

SPICe**The Information Centre**
An t-Ionad Fiosrachaidh

Social Justice and Social Security Committee

**2nd Meeting, 2022 (Session 6), Thursday,
25 January**

Scottish Budget 2024-25

Introduction

The [Scottish Government's budget 2024-25](#) was published on 19 December 2023. The [Scottish Government wrote to the Committee on 19 December](#) responding to the [pre-budget report](#).

The Committee will hear from:

- Shirley-Anne Sommerville, Cabinet Secretary for Social Justice
- Sean Neill, Director for Local Government and Communities
- Stephen Kerr, Director, Social Security
- Shirley Lang, Director, Tackling Child Poverty and Social Justice

Background

Budget priorities

The budget documents explain how:

“In setting this Budget we have chosen to prioritise delivering on our equality, opportunity and community missions and investing in our public services, and protecting people, as far as we can, from the harm of the UK Government’s cost of living crisis.” (Budget ch,1).

- Equality includes “tackling poverty and protecting people from harm.”

- Opportunity includes “building a fair green and growing economy”
- Community includes: “delivering efficient and effective public services.”

The Cabinet Secretary’s response to the Committee explains that:

“tackling poverty and protecting people from harm is one of the First Minister’s three critical missions for the Scottish Government. Within this the First Minister has been clear that tackling child poverty and reaching our statutory child poverty targets are a core priority.”

Economic outlook

The budget documents state that:

“Despite the scale of the economic headwinds in 2023 from the energy price shock and cost of living crisis, the Scottish economy has proven to be more resilient than forecast in December 2022.” (Scottish Budget p. 21)

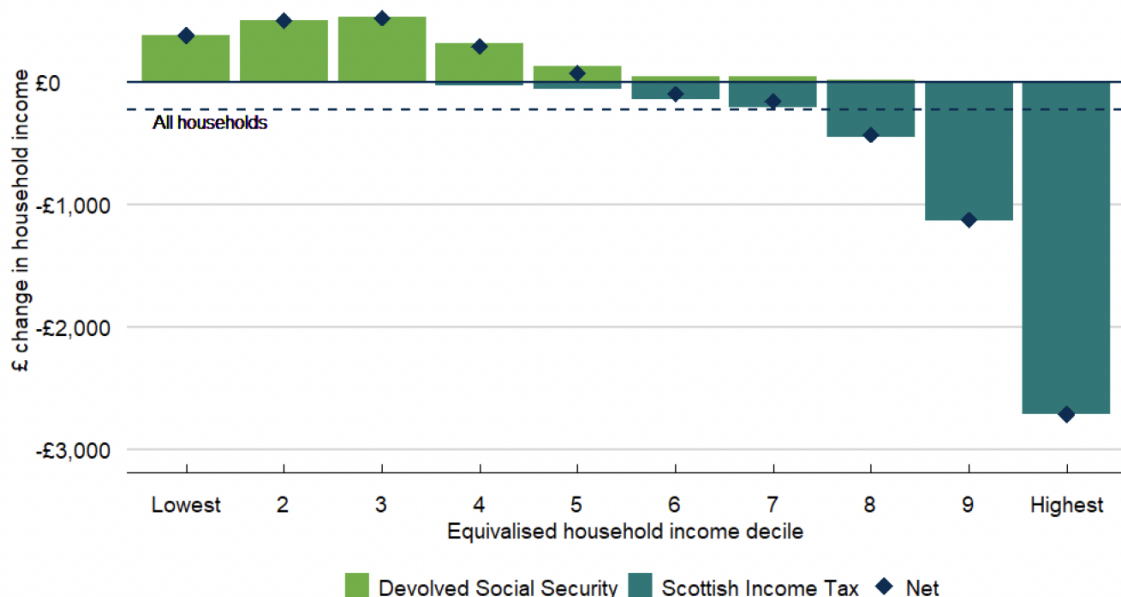
However,

“households are still facing record falls in living standards which are not forecast to recover to pre-pandemic levels until 2026-27” (Scottish Budget p. 21)

Tax and social security impact

The Scottish Government has published a [distributional analysis](#) comparing the impact of devolved tax and social security with the rest of the UK (rUK). Chart 1 below, shows that compared to the rest of the UK, devolved social security increases the incomes of lower income household and devolved tax policy reduces the incomes of higher earning households.

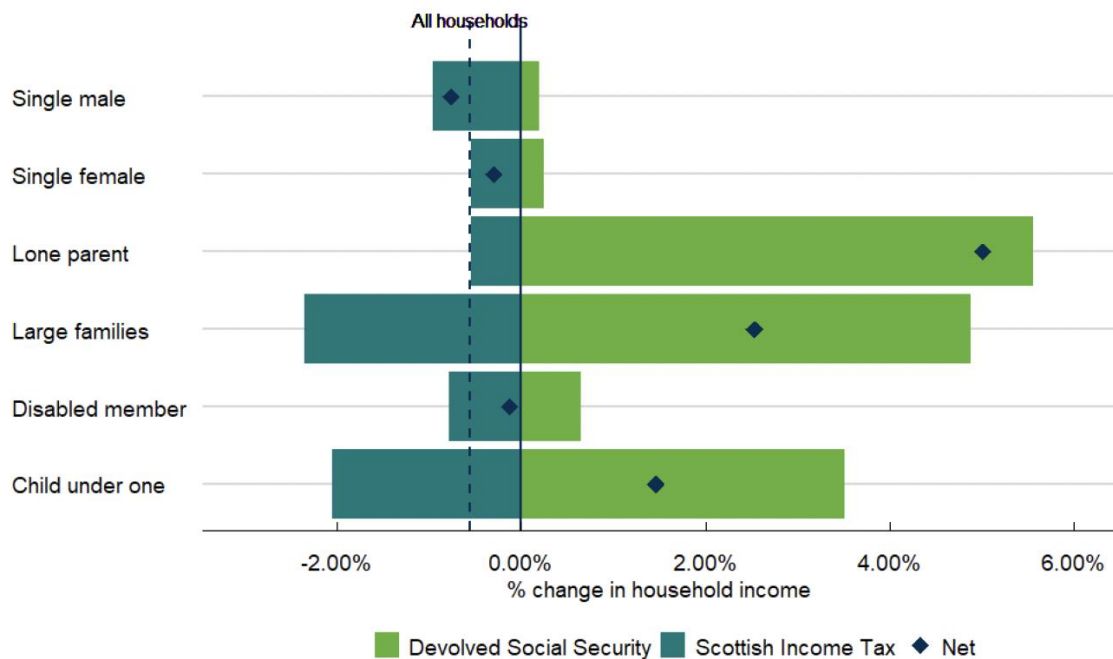
Chart 1: Tax paid and social security received relative to rUK system in cash terms in 2024-25, by income decile



Source: Scottish Government analysis using UKMOD

The Budgets documents note that the main impact for lower income households comes from the Scottish Child Payment. Unsurprisingly therefore, analysis by family type shows families with children benefiting the most from the difference between reserved and devolved tax and social security policies.

Chart 2: Tax paid and social security received in Scotland relative to the rUK system in cash terms in 2024-25 by household type



Source: Scottish Government analysis using UKMOD

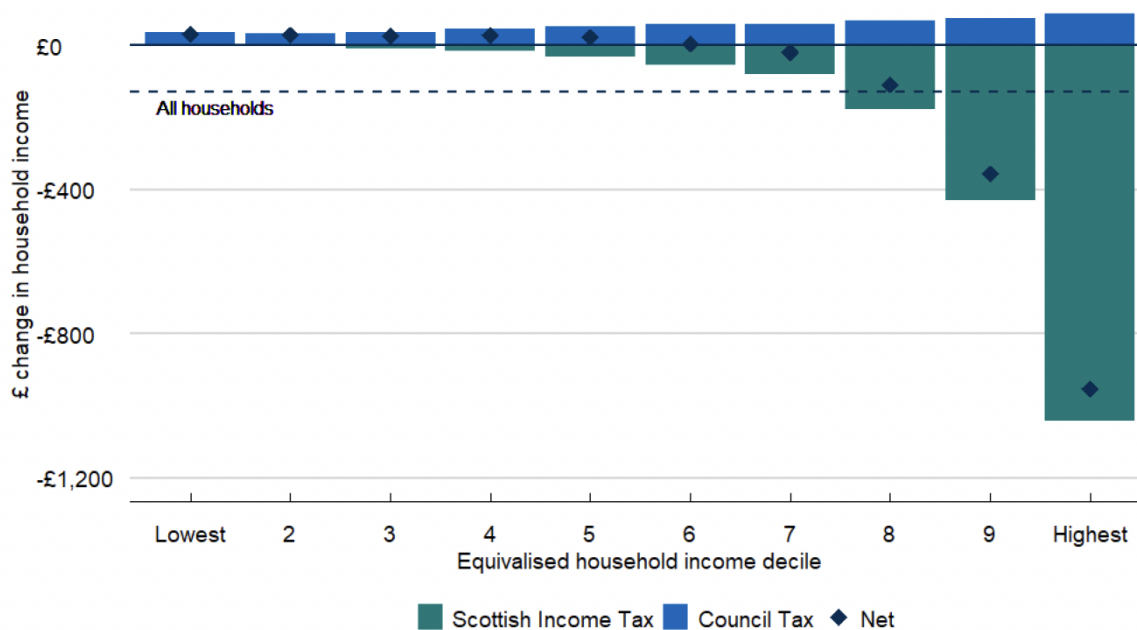
The Scottish Government has a commitment to publish a longer-term approach to tax policy alongside the Medium Term Financial Strategy in 2024.

The Scottish Government has also modelled the impact of the specific policies included in the budget. These are:

- A new 45p Advanced rate of Income Tax, applied on income between £75,000 and £125,140;
- Increasing the Top rate of Income Tax by 1p to 48p;
- Freezing the Higher rate threshold at £43,662
- Freezing Council Tax in 2024-25, subject to the agreement of local government.

Taken together these policies result, on average, in a cash gain for lower earning households and a cash loss for higher earning households (chart 3).

Chart 3: Impact of budget decisions on household incomes in 2024-25 by household income decile, in cash terms.



The freeze in Council Tax benefits households by an average of £57 per year. The cash benefit is larger for higher income households, but the saving represents a higher proportion of the income of lower income households.

Increase in tax revenue

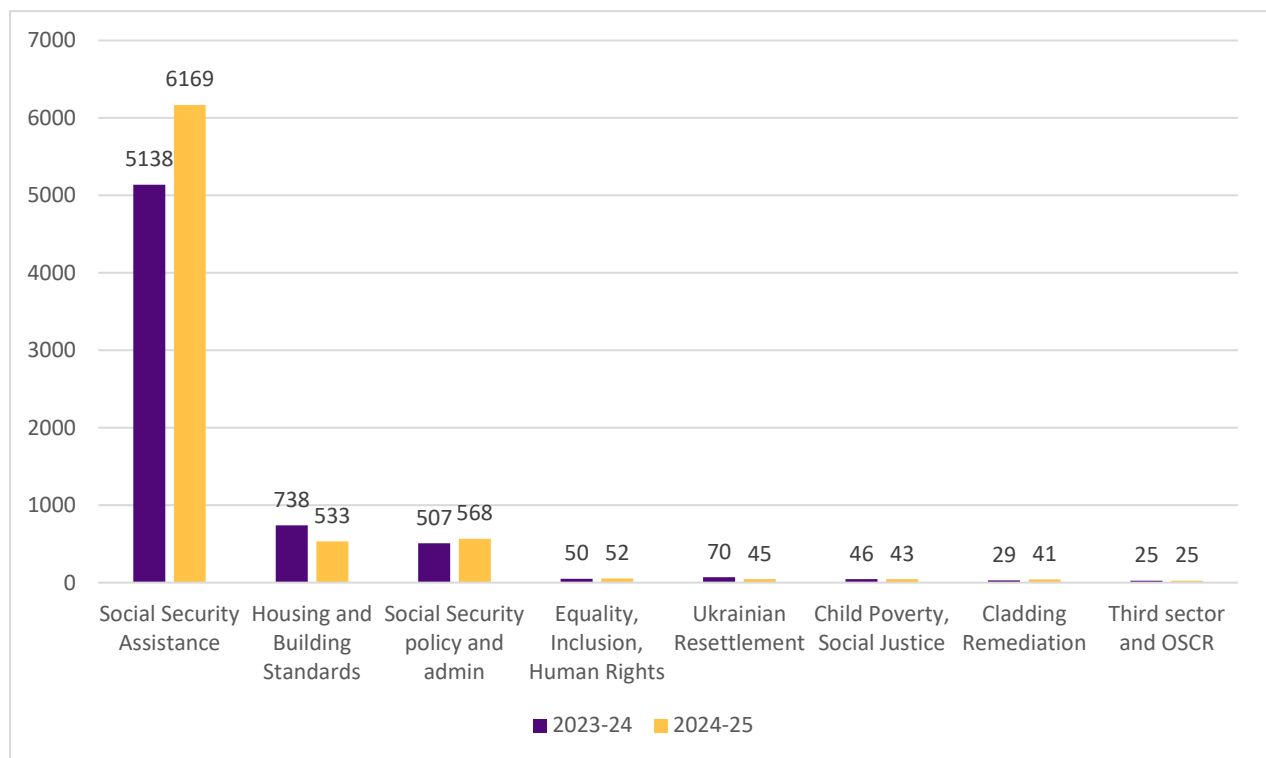
Devolved Scottish Taxes are expected to raise £22.8 billion in 2024-25. This is £2.3 billion higher than previously forecast largely due to higher earnings growth. Overall, pay has grown faster than expected in Scotland – at 8% over the year to September 2023, driven mainly by pay growth in the services sector ([SFC, December forecasts p.74](#)).

Public sector pay policy

At over £25 billion, public sector pay is “over half the Scottish Government’s resource budget.” (SFC p.7). The average public sector pay award in 2023-24 was 6.5%. The Scottish Government spent £800 million more than initially budgeted for on pay deals. The Scottish Government has said that it will publish further information on public sector pay policy following the UK spring budget.

Social Justice budget overview

The total Social Justice budget is £7.5 billion. Almost all of this (£6.7 billion) is for social security. Chart 4 below shows the main budget headings.

Chart 4: Social Justice Budget, £ million

Source: Scottish Government budget 2024-25, table A3, A3.03.

Table 1 shows the change from 2023-24 to 2024-25.

Table 1: Changes in budget allocations at level 2, cash terms

Social Justice	2023-24	2024-25	% change
Social security assistance	5,138	6,169	20%
Housing and building standards	738	533	-28%
Social Security policy and administration	507	568	12%
Housing Support and Homelessness	151	153	2%
Equality Inclusion and human Rights	50	52	4%
Ukrainian Resettlement	70	45	-36%
Child Poverty and Social Justice	46	43	-6%
Cladding remediation	29	41	42%
Third sector and OSCR (combined)	25	25	1%

Source: Scottish Government 'level 2' figures. [Table A3.01](#)

More detail is provided in '[level 4' figures](#). As last year, almost all the Social Justice budget growth is from the increase to social security benefit spend due mainly to increased spend on ADP/PIP. Other notable changes in the 'level 4' figures are:

- Reduction in the affordable housing supply programme budget line by £196 million from £752 million to £556 million – a real terms reduction of -27% (note the affordable housing supply programme also includes money allocated directly to Glasgow and Edinburgh City Councils which is not included in Table 1 above). (n.b This Committee's remit includes homelessness but not housing).

- shows the AHSP budget for 2024-25 is £556m (Scottish Budget p.7), a **decrease of £196m (-26%) in cash terms from the previous year**. In real terms (23-24 prices) this is -27% decrease.
- Increase in social security policy and administration costs by £60 million (12%) from £507 million to £568 million.
- Reduction in the fuel poverty and housing quality budget line by £20 million (92%) from £22 million to £2 million. The notes to the [level 4 budget figures](#) state that the Fuel Insecurity Fund was for 2023-24 only.

Pre-budget consideration for 2024-25 budget

In its [pre-budget report](#) the Committee looked at:

1. Child poverty, cost-of-living crisis and prioritisation of spending decisions, including between universal and targeted support.
2. Homelessness, including the UN right to adequate housing and reducing temporary accommodation.
3. Funding for refugee integration and the impact of UK government law and policy, particularly the 'Illegal Migration Act'.
4. Funding kinship care allowances
5. Fair funding for the third sector
6. Social Security uprating – recommending uprating of 6.7%
7. Raising revenue through council tax and income tax.
8. Improvements to budget transparency through improved presentation and increased public participations in the budget process.

The Scottish Government's full response is in [a letter dated 19 December](#), with a summary included at [Annex F of the draft budget](#).

Suggested Themes for Discussion

The following suggests six themes for discussion.

- Theme 1 Social Security
- Theme 2 Budget priorities: child poverty and cost of living
- Theme 3 Housing and homelessness
- Theme 4 Refugees and asylum seekers
- Theme 5 Third Sector

- Theme 6 Transparency, accountability and participation

THEME 1: Social Security

The total social security budget increases from £5.7 billion to £6.7 billion (table 1).

Table 2 Social Security budget, cash terms

	2022-23	2023-24	2024-25
Administration and Policy	516.3	507.2	567.6
Payments	3,949.2	5,137.9	6,168.9
Total	4,484.5	5,663.6	6,736.5

Source: Scottish Budget table A3.01. Does not include DHPs. Compares initial budgets, does not reflect in-year changes.

The following looks first at forecast spend on benefit payments before considering budget for administration and policy development.

Social Security Assistance

In 2024-25, around £6,169 million will be paid out in social security benefits. This is £1,189 million more than was initially budgeted for 2023-24.

Around half the increase in budget is due to an additional £537 million for ADP/PIP in 2024-25 compared to 2023-24. This reflects the continued roll-out of ADP and also increasing demand for disability benefits across the UK.

Table 3 below shows the change in budget by individual benefit, highlighting the largest changes which are:

- £537 million (20%) increase budget for ADP/PIP
- New £180 million budget for Pension Age Winter Heating Payment
- £141 million (23%) increase budget for Attendance Allowance
- £122 million (37%) increase budget for Child Disability Payment

Table 3: Social security budget by benefit: 2022-23 and 2023-24. £m Cash terms

	2023-24	2024-25	£m difference	% change
Scottish Welfare Fund	35.5	35.5	0.0	0%
Carer Support Payment	371.8	411.7	39.9	11%
Carer's Allowance Supplement	50.0	55.1	5.1	10%
Adult Disability Payment	2,689.6	3,226.4	536.8	20%
Attendance Allowance	614.1	754.9	140.8	23%
Disability Living Allowance (Adult)	437.6	420.0	-17.6	-4%
Child Disability Payment	327.6	450.1	122.5	37%
Industrial Injuries Disablement Scheme	84.4	86.6	2.2	3%

Severe Disablement Allowance	5.8	5.1	-0.7	-11%
Best Start Grant	19.8	21.3	1.5	8%
Best Start Foods	17.0	18.1	1.1	6%
Funeral Support Payment	12.1	12.2	0.1	1%
Job Start Payment	1.2	0.4	-0.8	-67%
Young Carer Grant	1.0	1.0	0.0	0%
Child Winter Heating Assistance	4.7	8.7	4.0	85%
Scottish Child Payment	442.1	457.3	15.2	3%
Pension Age Winter Heating		180.0	180.0	n/a
Winter Heating Payment	23.6	24.4	0.8	3%
Discretionary Housing Payments	85.9	90.5	4.6	5%

NB. Compares initial budget in December 2022 for 23-24 with budget in December 2023 for 24-25.

Comparison with Block Grant Adjustment

In 2024-25 the Scottish Government needs to find £1,092 million above what it receives in social security block grant adjustments. This is mainly due to:

- £300 million on the additional cost of ADP compared to PIP
- £457 million on the cost of the Scottish Child Payment

This funding requirement is expected to continue to grow - reaching £1,502 million by 2028-29 (table 4).

Table 4 shows how this is split between the additional spending for those benefits which have a DWP equivalent and the spend on 'Scotland only' benefits.

Table 4: Social security spend 'above BGA'

£ million	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Social security net position	225	368	478	540	590	694
New social security payments	566	614	646	669	682	694
Other social security payments	103	110	112	113	113	113
Total Social security spending above BGAs	894	1,092	1,236	1,322	1,384	1,502

Source: SFC, fig 5.8. Net position is additional spend above BGA for benefits with a BGA (eg PIP/ADP), New payments is primarily the Scottish Child Payment. Other includes payments funded through the Barnett formula, e.g Scottish Welfare Fund, Funeral Expense Payment

Benefit uprating

All devolved social security benefits are being uprated by 6.7%. This is slightly lower than previously forecast 6.9% ([SFC p.19](#)). The report on uprating and associated regulations are expected shortly. As the UK Government also uprated disability benefits by 6.7%, most of the cost of this policy is covered by the Block Grant Adjustment.

Policy and administration

The budget allocates **£568 million** for policy development and administration in 2024-25, split into:

- £5.5 million for local authorities to administer the Scottish Welfare Fund,
- £240 million for the Programme to develop policy and systems for new benefits,
- £322 million for Social Security Scotland to deliver and run 'live' benefits.

Budget allocations are set out in Table 5. The main changes this year are:

- **£41 million increase for the Scottish Government Programme.** This is the work within the Scottish Government to develop new benefits. In 2024-25 two new benefits will be introduced – Pension Age Winter Heating and Pension Age Disability Assistance. Both will be largely the same as their DWP equivalents (Winter Fuel Payment and Attendance Allowance). The other benefits still to be developed are: Employment Injury Assistance to replace Industrial Injuries Benefits; the Carer 'additional person payment' and 'Scottish DLA' to transition older DLA clients across to Social Security Scotland systems (although the policy approach for this final client group has still be confirmed).
- **£19 million increase for Social Security Scotland administration.** As discussed last week, 2024-25 sees a large increase in the volume of case transfers, and the addition of around 1 million new benefit recipients through the introduction of Pension Age Winter Heating Payment.

Table 5: Social security policy development and administration

£m	2023-24	2024-25	£m change	% change
Scottish Welfare Fund - Admin	5.5	5.5	0.0	0%
Social Security Advice, Policy and Programme	198.7	239.9	41.2	21%
Social Security Scotland	303.0	322.2	19.2	6%
Total - Social Security administration	507.2	567.6	60.4	12%

Source: Scottish Budget table A3.09. Includes capital funding.

The Programme is due to run until the end of 2025 (See [Business Case February 2023](#)) ([FOI, 8th January 2024](#)). Over the next few years systems will transition from the Programme to Social Security Scotland as the programme completes its work. In their 2022-23 Audit of Social Security Scotland, Audit Scotland described uncertainty in future funding:

“From 2023/24 onwards, capabilities and services will be transitioning from the programme to Social Security Scotland and other parts of the Scottish Government.”

“There is a risk that the programme does not fund all costs for services expected to transfer, including staff. This uncertainty will impact Social Security Scotland’s financial plans as clear funding solutions will need to be identified. The overall cost of transition will need to be managed between the programme and Social Security Scotland.” ([Audit Scotland annual audit 2022-23, para 62, 64](#))

They recommended that:

“Funding for the capabilities and services that will transition from the Social Security Programme to Social Security Scotland need to be agreed and managed effectively.” (Recommendation 5)

The Programme Business case published in February 2023 set out the projected cost of the Programme up to 2025-26 ([Business case table 5.2.1.2](#)). Unfortunately Scottish Government budget published figures aren’t directly comparable. However, Scottish Government officials have provided the following figures which are comparable.

Table 6: Resource and Capital budget Social Security Programme, cash

£m	2023-24	2024-25
Programme business case (February 2023)	£147.3	£99.0
Scottish Budget 2024-25	£137.5	£162.6

Scottish Government personal communication, 11th January 2024.

These show that instead of falling to £99 million as set out in the business case, resource and capital budgets are rising in 2024-25 to £162.6 million. Officials have informed SPICe that this is due, in part, to the Scottish Government pay award and the cost of making the transition from the Programme to Social Security Scotland:

“The Programme Business Case did not include transition costs to Social Security Scotland for 2024-25. Our 2024-25 budget settlement includes these costs to deliver the necessary additional enhancements and improvements to the systems and services of Social Security Scotland, designed to deliver efficiencies in future years and reduce the scope for fraud and error.”

Members may wish to discuss:

- 1. To what extent has the £1 billion additional spend on social security benefits been funded through higher than expected income tax revenue?**
- 2. Can the Cabinet Secretary explain what impact uncertainty over future spending on Adult Disability Payment has on the Scottish Budget as a whole?**
- 3. Why is the Programme budget increasing when the Programme business case suggested that it would be falling by this stage? Is the**

Programme still expected to finish at the end of 2025 as stated in the [Business Case](#)?

4. **The Scottish Government is bringing forward two new benefits this year – Pension Age Disability Payment and Pension Age Winter Heating Payment. How much is it costing to create the systems and processes to deliver these? How will these benefits differ from their DWP equivalents?**

THEME 2: Budget priorities: child poverty and cost of living

In its pre-budget report the Committee was concerned with prioritisation in the context of a tight financial settlement, and asked about the balance between universal and targeted support.

Supporting people through the cost of living crisis

The letter from the Cabinet Secretary highlighted ‘almost £3 billion in 2023-24’ to support policies which tackle poverty and protect people from the cost-of-living crisis.

This is similar to the figure given the previous year. In [2022-23 the Scottish Government itemised £2,968.6 million spend](#) on policies it described as related to the cost of living and tackling poverty. The areas of greatest spend were on long standing policies particularly: £1,006 million on early learning and childcare, £351 million on Council Tax Reduction and £306 million on concessionary travel.

The letter from the Cabinet Secretary does not provide an itemised list for tackling poverty in 2023-24 but refer to a total of ‘almost £3 billion’.

There is no total provided for 2024-25 but budget for some of the larger areas of relevant spend includes:

- ‘almost £1 billion’ on early learning and childcare
- £457.3 million on Scottish Child Payment
- £310.6 million on concessionary travel

Fuel Insecurity Fund

The notes to the [‘level 4’ budget figures](#) state that the Fuel Insecurity Fund was for 2023-24 only. As a result the budget line for ‘fuel poverty and housing quality’ within the Social Justice Portfolio falls from £21.8 million in 2023-24 to £1.7 million in 2024-25.

In 2023-24 the Scottish Government initially allocated £20 million to the Fuel Insecurity Fund. This was [increased in-year to £30 million](#). The previous year, in [2022-23 the allocation for this fund had been £10 million](#).

The Committee’s pre-budget report discussed the Fuel Insecurity Fund – asking whether additional funds provided in 2023-24 would have been better targeted at the Winter Heating Payment. The Scottish Government disagreed saying in their response that:

“The Fuel Insecurity Fund can provide additional support to a range of households with differing circumstances where there is a risk of self-rationing or self-disconnecting. With the continued cost of living pressures on household budgets and increased demand for support, the additional investment enabled the Fuel Insecurity Fund to be a vital lifeline for many struggling households.”

Never-the-less, the Fuel Insecurity Fund appears to not be available in 2024-25. The budget has not been re-allocated to the Winter Heating Payment. This has been uprated by inflation from £55.05 to £58.75 per year. This, together with caseload changes increases forecast spend by £2 million from £22 to £24 million.

The [Equalities and Fairer Scotland Statement](#) published alongside the budget states that:

“It is estimated that from October 2023, with the price cap at £1,923 for the average dual fuel household, 33 per cent (around 830,000 households) of all households will be in fuel poverty, with 21 per cent or 530,000 households in extreme fuel poverty.”

Employability

The Committee’s recent report on tackling child poverty through improving parental employment focused on the importance of employability services. The employability budget line in the Wellbeing, Economy, Fair Work and Energy portfolio reduces by 23% (£31m) from 2023-24 to 2024-25 (Table 7, below). In the budget tables some of this is explained as "broader activity mentioned previously is not accounted for against this line in budget". This suggests that some funding that previously fell under this line in the budget has been presented elsewhere. Employability funding is also detailed in the local government budget. Allocations here fall by 25% (£25m) (Table 8, below).

Table 7: Employability funding in economy and fair work budget

£m	2022-23	2023-24	2024-25	% change 23-24 to 24-25
Employability and workforce skills (broader activity mentioned previously not included.)	91.9	99.72	86.3	-13%
Fair Start Scotland (closing to new referrals from March 2024)	26.7	26.7	13	-51%
Fair Work and Labour Strategy (closure of workplace equality fund disability public social partnership, not starting private sector 4 day week pilots)	5.7	7.2	3.5	-51%
Total	124.02	133.6	102.9	-23%

Source: [Scottish Government budget 'level 4'](#).

Much employability activity is at a local authority level. The Scottish Budget includes the following allocations to local authorities.

Table 8: Employability funding in local government budget

£m	2022-23	2023-24	2024-25	% change 23-24 to 24-25
No-one left behind - long term unemployed	20	0	0	0%
No-one left behind (incl. parental employability)	15.6	30.5	75.5	148%
Parental employability support	5.8	69.7	0	-100%
Young Persons Guarantee – local employability partnerships	45.0	0	0	0
Total	41.4	100.2	75.5	-25%

Source: [Scottish Government budget table A2.17.](#)

Employability funding is discussed as a case study in the Scottish Government’s “[Equality and Fairer Scotland Budget Statement 2024-25.](#)” This describes the contribution of employability funding to tackling inequality, and how scaling up parental employability support is a ‘key action’ in the strategic plan to tackle child poverty. It notes that:

“Through continued investment in our employability commitments in 2024-25 we will continue our work to tackle child poverty and prioritise support for those who face complex barriers to accessing the labour market.”

An employability strategy is expected by the end of 2023-24.

Members may wish to discuss:

5. **The Cabinet Secretary’s response to the Committee refers to almost £3 billion spending 2023-24 on tackling the cost of living. The Scottish Government has previously referred to almost [£3 billion spent in 2022-23](#) on this. Why hasn’t this figure increased given the background of high inflation? Can the Scottish Government provide an itemised list of the policies included in the ‘almost £3 billion’ in 2023-24 to address the cost of living along with an indication of the budget for 2024-25 on these items?**
6. **Given continuing high levels of fuel poverty, why has the Scottish Government stopped the Fuel Insecurity Fund?**
7. **How will the reductions in employability budget lines impact on employability support for parents? How does this align with the focus on scaling up employability support as set out in the tackling child poverty delivery strategy?**

THEME 3: Housing and homelessness

During its pre-budget scrutiny, the Committee heard from Shelter Scotland and the Scottish Refugee Council that affordable housing should be made a priority for the Scottish Government in its budget. The Joseph Rowntree Foundation, amongst others, noted that investment in social housing in Scotland has kept poverty levels lower than elsewhere in the UK. Increasing the supply of affordable housing can also reduce homelessness and the length of time some homeless people have to spend in temporary accommodation.

In 2024-25, the Affordable Housing Supply Programme is £556m, a decrease of around £200m, or -27% in real terms (see Table 1).

Table 9: Affordable Housing Supply Programme budget 2021-22 to 2024-25

£m	2021-22	2022-23	2023-24	2024-25	Change 23-24 to 24-25,	Change 23-24 to 24-25
Cash terms	832	831	752	556	-196	-26%
Real terms (23-24 prices)	942	881	752	547	-205	-27%

Sources [21-22](#) [22-23](#) [23-24](#) [24-25,p7](#)

Note: in year transfers to the budget can be made during the year. In 2023-24 for example, the budget is supplemented by a £15m contribution from the heat in buildings fund and donations from the charitable bond programme.

The Committee heard from Shelter Scotland that progress under the AHSP was slowing. [Latest statistics show that under the Affordable Housing Supply Programme](#) in the year to end September 2023 the number of homes approved has decreased by 14% and the number of homes started has decreased by 24%.

Stakeholder groups including [Shelter Scotland](#), [Scottish Federation of Housing Associations \(SFHA\)](#), [Chartered Institute of Housing \(Scotland\)](#), have been critical of [the planned budget cut](#). For example, [SFHA argue it is a “hammer blow for tackling homelessness and poverty”](#). The [Joseph Rowntree Foundation, in its submission to the Finance and Public Administration Committee](#), said that it was “baffling that the affordable housing supply programme should be the victim of such a brutal cut.”

In a [recent Herald article](#), the Minister for Housing was reported as saying that a review of the target would be brought forward with a focus on “the delivery timeline”. As yet, there is no further detail on this review.

Specifically on homelessness, the budget states that the Scottish Government will invest £35 million in specific action to end homelessness and reduce the number of households living in temporary accommodation, in addition to homelessness funding provided through the local government settlement.

In the Cabinet Secretary's response to the Committee's pre-budget report, she mentioned the £60m national acquisition scheme to enable partners to buy existing properties to let. This £60m is part of the 2023-24 existing AHSP.

On 4 December 2023, the Scottish Housing Regulator published an [update to its thematic review of homelessness services](#). Its [thematic review](#) highlighted that some councils were finding it difficult to fully meet their statutory duties around temporary accommodation, and that for some councils there was an emerging risk of systemic failure. Its update noted that, "it is clear that the demands on some councils now exceed their capacity to respond and in others it soon will; given this, we are of the view that there is systemic failure in the services provided to people who are homeless by some councils and that there is a heightened risk in other councils. "

Members may wish to discuss:

8. **Given the importance of new affordable housing to reducing poverty and homelessness, why has the Scottish Government cut the Affordable Housing Supply Programme budget by 27% (in real terms) for 2024-25? Should this not be a priority for capital spending?**
9. **[Latest statistics show that under the Affordable Housing Supply Programme](#) in the year to end September 2023 the number of homes approved has decreased by 14% and the number of homes started has decreased by 24%. Is your target to deliver 110,000 affordable homes by 2032 realistic? How can you help to improve delivery of affordable homes?**
10. **In 2023-24, at least £60m of the Affordable Housing Supply Programme is for a national acquisition plan to help increase the supply of affordable homes. This would help reduce pressure on temporary accommodation. What progress has been made on spending that money? What specific support will there be in the supply programme budget for reducing the use of temporary accommodation in 2024-25?**
11. **The budget states that in addition to resources in the local government settlement, the Scottish Government will invest £35m to end homelessness and reduce numbers of households living in temporary accommodation. What will this £35m be used for? Is this sufficient given other pressures on local government resources and the Scottish Housing Regulator's conclusion that there is systemic failure in the services provided to people who are homeless by some councils?**

THEME 4: Refugees and asylum seekers

In its pre-budget report the Committee raised the impact of UK policy and legislation, increasing demand for Guardianship Scotland and refugee integration policy.

Homelessness amongst refugees has increased as the UK Government clears its asylum claim backlog. This means responsibility for support shifts from the UK Government to local authorities. The [Guardian reported](#) in November that the “number of homeless refugees in Glasgow has doubled in recent months”. Several local authorities have declared ‘housing emergencies, including [Glasgow City Council](#).’ The Cabinet Secretary’s letter noted that the Minister for Equalities, Migration and Refugees has written to the UK Government on this issue, asking the UK Government to provide funding to Scottish local authorities. However, in the Scottish Government debate on Asylum Policy and Legislation ([10 January 2024](#)), the Minister said that the “new Minister of State for Legal Migration and the Border confirmed on 3 January that the UK Government will not provide any additional funding as a result of the increase in asylum support cessations.”

The Scotsman reported ([Ukraine: Scottish Government accused of ‘betrayal’ after cutting refugee support](#), 6 January 2024) that the Scottish Government will not match its initial £10m of funding to local authorities to support Ukrainian refugees. Edinburgh City Council said this would cause ‘unintended consequences’ and increase homelessness in the capital.

The Committee’s report discussed the impact of the UK Government’s [Illegal Migration Act 2023](#) (not fully in force). The Scottish Government has written to the UK Government on this issue and “is working to assess the identified mitigation options.” “We will reach out to stakeholders as soon as options have been identified that are legal, deliverable and will provide real mitigation to this cruel Act.” The Minister repeated this position in the debate on 10 January, and said that it is challenging to consider how to mitigate the Act, given that the UK Government plans to implement it remain unclear.

The Committee also highlighted the increasing demand for [Guardianship Scotland](#), a joint initiative of the Scottish Refugee Council and Aberlour providing a [Scottish Guardianship Service](#) for unaccompanied asylum-seeking children. The programme has been running since 2010 on a non-statutory basis, and was placed on a statutory basis on 1 April 2023. The Scottish Government provided £1 million in 2022-23 with an [initial allocation \(as of June 2023\)](#) of £1 million in the following two years. In reply to the Committee’s pre-budget report, the Scottish Government said it is “liaising closely with the service provider to assess the impact and ensure continued support.”

The Committee heard that a more formal approach to **refugee integration** is required. In reply, the Scottish Government pointed to the refreshed New Scots Refugee Integration Strategy due in March 2024 and action plan due in June.

Members may wish to discuss:

12. What additional funding is the Scottish Government providing to local authorities to address homelessness amongst refugees?

13. Why has the Scottish Government not matched its £10m of funding to local authorities to support Ukrainian refugees?

14. How is the Scottish Government meeting additional demand for Guardianship Scotland?

15. When do you expect to finalise mitigation measures for the Illegal Migration Act?

THEME 5: Third Sector

As last year, the Committee raised funding pressures on the third sector having heard from SCVO that 2023-24 had been the ‘worst year’. The Committee recommended a fair funding framework be developed as a matter of urgency and that organisations should be given notification of funding in good time.

In reply, the Cabinet Secretary said that: “the Scottish Government is keenly aware of the pressures the sector is under.” Commitments include:

- Improving government’s understanding of the scale and nature of government investment in the third sector,
- Programme for Government commitment to improve grant making processes, including increasing the number of two year grants in the forthcoming budget and ‘working to embed a multi-year grant approach,’
- Issuing funding notifications as soon as practicably possible before end March 2024.

The issues raised are similar to the last few years. In the then [Cabinet Secretary’s reply to last year’s pre-budget report](#), in January 2023, she said in relation to the 2023-24 budget:

“Adopting Fairer Funding practice is something we are determined to move forward in the next financial year. This has to start with multi-year funding where appropriate but will be broadened as we work with the sector to tackle the barriers it continues to face.”

Members may wish to discuss:

16. In January last year the then Cabinet Secretary wrote to this Committee saying she was “determined to move forward” with fairer funding “in the next financial year” - i.e in 2023-24. What progress has been made? How much third sector funding will be made as two year grants in 2024-25?

17. The Scottish Government Budget only provides a one year settlement to local government. What will this mean for the many smaller third sector organisations who rely on local authority grants and contracts?

18. Will the Cabinet Secretary keep the Committee informed of the number of funding notifications for 2024-25 made before end March 2024?

THEME 6: Transparency, accountability and participation

Under the heading of transparency, accountability and participation, the Committee's pre-budget report noted stakeholder suggestions for improved information about budget and spending:

186. From the evidence received it is clear to the Committee that witnesses were looking for a lot of different information to inform their understanding of the budget, for example:

- setting out clearly any new spending
- noting where funding has been reprioritised or cuts have been made in allocated funding
- explain how consequential from the UK Government are allocated
- the distributional impact of tax, social security and spending
- defining, setting and measuring the minimum core needs
- engagement on Government spending priorities
- spending on cross-cutting policies, such as, tackling child poverty
- total spend in a specific sector, for example, the third sector
- information on the economic value of a specific sector, e.g. the third sector
- improved data on spend, including for grant funding and for hard to reach communities

Some of these issues are discussed above under budget priorities (theme 2) and third sector (theme 5).

The [Equality and Fairer Scotland Statement](#) gives examples of meeting the three principles of human rights budgeting: participation, transparency and accountability. These examples include:

- Participation - working with COSLA towards having 1 per cent of local authority budget subject to participatory budgeting
- Transparency –the analysis with the Equalities and Fairer Budget Statement
- Accountability – the Parliamentary process

The [Equality and Fairer Scotland Statement](#) includes some additions this year – such as a case study of eight budget lines including, as discussed above, employability. The changes are described:

“This year we have made changes with the aim to create a document that is more useful to the Committee and other stakeholders. These changes include: making improvements to our internal processes, such as closer alignment with the development of the Programme for Government; bringing Ministers together to participate in a pre-budget workshop dedicated to looking at the Equality and Fairer Scotland impacts of potential budget decisions; and commissioning longer-term work with the Organisation for Economic Co-operation and Development (OECD) on gender-budgeting pilots.”

The preface emphasises the importance of engagement and evidence-based budgeting:

“As we enter some of the toughest times for public services in recent history, we will make evidence-based decisions that consider the impacts on all people in Scotland. The challenges are huge, so it is vital that we work together to protect those who are most vulnerable.”

The Fraser of Allander Institute told the Committee that 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.”

The Equalities and Fairer Scotland statement includes descriptions of the policy intention underpinning budget allocations, linked to relevant data on equalities and relevant human rights principles. It does not discuss decisions to reduce or increase expenditure. The ‘Level 4’ data does include brief explanation of budget changes, but this is not linked to the impact assessments.

For example, as discussed above, the Fuel Insecurity Fund is not continuing in 2024-25. The Equalities and Fairer Scotland statement does not mention this, but does describe evidence of fuel poverty. Similarly the importance of employability to tackling child poverty is discussed but the changes to employability funding are not.

Members may wish to discuss:

19. The Equality and Fairer Scotland Statement is intended to consider the impact of budget decisions. However, it does not identify how and why budget allocations have changed and how these changes impact on equalities and human rights. Why not?

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SPICe
12 January 2023