



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Justice and Social Security Committee

Thursday 22 September 2022

Session 6



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SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE

23rd 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)

*Foyso! Choudhury (Lothian) (Lab)

*Pam Duncan-Glancy (Glasgow) (Lab)

*Paul McLennan (East Lothian) (SNP)

*Emma Roddick (Highlands and Islands) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Paul Bradley (Scottish Council for Voluntary Organisations)

Sara Cowan (Scottish Women's Budget Group)

Dr Alison Hosie (Scottish Human Rights Commission)

Ed Pybus (Child Poverty Action Group in Scotland)

Morag Treanor (Poverty and Inequality Commission)

CLERK TO THE COMMITTEE

Claire Menzies

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 22 September 2022

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Elena Whitham): Good morning, and welcome to the 23rd meeting in 2022 of the Social Justice and Social Security Committee. Our first item of business is a decision on whether to take item 3 in private and whether to consider pre-budget correspondence or our report in private at future meetings. Do members agree to do so?

Members: *indicated agreement.*

Pre-budget Scrutiny

09:00

The Convener: Before we turn to the main item on our agenda, I can confirm to the committee that we have published our report on kinship care, which is now available on our website. There has been some social media activity about it, and I encourage you all to share that if you can—that would be fantastic.

Our main item of business is the first of our pre-budget scrutiny sessions. The focus is on the resource spending review and its impact on poverty, as well as the forthcoming equality and fairer Scotland budget statement.

I welcome our first panel: Dr Alison Hosie, research officer at the Scottish Human Rights Commission, and Sara Cowan, co-ordinator of the Scottish Women's Budget Group.

I have a few points of housekeeping to mention before we kick off. Please allow our broadcasting colleagues a few seconds to turn microphones on before you start speaking and ensure that you can see the chat box in the corner of your screen. If you put an R in the chat box, which I have on my screen, I will bring you in as appropriate. Natalie Don, who is a committee member, also joins us remotely, so I will be keeping an eye on that.

We have about an hour for the first panel. I invite members to ask questions, starting with my colleague Emma Roddick, who will come in on the theme of poverty as a rights violation.

Emma Roddick (Highlands and Islands) (SNP): My first question is for Dr Alison Hosie and is about the human rights approach to budgeting. What is your take on how the Scottish Government is directing support to Ukrainian refugees through access to housing and social security? Do you consider that to be a human rights approach?

Dr Alison Hosie (Scottish Human Rights Commission): Thank you for the invitation to speak to you and for that first question.

The Scottish Government has chosen to focus on issues that concern human rights, but I do not think that it has taken a rights-based approach to its decisions. I hope that that makes sense. The Government does not currently treat poverty as a rights violation. There is growing acknowledgement of human rights concern about poverty, but that is not yet translating into meaningful accountability. We would like the Government to think through what its rights obligations are before it makes decisions about priorities.

In the current situation with Ukrainian refugees, budget decisions have to be made under time pressure. Those decisions are well meant, but the Government is not taking a structured approach at the moment.

Emma Roddick: In relation to alternatives within a fixed budget, we have just seen the new programme for government. Is there anything in there that you consider to be gratuitous, in the sense that the money should have gone towards tackling poverty?

Dr Hosie: I cannot make an adequate assessment, because I do not know what the workings are in the margins. I have not seen evidence of how the decisions have been made. Without knowing how they have been made or what processes have been used, there is no way of giving a considered opinion about whether the Government's choices were made using a human rights approach.

The briefing by the Scottish Parliament information centre gave the example of the prioritisation of wage increases over spending on employability. In order to assess whether that was a correct decision, I would want to know whether the Government envisages reinstating employability spending and who will be affected by the decision to change from an employability focus to one on wage enhancement. Who benefits from employability spend? Is it women, parents—including lone parents—or people with disabilities? Are those the same people who will benefit from wage increases?

I am not pre-empting the answer to those questions. I do not know, because I have not seen how the Government came to that decision. If an assessment was done, nothing was published, and we must therefore assume that, if such an assessment is not in the public domain and is not available to us, it is not transparent. Your question is about whether other options were considered. We do not know what other options were considered or whether other areas of spending could have been cut before those cuts were made.

I know that it is difficult in Scotland, but we consistently come back to the need to look for more resources through taxation. We do not use the powers to the maximum at the moment. I am sure that we will come back to that later when we discuss the generation of resources. We have a human rights obligation to look at all sources of resource generation before we make cuts.

We do not know what process the Government used, so we cannot give a considered opinion about whether different decisions could have been made in other areas of the budget.

Emma Roddick: That is really helpful.

The Convener: Thank you for that answer, Dr Hosie. My colleague Pam Duncan-Glancy will come in on that theme.

Pam Duncan-Glancy (Glasgow) (Lab): I thank Alison Hosie and Sarah Cowan for joining us and for the information that they submitted in advance, which is, as ever, really helpful.

My first question is for Alison Hosie, but Sarah Cowan might also want to comment. Has the Government maximised its available resources to deliver on human rights outcomes?

Dr Hosie: I will give a non-politician answer: no. That is the straight answer.

In relation to the recent review of the tax framework and the new principles that were put into it, there was a missed opportunity to have a core principle that the Government must maximise its available resources in order to generate the resources that it needs.

When we start to budget, all the portfolio areas work out how much money they will have and the budget is divided up. We do that rather than thinking about what we are trying to achieve, the outcomes that we want the budget to service, the policies and programmes that we need to put in place to do that, how much that will cost and how we will generate the resources to meet that cost. We do not use that process at the moment. I like to think about a pie. We do not start by asking whether our pie is big enough. Instead, we say, "Here is the pie and that's your allotted slice."

We have a lot of options, though not as many as we would like because of the reserved and devolved nature of taxation. We need to be politically bolder in taking the opportunity to review our tax options, particularly on local taxation. I am always amazed by the fact that the Cabinet Secretary for Finance and the Economy was a year old the last time council tax bands were reviewed. There has been a lot of discussion about how we could do things better; we need to get on with it.

We could be looking at how we tax wealth versus how we tax income—our approaches are very different. We could be looking at local taxation. I am not a tax expert and cannot suggest which policies would be best, but the Government should be looking at those issues and doing so with its human rights obligations in mind.

Pam Duncan-Glancy: That was really clear. Sarah Cowan, do you have anything to add?

Sara Cowan (Scottish Women's Budget Group): I very much agree with what Alison Hosie said about maximisation of resources, but I will add an equalities perspective to that. In Scotland, as in the rest of the United Kingdom, we have unequal taxation of income as opposed to wealth.

That tends to represent a tax break for wealthy men. There has been progress in Scotland, with a progressive look at income tax, which has led to more low-income women not paying as much tax. However, we need to look at what further can be done on potential wealth taxes and, as Alison Hosie said, on local tax reform, because we see the regressive nature of that for households.

Pam Duncan-Glancy: Sara, in your written submission, you talk a lot about unpaid carers and the impact that the care economy can have on women's poverty. What support for unpaid carers have you been able to identify from the budget?

Sara Cowan: Do you mean the resource spending review or this year's budget?

Pam Duncan-Glancy: The spending review.

Sara Cowan: In the resource spending review, there is a welcome prioritisation of health and social care, and an announcement of an increased investment in health and social care, which could bring benefits to unpaid carers. At the moment, however, it is unclear how those funds will be spent and where they will be prioritised within health and social care. There is not enough detail in the documents about the impact not just on unpaid carers, in particular, but across the board for people who are receiving support.

Although the commitment to increased investment is welcome, it has, as we have said, come off the back of years of underinvestment in and undervaluing of the care economy—and of social care, in particular. A lot more investment is going to be needed if we are to make substantive impacts on people's lives and reduce unpaid care, which, as you have mentioned that we highlighted, often falls to women.

We are undertaking some research, which we hope to be able to share with the committee in the coming months, on what you have been talking about and on how much more investment is needed, so that we can put some figures to this and share what we think is needed to change the dynamic. Just now, our care system relies on unpaid care. There is a need to shift the dynamic so that the social care system is there to support people and to provide choice for those who want to care alongside it.

Pam Duncan-Glancy: Thank you for that. I have no further questions in this area.

The Convener: Thanks for that, Pam. Do you want to go on to the next theme on the list, which is human rights and equalities budgeting in a crisis?

Pam Duncan-Glancy: Absolutely, convener.

Have either of you been able to analyse the recent £53 million of cuts in employability support

that were announced by the Deputy First Minister? Could those cuts represent a retrogression? Do you have any concerns around that?

Sara Cowan: As was said earlier, we have not had the chance to do any further analysis on those cuts, but the key concern is that there has been no information about the analysis that was conducted by the Government in making the choice to cut funding for employability. We would welcome sight of that.

With any budget decision, there should be transparency and accountability in all the documentation. We would, for example, like to see the equality impact assessments that have gone into making decisions. We are concerned that particular groups of people who find it particularly difficult to be in the labour market will be impacted by the cut in employability, including groups of women such as single parents, disabled people and carers.

We are also concerned that, if the cut was decided on because of the focus on wages, there is still a group of people whom those wages might not be reaching. We need to see more analysis in order to understand how they will be affected.

09:15

Dr Hosie: I will add a concern to the comments about who does not benefit from the cut to employability support.

The child poverty strategy is not just about alleviating poverty but about helping to prevent it. Supporting more parents back into employment and having more people contribute to the tax base are part of supporting people in order to prevent poverty.

We saw Audit Scotland's briefing on child poverty this morning. The fact that almost one child in four is in absolute poverty is a shocking state of affairs, but that was the figure prior to the pandemic and the current cost of living crisis. We have a target to reduce absolute poverty to 18 per cent by the next budgetary cycle, and the level is currently at 23 per cent. In removing a focus on employability from the strategy, we are skewing towards lifting people out of poverty. Although that is important, it does not help with tackling the structural issues that create poverty in the first place and does not help in supporting people out of poverty, if that makes sense.

Removing employability support removes a poverty prevention lever. With a social security focus, we are inviting a higher burden on the Scottish Government through social security payments, which are not covered by the Barnett formula, while, possibly, ensuring that less tax comes in, because we are not focusing on helping

people into employment. A human rights assessment would necessitate an explanation of what funding could have been diverted away from other areas that were not essential so that the cut to employability support could not have been made. However, as I and Sara Cowan have said, we need more information to make that assessment.

Pam Duncan-Glancy: Thank you. That has come across in what you have said and in the Audit Scotland report.

What engagement did you have with the Government on the spending review in June and with the DFM on the Government's announcements two weeks ago?

Dr Hosie: With a small team that is massively under capacity, we did not have time to respond individually on the spending review, but I responded through my involvement with the equality budget advisory group.

It was not a brilliant process; we did not have great engagement. We have done a lot of really good work with EBAG over the past two years and there has been a lot of recognition from the Government about the need to improve fiscal transparency and participation in the budget process. We are waiting for its responses to the recommendations that we made in July last year, which are due soon. There has been a lot of recognition from Government that those are the things that it needs to do, but its approach is to get through the resource spending review and then think about things instead of applying some of the recommendations to the first review in 10 years.

The review was disappointing. The phrase "human rights" was mentioned once but not in relation to the legislation that is forthcoming in this session of the Parliament. We are about to incorporate and implement human rights treaties; that is one of the biggest changes in the human rights landscape in Scotland since devolution, and it will take significant resource for capacity building with public bodies to ensure that the legislation is implemented. However, that did not feature at all. As this was a spending review for the period until the end of this session of the Parliament, it should have.

Pam Duncan-Glancy: Thank you, Dr Hosie. Do you have anything to add, Sara?

Sara Cowan: I echo that perspective. We are members of the equality budget advisory group, too, so I was involved in those conversations. We also contributed to the formal consultation on the resource spending review framework at the end of last year or the beginning of this year. Beyond that process, however, there was no formal engagement on the mid-term announcements that were made a couple of weeks ago.

The Convener: Thank you for that.

Our next theme is changes to the budget process. My colleague Natalie Don, who joins us remotely, will kick off the questions.

Natalie Don (Renfrewshire North and West) (SNP): Good morning, panel. We have already talked about briefly about this, but a lot more budget information is published now, including the Scottish Fiscal Commission forecasts, reports on benefits uprating, the medium-term financial strategy, the fiscal framework outturn report and the equality and fairer Scotland budget statement.

Sara, I believe that you have made some reference to that in your written submission. To what extent do you feel that that information has improved the budget process, and where is there still room for improvement?

That question is for Sara first of all, as I specifically referenced her.

Sara Cowan: The more information we have, the better, so it is an improvement to have more publications. However, we still feel that we are probably only halfway there with regard to what we would like to see. I will focus my answer particularly on the equality analysis dimensions and documents that we would be keen to see and which would feed into the equality and fairer Scotland budget statement.

As I mentioned earlier, transparency and accountability in how decisions are made is key and what is really important is that, instead of seeing it as an end output, we see the equality and budget fairer Scotland statement as a process for bringing together the analysis that should be done in the decision-making process from start to finish on the budget and on other policy considerations.

We would like a lot more access to information, particularly the equality impact assessments of the decisions that are made. In the resource spending review, there was a commitment that that information would be published from this budget onwards. We really welcome that and hope to see it in the next budget.

That said, we are a little concerned, because, in the announcements a couple of weeks ago, that information was not provided. We hope that the changes will come through in this budget and that information on that equality analysis will be provided. It is really important that it comes through in each of the stages. As Alison Hosie has said, it would have been really great to have seen that in the resource spending review, because it would have fed into each on-going budget process and would have meant that we would have had a cumulative process instead of our having to start from scratch each time. We could have a

cumulative process that developed, with the understanding developing around it, too.

Natalie Don: Thank you, Sara—that was very helpful. Dr Hosie, do you have anything to add?

Dr Hosie: Yes—data is one of my favourite topics.

It is difficult to measure and make an assessment of the impact so far of those documents on the budget process, because they are so recent. However, they are positive steps, and it is encouraging that the Government has listened to a lot of what EBAG and the Scottish Fiscal Commission have been saying over the past few years about the need to produce more data.

A few years ago, we did a piece of work, reviewing the open budget survey, which is a global indicator of fiscal transparency, participation and accountability in the budget process. Scotland, with its subnational level budget, cannot be involved in the survey—it is the UK that is assessed—but the organisation that runs the survey helped us follow its very strict methodology so that we could review Scotland against the global criteria. The review showed that, whether or not it does so internally, Scotland still does not make publicly available four of the eight key documents that are internationally recommended for fiscal transparency.

For example, we are missing a regular citizens budget that is made prior to the budgetary decisions and which enables people to participate in decisions before they are finalised. We are also missing in-year and mid-year reporting, as well as the pre-budget statement. We have the programme for government so, to a degree, the pre-budget statement itself is not of great concern, but the other three documents are a concern. As that is internationally recognised best practice with regard to documentation for fiscal transparency, we would like the Government to commit to its own review of the open budget survey every couple of years, so that it can compare itself internationally and see where we stand in relation to our fiscal transparency.

Level 4 data is great, and it is really good to have that information, but we can only ever see what the changes are on a year-on-year basis. As part of a project that we carried out a few years ago, we tried to look at the budget across the parliamentary cycle of four or five years, but all we could ever find was year-to-year data, so we literally had to do a lot of manual manipulation of massive Excel sheets as we tried to put together where the money was that had been moved because of changes to portfolios and committees. We could not match up spend from year 1 to year 5 for more than half the budget, so it was

impossible to follow the budget process through the parliamentary cycle to look at the impact of decisions. We would like to see that sort of time-trend data.

When we look at the available data on real-terms change versus cash-terms change, it is important, especially now with the rate of inflation, that we understand the real-terms change in the resources that are available to people. On a year-on-year basis, if there is no change, the line is flat; however, no change for five years is actually a massive change. There are things that we cannot easily see, because of how the data is presented.

Often, what matters most is what is actually spent. Has the Government spent the allocated funds? If it has not, it has not made the maximum available use of its resources. We need to know whether the Government has spent what it said that it was going to spend over the year. If the allocated funds have not been spent, how have they been reallocated, and was the reallocation process transparent, participative and accountable?

For that analysis to be possible, we need to be able to easily access and track data on unspent funds in the Government's budget. That is where the in-year and mid-year reports, which we do not have access to, are important.

That is probably enough from me on data. We understand that the Government's Scottish exchequer project on fiscal transparency is a big five-year one, and we welcome that, but at the moment it is very difficult to have good budget analysis.

Natalie Don: There was a lot in there, and it leads me on to my next question. We have talked briefly about maximising budget resources and considering different or alternative options for taxation and such things. Dr Hosie, I know that the SHRC recommended zero-based budgeting. Can you describe the scale of such an exercise and how it would take account of fixed costs in the Scottish budget such as public sector pay and social security?

That question is for Dr Hosie first, and then Sara Cowie can come in if she has anything to add.

Dr Hosie: By its very nature, a zero-based budgeting exercise requires taking the whole budget process into account, and it would likely take several years to conduct, due to the amount of evidence on process and procedure that is required. It stems from the fact that the Scottish Government has had the same budget cycle structure in place for the past 25 years, which has left it no longer reflecting the growing needs of Scottish society.

Structural issues such as yearly budget cycles, insufficient input of data and evidence on budgetary decisions and a lack of cumulative impact reports give rise to the need for a new modern approach to budgeting at national and local level. However, that is not to say that some of the practice and areas of spend, including what we know will remain as fixed costs in a budget, cannot be maintained.

At its heart, a zero-based budgeting exercise dictates the need to pull apart the current process, reassess what elements work well, assert whether it fulfils Scotland's published national outcomes and identify what in the process acts as a barrier to further fulfilment. Such an exercise could be highly impactful, but it would require a lot of time and sufficient analysis of the current budget cycle to take place. For that reason, it would need to happen alongside what is already in place, with any changes made incrementally. That would minimise the disruption that would be caused while allowing for a wider holistic and more structural view to be taken with regard to matching up Scotland's future interests and needs in the new budgetary process.

09:30

It would almost require going back to the drawing board, so the scale is big—I am not denying that. It probably needs to be a three to five-year project to test which parts of the Government budget fulfil our national outcomes and which parts of the process act as barriers. The idea is that you would run the current budgetary process at the same time and then, slowly and incrementally, make those changes. That does not mean that you would throw out factors such as fixed costs, which have to stay, and pay awards, which stay the same. For certain elements, you would just have to say, "Yes, that works. We've got that in the right way." However, without taking a step back and looking at the concept, we will not get anywhere new. We have been tinkering with budget changes, but we need to take a wholesale look at what we do, find out what works and what does not and think about how we could do it better.

Natalie Don: Thank you. I will bring in Sara Cowan.

Sara Cowan: I do not have too much more to add, but I would just highlight the EBAG recommendations on building greater focus on equalities and human rights into the budget process. A key element of those recommendations was establishing leadership and support for such mechanisms. You would need strong backing to undertake a process such as the one that Alison Hosie has just outlined and to be able to commit the time and build the capacity, right across the

board, of those who would work on it and who would be able to take on the variety of issues that would be considered.

Natalie Don: Thank you. As my final question was answered in the previous responses, I will hand back to the convener.

The Convener: Thanks for that, Natalie. We move to questions on the same area from Foysoil Choudhury.

Foysoil Choudhury (Lothian) (Lab): Good morning, panel. I will put Dr Hosie in the spotlight again. The committee has heard again and again, particularly when discussing equalities matters, that there is not enough data or that data is not collected. How much progress has been made in improving data sources on equalities?

Dr Hosie: You can put me on the spot, but Sara Cowan is probably best placed to answer in relation to data.

From a rights perspective, equalities is an area in which we really need to understand who the most marginalised people are and who is most in need. We do not regularly have that level of data available to us.

The coronavirus times showed us, very quickly, that massive inadequacies exist—for example, in relation to minority ethnic groups—and that there was a lack of available information that would enable us to make quick decisions. Part of the focus of the SPICe briefing that we have before us is on the need to make quick decisions and on the problems that can be created if we do not already have a good understanding of current situations, through such data, to enable us to make such decisions.

I will hand over to Sara Cowan, who knows more about the area than I do.

Sara Cowan: Building on what Alison Hosie has said, there has been progress on some core bits of data, but what is really lacking is a full intersectional look that would enable us to do more detailed analysis.

We can see progress on getting sector-segregated data, and a Scottish Government team has been looking at distributional analysis. Within its work it was able to pull out that it could undertake such analysis, examining the sectors of age and sex together, and potentially age, sex and disability. However, it also said that further work on examining religion, ethnicity and other protected characteristics did not look to be feasible. Therefore more needs to be done to get the fuller picture from people.

As Alison Hosie said, it is particularly important, in these times of crisis—which we seem to have been going through for years now, moving from

Covid into the rising cost of living—to see that similarly marginalised groups are being impacted most. We do not have enough data on those groups. In particular, we need data on ethnic minority women or disabled women, who might be most marginalised by the impacts of the rising cost of living and were also hardest hit by Covid.

I would also add that on top of getting the data—which is crucial—we need to ensure that it is used correctly and that it goes on to be analysed fully.

In equality impact assessments, I have seen examples of where there is data on the point being considered—for example, data on the workforce—but that data has not been used for the next step, which is analysis.

In the impact assessment that was published alongside the National Care Service (Scotland) Bill, there was data on the workforce, but we did not feel that the analysis carried that data into what was needed for the impact assessment. It was recognised that the vast majority of the social work workforce is made up of women, but the analysis said that no one with protected characteristics would be impacted and that the impact on everyone would be the same. However, the fact that the majority of the workforce are women means that any change would have a gendered impact. Getting the data and building capacity around the analysis of it is crucial to ensure that it appropriately used.

The Convener: The committee continually hears about the mainstreaming of equalities and the use and application of data once decisions are made. As everybody knows, I will talk about the need for gendered and disaggregated data, and about how that can be applied in an intersectional way, until the cows come home.

We will move on to questions about council tax. Paul McLennan will ask the first question on that theme.

Paul McLennan (East Lothian) (SNP): My question is about tax policy more generally. Dr Hosie, you touched on the importance of tax policy before, and said that

“the Scottish Government’s focus would be more effectively spent on seeking to raise revenue than to believe the funding gap can be closed through efficiency.”

I would like to touch on that. We face a cut of almost £1.7 billion in the coming budget, because of inflation, which we have no control over, so raising taxation revenue is important. Sara Cowan, you also mentioned the impact of tax, and have stated that

“there is a need to embed human rights and equality as an overarching priority for Scotland’s public spending and revenue raising decisions.”

I am keen to touch on specific issues and also about the issues for women, which you have mentioned, but my questions, which I will roll into one are these: what principles should underline tax policy, what kind of impact analysis would you expect to accompany that tax policy and are there any specific proposals that you would like to see in relation to tax in the 2023-24 budget?

Dr Hosie: As I said, when we responded to the consultation on the draft framework for tax we agreed with the principles. They were not phrased in terms of a rights-based perspective, but in essence, they were grounded in rights obligations regarding participation, maximisation of available resources, fairness and proportionality with regard to ability to pay. However, I felt that explicit reference could have been made to the maximisation of available resources. It is a current obligation because we are signed up to the International Covenant on Economic, Social and Cultural Rights—through the UK, and that treaty will also be incorporated into the new Scottish human rights legislation—which contains an obligation to maximise available resources.

We do not immediately look to where we can raise additional resources. The Government hides behind the genuine limitations on tax that exist because of what is devolved and reserved, but I think that we could be more politically bold. We need to challenge the Government by asking whether it has looked at every available option before thinking about cuts.

Tax revenues are the main source of income for Governments to facilitate the execution of their legal obligations to protect, respect and fulfil human rights. Taxation policy therefore plays a key role in the progressive realisation of rights. In order to maximise available resources, the Government has to start by asking whether every effort has been made in every budget to maximise the budget, rather than simply accepting the total. It has to ask whether all taxation options been looked at and further questions such as whether all the Government’s current proposed tax options are progressive. Once the decision has been made to look at different options and where the resource is generated from, the issue is about whether it is done fairly and whether particular groups are impacted differently, in addition to what has been done to tackle tax evasion and tax avoidance. That is a favourite hobbyhorse of mine.

I know that His Majesty’s Revenue and Customs is responsible for compliance issues around tax evasion. However, when we did our project a few years ago, we extrapolated from UK data the approximate tax evasion cost to the Scottish budget, and it was between £3 billion and £7 billion. That is a staggering amount of money, which dwarfs the amount of money that we are

losing through inflation just now. At the UK level, the cost is £30 billion to £70 billion. If we can have more discussions with HMRC about the service level agreement that it has around compliance issues in Scotland and about what can be done, it would be of benefit to the UK budget as well as to ours.

There are good examples of work that has been done in other countries, particularly in Spain, around reducing the black market and the impact that that has on available taxation coming in, and how that countered the amount that they were cutting through their austerity budgets. That is important work to look at alongside the issues that I mentioned earlier around local taxation, how we tax income versus how we tax wealth, and council tax, which we need to do something about.

In relation to the analysis that was mentioned, there is good guidance from the former United Nations independent expert on foreign debt and human rights, Juan Pablo Bohoslavsky—I can never say his name right—who produced guiding principles for human rights impact assessments for economic reforms. I can send that information to the committee. The aim of the guiding principles is to provide effective and practical guidance and tools for assessing economic reform policies on the basis of human rights standards. It is really good and concrete advice about how to undertake that kind of process and the sorts of analysis that would be helpful in this particular situation.

Paul McLennan: I will pick up one point. You mentioned the genuine limitations of the devolved settlement. A prime example that you gave was HMRC. We have no powers in Scotland to deal with tax evasion, which costs us—as you suggested—£3 billion to £7 billion.

We have heard about discussions that the Scottish Fiscal Commission and the cabinet secretary, Kate Forbes, are having about flexibility and the fiscal framework. One point that we have debated and argued for is the ability to borrow more within that fiscal framework. I know that discussions are on-going at the moment. I am not sure whether you are aware of them.

Is there anything in relation to the fiscal framework, or around giving flexibility to the Scottish Parliament within the devolved settlement, that you think would be useful, specifically around the approach in relation to the social security budget?

Dr Hosie: In general terms, what with the number of pre-budget scrutinies that we have been looking at, we are now moving on to the fiscal framework. That is my job for next week.

Nonetheless, in relation to how the rest of the world has been dealing with the cost of living crisis and recovering from the pandemic, the key issue

is that they have all been using borrowing powers. The lack of them is, therefore, a significant limitation, and requesting that borrowing powers be significantly improved is a legitimate ask of the Government in the reassessment of the fiscal framework.

Paul McLennan: I put to Sara Cowan the same points around the principles, impact analysis and any specific proposals, particularly with regard to how they impact on women.

Sara Cowan: As many of the committee members know, the Scottish Women's Budget Group seeks gender equality through the process of gender budget analysis of both public spending and revenue raising, and intersecting that gender analysis into any proposals around tax. A gender and distributional analysis on any proposed changes to tax would be needed so that we could consider the different impacts of the changes on women and men, on those on low incomes, and on those across various ages, for example.

09:45

That analysis would be key to developing the policies that would work for equality through the tax system. As we have said about other points related to public spending, they need to be established in the decision-making process so that they are an on-going part of the process, both at the design stage and at implementation and review. That way, we can see whether central assumptions that were made in the impact assessment process are borne out or whether there were unexpected changes that require some kind of fixes to them. For those, it is necessary to have the data that we were talking about in the previous answer, but also to do that detailed analysis of where it goes.

I would also echo the points that were made earlier. There is progress around income tax but council tax operates in a regressive space, which is important. The Office for National Statistics demonstrates that households in the bottom quintile pay 4.6 per cent of their income on council tax, whereas those in the top quintile pay 1.4 per cent. You can look at the different distributions and review what can be done in the local tax space.

In the longer term, you could also look at how tax can be used as an action to tackle things such as the climate emergency. For example, powers around progressive carbon taxes could be designed to limit pollution and be part of a just transition—we would call for a feminist just transition.

On borrowing powers in the fiscal framework, I would just add that, to date, those powers are quite limited, and they are limited primarily to capital expenditure. Should there be changes, it

would be key for us that, wherever those powers lie, a form of gender intersectional analysis is applied in how they are used. We would also be keen to see powers that allow borrowing for social infrastructure as well as physical infrastructure. By that, I mean that elements such as the care economy. Care services are a part of vital social infrastructure and they support jobs within the social infrastructure.

I also second Alison Hosie's point about tax evasion and being able to avoid as much loss as possible within the system.

The Convener: We move to our final theme for the panel, which is the equality and fairer Scotland budget statement. To start the questions, I will hand over to my colleague Jeremy Balfour, and then to Foyso Choudhury.

Jeremy Balfour (Lothian) (Con): Good morning, panel. I find your answers so far very interesting, and they lead me to two questions. I will start with Dr Hosie for my first question.

In any human rights-based budgeting with a fixed budget, somebody loses out. If I give more money to people with disabilities, am I not taking money away from, for example, people with gender issues? How do you balance that in practice? Are you simply looking for information on how we came to our decisions? How do we not end up always discriminating against somebody because of the way we have set our budget?

Dr Hosie: It is a good question. It goes to the heart of why human rights budgeting is done. It is not a silver bullet; it does not cure everything. It is about putting in place the best systems and processes so that we can understand that what we are doing will at least predict to a degree the potential impact of the budget decisions that we are taking, and that those decisions are grounded in our obligations.

The Government has obligations in relation to economic, social and cultural rights and the realisation and fulfilment of those rights. We have what is called the minimum core, which is the minimum level of those rights that we are meant to fulfil. From a rights perspective, that is where I would start. I would look at the existing evidence and ask whether we are achieving the minimum level. Whatever resources we have, whatever crises we are in or whatever good times we are experiencing, we must achieve that minimum level. However, it is a floor and not a ceiling, so we are obliged to examine how we can continually improve our services and outcomes.

Part of the budgeting process over time is about seeing those improvements. However, we must always ensure that the most marginalised and the minimum core are satisfied and that we focus on the most vulnerable. That provides a process

through which to make transparent, fair and participative decisions. When you make decisions within that type of structure, you are examining all the available evidence, where the need is greatest and where rights need to be respected. Where priorities have to be set, it makes those decisions transparent, even though they might still not be easy.

There will always be winners and losers in a budget but that process is based on your obligations. It is based on what you need to do rather than on arbitrary decisions. We do not necessarily have the evidence that is required to make such decisions and a rights-based approach to the budget. However, as we have said a lot today, we want that to improve over time.

Jeremy Balfour: That leads me nicely to my next question. First, somebody could listen to today's evidence and think, "That's all very well, but impact assessment is a paper exercise and what difference does it make to a disabled person in Inverness or to somebody from an ethnic minority in Dumfries?". Will you give me a bit more on how it makes a difference to the average person?

Secondly—this is asking you to speculate—if, as the Scottish Government intends, we incorporate human rights treaties into Scots law, would that mean that individuals could challenge the budget in court if their equality characteristics have not been properly defined? Do you envisage it ending up with legal cases against the Scottish budget?

Dr Hosie: On the first question, about impact, I saw that the SPICe briefing asks:

"How can we ensure that impact assessments are more than just 'paper exercises'?"

The tone of the question is fair enough. It is a fair criticism to make of measures such as equality impact assessments and rights impact assessments, and it is fair to ask what difference they make to people. It comes down to education, awareness raising, culture change within decision making, ensuring that the tools are used effectively and how the people who conduct the assessments do them. It is about internal awareness raising throughout the Parliament, the Government and the different public bodies that will conduct such assessments. It is not just about saying to public authorities that they should go off and do the new children's rights and wellbeing impact assessments, for example, without any training or capacity building around them.

We will never ensure that every impact assessment that is carried out is done perfectly, but we can put in place the best kind of systems and training available to ensure that we are doing everything that we can to reach that goal.

However, it is about culture change, so we should be asking much more about what awareness there is of how to conduct impact assessments in Government or the Parliament. Who on the committee would feel comfortable just now to go away and do an equality and human rights impact assessment? I would not. I would want more training and I work in human rights.

It is important that we have a good understanding of how to undertake such processes to have impact for people. Until it is understood that the human rights and equalities impact of policy decisions and spend are critical to informing the decisions that we take, rather than being a siloed process that we have to undertake and can do after the decisions have already been made, the perception of impact assessments as paper, tick-box exercises will not change. When it is understood that understanding the potential impact before decisions are made makes for better decisions, we will be able to say that impact assessments are more than paper exercises. If they are valued, that is the cultural change that we need to see, and good impact assessments engage with people with lived experience; they involve people whom decisions are going to affect, so better decisions are made.

I have now completely forgotten what your second question was.

Jeremy Balfour: I asked you to speculate about whether that could, in the future, lead to legal cases against budgets.

Dr Hosie: One of the most distinctive features of a human rights-based approach to poverty reduction, for example, is that it is based on the norms and values that are set out in international law. The rights and obligations demand accountability so, when a Government talks about rights, those rights are no more than window dressing unless they are supported by a system of accountability. Currently, in Scotland, there is an accountability gap between international and domestic legal protections, and we hope that the new legislation will bring with it access to justice.

It is not just about court cases. The judicial remedies need to be there, but there are also quasi-judicial processes through ombudsmen. There are administrative routes, through the preparation, publication and scrutiny of impact assessments, and political routes through parliamentary scrutiny and processes. The judicial route is one route of access to justice and, yes, theoretically, one of the important aspects of having the domestic protections is that there is a legal backstop, but that does not mean that we want everything to end up in court. It is about changing the culture and improving the structure and processes, so that we end up not in court but

with a budget that, in its development, takes human rights and equalities into consideration.

Foyso Choudhury: How effective are impact assessments as an exercise? How can we better ensure that they are taken seriously and not seen as just another hoop to jump through?

Sara Cowan: To build on what Alison Hosie has said, it is about seeing the assessments as integral to the budget decision-making process, rather than as something that is done at the end. A lot of the challenges about impact assessments being ineffective have been made when they have been retrofitted to a decision that has already been made. However, if they are used throughout the decision-making process, and if data is brought in, they become much more effective. If there is no data, it is possible to get information by going to civil society organisations or engaging directly with people with lived experience around the issue. That is why we really need to move into the process of using assessments in that way, so that they inform decisions and can also be used to review them.

If assessments are done at the end of a process, when a decision has already been made, it lessens their impact and degrades the whole process. It makes the process not a serious part of the decision making and just an add-on. It often means that existing structural inequalities become entrenched, because the process does not look at how a policy, such as the decision to freeze train fares, impacts on men, women and disabled people differently. Who is using trains? Does the financial input that goes into freezing train fares make a difference for people who use bus services? Will there be a similar, additional investment for people who use bus services? We know that women and disabled people are more likely to use bus services as a form of public transport. When that particular decision was being made, how were the different uses of public transport brought into it, in order to consider who would benefit most and whether the decision would entrench any existing inequalities?

10:00

The Convener: I have a final question for the panel, about something that we have not yet picked up on.

The national performance framework is high level. In general, its 81 indicators are statistical measures that indicate broad trends. What is the best way of using the NPF to inform the scrutiny of this year's budgetary decisions? As well as those that will be taken in the Parliament are those that will be taken by local authorities and their partners for local outcome improvement plans and community planning partnerships. How do we

make sure that the NPF directs and informs those budgetary decisions at a much better level than is currently happening?

Dr Hosie: The quick answer to that question about the best way to use the NPF to inform scrutiny of this year's budgetary decisions is to link the NPF indicators to budgetary decisions.

Currently, there is no connection between the NPF and the Scottish budget. As far as measuring progress goes, we need to have a rethink and, now that the NPF is being reviewed, this is a good time to do that. What outcomes are we trying to achieve? What are we putting in place to achieve them? What resources are we putting in, and how do we generate those? There is a linkage. How do the national outcomes link to the programme for government? All of that needs to be better linked to the budgetary decisions that are being made.

Right now, in the EFSBS, connections are made, in that portfolios talk about the national outcomes—and human rights—that are relevant to their area, but there is no depth of analysis; they go no further than just mentioning that those areas are relevant to their portfolios. That is because the two frameworks are not connected. We need to connect budgetary decisions to the NPF outcomes.

The Convener: That is a fantastic short answer. Sara Cowan, do you have anything to add?

Sara Cowan: No, not really. The national outcomes are supposed to be a demonstration of what we as a society value, and the budget should look at how it spends on our values. The connection is vital. I second the point that Alison Hosie has made.

The Convener: Thank you very much for that, and thank you both for coming along and sharing your thoughts and insight in giving evidence. It has been very helpful. I suspend the meeting briefly, to allow for a changeover of witnesses.

10:02

Meeting suspended.

10:06

On resuming—

The Convener: Welcome back.

I welcome our second panel: Ed Pybus, policy and parliamentary officer, Child Poverty Action Group in Scotland; Morag Treanor, deputy chair, Poverty and Inequality Commission; and Paul Bradley, policy and public affairs manager, Scottish Council for Voluntary Organisations. Thank you for coming along, and it was great to

see that you were in the room during the first session, to hear the evidence.

Our first theme is about the impact of the cost of living on individuals and organisations. To start us off, I turn to my colleague Emma Roddick.

Emma Roddick: My first question is for Paul Bradley, but either of the other witnesses might want to jump in as well. Across my region, quite a lot of commercial businesses have had to close their doors because of rising energy prices. How badly affected are third sector organisations?

Paul Bradley (Scottish Council for Voluntary Organisations): Just like businesses, voluntary organisations have not been able to access a price cap for their energy, so that has been a big issue for them. Basically, they are left exposed to the cost of energy. Clearly, we welcome the UK Government's intervention, which it announced a couple of weeks back, with more detail yesterday. That will make some difference to voluntary organisations.

Through research that has been brought up by our third sector research tracker, we know that rising costs are now the number 1 challenge for voluntary organisations in Scotland. Although that stretches across the board in a range of different things—such as transport costs, suppliers, materials, rents and so on—the two big ones, around which there are significant challenges, are energy and staffing costs. Around 53 per cent reported significant rises in energy costs, whereas, in spring, that figure was at around 30 per cent. There has been a significant increase.

From the data that we have looked at, it is interesting that the organisations that are struggling the most with rising costs are the most likely to see rising demand for their services—and also to be unable to meet that rise in demand. That is not just about new demand; they are also now saying that they are unable to deliver all the planned work that they had originally set out for the year. What that means for individuals is that the organisations that people and communities rely on most to support them through the crisis are not able to provide the level of support that is needed.

There is another link between the impact on organisations and the effect on individuals; we have to remember that voluntary organisations employ more than 135,000 people, which is 5 per cent of the Scottish workforce. That is a significant percentage. Research that was recently published by Pro Bono Economics shows that, across the UK, the voluntary sector workforce is paid 7 per cent less than the workforce in other fields. That was in 2019, and Bank of England data shows that that gap has since widened by a couple of per cent.

Many people in the voluntary sector are already on low wages. It is estimated that around 12.5 per cent of roles in the voluntary sector are paid below the real living wage, which has today been increased. Those people already struggle to make ends meet, and now we have organisations being unable to support their staff in the way that they would want to because of years of static funding. That funding is now being massively devalued due to inflation and the public's changing behaviours, because everyone is experiencing the cost of living crisis.

That is how voluntary organisations are being impacted. We hope that the changes in energy policy from the UK Government will prevent things from getting a lot worse, but a wider package of support needs to be made available to organisations as we make our way through the months ahead.

Emma Roddick: I will dig a little deeper into the issues around energy policy. It is of course reserved, so a lot of action here is simply asking the UK Government to act. The Scottish Government has asked for a price cap freeze to be applied to businesses; do you support that?

Paul Bradley: The price cap is not the silver bullet—someone used that phrase earlier, so I will use it again—that people think it is. If you look at the price cap and what it has meant for households, you see that it has not had a huge impact on households being able to weather the storm. The prices that voluntary organisations were paying were already well above what households were paying, even taking into account the current price cap for households. However, of course, anything that prevents the significant daily upwards changes and fluctuations in the energy market is essential just now.

In the longer term, there is general agreement that the cap is not fit for purpose for households, businesses or voluntary organisations. We need to address energy completely, and we need to look at other ways in which we can secure cheaper and greener energy for voluntary organisations across Scotland.

I know that a member sitting at the table has worked with us recently to get some questions answered about the Scottish Government's procurement frameworks, which are accessible to members of the Office of the Scottish Charity Regulator and members of SCVO. There is a natural gas and energy framework there that helps to bulk buy energy at a cheaper cost, and I believe that that is greener energy, too. However, there is a lack of awareness of that, because it is not very well promoted. We were not aware that SCVO members could access that framework until recently, and there is a lot more to do to consider how we use that bulk buying power in future to

ensure that not only the public sector but voluntary organisations can access cheaper energy, because predictability is the most important thing.

Ed Pybus (Child Poverty Action Group in Scotland): I will come in on the first point about the impact on organisations. From a child poverty perspective, as Paul Bradley said, the additional costs that organisations face mean that they cannot do all the front-line work that they need to do. Income maximisation is a key part of tackling child poverty and making sure that people get their entitlements. The social security system is inadequate, but if you receive social security, you need to get what you are entitled to. The fear is that, if organisations are having to spend their money on their energy bills, they will not be able to spend money on front-line advice services. There is not enough capacity in the advice service at the moment as it is, and this will add extreme pressure to that.

10:15

The other point is that organisations that are meant to be supporting families with a wide range of support needs and challenges are having to focus on the immediate cash crisis of those individuals and perhaps having to change the emphasis of their work and not give the longer-term support that families need—I am sure that we will talk about employability later—to remain out of poverty. Organisations are dealing with crises, which is changing the workload that they are facing.

Morag Treanor (Poverty and Inequality Commission): In the Poverty and Inequality Commission, we have been making visits to third sector organisations to see how the cost of living crisis has been affecting them and the people they aim to help. They are reporting back to us that they are seeing a change in the profile and type of people who are needing to use their services. People who are in work, people who are on pensions and people who have never before gone to a food bank or food pantry are now accessing them. They are also increasingly seeing hungry children, which is a new thing.

There is a perfect storm ahead for them, because all that is coming on the back of the pandemic, when resources, energy and finances are already depleted. The cost of living crisis is having a huge impact. Organisations have people reporting that they are using Calor gas heaters and camping stoves to do cooking and heating in their homes, which is causing condensation and is also a massive fire risk. That is before we have even entered a Scottish winter.

Organisations have also seen a huge increase in mental health crises among the people who are

using services, which was already the case because of the pandemic and isolation, and which is now being greatly exacerbated by the cost of living crisis.

Those are some of the issues that organisations are trying to deal with in relation to the people who are using their services, on top of the fact that they have no increase in their own funding, as they have flat funding and no inflationary rises as a consequence of the current cost of living crisis. They are also struggling to attract and retain volunteers. For example, volunteers who were offering to drive to deliver packages and care support to people can no longer afford the fuel to be volunteers for the third sector organisations. There is a lot of intricate interplay of negative impacts and effects.

The Convener: That echoes what we have heard in previous evidence sessions in our inquiry into low income and debt. We know that pre-existing issues will be exacerbated and that new people will be finding themselves in those situations.

Before I hand over, we heard from colleagues in the first session about the fact that Scotland has a fixed budget when trying to reprioritise spending. There is a recognition in the submissions from the SCVO and the Poverty and Inequality Commission that there needs to be more funding from the United Kingdom Government. Do we need to see the cost of living crisis in the same light as the pandemic and have a response along those lines?

Morag Treanor: Absolutely. That is one of the points that I would have made today, and we made that point in our written submission. This crisis is of the same scale and has the same potential effects as the pandemic and needs a similar level of response from the UK Government.

Paul Bradley: The ability of voluntary organisations to survive probably goes beyond the pandemic. Back in December, around 50 per cent of organisations were reporting cases of financial hardship from individuals; around 79 per cent of organisations are now reporting that. Voluntary organisations themselves also have challenges in relation to the funding that they have and their ability to support people. The cost of living crisis on its own is a huge challenge, and it feels almost impossible for some organisations to be able to get through it without increases to the level of funding that they receive and targeted support. However, when you add the crisis on top of the pandemic, austerity and organisations not receiving inflationary uplifts for the best part of 10 years—sometimes 13 years—you can see that the system that we have is just about getting by.

We use the term “perfect storm” a lot in the sector. I understand that, because there is crisis

after crisis, but I genuinely think that this is that moment, because organisations cannot continue to plug the gap any longer. Sixty per cent of charities in Scotland have fewer than six months’ financial reserves. That is a problem in terms of legal obligations, but the Government and public sector have been reliant on voluntary organisations for too long to top up public services. Unfortunately, we are at a point where those reserves have been devalued and there is a question mark over whether they should even be used for that in the first place.

We are in a moment of huge challenges. However, we have to recognise that, as you say, the Scottish Government works from a fixed budget and the UK Government has been too slow to act on the situation. We have been clear about that. It needs to make the same scale of response as during the pandemic. It needs to be a different type of response, but it definitely needs to be of that level.

The Convener: Several of the committee members come from the voluntary sector and understand the challenges, so it is good to hear that situation highlighted.

Pam Duncan-Glancy: I thank the witnesses for their answers so far and for the written evidence that they submitted in advance. I also thank them for the work that they are doing. I say that not just because of what they have always been doing, but because of the context that they have just set out is pretty grim. To do the work that they do daily must be really hard. Listening to the stories of the people whom they represent and to whom they provide services must also be really hard.

I agree with much that has been said about the UK Government’s paralysis and inaction. It has not addressed the scale of the challenge and it absolutely needs to do more. I will reserve some of my comments for another moment.

On what the Scottish Parliament and Scottish Government can do for organisations, at the Gathering in June, the First Minister committed again to multiyear funding for third sector organisations. I ask Paul Bradley to set out the progress that he has seen since she made that commitment.

Paul Bradley: That is always my favourite question to answer because, as you all know, the SCVO consistently raises multiyear funding as one of the issues that we would like the Scottish Government to tackle in its budget.

Although there is an additional call for inflationary uplifts, it is not about incurring significant additional costs but about considering how we improve the funding system to ensure that we reduce waste in it—that we reduce the staff time that is spent on annual applications and

monitoring, which is unbelievable: it is almost a business in itself within Government.

My brother is an accountant. He has to bill for every 15 minutes that he works on a client's account. If we broke down people's time like that and examined what they were doing on everything to do with annual funding arrangements, we would soon see all the waste in the system.

Recently, the general line has been that the Scottish Government's budget from Westminster is annual, so voluntary organisations' budgets need to be annual as well and there is no more room for manoeuvre. We were then told that the spending review would be the opportunity to address some of that. I think that the Cabinet Secretary for Social Justice, Housing and Local Government spoke in front of a committee—I am not sure whether it was this committee or the Equalities, Human Rights and Civil Justice Committee—and raised that as the area in which we would expect some progress to be made.

We saw no progress in the spending review on the matter, bar one fund that relates to health, but that is not the scale of systemic change that we are looking for. You are right that the First Minister committed again to ensuring that multiyear funding is delivered where possible, but that commitment was also made back in 2015 or 2016 and I raised it in the submission to the spending review.

Given the focus on multiyear funding, I am surprised that no one has come to the sector to explain why it is not possible to deliver multiyear funding or to get an understanding from us of what potential solutions there could be to find the middle ground. That is the type of response that we want from Government, rather than it simply defending what it is already doing as regards multiyear funding, or saying that it is not possible.

In the voluntary sector and the SCVO, we are pragmatic and we understand the challenges. It is very easy to criticise Government. We understand the challenges that it has with the arrangement of the budget. However, we can do both—we can recognise the challenges that it faces, but, at the same time, if we believe strongly that a case for something needs to be made, we will continue to do that, as we are doing here on funding.

It is useful to remind ourselves why we are calling for multiyear funding. That call is about improving job security and reducing the number of redundancy notices in the sector. It is about having predictability, being able to plan over the longer term and being able to use that security to harness resources from elsewhere, whether from public or independent funders. As I said, it is also about cutting out the waste and bureaucracy that exist. If multiyear funding is impossible to deliver, I would like to know what discussion is taking place

about how we get to such outcomes and what the middle ground is.

The Scottish Government receives an annual budget from Westminster, but I assume that there are a number of people in the Scottish Government who are on permanent contracts and have job security. If that is possible for Scottish Government staff, why is it not possible for staff who are delivering public services elsewhere?

Pam Duncan-Glancy: Thank you. Did you want to come in, too, Ed?

Ed Pybus: Yes—just briefly.

One of the consequences of single-year funding on which we are getting more and more evidence is that advice services are not only struggling with funding but are struggling to recruit advisers, because the fact that they rely on short-term funding means that they cannot take someone on and train them up, because by the time they have done that, the funding will be over and the person will have had to leave. There is a lack of trained advisers in advice services, and funding plays a part in that.

Pam Duncan-Glancy: Thank you both for being so clear on that issue. I hope that the committee can take forward the point about the need for someone to explain the situation to the sector. That seems to be a sensible approach, as opposed to one that involves the Government saying, "There's nothing we can do about it," given the impacts that you have just described.

I have a further question on the impact of the cost of living on organisations. I know that the Government put about £1.2 million into additional funding for advice services, which I am sure will have been welcomed. Has that met the demand? Given what you have already said, I am a bit sceptical about whether it has. If it has, that is excellent. If it has not, can you give us an idea of the scale of the difference and what impact that will have on the ability of services to continue?

Ed Pybus: Obviously, the additional funding for the advice sector is welcome. The short answer to your question is that we do not know, because it is hard to map the lack of service.

NHS Greater Glasgow and Clyde has just done some research on referral pathways. What we call for when it comes to income maximisation is warm referral pathways. That is not a phrase that I particularly like, but it means that when someone presents at a service, they get a referral to an adviser who can give them income maximisation and debt advice and other supports. It has been found that there is not enough capacity at the end of the referral pathway, or there are really long waits, with the result that people cannot get the advice that they need. With regard to income

maximisation, as I keep saying, the social security system is inadequate to lift everyone out of poverty, but people at least need to get their entitlements.

We are hearing evidence that there is a lack of capacity once those services are in place, and it is hard to get funding for those services. What we do not know is how much additional funding is needed to meet that capacity. I am not aware of there being research across Scotland that can pick that up.

10:30

As has been mentioned, we are seeing an increasingly complex income maximisation process, partly because of an increasingly complex social security system. We have still to complete full roll-out of universal credit in Scotland and there is roll-out of the Scottish benefits—we have new benefits. We also have a huge amount of people who are accessing the system for the first time due to the cost of living crisis. They need trained and experienced advisors, which means investment in the advice sector—not only to provide the advice but to train the advisors.

Paul Bradley: It goes beyond advice. Our third sector research tracker, which is representative of the voluntary sector as a whole, shows that 88 per cent of voluntary organisations are reporting worsening emerging needs in their communities. That covers all types of voluntary organisations in Scotland.

We manage some funds that are given to us by the Scottish Government. Although that funding goes to voluntary organisations, it is about supporting individuals, so it goes to individuals via voluntary organisations. One fund that recently closed had 206 applications and we can fund only 41 of them. Another fund has just closed with 214 applications totalling £2.1 million for a funding pot of £465,000. We will probably be able to fund 30 to 40 of those 214 applicants. Those are examples from the funds that we manage; I would not be surprised if that is the scale of demand across the board.

The challenge is that there is a decision to be made about whether we fund new things and new needs that are emerging or we channel funding to the organisations and projects that are already there but are struggling to stay afloat because they do not have enough money to keep going and are also seeing rising demand. We are seeing some independent funders saying that they will not fund new stuff, but will put in a 10 per cent annual uplift and cover some core costs as well, which is extremely welcome. That is the type of thing that we want to see and that we would like to see more of from Government.

That will, at the same time, have an impact on other organisations that are trying to access funding for the first time or from different sources. This goes back to the earlier discussion about winners and losers. It is a difficult matter and difficult decisions have to be made, whether in relation to employability or wages or so on. There is no easy answer—we are in a challenging situation.

Pam Duncan-Glancy: Do you have a sense of what you would do in balancing that? Maybe you do not and it is a really difficult question. However, how would you balance giving enough funding and uplifts to continue what is already being done, against starting to fund new projects? How could we, as a committee, and the Government begin to try and address that?

Paul Bradley: I do not want to get into trouble and come up with policy on the hoof. However, it is unsustainable to underfund services and underpay workers. If we do not have the money to fund services and pay workers, that is a real issue.

In an ideal world, we would be getting funding out to lots of different organisations at an adequate level. Although with a slightly different focus, Alison Hosie on the previous panel mentioned minimum core funding and getting that right. If we are not getting that right and not providing core funding to the level that is needed, we will not have a vibrant sector that is able to go out and harness new opportunities from independent funders, the public sector and businesses. When we are talking about maximising the spending envelope for public services, that is not only about taxation but about using other channels to draw in additional resource. However, we have very little discussion at all about that, or the role that the sector plays in that.

That is why it is easy to sit here and criticise when it comes to the discussion about things such as employability money versus wage increases. The SCVO has been involved in employability for many years and still is to a certain extent, but we need to ensure that people are being paid the right amount of money so that they do not slip into poverty. I just echo the points that Alison Hosie made in the previous session today: I am not able to determine my opinion on whether the best decision was made, because there is no data or information on how that decision was made. It is very hard to comment on something like that.

Pam Duncan-Glancy: I appreciate that. I have no further questions.

Foyso Choudhury: The committee has been made aware of the impact of the cost of living crisis on single-parent families. Is there enough

concern about the vulnerability of that group to poverty, including child poverty?

Ed Pybus: The One Parent Families Scotland report that was published today is stark reading, to say the least. It includes testimony from parents who say that they feel that they are failing their children because they do not have enough resources to support them. Scotland is one of the richest countries in the world, yet we have high child poverty levels, particularly for lone parents. We are aware of that.

We know that two of the main causes of child poverty are inadequate social security and inadequate income from wages. We need continued investment in both those areas to lift those families out of poverty. The £25 Scottish child payment, which lone parents will be receiving from 14 November, is incredibly welcome and will make a real difference to many families, but it is not enough. It needs to keep its real-terms value, but we have inflation at 10 per cent and possibly higher. There is a very interesting presentation from the Fraser of Allander Institute yesterday that breaks down the rates of inflation for different levels of income, which shows that the lowest 10 per cent are facing far higher rates of inflation than others. Therefore we need an above-inflation raise in the Scottish child payment in April, when the next uprating is due, to ensure that it keeps its value so that it can keep supporting those people.

We also have to make sure that some of the penalties that the priority groups face in the current welfare system are fixed. A lot of lone parents are also young parents, and young parents are hit by the under-25 penalty in universal credit—they get less money just for being under 25, yet their energy bills are exactly the same.

Then there is the two-child limit. Larger families are much more likely to be in poverty, because the UK welfare system caps the amount of support that they can get to only two children. Of course that is going to drive larger families into poverty.

Both those policies need to be got rid of at Westminster but, in the meantime, if the Scottish Government is to meet its child poverty targets, it needs to mitigate the impact of them in Scotland.

Lone parents face particular issues, as well. Again, changes to the social security system over the past 10 years have meant that lone parents are particularly hard hit. There is talk today at the UK level of increasing conditionality again for parents. Lone parents face conditionality from when their child is 1 year of age. When I started working in welfare rights—a few years ago now—lone parents were not expected to look for work until their child was 12. The employability service exists to support looking for work, but it is

accepted that you have to look after your child. When employability services and childcare are not available, lone parents face a welfare system that penalises them for not finding jobs, which they cannot take because of the barriers to employment that they face.

A very welcome report from OPFS highlights the issues that families face, and they are a key group. If Scotland is to meet the Scottish Government's child poverty targets, families need to get that support. That means additional investment in social security, and in employability—I am sure we will come on more that later—because that additional support means higher-paid jobs.

The Convener: On the point about lone parents being penalised in the Department for Work and Pensions system, there was a worrying announcement yesterday on people who are on 10, 12, 13 or 14-hour contracts being pushed into increasing their hours, because otherwise they will face penalties. Is that worrying for CPAG?

Ed Pybus: We have evidence that strict conditionality does not help people to find better jobs, better-paid jobs or more hours. In fact, poverty in itself is a barrier to people being employed. Therefore, with lone parents who are working a few hours and who are still in poverty—remember that 60 per cent of families who are in poverty are in work—the solution is not to penalise them for not finding more work. They need support. They need a decent social security system to lift them out of poverty, so that they have space, time and energy.

As well as people living in poverty being cash poor, it sucks their energy and time. Lifting people out of poverty, particularly deep poverty, allows them the time and space to look at training opportunities and additional employment opportunities. A report from Save the Children talks about people telling their children that they cannot have a bath at night because there is not enough money on the meter. When something like that is on somebody's mind and they are doing 12 hours on a zero-hours contract, trying to find an extra five hours of work is not their priority. Then, when the DWP tells them that if they do not find an extra five hours it will sanction the little bit of money that they get, that is not conducive to increasing employment or to increasing income from employment.

As I said, there are two drivers. We need the social security safety net and we need parents to be able to get a decent income from work, but that can happen only once we have lifted them above that safety net. At the moment, they are way below it and are being pushed even further down by potential sanctions. Therefore, we are not pleased to hear that announcement.

The Convener: Morag, do you want to come in on the previous point? I am sorry—I have just remembered.

Morag Treanor: Ed Pybus has probably made many of the points that I wanted to make—

Ed Pybus: Sorry.

Morag Treanor: No—that is grand.

Back in 2008, for lone parents in the welfare system, their youngest child had to be 16 before they had conditionality in relation to finding employment but, as I said, the age is now one year old. The situation for lone parents is dire, because they are doing the work of two parents, they have the stresses and responsibilities of two parents, and they are greatly underfunded. That is a policy decision. It is not inevitable that lone parents have to be so poor and disadvantaged in the system: in other countries, that is not the case.

An interesting consequence of treating lone parents so badly in the system is that you get stigma and shame. We have a very stigmatised population of lone parents, and the stigma comes from the fact that we treat them so badly in the first place—there is a loop. If we broke that loop by changing how we treat single parents in the system and understanding that they need additional financial supports, as well as structural supports, to be able to access employment, we would also break some of that stigma and the internalised shame that lone parents feel as a consequence of it.

If we look at employment over the past 10 or 12 years since the recession of 2008, we find that the increase in employment has been greater among women and lone parents. Their employment rates have increased a lot in that time, but wages have not—they are not keeping pace with people's level of employment. That is why we have a strange paradox in the UK and in Scotland, where we have high levels of employment, as everyone likes to emphasise, but very low levels of productivity and wages. That disproportionately affects women, lone parents and disabled workers.

We talk about employability; I would like to have a focus on employerability. The Scottish Government can work with employers on how they make their employment more accessible to people with disabilities, to women with caring responsibilities and to people more generally with children and/or other caring responsibilities. Lone parents are also more likely to have a long-term limiting health condition or disability, and to have a disabled child. All those things interact—that is where the intersection comes in. That is the type of analysis and approach that we need in Scotland.

The Convener: Thank you. I have written down “employerability”, because we definitely need to chase that up.

The next theme is the impact of the reduction in spending that we will see in 2023-24.

10:45

Jeremy Balfour: The convener said that we have a fixed budget, which is true to some extent, but we also have tax-raising powers and we can raise tax by 3 per cent.

The Deputy First Minister is due to give a statement before the October recess on his response to the budget that will be announced at Westminster tomorrow. I am interested to know whether the three organisations before us would like John Swinney to announce a tax increase. That could not come into effect until next year, but if that were his direction of travel would each organisation want that to happen to mitigate some of the issues that have been raised?

Ed Pybus: We are not experts on taxation, but we have started to do more work on it.

Alison Hosie, who was on the previous panel, said that before any cuts to budgets are made we should first maximise available resources. We could go even further than that and say that there has to be sufficient resource in Scotland to meet child poverty targets—there just has to be—because not having sufficient resource cannot be used as a reason for not meeting targets.

We looked at the spending resource review and the programme for government and asked whether there is sufficient resource in the system to ensure that we meet the child poverty targets that are set, and the answer does not appear to be yes, so there needs to be more resource. There are obligations to reduce child poverty across the board: local authorities, the Scottish Government and the UK Government are all obligated to reduce it. Therefore, the Deputy First Minister needs to use the Scottish Government's powers over income tax—because that is what it can immediately change for the next budget—to ensure that resources are available. He should increase the Scottish child payment come April to ensure that it retains its real-terms value and plug the gaps that could cause some families not to fully benefit from it, such as those that are affected by the two-child limit.

The Scottish Fiscal Commission forecast that there will not be a 100 per cent take up of the Scottish child payment; the figure it forecasted was about 80 per cent—I was frantically searching on my phone to find the actual figure, but I could not find it. The Scottish child payment is not like universal credit, where a population has to be modelled to find out how many people might be

entitled to it based on their income; we know exactly who should get the Scottish child payment, because that information is held by the DWP and HMRC, so there is no reason why every child who is entitled to the Scottish child payment should not get it. If the budget is set based on a take-up rate of 80 per cent or 90 per cent, it should actually be set to cover a take up rate of 100 per cent. There needs to be more investment, and it appears that more resource needs to be raised from income tax, in Scotland, to fund the investment that is needed.

As Alison Hosie said, in the longer term it is fundamental that there is a review of taxation in Scotland to find out how we can fully harness Scotland's income and wealth to meet the priorities of the Scottish Parliament. That work will take time and it needs to start now. As you said, an announcement on tax rises made today means that they will not kick in until April. If an announcement on a review of Scottish tax powers were to be made today, we would not be in a position to do anything about it during this budget and it is unlikely that we would be able to do that work even for next year's budget. The work on where we can provide resource from has to start now. We might come on to discuss this later, but one way to provide it is through local taxation, and wealth tax is another.

As I said, we are not experts, but we are starting to do more work on this issue to gain knowledge on it, because we are aware that our sector needs to tell the Government what its responsibilities should be and ask how it will resource them if it wants to take a human rights-based approach to budgeting

Morag Treanor: The Poverty and Inequality Commission has tax expertise. We have compiled a working group on tax and will have a report ready by mid-2023. However, an early paper was shared with me yesterday and I would like to make a few points from it.

The first point is that tax administration is tax policy. I heard a member state earlier that tax policy resides with the UK Government, which is true, but that is why we have to be more creative in our thinking in Scotland. All we ever say is, "That's reserved to Westminster," and we often collect data based on what we have collected before rather than on what we need to collect.

One way of thinking about that differently is to do with how tax is administered. Over the past 10 years, resources have been taken out of the HMRC for the analysis and chasing down of tax evasion. There is no reason why the Scottish Government could not request to have a specific Scottish team in HMRC working with Revenue Scotland to focus strictly on the high-net-worth individual and corporate tax evasion that we know

is happening in Scotland, as per Dr Hosie's estimate of £3 billion to £7 billion.

We could do something about that, not by changing the policy but by changing how tax is administered and asking for a specific Scottish team to be located in HMRC, because even the Scottish component of that team in HMRC has been reduced from what used to be there.

Similarly, we need wealth taxes. Also, on the tax administration point again, transparency drives compliance. As long as people are able to not publish the type of reports that show that multinationals that might be based in Scotland are reporting profits elsewhere—profit shifting—compliance is lower. Once we make it a far more transparent system, compliance will increase. That is a useful point.

Local taxes are key to the issue, too. I guess that you will ask about council tax, so I will not pre-empt your questions.

The Convener: My colleague Paul McLennan is probably quickly rewriting some of his questions or figuring out how he can truncate his questions when we get to that topic.

Paul Bradley: General taxation on the public is not something that SCVO could comment on, because we do not have that level of engagement with members on the issue. Any future review would be encouraging in making sure that our members can contribute to shaping the direction of tax policy in Scotland.

Jeremy Balfour: My second question is about the specific cut that has been announced by the Scottish Government with regard to employability and getting people back into employment, which will take place during this financial year. Have you done any work on what effect that cut will have in relation to disability and employability? Is it your understanding that it will affect front-line services such as the third sector organisations that do a lot of work in my area? Where do you think those cuts will be made?

Paul Bradley: I will follow on from what Dr Hosie said earlier about the challenges of understanding how the decision was made. I will try to avoid criticising the decision, because I do not feel that I can; I do not feel that I have the evidence. I do not think that anyone would say that taking funding away from supporting the people who are furthest away from the labour market into employment is a positive step. The Deputy First Minister said:

"that is not a decision that we have taken lightly."—
[*Official Report*, 7 September 2022; c 26.]

To understand whether it is the right decision, we need more information on what the cut will have an impact on. I am unsure whether voluntary

organisations were engaged in a discussion about the cut that is coming, and I am unsure whether there was any discussion about the unintended consequences on equalities for different groups. From what has been published, I do not know whether there is a plan for the reintroduction of that funding at a certain point. It is not clear to me what the impact of the cut will be.

I also recognise that the decision was taken based on low unemployment and where the labour market is just now, but we are on the way to a recession. Although that recession will not necessarily look like the last one that we had, in terms of mass unemployment, there is a balance to be struck between meeting short-term need and having the infrastructure in place to make sure that the fallout from any recession is not as bad as it would otherwise be.

There is a problem with the lack of detail on how decisions are made and on their impact, because that leads people to consider what other reasons are at play. I wonder about the effect of that—it is not something that I know the answer to. When there was the shift to the no one left behind strategy and the local employability partnerships, SCVO's concern was that local employability partnerships were not ready to deliver employability programmes at such a level. I do not know whether that transpired, but I wonder whether progress on that shift in approach has been slower than was expected—and, therefore, that, potentially, the saving could be made because things are not where they should be now. I do not know whether that is the case, but those are the kinds of questions that I would ask about employability.

The Convener: Ed Pybus, do you want to come in briefly? We are starting to run out of time and we have loads of questions to get through.

Ed Pybus: I will be brief. In the briefing paper, the question that is posed is whether witnesses agree with the choice to prioritise wage increases. We have to remember that low wages are a key driver of poverty. We need that investment in jobs—in particular, prioritising low earnings and predominantly female areas of employment. However, the child poverty delivery plan makes it clear that employability has a key role in reducing child poverty—moving certain numbers of people into work and reducing poverty by a certain amount. It is important to ensure that those results are achieved, but we do not know what the impacts will be of the cut in investment. At the end of the day, those results need to be achieved by the employability strategy, which may need further investment, different policies, employerability and so on.

The Convener: The committee is highly aware of that. We recently launched our next inquiry,

which will look into meeting child poverty targets via employability. I go quickly to Morag Treanor.

Morag Treanor: I will be very quick. The role of employability in tackling child poverty was highlighted in the previous child poverty delivery plan, for the period 2018 to 2022, and we did not get an analysis of how that worked and what its outcomes were. There is a lack of detail and data from the first employability phase. We therefore do not know the reason or the decision making behind the reduction in value for the current phase. Neither do we know what impact that reduction will have on the funding for 2023-24—will it revert, or not?

Pam Duncan-Glancy: A number of my questions have been answered—in particular, on the employability aspects. However, there are a couple of other areas that I would like to explore.

Morag Treanor, in your written submission, you highlight some concerns about the pace and scale of action that is needed if we are to meet the targets that have been set by the Parliament. Will you tell us a bit more about what you would expect, notwithstanding the comments that you have already made around there not being enough information for you to know whether the Government is doing what it said that it would do?

Morag Treanor: We would like to see quick action; evidence for the action that is being taken; and an understanding that the action that is taken will be reviewed in a constant iteration and changed where necessary, if things are not working. We understand that some things are experimental, such as the new pathways projects, so it is important that we can change things that are not happening and reinforce and provide more support and resources when they are happening.

When it comes to things happening slowly, even those things for which funding is being increased in the spending review will not have that increase until 2026-27 or 2025-26, which is after the interim child poverty targets are due to be met. A lot of the child poverty money seems to be back loaded, which is not going to give us the pace and scale that we need. It needs to be more front loaded in order to get things kick-started fast. Analysis, monitoring and data collection need to be put in place so that we can monitor and track what is happening in situ, in real time, so that we can make those changes. I am not seeing that.

Pam Duncan-Glancy: Thank you. I really appreciate that.

On a slightly broader point, have you been able to look at any analysis at all of the flat cash settlement for things such as local government, education and employability services? Have you been able to do that in detail?

11:00

Morag Treanor: No, not in detail.

Pam Duncan-Glancy: My other question is about your concerns about concessionary travel. I saw the points that you made about worries that that budget might be made on the basis of reduced patronage because of difficulties. Do you have any suggestions on how we could progress that, what we could do, and how to address that?

Morag Treanor: I will recap quickly. What we said about the reduced money for concessionary travel was in response to a new forecast for reduced demand. We would like to know why there is a forecast for reduced demand, because we know from people on the ground and families that many people have not been able to apply for the under-22 free concessionary bus pass, particularly people in poverty and deprivation who do not have the required documentation, such as a passport, to be able to make the necessary application. We are already looking at inequality in who has access to that scheme. If the forecast reduced demand is due to the fact that people who need the scheme most are not able to access it, we would be deeply concerned about that. However, at present, we do not have an analysis of that, and the basis on which there is reduced demand has not been made clear. We would like some transparency and clarity on why there is reduced demand.

You asked about what could be done. I believe that some measures are already in place and that that was responded to a bit, but children could access a concessionary bus pass on the basis of the fact that most of them are in school, and can have their identity clarified in school, at the doctor's or in the dentist surgery rather than making them go through a process with formal national levels of identification. There are ways of piggy-backing on to other things that children access, whether that is free school meals or the school clothing grant. Those things should be tied in together, and people should not have to keep making time-consuming and difficult applications. We need a smoother system.

Pam Duncan-Glancy: Thank you—that is really clear.

The Convener: I would like to pick up on that point. There is really good practice in my daughter's school. The school did that for the children—no identification was asked for. That was a response to the fact that there was a low uptake. We know that that can happen; the question is how we get that practice rolled out.

Pam Duncan-Glancy: I know that a number of schools in South Lanarkshire have done the same. There are examples of where that can be done,

and it is really helpful that you have set that out in that way.

My final question in that area touches on the organisational issue that we spoke about earlier on. Some of the submissions say that, when local government is cash strapped—which it is—it tends to fund only that which it is required to fund through statutory provision. My concern is about third sector organisations and the work that they do in particular. I know that it is early days, but have you heard of any indication that the flat cash settlement might have an impact on some of your organisations? Do you have any plans to monitor that?

Paul Bradley: We have not heard anything yet about the upcoming annual arrangements around funding. However, any static funding for local government will have an impact on voluntary sector organisations either through the static level of funding itself—we are seeing organisations not getting an increase in 13 years; that is where we see the worst of it—or services being cut altogether, as funding is needed in ring-fenced areas and voluntary sector services can be cut away quite quickly, especially staff on short-term contracts. That leads to insecurity for voluntary organisations.

On what we have said about how the Scottish Government and other public bodies fund voluntary organisations at the national level, that is very similar to how local government funds voluntary organisations, and what we would say would rely on what the third sector interface network would say. We will soon be doing some joint work with it on messaging on funding.

The other issue that comes up, which we might see more of, is the use of the procurement system to strip away all the benefits that the delivery of public services by voluntary sector organisations brings, to reduce costs. I am not hearing any more examples of that at the moment—although it happens—but I feel that we are moving in a direction in which more cuts will be needed. Instead of using the procurement system to improve environmental, social and economic wellbeing, it could be used as part of a race to the bottom.

Over many years, we have seen a situation in which organisations have set up great services at local level and been responsible for taking the lead on those, only for local authorities to say, "We're going to bring in that service and retender it on less funding." As a result, even though the organisation that set up the service has all the skills and expertise to continue to deliver it, it cannot apply to do so. That is the challenge that we face with continued delivery.

Pam Duncan-Glancy: That is definitely an issue to keep an eye on.

The Convener: I have experience of retendering and the devastation that that caused.

The next set of questions will be asked by Natalie Don.

Natalie Don: Good morning to the panel. I am very sorry that I could not join you this morning.

As has been discussed, the fact that the Scottish Government is working on a budget that is largely fixed means that increased spending in one area has to come from another area. Across the Scottish budget as a whole, are there any areas in which you think that spending could be reprioritised? I put that question to each member of the panel, starting with Morag Treanor.

Morag Treanor: We understand that the Scottish Government has already started the process of reprioritising spending. We believe that it is important that any reprioritised spending is not taken away from longer-term action to reduce child poverty. The Government needs to strike a balance between helping families now with the immediate cost of living pressures and not taking its eye off the ball as regards the longer term, so that it can meet the child poverty targets in 2023 and 2030.

One area that we think should be looked at is the use of the attainment challenge funding. It is a £1 billion investment over the course of the parliamentary session to tackle the poverty-related attainment gap. We would like there to be an increased focus on the reprioritisation of that funding. We will not be able to reduce the attainment gap for children who are living in poverty until their poverty has been reduced. People often focus on the words “attainment gap” and not on the words “poverty-related”, which is the key part of the phrase. Children who are hungry, cold, stressed and worried, and who see their parents under tremendous pressure, will not be able to function well in school.

A look needs to be taken at how that money is spent and the plans for how it will be spent. There is a need for data analysis and transparency, so that we can see whether at least some of that money can be reprioritised in the short term, in order to protect families’ incomes and their wellbeing and to solve the poverty bit of the attainment gap. That is one area that we think should be reprioritised.

Natalie Don: Thank you—that is very helpful.

Ed Pybus: As has been mentioned in the discussion with this panel and the previous panel, there is an obligation on the Scottish Government to have sufficient resources to meet the core minimum, and one of its commitments is to meet

the child poverty target. Therefore, the Government must have the resources to do that. It is a fixed budget, but the Government has tax-raising powers, so it has opportunities to increase that fixed budget, if that is what is needed because further investment is needed.

It comes back to information. We cannot make decisions about reprioritisation; what is important is that every area of the budget is examined to ensure that it works towards addressing child poverty. We do not necessarily need to reprioritise budget from one space to another, but we need to ensure that, when the money is spent, analysis is done before policy decisions are made and the money is prioritised so that we can understand the impact that they will have on child poverty.

Procurement across government—from the Scottish Government to local authorities—can be used to increase wages or reduce barriers to employment by ensuring that firms use best practice. There are bodies such as the Scottish Women’s Budget Group or Close the Gap. There is best practice for female-friendly employment practices or to ensure that there are no barriers to recruitment of people with disabilities. Those practices do not cost anything but, when you are spending huge amounts of money on procurement, as the Scottish Government does, you can insist that they are part of the process, which can help.

Spending on achieving net zero targets must also be viewed through a child poverty lens. Are supports available to low-income households? What is the impact of that spending?

Reprioritising is not just about taking money from the care pot and putting it into the attainment challenge pot, for example but about asking how spending money on a given area can help to meet the national outcomes, specifically the Scottish Government’s priorities on child poverty and net zero, which is vital. We need to ensure that all the spending supports those targets. That comes back to the equality assessments—fairer Scotland assessments—being done at the very early stage so that decisions are based on them rather than the assessments coming afterwards to ensure that there is no detrimental impact to any particular group.

Natalie Don: I guess that it is difficult. If you are looking at it from a human rights and child poverty perspective, there might be aspects of the budget that do not necessarily impact on that. Reprioritisation can be extremely difficult because there could be scope for things to be reprioritised and for something to no longer exist or for money to no longer be put in a certain pot, as you say.

I ask Paul Bradley to respond and then I have some further questions on the matter.

Paul Bradley: We might struggle to get away with reprioritising without losing some of our members, so I will avoid that. It is not our role as a membership body. However, we have been saying and have made clear in our submission on the programme for government and to the Finance and Public Administration Committee that, for organisations to play an effective role in the society and system that we are in—we play a mature and positive partnership role with Government on budget development, for example—we need transparent data so that we are able to assess the positive, negative or neutral impact that decisions have on different national outcomes and indicators.

At the moment, it is not possible to do that. I will give an example. Last year, there was an £800,000 cut to the third sector resource budget line. Because there is no data about what that fund funds, apart from us knowing that the SCVO, the social enterprise action plan and some other intermediaries are part of it, it is difficult to know what that £800,000 cut resulted in, so we cannot assess its positive, negative or neutral impact.

It is the same with the more positive example of the increase that is forecast in the spending review, with that budget line going up to £27.5 million. If that is additional funding, it is positive, but we do not know whether that is money moving lines, so we are unable to welcome something from the Government that might be a positive development.

Those examples are not necessarily linked to child poverty. However, we need to have more open data that tells the story about what different areas funding flows to so that we are able to understand the impact and what needs to be reprioritised.

Other countries have open budget portals. I know that the Scottish Government exchequer team, through its open Government action plan, is working on something similar. The committee should very much take an interest in that work on the development of an open budget portal, to ensure that it delivers some of the things that we are looking for and that it is useful. At the moment, when I look at the budget, I find it next to impossible to comment on whether it is beneficial, neutral or detrimental to Scotland's voluntary sector.

11:15

Natalie Don: I definitely was not putting you on the spot there, and I am not asking you to do the Government's job of reprioritising, but it is good to hear your input on that, because it is such a big issue.

Much of my next question has been answered, so I will move speedily on to my last point. Addressing child poverty is a clear national mission in Scotland, but how do we ensure that we do not lose sight of the need to tackle poverty among people who do not have children? I think that we all want to live in a society in which people are doing more than just surviving, and where they are living and enjoying life, right across Scotland. How do we ensure that we do not lose sight of that?

Ed Pybus: It is right to stress that tackling child poverty is the national mission and our priority. Families with children are at much greater risk of poverty and there are long-term consequences of poverty for children—it shapes the rest of their lives. It is therefore great that we have that commitment.

On wider poverty, many of the things that we are talking about support all households. For example, people with disabilities are far more likely to be in poverty, whether or not they are parents, so we should remove barriers to employment for them. That goes back to the point about employerability. All employers in Scotland, particularly those that provide public services, should be using the very best practice to remove barriers, in relation to access to work and supporting people once they are in work. That would support many people in poverty.

Funding local services supports families, but it also supports people more widely. Certainly, funding for advice and information supports all people who are in poverty. The mitigation of the impact of welfare reform is incredibly welcome. The benefit cap and bedroom tax mitigation helps families, but it also helps other people who are in poverty.

Many of the actions that have been taken, while helping to meet the child poverty delivery plan, also help far wider groups. There is not a dividing line between families with children and adults in poverty, because children who are living in poverty are more likely to become adults living in poverty. As we have seen with the poverty-related attainment gap, if we can deal with the poverty part of that, they are less likely to be in poverty in future. Young adults who are in poverty may well go on to have families and become parents of children in poverty. Therefore, we need to deal with employability across the board, particularly for groups who face additional barriers. We have not talked about the barriers to employment that are faced by black and minority ethnic communities, who are another priority group for child poverty, and for poverty in general. Therefore, the measures map across to poverty more widely, and we are talking about it.

In this moment of crisis, which is hugely impacting on families in poverty and everyone else in poverty, it is important to remember the commitment to a cash-first approach to supporting households. For example, the payments to people in certain bands of council tax, the council tax reduction scheme and support through the Scottish welfare fund help families, but they also hugely help people who do not have children. We are calling for additional investment in the Scottish welfare fund, including in the administration of the fund. If we can help households, regardless of whether they have children, to get over a crisis, they can have a foundation to put things in place to ensure that they stay out of poverty. Investment in cash-first crisis support is vital for all households.

Often, when we talk about child poverty, the remedies work on a much wider level of society. I absolutely agree that there is no point in tackling child poverty if, when somebody turns 18, we say, "Right—it's not a problem any more if you live in poverty." Obviously, we do not want to see that.

The Convener: We are really pushed for time. Morag Treanor wants to come in—I ask her to be very quick, because two more members want to ask questions.

Morag Treanor: I will be very quick. I agree with everything that Ed Pybus said in response to Natalie Don, and I add the thought that, when we cannot do anything about Westminster policies for people without children, we can do some creative thinking around the edges. For example, it has been reported to me by people who work on the front line on the developing the young workforce programme that, when a person who lives in a benefit unit with their parents turns 18 and, technically, becomes an adult, their entry into employment or taking up of an apprenticeship has an adverse impact on their parents' benefits, such as housing benefit. Those front-line workers have reported to me that young people have been unable to take up their offer of a modern apprenticeship because of that adverse impact on their parents. In that situation, the young persons guarantee becomes null and void—there is no guarantee if they cannot take up an opportunity because of the impact on their parents' benefit.

We could try to have an influence over the UK benefits system—I would not like to think that the intention is to stop people doing good things and taking up employment at the age of 18. However, we could certainly mitigate the impact, which we are not doing now. Those young people are being forced not to take up employment because of their parents' benefits situation, which comes back to what Ed Pybus said about preventing young people in poverty becoming adults in poverty. We could do something about that right now by

analysing the numbers of young people in Scotland who are in that age group and who are in a benefit unit with their parents, and by working out how much it would cost to mitigate the situation. It would be a really simple action to work out that sum and put mitigation in place.

The Convener: That was a helpful example to give us. I will hand over to Emma Roddick for her question, and then Paul McLennan will finish off with a very short question.

Emma Roddick: I want to quickly ask Ed Pybus about CPAG's recommendations on spending. There are quite a few, and quite a few of them are related to mitigation. Have you come to a figure for mitigating the under-25s penalty?

Ed Pybus: No, not yet—that is the short answer. We have a figure for mitigation at UK level and we are doing analysis, working with OPFS and the Institute for Public Policy Research, at Scotland level. We can probably get back to the committee within the week on that.

Emma Roddick: That would be helpful. On mitigation, in general, Professor Philip Alston, the UN special rapporteur on extreme poverty and human rights, said:

"mitigation comes at a price and is not sustainable".

Given that the Scottish Government's current mitigation bill is reported to already be more than £500 million, do you accept that that is the case?

Ed Pybus: Not lifting families out of poverty is not sustainable and the long-term costs that fall on Scottish society are far higher than that. We particularly want the two-child limit and the under-25 penalty mitigated at source by the UK Government, and we campaign relentlessly on that. However, we do not think that the Scottish Government can meet its targets with the drag on the priority groups. Quite rightly, we have identified the priority groups of larger families, younger parents with young children and BME communities, which are more likely to have larger families, and those two elements of welfare reform target those groups. We know that inadequate social security is what drives child poverty, and we know that those groups are not getting sufficient social security because of policies at UK level. Therefore, if the Scottish Government wants to meet the targets, it has to mitigate them.

I understand that there is a cost to that, and we hope that we can get that mitigated at UK level but, in order to meet the interim target in the meantime, money has to be invested by the Scottish Government now. It must be seen as an investment, because, if those families of lone parents or, in particular, younger parents with large families are lifted out of poverty now, that might give them the bedrock to find employment or

whatever it is that they want to do. Investment now will save the Scottish Government money in the longer term, and, as we have been pointing out, when those parents are older and working, that will grow the tax base.

It is not sustainable long term not to deal with the situation; there is a cost to not doing something as well as a cost to doing it. That comes back to budget analysis: if the Scottish Government does not spend the money now, what cost will fall on it next year, the year after or in five years' time in order to reach the 2030 target? If you do not help those families now, you will have to spend even more in five years' time to meet that very ambitious but reachable target of less than 10 per cent of children being in poverty by 2030. That is an achievable target. Meeting it would be world beating—at that level, we would almost be eradicating child poverty. We can do that in Scotland, but we need investment and a plan now, and that includes providing immediate support for families who are stuck in that position.

Paul McLennan: I want to ask about taxation, which you have touched on, and fiscal flexibility, which I raised with the previous panel. A rise of 1p in income tax would bring in about £450 million. Even if we increased it by the 3p by which we are allowed to increase it, that would still not meet the £1.7 billion inflationary impact that we face this year, so it is important that we have fiscal flexibility. A key lever is additional borrowing powers. Another is the ability to raise allowances, which could be moved from the UK Government to the Scottish Government. If we had the ability to raise the personal allowance, we could raise it from £12,000 to £15,000, £16,000 or £17,000 and take a lot of people out of taxation altogether.

Do you support more fiscal flexibility? What are your views on those two issues: allowances and additional borrowing? I would appreciate brief answers.

Ed Pybus: As I have said, taxation is not our area of expertise, so I do not feel confident to comment. What we need is a review to open up that whole area and look at what can be done and what cannot.

As far as the fiscal framework is concerned, the resource to tackle child poverty must be provided. We do not care whether that comes from the UK Government through the block grant or whether it is raised in Scotland; it needs to be there.

Morag Treanor: The Poverty and Inequality Commission has tax expertise. A tax working group is being formed, which intends to report in the middle of next year. We would be happy to tackle those questions in that working group. If you would like to get in contact with us, we would be happy to do our own analysis on the issues that

you have raised. I cannot make any statement on those matters at the moment, but we would be happy to work with you to answer some of those questions.

Paul Bradley: We are having to make cuts to things that were a priority at the start of the year, and that is because there is a lack of flexibility. Along with voluntary organisations, we are calling for greater flexibility in our funding, and I imagine that the same rings true for the Scottish Government.

Paul McLennan: Thank you for being brief.

The Convener: I thank the witnesses for their attendance and the evidence that they have given, and I ask that they follow up in writing on any issues on which they think that that is required. We are keen to engage with the Poverty and Inequality Commission in relation to the offer that Morag Treanor made to Paul McLennan.

I close the public part of the meeting.

11:27

Meeting continued in private until 11:34.

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