

Social Justice and Social Security Committee

1st Meeting, 2023 (Session 6), Thursday, 19 January

Scottish Government Budget 2023-24

Note by the Clerk

1. At its meetings on [22 September](#) and [29 September 2022](#), the Committee took evidence from a range of stakeholders as part of its pre-budget scrutiny to influence the Scottish Government's thinking when preparing the 2023-24 budget. More information on the Committee's scrutiny of the budget and the Scottish Budget process is available [here](#).
2. The Committee's [pre-budget report](#) was published on 8 November 2022. The [Scottish Budget 2023/24](#) was published on 15 December 2022. The Scottish Government provided its [response](#) to the Committee's pre-budget report on 10 January 2023.
3. At its evidence session on 19 January, the Committee will undertake scrutiny of the budget and hear from Shona Robison MSP, Cabinet Secretary for Social Justice, Housing and Local Government.

Correspondence

4. The Committee received follow-up submissions from [Shelter Scotland](#) and [The Scottish Council for Voluntary Organisations \(SCVO\)](#) which are annexed to this note.

Clerks to the Committee
16 January 2023



SHELTER SCOTLAND BRIEFING: SCOTTISH BUDGET 2023/24

Introduction

Shelter Scotland exists to defend the right to a safe home and fight the devastating impact the housing emergency has on people and society. We work in communities to understand the problem and change the system. We run national campaigns to fight for home.

The 2023/24 Scottish Budget represented a crucial opportunity for the Scottish Government to show that they are serious about reducing affordable housing need and tackling the backlog in temporary accommodation. Unfortunately, they have failed to take that opportunity and appear to be failing to grasp the seriousness of Scotland's housing emergency and the impact it is having on our communities.

We are deeply concerned at the significant 16% cut (£112.8m) to the housing capital budget in 2023/24, which has the potential to completely derail the Scottish Government's ability to reduce housing need in this parliamentary term.

The Scottish Government's approach to this year's funding settlement fails to recognise how integral housing is to so many aspects of our society – including health, education, child poverty and meeting our net zero targets. The Scottish Government often talks about living up to the preventative ambitions outlined in the Christie Commission, yet failing to invest in social housing simply damages health and education, and will leave children trapped in temporary accommodation for longer periods of time and cost the government more in the long-term.

We have consistently called on the Scottish Government to acknowledge the urgency of the housing emergency. The issues are well-documented - not only rising inflation, the ongoing impact of the UK government's disastrous 'mini budget', supply chain disruption and the consequences of Brexit, but also the cost-of-living crisis and record numbers of homeless children struggling in temporary accommodation. The Scottish Government can make the choices required and take action to tackle these housing challenges head on. It is bitterly disappointing that they have chosen not to.

As the Scottish Budget progresses through its various parliamentary stages, we are calling on the Scottish Government to:

- Reverse its planned cuts to the housing capital budget to ensure 38,500 social homes are delivered by 2026 to reduce housing need. They should prioritise funding in the Affordable Housing Supply Programme exclusively to delivering homes for social rent and introduce a national acquisition programme.
- Fully fund local government and local homelessness services, including carrying out a full audit of existing homelessness spend and creating a new Homelessness Emergency Fund to direct money where it is most needed.

- Guarantee the right to a home for everyone experiencing homelessness.

Social Housing

We have significant concerns at the 16% cut to the housing capital budget in 2023/24. Cuts to the budget for social housing at a time when rising costs and inflation are already eroding the spending power of local authorities and RSLs will prove disastrous for attempts to build the social homes we urgently need in Scotland.

Capital Investment in Affordable Homes through the Affordable Housing Supply Programme (AHSP) Budget £m	2022/23 Budget	2023/24 Draft Budget (15 December)	Difference
Capital	601.8 ¹	489.0 ²	-112.8
Transfer of Management of Development Funding (TMDF)	92.2	92.2 ³	0
TOTAL (Capital plus TMDF)	694	581.2	-112.8 (-16.2%)

The TMDF funding, which helps support Edinburgh and Glasgow in delivering new social homes, remains the same year-on-year – a large real terms cut with inflation at the highest level in 40 years. The Scottish Government’s own budget document puts price inflation at 17%.⁴

The previous commitment for 2023/24 made in the recent Targeted Review of the Capital Spending Review (CSR) has also been cut. The CSR pledged £543.5m of Capital investment in affordable homes for 2023/24 – this has fallen by £54.5m, down by 10%. At a time of rising homelessness, a severe backlog of households stuck in temporary accommodation, and an already challenging inflationary environment, it is reckless to cut this funding even further.

We acknowledge the current challenges in meeting social housebuilding targets across Scotland – that is why we have offered creative solutions to the Scottish Government to help ensure the social homes we need are still delivered:

- redirect all public subsidy in the AHSP exclusively to homes for social rent
- develop a national acquisition programme to increase the supply of social homes
- reverse the cuts announced in the draft budget, which will prove doubly devastating for the delivery of social homes in the current inflationary environment.

¹ [Scottish Budget 2022/23](#), Table 5.03, p.40.

² [Draft Budget 2023/24](#), Table 5.03, p.45.

³ [Draft Budget 2023/24](#), Table 5.11, p.48.

⁴ [Draft Budget 2023/24](#), p.13.

Homelessness and Temporary Accommodation

The funding of homelessness services and temporary accommodation in Scotland is extremely hard to follow, making it difficult to know what funding is available and what impact it is having.

This is why we have been calling for an audit of homelessness funding, both national and local, to better understand true levels of funding and identify shortfalls. We have also been calling for additional funding to be put in place in the form of a Homelessness Emergency Fund, to plug gaps in funding locally and direct resources to where they are most needed.

We are therefore disappointed to see the lack of focus on solving these issues, particularly following recent statistics⁵ showing a rise in homelessness and a record number of children trapped in temporary accommodation for an increasing amount of time. The Scottish Government's stated commitment to tackling child poverty is undermined if we are willing as a country to leave thousands of children trapped in temporary accommodation.

The newly rebranded 'Homelessness Prevention Fund', a combination of previous Temporary Accommodation funding and Hostels Grant funding⁶, represents a spending freeze when compared with 2022/23. When pressure on the system is growing and costs for local authorities are rising, keeping funding at the same level as last year is an inadequate response to Scotland's housing emergency.

The Scottish Government must ensure that homelessness services are fully funded so that rights can be upheld and enforced, and people are able to access temporary accommodation that meets their needs before being quickly resettled into a suitable permanent home. Until we know what funding is in place locally and nationally, it's almost impossible to know how much more funding is needed to tackle the temporary accommodation emergency.

The difficulty in tracking and following spend outlines the need for a human rights-based approach to budgeting. We agree with the recent pre-budget scrutiny report from the Social Justice and Social Security Committee⁷ that the Scottish Government still has some way to go on budgetary transparency in particular.

Freezing funding for homelessness services and cutting funding for the delivery of new social homes is not in line with the Scottish Government's international obligations to progressive realisation of rights. The funding has to be in place to ensure that the new rights and obligations are enforceable – no more so than on the right to adequate housing as we move towards the new Human Rights Bill.

Related areas

- The Scottish Government announced that it would provide an 'extra' £550m for local government. Whilst this level of funding would be welcome, comments from COSLA suggest that the funding amounts to £71m once

⁵ [Homelessness in Scotland, 2021/22](#).

⁶ [Draft Budget 2023/24](#), p.51-52.

⁷ Social Justice and Social Security Committee, [Pre-Budget 2023-24](#), 8 November 2022.

spending commitments are taken into account. This will have a negative impact on local authorities' ability to deliver on housing rights, and risks exacerbating the housing emergency.

- It is welcome to see the budget for the Scottish Courts and Tribunal Service increase in line with inflation in 2023/24. This reflects the need for the Tribunal services in particular to be properly resourced in order to uphold the positive extension of housing rights in Scotland, including proper consideration of discretionary eviction grounds.
- The increase in the Scottish Housing Regulator budget is another positive step to ensuring it can effectively carry out its work in protecting the rights of social tenants and people experiencing homelessness.
- We welcome the increase to social security payments in line with inflation from April 2024. This will put more money in people's pockets at a vital time for individuals and families and can be broadly welcomed in the current cost of living emergency.
- The £5m increase in Discretionary Housing Payments is welcome, in line with the Scottish Government's expansion of DHP eligibility in the recent Programme for Government. It is important that this fund is continually topped up as necessary, and local authorities are supported to make the application process accessible.
- There is no mention of the Tenant Grant Fund. Whilst commitments were made to extend the criteria for the Tenant Grant Fund to enable payments made to address the cost-of-living crisis, there is a severe lack of transparency over what funds remain at a local level, rendering this commitment largely ineffective. Where local authorities no longer have any tenant grant funds left and there are tenants who require this money the fund should be topped up to ensure tenants can access the help they need.

If you require further information, please contact: [REDACTED]



Fair Funding for the Voluntary Sector Scottish Council for Voluntary Organisations

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Context

After years of underfunding and upheaval, the pandemic and cost-of-living crisis are the latest chapters in a longer story of instability and unpredictability in voluntary sector funding.

The cost-of-living crisis has, for many organisations, increased demand for the essential services and support the sector provides while organisations, like households, struggle with rising costs.

This increasingly unsustainable situation intensifies SCVO's calls for a fair funding approach to voluntary sector funding, developed in collaboration with organisations across the sector. Fair funding – a long-term, flexible, sustainable, and accessible approach to funding – is central to a sustainable voluntary sector which can offer Fair Work, support volunteers, meet demand, and delivery quality outcomes.

In December 2020, the Deputy First Minister announced as part of the Scottish budget that the Scottish Government would adopt fair funding principles in investing in the voluntary sector during the coming year. This paper focuses on the actions that the Scottish Government could take to ensure that funding arrangements with voluntary organisations are fair. The fair funding actions we encourage are also relevant to funders across the statutory and independent sectors.

Fair funding

A long-term, flexible, sustainable, and accessible approach to funding

Fair funding is central to a sustainable voluntary sector in Scotland. It includes, but is not limited to, longer-term funding of three years or more, flexible unrestricted funding, timely payments, more accessible application processes, sustainable funding which incorporates inflation-based uplifts, and transparent approaches to monitoring and reporting.

In Scotland, the many benefits of multi-year funding are understood and recognised by the Scottish Government and parties across the Scottish Parliament. However, there has been little progress implementation. Flexible, sustainable, and accessible approaches to funding are less well understood.

To support Scotland's vital voluntary sector to adapt to current and future societal and economic challenges, and to address years of poor funding practices, fair funding that incorporates the following is urgently needed:

- Longer-term funding of three years or more
- Flexible, unrestricted core funding, which enables organisations to provide security, plan effectively, and fulfil good governance requirements

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- Sustainable funding that includes inflation-based uplifts and full costs, including core operating costs
 - Funding that accommodates paying staff at least the Real Living Wage
 - Accessible, streamlined, and consistent approaches to applications and reporting, timely process and payments, and partnership between the funder and fundee
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Multi-year funding

To ensure security and reduce wasted capacity, the voluntary sector needs a longer-term funding model

Short-term funding significantly impacts on the effectiveness of the voluntary sector by creating ongoing uncertainty and insecurity on a scale unparalleled by any other sector. Voluntary organisations:

- Struggle to plan for the long-term
- Face barriers in recruiting, retaining, and developing staff and volunteers
- Are unable to offer secure jobs, undermining Fair Work aspirations
- Are trapped in a cycle of dedicating time and resources to sourcing funding

Annual funding challenges also distract from providing the services people and communities across Scotland rely on. Similarly, the Scottish Government dedicates significant time and resources to annual processing and decision-making when often there is little change year-to-year.

The Scottish Government should:

- Commit to a longer-term funding model for the voluntary sector across *all* Scottish Government departments
 - Define multi-year funding for voluntary organisations as a three-year minimum commitment
 - Ensure these practices are adopted by public bodies and third-party organisations responsible for disseminating funding on behalf of the Scottish Government
 - Measure the number of Scottish Government grants and contracts which are delivered on a multi-year basis and the impact of this on voluntary organisations and the services they provide
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Sustainable funding

A sustainable sector needs sustainable funding practices and approaches, including annual inflation-based uplifts and support for the Real Living Wage

Ensuring that organisations can secure funding for all the costs involved in running a project or service, known as full cost recovery, is central to sustainable funding. Similarly, a lack of inflation-based uplifts creates an unsustainable environment with organisations expected to provide the same support – or often, more support – with less. SCVO has spoken to many organisations who have not received an uplift for many years, including one who reported no uplift for 13 years, a 27% cut in real terms.

A lack of uplifts, which is a common feature across the funding landscape, is unsustainable and unfair for organisations, staff, volunteers, and the communities they work with.

Unsustainable funding for the voluntary sector also undermines pay security. Without inflation-based uplifts in voluntary sector contracts and grants, organisations can be unable to uplift wages. In the current context, rising inflation and the resulting cost-of-living crisis are exacerbating this issue. The Scottish Government's plans to extend the Fair Work First criteria to include the Living Wage, while welcome, has the potential to put further financial pressure on voluntary organisations. Annual inflation-based uplifts are essential to support organisations to meet the rising costs of staying open, uplift wages, meet and pay the new Living Wage rate, and support volunteers and their expenses.

The Scottish Government should:

- Commit to ensuring that all multi-year funding arrangements have annual inflation-based uplifts inbuilt, at a level as close to inflation as possible
- Commit to ensuring that all public grant funding and procured contracts have both the real Living Wage and annual uplifts to the real living Wage built in
- Commit to working towards introducing more opportunities for voluntary organisations to recover full costs, including core operating costs, for projects and services.

Flexible funding

The voluntary sector needs the stability of unrestricted core funding to plan ahead and to generate the capacity needed to seek out further funding.

Voluntary sector funding is often restricted to specific projects or outcomes. SCVO consistently hears from organisations who successfully secure funds for

specific projects yet struggle to meet core costs for bills and vital roles. For those that do secure core funding, often it only covers a fraction of what is needed.

Funding should, wherever possible, be unrestricted to allow organisations to flexibly meet their key objectives and adapt to the emerging needs of the people and communities they work with. Unrestricted funding offers voluntary organisations greater stability, the ability to plan for the longer-term and respond quickly to social and economic changes, and the capacity required to seek additional funds or generate their own funding.

Flexible funding should also take a flexible approach to targets, which often measure the value of an organisation through numbers or outcomes. Better communication and stronger relationships between funders and organisations would also lead to better recognition of the sector's value.

The Scottish Government should:

- Commit to ensuring that all funding streams avoid the common default of only providing restricted funds
- Commit to working with the voluntary sector to ensure that future grant arrangements include meaningful, productive discussions on the make-up of restricted and unrestricted funding
- Commit to working with the voluntary sector to co-design and develop approaches across Scottish Government departments that allow for flexibility in approach and monitoring
- Commit to working with the voluntary sector to ensure that future contracts and grant arrangements include the setting out of mutually agreed expectations aimed at improving relationships between funders and fundees, as set out in [Principles for Positive Partnerships](#)

Accessible funding

The sector needs streamlined and consistent approaches to accessing funding to ensure a level playing field for all organisations

Across the Scottish Government and wider funding landscape, inconsistency leaves organisations committing capacity, which is often already limited, towards navigating different and difficult funding applications and approaches. A series of changes to the way funding processes in Scotland are administered would alleviate the funding burdens faced by voluntary organisations:

The approach to applications, assessments, monitoring, and due diligence needs to be streamlined and simplified to ensure that no organisation is disadvantaged

Providing clearer guidance and a more structured format at the application stage would support organisations to provide the most relevant information, resulting in less chasing for missing information

Providing organisations with timely communication and prompt payment of funds would help to prevent funding gaps and uncertainty

Transparent monitoring and reporting are also central to accessible funding. Funding transparency enables the voluntary sector to work more effectively with the Scottish Government and local government to assess the positive, negative, and neutral impacts of potential or agreed spending decisions, and will allow a better understanding of how the sector is funded.

The Scottish Government should:

- Commit to undertaking improvements in practice for all Scottish Government departments and funds delivered by others on behalf of the Scottish Government
 - Ensure funding decisions are issued no later than December and funds paid no later than the start of the tax year in April
 - Work with the voluntary sector to ensure that good practice, both from within the Scottish Government and elsewhere in the funding landscape, is highlighted and shared.
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Monitoring progress

SCVO will be monitoring the progress that the Scottish Government and other funders make to deliver on our calls for a fair deal on funding. We will do this by listening to the experiences of voluntary organisations across Scotland. The Scottish Government can play an active role in supporting improvement by adopting our calls on budget transparency.

To enable colleagues across the voluntary sector to understand spending decisions and assess their impact, the Scottish Government should work towards developing a transparent approach to monitoring and reporting which:

- Collects information across all Scottish Government departments to form an accurate picture of how much funding flows into the voluntary sector and from which budget lines
 - Calculates and publishes the Scottish Government's total direct funding of voluntary organisations from grants and procured contracts
 - Calculates what proportion of grants and contracts are delivered on a multi-year basis, uplifted to keep pace with inflation, and accommodate payment of the real Living Wage
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About the voluntary sector

In 2021, Scotland's voluntary organisations had a combined annual turnover of over £8.5 billion and employed over 135,000 staff, while 1.2 million people volunteered.

For most people in Scotland, voluntary organisations are a part of everyday life. They are critical to Scotland's wellbeing, prosperity, and success. Voluntary organisations:

- Provide good quality jobs and support into employment
- Tackle digital exclusion, provide childcare, social care and housing, and support the most disadvantaged people and communities
- Undertake vital medical and environmental research
- Run most of Scotland's theatres, museums, galleries, and sports clubs
- Campaign for change, ensuring the voices of people and communities are heard

A sustainable voluntary sector in Scotland is central to these contributions but, to be truly sustainable, the sector urgently needs Fair Funding.

About SCVO

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the voluntary sector (sometimes referred to as the third sector). We champion our sector's social and economic contribution, provide essential services, and debate big issues.

SCVO and our community of 3,000+ members understand that charities, social enterprises, and voluntary groups work with people and communities across Scotland to make Scotland a better place. Find further details about SCVO at scvo.scot.

Our policy team work closely with the voluntary sector, the Scottish Government, COSLA, and the Scottish Parliament on a wide range of issues relating to the voluntary sector's operating environment, including funding, partnership, and regulations.