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An t-Ionad Fiosrachaidh

Social Security and Social Justice Committee

21st Meeting, 2023 (Session 6), Thursday, 21 September 2023

2024-25 Pre-budget scrutiny

Introduction

1. This paper provides background and suggested areas for questioning for the first panel of witnesses on the 2024/25 pre-budget scrutiny.
2. As its meeting on 29 June 2023, the Committee agreed to hear from stakeholders covering the main aspects of its remit with the first panel discussing in general terms budget priorities and the context for decision making on budgets. The remaining panels would focus on more specific budget priorities covered by the Committee's remit and consider what a wellbeing economy would mean for these areas.
3. At its meeting on 21 September 2023, the Committee will hear form:
 - Chris Birt, Deputy Director for Scotland, Joseph Rowntree Foundation
 - Emma Congreve, Deputy Director, Senior Knowledge Exchange Fellow Fraser of Allander Institute
 - Dr Alison Hosie, Researcher, Scottish Human Rights Commission
 - Bill Scott, Chair, Poverty and Inequality Commission.

Background

4. The Scottish Parliament's budget process, as recommended by the Budget Process Review Group (BPRG) in its 2017 report, is centred around four core objectives to:
 - Have greater influence on the formulation of the Scottish Government's budget proposals,
 - Improve transparency and raise public understanding and awareness of the budget,
 - Respond effectively to new fiscal and wider policy challenges, and

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

Last year's pre-budget report

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

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

Scottish Government Priorities

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

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

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

14. In [Equality, opportunity, community: New Leadership](#), the Cabinet Secretary for Social Justice confirmed what the Scottish Government hoped to achieve by 2026 (see Annex 1). Aims included:

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

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

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

Public participation

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

23. There were some concerns about the level of legitimacy of the Scottish Government's spending decisions, and whether it had the mandate from the public and the transparency of decisions. In some cases, people said that in some cases, basic needs were not being met, with health, social housing and employment being referenced in this context.
24. Respondents were asked "What do you think would make it easier for people to understand and have their say on how well public money is used?" Responses can be grouped under broad headings of Advertising/reach and education, Online engagement and participation, Face to face engagement, Trust and Transparency.

Witness submissions

25. The following provides a brief overview of the main points of the witness submissions received.

- **Fraser of Allander Institute**

[The Institute's submission](#) highlights some concerns about the budget process, transparency and accountability of how budgets are brought together and published.

It notes the MTF's points about the funding gap and the need for difficult decisions to be made. For purposes of transparency and accountability, it would "expect to see robust analysis of the impact of reducing expenditure and an explanation of the process taken to decide where reductions in spending are being made alongside impact assessments for new spend."

In terms of the government's ambitions around social justice and child poverty in particular, it expects more resource will be required to tackle underlying drivers including around social security and childcare. It would be disappointed if "small pockets of money were allocated without a clear rationale over what the money will achieve and why it has been allocated."

It points to the need for the budget to contain a narrative to help people understand what decisions mean. It notes that the budget should not be used to list areas where the government will continue to fund initiatives where there is no new money. It also hopes to see the government's work on analysing and presenting the distributional impact of tax decisions to a wider range of policies and it hopes to see some of this presented in this year's Equality and Fairer Scotland Budget Statement.

- **The Inequality and Poverty Commission**

On tackling child poverty, [the Commission's submission](#) notes its view that the 2023-24 Budget and Resource Spending Review was not sufficient to make progress on childcare commitments in time to meet the 2030 child poverty targets.

It welcomes the recent Programme for Government commitments to developing infrastructure for childcare and increased pay for those delivering early learning and

childcare but says “it will be important that sufficient funding is available in the budget to deliver them. The actions are also still not of sufficient scale to make the progress needed to meet the 2030 child poverty targets.”

It argues that existing investment and policies that can help tackle child poverty are also being affected by the wider economic situation. In addition, further action and investment, beyond that set out in Best Start, Bright Futures, will be needed if the 2030 child poverty targets are to be met. The current financial situation means that it is not clear how that will be achieved.

On the cost of living, the submission notes that the cost of living crisis continues to affect households with increased costs particularly for food and housing. The impact of this includes a rising demand for services and rising complexity, households struggling with basic costs, organisations facing increased demand and higher costs.

On maintaining existing services and programmes, the Commission notes that while funding is needed for new commitments to tackle child poverty, budgetary challenges mean that there are significant risks to existing services and programmes to support people experiencing poverty. Funding for local government and health and social care services, in particular, is crucial to enable them to provide the foundation services that people are relying on. It is important that new programmes and services are not layered on top of disintegrating foundations.

On raising revenue, the Commission says that in addition to reprioritisation of spend, the Scottish Government will need to raise additional revenue by making full use of its devolved tax powers. The Commission will make specific recommendations on this shortly when its tax working group reports.

On budget transparency, the Commission notes some improvements have been made but it is hard to determine or compare the budget for child poverty commitments.

- **Scottish Human Rights Commission**

[The Commission’s submission](#) focusses on furthering the Committee’s understanding of how to practically take a rights-based approach when considering budget decisions and priorities when fulfilling its scrutiny role. Its submission also suggests lines of questioning for the Scottish Government.

It recommends that the Committee should apply a human rights-based approach to its annual scrutiny of the Scottish Government’s budget. Briefly, this involves identifying the relevant international Human Rights Standards, relevant Treaty Body recommendations on the position of Scotland in respect of these obligations and finally assessing the resource required to deliver the necessary change to achieve improved outcomes for people. It provides an example of how this could be done for child poverty.

The Commission suggests that these considerations are not demonstrably built into the current budget processes.

The Commission notes recent and ongoing developments within government with regard to the principles of fiscal transparency and improving participation within the budget through the work of the Scottish Exchequer and the work of the Open Government Action Plan. It says it is also encouraging to see increased commitment from government and public bodies to taking a human rights-based approach making reference to the PANEL principles: Participation, Accountability, Non-discrimination, Empowerment and Legality. Its submission focussed on the “L” in Panel (Legality) which is often overlooked.

- **Joseph Rowntree Foundation**

[The Joseph Rowntree Foundation’s submission](#) notes that the Scottish Government is unlikely to meet the interim child poverty targets, within only five budgets that can realistically impact on the 2030-32 targets. It states that “the time for action, and at scale, is now”. It argues that the recent Programme for Government made little additional spending for efforts to reduce child poverty.

Its submission states that the mission around tackling poverty cannot be seen as purely sitting on the budget lines of the Social Justice portfolio, although within this portfolio there are areas that must be addressed including affordable housing, the Scottish Welfare Fund, uprating social security benefits and the Scottish Child Payment. Broader priorities sitting in other portfolios must also be considered such as childcare and employability.

It also argues for the need to take a longer term view and states that “by failing to tackle child poverty we are perpetuating the issues that our society faces. Creating a vicious circle that we choose to maintain. As a result it is incumbent on the Scottish Government and each of the opposition parties and MSPs to move the debate from single budget lines to more fundamental questions about how we raise and spend public money.”

Suggested themes for discussion

The following suggests two themes for discussion:

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

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

The witnesses' submissions, summarised above, highlighted some challenges that the forthcoming budget will need to take into account. Submissions also particularly highlight how the budget might be used to focus on reducing poverty and child poverty.

At last week's Committee meeting, the Cabinet Secretary emphasised the difficult financial context and the analysis and modelling work that underpins the government's policies on tackling child poverty to ensure spend makes the best use of limited resource.

Members may wish to discuss:

- 1. In what ways do you think the impact of the cost of living crisis should influence the Scottish Government's budget decisions?**
- 2. Last week Neil Gray told the Committee that because the Parental Transition Fund could not be delivered in the way intended, the £15m earmarked for it would be redirected to the Fuel Insecurity Fund ([Committee 14 September 09.37am](#)). Do witnesses have any comment on what this suggests about the Scottish Government's priorities? Do witnesses have other examples of where specific spending decisions have illustrated the Government's priorities?**
- 3. How should the Scottish Government prioritise its budget in light of the Medium-Term Financial Strategy's analysis highlighting a funding gap and the need for difficult decisions to be made?**
- 4. For the Poverty and Inequality Commission – your submission highlights that funding for new commitments creates significant risks to existing programmes and services. How can these risks best be managed?**
- 5. To what extent are the Scottish Government's policies and budgets to support reductions in child poverty sufficient? Particularly given the challenging financial context, is there any change of approach needed?**
- 6. For the Fraser of Allander Institute - your submission states that in relation to child poverty, "we need to see much more focus on delivery of policies that have an evidenced route towards realising the targets, rather than small allocations in different pockets which will not make a demonstratable difference". Can you explain in more detail how the Scottish Government should do this? Is there a danger that this approach might focus on policies that are easy to measure, rather than potentially more impactful policies that are difficult to measure?**
- 7. Given the constrained fiscal framework, to what extent would you prioritise further, above inflation, increases to the Scottish Child Payment?**

8. The [Programme for Government](#) committed to inflation linked uprating for some benefits, referring to: “increasing the Scottish Child Payment, Funeral Support Payment and all disability and carers benefits in line with inflation” Do you expect all devolved social security benefits to be uprated by inflation?
9. In [Equality, opportunity, community: New leadership – A fresh start](#) the First Minister stated that the Scottish Government would have to “target every pound we spend and invest in order to get the maximum value, ensuring it reaches those that need it the most.” How should the Scottish Government determine “who needs it most”?
10. For the Inequality and Poverty Commission - Your submission highlights that in addition to reprioritising spend the Scottish Government will need to raise additional revenue through making full use of its devolved tax powers. Can you explain your views on how effectively the government currently makes use of its tax powers and what your tax working group is considering?
11. How useful is the concept of a ‘wellbeing economy’ as a way to guide budget decisions to meet the Scottish Government’s national missions of tackling poverty and protecting people from harm, a fair, green and growing economy and prioritising our public services?

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

The witnesses’ evidence identified scope for improvements in the transparency and accountability of Scottish Government budget decisions. The Scottish Human Rights Commission provided a detailed response on a practical approach to implementation of a human rights-based approach to budget scrutiny.

Members may wish to discuss:

12. The evidence the Committee has received has highlighted ongoing concerns about the transparency of the budget. Have there been any improvements in the transparency of the budget and what more needs to be improved? Given the financial and time pressures in preparing the budget, what is the realistic scope for further transparency in the process?
13. For the Scottish Human Rights Commission - your submission makes suggestions as to how the Committee can practically take a rights-based approach to budget scrutiny. Can you outline the main points the Committee should be considering in taking this approach?
 - 13 a. How does this approach fit in with other major factors that shape budget decision-making - for example the requirements to fund existing

commitments, areas of uncertainty around the overall size of the budget and the necessity to respond to factors such as consumer and wage inflation?

14. How should the Scottish Government involve the public in setting the overall priorities for spending? What is the realistic scope for meaningful public participation in more detailed consideration of budget decisions?

Kate Berry and Camilla Kidner
SPICe research 18 September 2023

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Annex 1: Extract from Equality, opportunity, community: New leadership – A fresh start

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

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

Attraction and Migration Service, and begun to address community depopulation challenges, including through tailored, community-driven migration solutions which support local economies and public services, through an Addressing Depopulation Action Plan.