representatives, and I would be happy to keep the committee apprised of how they are going.

Pam Duncan-Glancy: I would appreciate that.

The Convener: Thank you, Pam. Helpfully, you have asked Jeremy Balfour's questions for him. Foysol Choudhury, who is joining us online, has questions about the delivery of money advice.

Foysol Choudhury (Lothian) (Lab): Thank you, convener. I was just sending a message to say that Pam Duncan-Glancy has asked my question, too. I am sorry that I cannot be with you guys in the Parliament.

The Convener: It is always helpful when members ask other members' questions, because it allows us to move swiftly on. I will go back to Jeremy Balfour, who has a question on digital exclusion.

Jeremy Balfour: Good morning, minister, and good morning again, cabinet secretary. It feels like the good old days when we all used to be on the committee together. It is nice to see you here.

It is clear that the digital path to applying for benefits is the way forward and that it saves many people a lot of time. However, there are people with disability issues and older people who find filling out forms online really hard or who are digitally excluded. How do we strike a balance so that we do not exclude people from applying for benefits because they cannot use the online system? Will the Government make a commitment that people will still be able to use the telephone or a paper form, if that is appropriate?

Shona Robison: It is lucky that there were a couple of questions left that had not been asked.

You raise an important point. On digital exclusion, the Scottish Government is in the process of identifying priority groups to support over the next four years. Initially, that will focus on the six child poverty family types. The user research on the initial phases of the connecting Scotland programme will assist us in that approach. We are trying to ensure that the resources and support offered through the connecting Scotland programme reach those who need them most.

You are right to point out that, for a variety of reasons, the digital world is difficult for some people. It is important that there is a balance.

In the session earlier this morning, I mentioned that the new social security advocacy service, which was launched back in January, is supporting people with disabilities to access and apply for social security assistance, and offering space for face-to-face support to take people through the process, whether that is online or on paper. Most people now will access their support online, but it is important to have those other options of non-digital support. The work of the social security advocacy service will be very important in that space. I would be happy to furnish the committee with more details about that if that would be helpful.

Jeremy Balfour: Thank you.

The Convener: We will move on to questions on debt and mental health.

Emma Roddick: We have heard from quite a few witnesses—in particular, from experts by experience—about the ways in which mental health issues are made worse by debt and the ways in which debt prevents people from accessing advice services, especially where trauma is involved. Is the Scottish Government aware of that difficulty, and is it doing specific work to encourage services to become trauma informed?

Shona Robison: You made an important point. I recognise that we need to understand the impact that debt and money worries can have on mental health, and we are working with stakeholders to tackle that issue and ensure that our services have the reach that they need to.

In our mental health transition recovery plan, we committed to further develop a response to those whose mental health has been affected by issues relating to debt, and we are working closely with a range of organisations—including Citizens Advice Scotland—to tackle that. We have worked with

Support in Mind Scotland and the Money and Pensions Service on the development of a money and mental health toolkit. The toolkit is designed to help people understand, manage and improve their financial health and mental wellbeing. It will be distributed very soon, mainly through GP practices with some distribution among social prescribing networks and Public Health Scotland. It will also be possible to download it from the Mental Health and Money Advice Scotland website. We understand the links and we are trying to ensure that that is built in to the services provided.

Emma Roddick: I will move on to other issues that were raised by witnesses. In May, Kirsty McKechnie, from the Child Poverty Action Group, told us that she believes there is a

"direct correlation between food bank use and the two-child limit."—[*Official Report*, *Social Justice and Social Security Committee*, 19 May 2022; c 4.]

The Govan Law Centre told us that the removal of the £20 universal credit uplift made the difference between people having to use food banks and not, and Inclusion Scotland told us that the five-week wait for universal credit sets folk up to fail. What analysis has the Scottish Government done of the overall impact of those and other UK Government welfare policies?

Shona Robison: You might be aware of the Scottish Government's "Welfare reform report: Impact on families with children", which was published in April. If not, it is definitely worth having a look at that, because it found that reversing key welfare reforms, some of which you mentioned, would bring around 70,000 people out of poverty, including 30,000 children. It looked at the removal of the £20 per week uplift, the two-child limit, the removal of the family element and the benefit freeze, and it also looked at universal credit work allowances and the taper rate, on which there has obviously been a positive move. In essence, if those reforms were reversed, it would help to put £780 million more per year into the pockets of Scottish households.

We have spent a lot of money on mitigation, and I outlined some of that in my opening remarks when I mentioned the mitigation of the bedroom tax and the benefit cap. If we did not have to mitigate those, and decisions on those things were reversed at source, we would be able to spend the money we currently spend on discretionary housing payments and the benefit cap on other supports. We therefore reiterate our call—as I do when I meet my counterparts in the Department for Work and Pensions and the UK Government—that that would be the best way forward for all of us.

Emma Roddick: It is clear that there is quite a contrast, and you will be aware of new analysis that shows that independent European countries that are comparable to Scotland, often with a similar population, are both wealthier and fairer than the UK. Poverty rates are lower in those countries, with fewer children living in poverty and pensioner poverty rates being lower. What are the opportunities if we had the additional powers at our disposal that those other countries have?

Shona Robison: The first point to make it that a welfare system would never be designed to be delivered by two different Governments in two different ways, as that will never be the best system; it makes action and interface difficult. The complexity around case transfer includes the need to reconcile systems, and that is before you get into the end-user experience of trying to navigate all that complexity and the fact that there are underlying entitlements; for example, universal is a trigger benefit for the Scottish child payment. If we were designing a system in Scotland for Scotland, we would do it differently and build a more coherent system. We would build on the dignity and fairness principles that are at the heart of Social Security Scotland.

That said, we are doing what we can on the package of five family benefits. It is worth reiterating that that is worth more than £10,000 by the time a family's first child turns six. Nothing like that is available anywhere else in the UK. We are trying to use the system that we have to put money into people's pockets.

The Convener: Paul McLennan has questions on debt and mental health.

Paul McLennan: Last week, I hosted a parliamentary reception with the Scottish Mental Health Partnership. It talked about the refresh of the mental health and wellbeing strategy and mentioned that debt plays an ever-increasing part in people coming to it with mental health issues. How can we ensure that debt and mental health is included in the refresh of the mental health and wellbeing strategy, and can we apply any metrics on how effective it has been?

Shona Robison: That is an important issue, and when I answered the question earlier about the money and mental health toolkit, I said that it is very much on people's minds. People who work in health understand the relationship between money worries and mental health. The toolkit will be important, and the support that is being rolled out, including link workers providing front-line support, social prescribing and signposting, is critical and will be even more critical in future.

The Convener: Jeremy Balfour has questions about changes to the legal framework.

Jeremy Balfour: We had a long discussion with a number of groups about the issue of bankruptcy and how it works, and I have a couple of questions on that issue. On the fees for applying for bankruptcy, what consideration has the Scottish Government given to removing the restriction that someone can go through a minimal asset bankruptcy only once every 10 years? Could that length of time be reduced? If it was, would that require primary legislation, or could it be done by secondary legislation?

Tom Arthur: I am sorry, Mr Balfour—did you have a second question?

Jeremy Balfour: I will just ask that one first.

Tom Arthur: That is not a problem.

I am conscious that the matter has been raised. It is important to recognise that, although there is a 10-year period for the full administration of the minimal asset process bankruptcy, there is also a five-year period. I can understand the reasons and rationale that have been presented for removing the restriction, but it is often the case that the MAP is the best solution for someone because of their particular circumstances.

We have to recognise—as I am sure that we all do—the significance of the step of going into sequestration. I also make the point that, if someone has to have multiple bankruptcies in a limited period of, for example, a decade, it suggests that there are more fundamental issues that need to be addressed.

However, as the committee is aware, we are in the process of conducting a wider review. The working groups have reported, we will continue to engage with stakeholders and we will be consulting later this year. I look forward to the committee's report on its inquiry and understanding the committee's views more fully. At this point, I would say that I recognise the rationale behind calls to allow people to access the minimal asset process more than once within a 10-year period. However, we have to consider that carefully.

I ask Alex Reid to respond to the question about the process for changing that.

10:30

Alex Reid (Accountant in Bankruptcy): On whether that could be changed by secondary legislation, I perhaps need to get back to the committee in writing. There are general regulation-making powers in the Bankruptcy (Scotland) Act 2016 to vary time periods and amounts, but I would want to seek advice on that and revert to the committee in writing on whether the particular change to the 10-year period would fall within secondary legislation.

Jeremy Balfour: My second question is on an issue that came as a bit of a surprise to me when we heard evidence. At the moment, a lot of the debt that people are dealing with is council debt—it is council tax debt and rent arrears. This is a genuine question and I ask it out of ignorance. Is there a legal duty on councils to pursue that debt? Do they have to pursue it vigorously? If not, have you had any discussions with COSLA with regard to at least mitigating the pursuit of that in the short term? Clearly, things may change in the months ahead, but we have received evidence that, at the moment, most of people's debt is not private debt but is owed to local authorities. From a purely legal perspective, do they have to pursue that? What discussions, if any, have you had with COSLA on that?

Tom Arthur: I will ask Robin Haynes to say whether there is any legal obligation. Of course, I respect the autonomy of local authorities on this matter. We recognise that, in general, local authorities will always seek to engage with individuals who are in arrears to work out a mutually agreed scheme of addressing any debt.

Robin Haynes (Scottish Government): My understanding is that there is no legal obligation to pursue, although council tax liability is set out in law. As the minister described, recovery of unpaid council tax is a matter for each individual council's administrative practices, and the key thing is to secure engagement with those debtors to the council.

Tom Arthur: On the specific question of engagement with COSLA, although it is for the Government to propose legislation and for Parliament to decide whether to enact it, and we can set the framework for how local taxation operates, the administration of that is a matter for local authorities, which of course are democratically accountable. In all aspects of my engagement with COSLA, that respect for the autonomy of local government is paramount.

Jeremy Balfour: I absolutely understand that. Maybe you could come back to the committee in writing on this, but my understanding is that there is a duty on local authorities to take action and that, by taking court action, they become a secured creditor with regard to any debt that builds up. Obviously, that then leads to pressure and burdens on people. Is that understanding correct? If so, has any thought been given to waiving that duty, even for the short term as we go through this crisis, and would that require statutory changes?

Shona Robison: My understanding is that local authorities have the power to write off debt of any type if they choose to do so, provided that there is no expectation of recovery. Obviously, ministers do not have the power to require local authorities to write off debt. Any decision making has to be done on the basis of individual circumstances. Even if resources could be found, in the current climate, given the reliance of local services on council tax collection, taking a wholesale approach would be a very difficult message to send out. We have to be very cautious about that.

There is also work going on in the Improvement Service, which is trying to improve the way in which council tax is collected. We have the council tax reduction scheme in Scotland, which means that no one should have to meet a council tax liability that they are unable to afford. I guess that our role in the reduction scheme has been to try to ensure that people on low incomes are not required to pay a council tax rate that they cannot afford. The reduction scheme has been important in that way—it has benefited a lot of people and helped them to avoid falling into arrears.

Tom Arthur: On the specific point about our engagement with COSLA, I would just clarify that COSLA does not have a formal role in debt work, but we would encourage it to share good practice among its members.

Jeremy Balfour: Thank you both.

The Convener: Before I move on to questions from Natalie Don about creditor processes, I want to ask about the council tax reduction scheme. The scheme is unique to Scotland, and many households are availing themselves of it. We heard from quite a few witnesses that the landscape was sometimes confusing, depending on which local authority they were in, and that the letters were not always clear about how the benefit had been calculated. Is there any role for the Scottish Government in making the guidance clearer and the processes for uptake simpler?

Shona Robison: We can certainly take that away and consider whether some local authorities have best practices that could be supported.

I accept the point that the landscape can be confusing. One of the areas that we are looking at is whether we can have single sources of information and support. It may be that we can pull in some of the support that is delivered by local authorities to ensure that people looking at what they might be entitled to can get a bit more clarity around that from a single source of advice. We can certainly look at whether there is anything more that we need to do around guidance.

The Convener: That is very helpful.

Natalie Don: My question follows on from my colleagues' comments. Some of the points have been covered already, but this is a really important point. The committee has heard a lot of reports about the divergence between local authorities in the methods of collecting public debt. For example, benefit letters can be difficult to read, and there is little time between a missed payment and debt being passed over to a collection agency. The methods that are used by collection agencies can be really distressing at times—some are more incessant than others. Further, earnings arrestments are not means tested, which is concerning when we think about families, single parents or just people in different situations.

Would it be possible for there to be some form of national standard across all local authorities that would give us peace of mind that collection will be carried out with more decency and respect in mind? I appreciate that the responsibility lies with the local authorities, but it would be good if we knew that there was a one-size-fits-all method for how debt collection is carried out.

Shona Robison: I will hand over to Tom Arthur in a second. If there are recommendations from the committee on good practice and not such good practice, it is important that COSLA and local authorities hear those. I would point back to the Improvement Service's report "Collaborative Council Tax Collection". It is not the most interesting of titles, but it is an important report, which highlights the existing good practice by some local authorities in improving council tax collection outcomes and the way in which that system operates. The fact that the Improvement Service has got involved in looking at what good practice is demonstrates that local authorities recognise that there is an issue there.

We would certainly encourage local authorities to look at that report and its recommendations. However, if the committee can add weight to that with its own recommendations—if there are some for local government and COSLA in particular to look at—that may be welcomed.

Tom Arthur: I echo the cabinet secretary's points and recognise that, although it is not for Government to mandate to local authorities how they manage debt, the work of the committee will be important in informing how local authorities choose to conduct their processes.

The Convener: Thanks. It is helpful to set that scene. We move to questions from Miles Briggs, to be followed by Pam Duncan-Glancy.

Miles Briggs: What consideration has the Scottish Government given to improving debt management through a public sector debt management strategy?

We heard from the cabinet secretary about the importance of link workers. However, linking people in should be looked at not just across local government but in the national health service and in education services. We have heard that people sometimes do not get early intervention, or that they do not look for that support, so there might be an opportunity to build that in across Government and public services.

Shona Robison: There is. That might be through the national work on the provision of benefit take-up information encouraging people to take up their entitlements. A number of platforms can be used to promote that information, but nothing beats human interaction. That might involve support through schools—encouraging every part of the public sector to see its role in promoting information and advice.

I recently visited a school with the Cabinet Secretary for Finance and the Economy. The headteacher was clear that part of their role was to support families, particularly those on low incomes. They had advice evenings, bringing in advice givers and encouraging and incentivising parents to come along so that they could get that information.

It is about using all such opportunities, such as the GP surgery, the school, and health visitors for interaction and to signpost people because, although take-up rates for the Scottish child payment are pretty good, at beyond 80 per cent, 20 per cent of people who are entitled are not getting that important support. We need to look at all avenues.

Miles Briggs: Specifically, and it has been raised already with regard to writing off public sector debt, we have heard a lot of evidence on free school meal debts. Some of the parliamentary questions that I have lodged have been answered by saying that that is for local authorities to decide, and they will tell us that they do not have the resources to do that.

We have heard evidence that council tax debt is likely to increase during the cost of living crisis, as it is one of the areas in which people decide that they cannot and will not pay. When it comes to a wider strategy around such debt, where is the Government on the potential writing off of some of it? School meals are also a priority area for all of us.

Shona Robison: I refer back to the point that local authorities have discretion in individual cases. On your point about writing off public sector debt, in whatever sphere that is, if the Scottish Government was to use resources to do that, those resources would not be available for other things in a tight financial environment. That is the first thing to state. It might be an obvious point, but it is one to state anyway.

The second point is that we have to be careful about what that signals. If we were to write off an entire council tax debt, what signal would that send to people about the relative priority of paying council tax, which funds local services? We could end up in a spiral, which would undermine council tax as an important contributor to public finances.

10:45

Having said that, in individual cases, we would encourage local authorities and Social Security Scotland to take a sympathetic view of particular circumstances where there is no likelihood of repayment. Local authorities already have that discretion, and they use it in cases of council tax and school meal debt. It is right to consider cases on an individual basis rather than making a decision across the board.

Similarly, Social Security Scotland, when recovering an overpayment of devolved assistance, for example, is very careful not to push people into hardship as a result. It will work with the person and look at their wider financial situation to consider the affordability of any repayments. There is a recognition across services, whether it be local Government or Social Security Scotland that people are struggling, and services want to be as helpful as they can be. That has to be done on the basis of individual circumstances rather than by taking a blanket approach.

Miles Briggs: Thank you.

Pam Duncan-Glancy: I want to take us back to the questions on digital inclusion. Forgive me for—[*Inaudible*.] Do you believe that anyone who needs support to access debt advice online, particularly those on low incomes, will have that support?

Shona Robison: As I said, the connecting Scotland programme is looking at identifying priority groups to support during the next four years, and it is likely to focus on the six child poverty family types. That chimes with the child poverty delivery plan. The research undertaken by the connecting Scotland programme is on what will help the most, whether it is about devices and being able to use them or whether it is about connectivity issues. That research will be important in ensuring that the next phase of work through connecting Scotland helps those who need it most. I am happy to ensure that the connecting Scotland team keeps the committee appraised of that work.

Pam Duncan-Glancy: Thank you, that is helpful.

During the pandemic, mobile phone companies were able to offer people access to NHS websites without their having to use data. That meant that it was effectively free for people to access those sites. Has the Government considered asking mobile phone companies whether they would do the same thing for debt advice?

Shona Robison: I do not know whether that has been done. We can follow up on that and check whether that discussion has taken place in respect of debt advice.

Tom Arthur: I am not aware of any discussion having taken place on that.

Shona Robison: Can we come back to the committee on that specific point?

The Convener: Yes, that would be helpful. Do you have any further questions, Pam?

Pam Duncan-Glancy: Yes, I have questions on public debt, so I will move on to those. We have already spoken about the difference between the collection of public debt and private debt, particularly in relation to council tax. The Poverty Alliance noted that the situation is extremely complicated and it is difficult for people to understand their right to access council tax reduction, particularly when they slip in and out of having to pay that on the basis of their income. Would the Government support the proposal for local authorities to write out to people to make explicit their entitlement to a council tax reduction and also to write back to them when there are changes to that, so that people do not inadvertently fall into public sector debt?

Robin Haynes: Council tax reduction is a sophisticated scheme that seeks to target need and household circumstances with support as closely as possible, based on income and savings.

To unpack that a bit, it is easy to calculate income for some of the civil servants who are in front of you. We have one job, get a yearly salary and get a P60. However, for those who are in more complicated circumstances, such as somebody who is on universal credit, has a number of zero-hours contract jobs and a little bit of income that fluctuates, defining income is achieved within the council tax reduction system. Presenting that to individuals in a pro forma, which might even be recalculated monthly, would risk deluging everyone who gets council tax reduction with an awful lot of paperwork every month.

That is why local authorities choose to provide summaries of entitlement when they issue council tax bills. However, they would also argue that, to varying degrees of effectiveness, they support people in accessing the reduction. The bottom line is that it is in no local authority’s interest for someone who should get council tax reduction to fall into arrears when they should get the reduction.

It is a tricky balance, but there is a risk of deluging people with too much information. If someone is uncertain about how their council tax reduction is calculated, local authorities should help them to understand the calculation.

Shona Robison: Perhaps we could pick the matter up with COSLA and discuss whether there are ways that we could work together to promote information. I know that that is a bit different from writing to individuals, but there might be complexities around doing that that would generate numerous letters weekly. That might be difficult for people, rather than helpful. However, I take the point about making sure that we provide clear information to people in case they are slipping through the net. As Robin Haynes said, it is not in any local authority’s interest not to ensure that people are aware of the council tax reduction scheme.

If there is more that we can do to promote information and clarity, I am happy to pick that up and discuss it with COSLA.

Pam Duncan-Glancy: I appreciate that commitment, cabinet secretary. I take the point about striking the balance and not deluging people with a lot of information and letters. People do not want any more letters than absolutely necessary. If we can get the right balance between that and the current situation, which appears to be that people do not quite get enough information, that would be helpful.

My last question relates to social care charges. Is the cabinet secretary in a position to update the committee on whether she is aware of the number of people who are in debt because of such charges?

Shona Robison: I do not have that information to hand but we could certainly furnish the committee with it as a follow-up, if that would be okay.

The Convener: That would be helpful. Thank you for that.

I have a question on the arrestment of wages. We heard from a number of people that the amount of money that people were being left with in the bank after the arrestment of wages for debts was not enough for them to address their immediate needs and that no consideration was given to the composition of the household and whether it was a single person or, indeed, somebody with a big family. Is there anything in the Scottish Government’s powers that it could use to mitigate that?

Tom Arthur: I am conscious that there was stakeholder interest in that matter. As the committee will appreciate, there is a degree of complexity around it but I am happy to take it away and consider it carefully. With any such matter, given the complexity, we must always be careful that we do not end up creating unintended consequences. Having said that, I am happy to consider the matter as part of the broader work that we are doing in our wider review of statutory debt solutions.

I invite Alex Reid to comment.

Alex Reid: That issue could form part of the review of diligence that is under way. The earnings arrestment issue is slightly different to the bank arrestment issue, which is being addressed in part in the Coronavirus (Recovery and Reform) (Scotland) Bill. The calculation of the bank arrestment protected minimum balance is separated out from earnings arrestment but there could be separate issues to consider on earnings arrestments.

The Convener: Thank you very much for that. I would appreciate you coming back to us with some information on that, as you said, minister.

My final question relates to the Scottish welfare fund. We know from the evidence that we have taken that it is used extensively. Is there any update on how the review of the fund is progressing?

Shona Robison: The fund is important, as you said. Many local authorities top it up, which is making a big difference in these difficult times.

The independent review, which was externally contracted, is under way. The first phase of research is nearly complete and the second phase will begin next month. The aim is to develop a credible evidence base that can inform future policy improvements, including any decisions about the level of funding, the delivery of the fund and the criteria and guidance for it.

There is a keenness to get it done as quickly as possible, but it is a substantial programme of work. It includes a review of the existing evidence as well as qualitative research with all 32 local authorities, key stakeholders and, importantly, applicants to the fund. It will take several months to do work of that scale and complexity properly. We need to do it once and do it well so that it generates reliable conclusions that are based on credible evidence. We expect that the final report on findings will be published early next year.

I should also say that the review is being supported and guided by a review advisory group, which includes representatives from a range of internal and external stakeholders. However, I am happy to keep the committee apprised of its progress.

The Convener: Thank you very much for that. That was helpful to hear and we would appreciate being kept in the loop with it.

I thank the cabinet secretary, the minister and their officials for coming along.

That concludes the public part of the meeting. We move into private.

10:57

Meeting continued in private until 11:34.

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