

# Finance and Public Administration Committee

## Budget Scrutiny 2022-23

### Scottish Government Response to the Committee's Report on Budget Scrutiny 2022-23

Dear Kenneth

#### Committee report on Budget 2022-23

Thank you for sending a copy of the Committee's Budget scrutiny report which was published on 21 January. I am pleased to enclose my response ahead of the Committee's Stage 2 consideration of the Budget Bill.

#### Local government funding

As indicated during the Stage 1 debate on 27 January, I have now lodged Stage 2 amendments to add £120 million resource to the local government settlement. This was only possible following an update in recent days from the UK Treasury regarding our 2021-22 funding. While our exact 2021-22 funding change will only be formally confirmed at UK Supplementary Estimate later in February, my judgment regarding the information received to date is that this extra allocation to local government can now be made.

This planned carry-forward of funding requires us to use the Scotland Reserve, which in accounting terms will need to be presented as a 2021-22 underspend when our accounts are published. However – much in the same way that we treated some late 2020-21 funding – I would note that, given the lateness of the funding notification to us, this £120 million is not being allocated in 2021-22 and we are proposing at the outset to carry it forward and allocate it in 2022-23.

I appreciate this contingency on the UK fiscal cycle is challenging for scrutiny of the Scottish Budget, and would reiterate that it is no less challenging for the Scottish Government's own financial and policy planning. I will of course update the Committee once a firmer update on the UK Supplementary Estimate is available.

#### Fiscal Framework Review

I also wanted to take the opportunity to say a little more about the Fiscal Framework Review. I welcome the Committee's recommendations in relation to the forthcoming review of Scotland's Fiscal Framework and its continued

commitment to scrutiny of the issues that need to be considered in that review, as well as the independent report which precedes it. In particular, I welcome the Committee's current scrutiny of the operation of the Block Grant Adjustments, and look forward to its findings.

I note the Committee's concerns in relation to the potential slippage of the timetable for the independent report and review, and would like to reassure you that progress continues to be made. Scottish Government and UK Treasury officials continue to work closely to finalise the details for commissioning the report, including on the terms of reference and authorship for the report.

While we have not been able to meet the original timescales detailed in the Fiscal Framework Agreement with regards to the independent report, I hope to be able to update the Committee within the coming weeks with regards to its authorship and terms of reference.

As you know, I favoured a broad independent report and review, but given the Chief Secretary's stance and the need to make progress, I agreed for the report to focus only on the Block Grant Adjustment arrangements. Therefore, I will continue to press the Chief Secretary to ensure our officials are doing all they can to progress the independent report, as well as on our joint commitment that the review itself should commence as early in 2022 as possible. I will seek to make further progress on the scope of the review in my next discussion with him in early February.

I trust this letter is helpful ahead of my session with the Committee on 1 February.

Kate Forbes

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| 39 - 41  | <p>We note that the scope of the independent report to precede the Fiscal Framework review will focus on Block Grant Adjustments only, but that the review itself will be broader and that stakeholder views will be sought as part of both processes.</p> <p>At the time of writing, the independent report, which was due to be produced by the end of 2021, has not yet been commissioned. The Committee believes that continued slippage in starting this work, and resulting delays to delivering its outcomes, is detrimental to the effective management of the Scottish Budget. We therefore urge the UK Government, in conjunction with the Scottish Government, to make swift progress in the commissioning of the independent report, and thereafter in conducting the Fiscal Framework review. We continue to seek updates on progress with this work and intend to feed in our views to both the independent report, following our current scrutiny of the operation of Block Grant Adjustments, and to the review itself.</p> <p>Given that the review process may take some time to complete, the Committee considers that it would be prudent to put in place plans now to manage the potential risks of the Scottish Government almost reaching its capital borrowing limit in a few short years.</p> | <p>Agreed. SG and HMT officials continue to work closely to finalise the details for commissioning the report and progress has been made on the Terms of Reference for the report, as well as identifying potential authors with the necessary expertise.</p> <p>While we have not been able to meet the original timescales detailed in the Fiscal Framework Agreement with regards to the independent report, I hope to be able to update the Committee within the coming weeks with regards to its authorship and Terms of Reference.</p> <p>I continue to press the Chief Secretary to the Treasury on our joint commitment that the review itself should commence as early in 2022 as possible and I will seek to make progress on the scope of the review at my next discussion with him in early February.</p> <p>The Scottish Government has always been clear that stakeholder input, particularly from committees of the Scottish Parliament, should form a key element of the review process and I welcome the Committee's views on matters covered by the independent report and the review itself.</p> <p>While I have been clear that the Fiscal Framework review should look again at the case for a prudential borrowing regime for capital, my current planning will be based on the current powers and flexibilities available to me.</p> |

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|          |  | <p>The Medium Term Financial Strategy sets out our capital borrowing policy to borrow between £250m - £450m over the period of the National Infrastructure Mission (to 2025-26) and thereafter ensure that a minimum of £300m of capital borrowing is available to draw down from 2026-27.</p>   |
| 45 - 46  | <p>The Scottish Government's assumption that it will receive £620 million in additional sources of income for the resource budget which have not yet been confirmed, gives the Committee some cause for concern. While we accept that this approach has benefits in providing greater opportunities for transparency, scrutiny and effective financial management, should this sum not materialise, it will place significant additional pressure on the Scottish Budget at a time when the impact of Covid-19 and other continuing pressures persist. We therefore request that the Scottish Government updates the Committee as and when these sources of income are confirmed and, in the meantime, we seek clarification of how the Scottish Government proposes to address any shortfall should these funds not materialise.</p> <p>We welcome the agreement between the two governments that funds should be transferred to the Scottish Government regarding the personal allowance policy spillover. We note the significant divergence in the positions of the two governments on the actual sums involved and we therefore urge the UK and Scottish governments to bring a swift resolution to the matter so that the final agreed funding can then be transferred to the Scottish Budget.</p> | <p>I understand the Committee's concern in this area. The sources of funds we identified are subject to were within a range and with the value of each element subject to some volatility. Nonetheless I am clear that when assessing all of the sources in totality, £620 million is a prudent assessment of potential scale of additional funds which could be forthcoming. Since publishing the Budget one element of the £620 million – consequentials associated with UK Government legislation on Non Domestic Rates relating to Material Change of Circumstances – I expect to be confirmed as part of the UK Supplementary Estimate process for 2021-22 and the consequentials will be carried forward in the Scotland Reserve.</p> <p>I will of course continue to update the Committee throughout the financial year on this assumption and impact of changes to funding assumptions more broadly.</p> <p>I agree that it is essential to prioritise resolving the dispute in relation to the personal allowance spillover as a matter of urgency. I am meeting with the CST at a Joint Exchequer Committee meeting in early February to discuss this dispute and the next steps we can take to resolve it. I hope the CST will be equally committed to making swift progress on this dispute and bringing the</p> |

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|          |   | <p>matter to an agreeable resolution this year, given the length of time over which the dispute has been outstanding. I will keep the Committee updated once an agreement is reached with the CST.</p>   |
| 49       | <p>The Committee accepts that there may always be a degree of 'political spin' about how the level of UK Government funding affects the Scottish Budget. However, we believe that greater transparency regarding the headline figures would better assist effective scrutiny and constructive political debate around Scotland's public finances. It would be helpful if in future years the Scottish Fiscal Commission's forecasts were to form the basis of budgetary calculations.</p> | <p>The 2022-23 Scottish Budget details of all sources of funds and this information is shared with the Scottish Fiscal Commission in advance of publication.</p> <p>Table 1.01 in the document details all fiscal framework and Barnett funding control aggregates and Annex A details other specific sources of funds which have become available for the financial year.</p> <p>There is no difference between the totality of funding in the Scottish Budget Document and the Scottish Fiscal Commission Reports. The issue centres around comparisons with previous years and how this should be measured.</p> <p>The Budget Document provides comparisons with the 2021-22 Scottish Budget whereas the Scottish Fiscal Commission compares the 2022-23 budget with the latest estimate of 2021-22 funding. Both comparisons are applicable and indeed I would agree with the committee that it is important to focus on the Scottish Fiscal Commission's comparatives.</p> <p>However, as the figures in the Scottish Budget are prepared on a basis of budget to budget comparisons, I believe it would be inconsistent to make an exception for the funding tables.</p> |

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|          |  | <p>The second issue concerns which specific figures are being compared and how they are measured. The Scottish Budget document details comparisons of HMT aggregates and Scottish Budget aggregates in cash and real terms. Real terms in this context uses the latest GDP deflators published by HMT. Other publications highlight particular components such as Non Covid funding or looking at one classification (such as fiscal resource) in isolation.</p> <p>I am sympathetic to the Committee's thoughts on the best use of analysis of comparatives and I will engage with the Scottish Fiscal Commission on this point.</p>  |
| 56 - 58  | <p>The Committee asks for more detail on exactly how the financial package for those businesses hit by Omicron is being funded.</p> <p>We consider, in the interests of transparency and efficient management of Scotland's public finances, that both governments should, as part of the Fiscal Framework review, consider and agree a process by which Barnett consequentialia are clearly communicated to bring greater certainty over what is 'new' money and what is being reprofiled.</p> <p>Our view remains that the Fiscal Framework review presents an opportunity to consider more broadly how communication and transparency between the UK and Scottish governments can be improved, to enable more effective financial management. We note from its response to our prebudget report that the Scottish Government shares our view that the</p> | <p>57. Clarity of communication and transparency from the UK Government are essential to ensure effective management of the Scottish Budget, especially with regards to whether announced Barnett consequentialia are 'new' money. Given that UK-wide funding allocations, through the Barnett formula, also impact on the devolved governments of Northern Ireland and Wales, I continue to press the UK Government alongside my devolved counterparts for an improved process that brings greater clarity and certainty of funding allocations. There is a clear read across between this issue and wider issues relating to communication, transparency and co-ordination under the Fiscal Framework, and I will press the UK Government to consider these issues in the round, as part of the forthcoming review.</p> <p>58. Noted and agreed.</p> |

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|          | review is a chance to consider "what improvements can be made to support better intergovernmental engagement, coordination and dispute avoidance and resolution."  |  |
| 62       | With the Covid-19 pandemic continuing to require financial interventions, it is imperative that the Scottish Government continues to provide full, transparent and timely information on all Covid-19 allocations. The Committee also asks how the Scottish Government is assessing the effectiveness of its Covid-19 interventions. This type of information not only allows proper scrutiny of where, and how effectively, the money is being spent, it also enables us to identify any effects of diverting funds from other areas, and to learn lessons for any future health emergency. | <p>I fully agree with the committee's assessment that Covid-19 will continue to impact our finances, despite the lack of any Covid-19 funding in 2022-23. However I also recognise the point Audit Scotland make that the line between Covid and non-Covid expenditure will continue to blur as we move out of the pandemic, and we are considering the effectiveness of spend in that context.</p> <p>My officials and I have endeavoured to inform this committee and parliament more generally with any changes to Covid-19 allocations and all details of changes are of course outlined in the Budget Revisions which this committee scrutinises.</p> <p>I am happy to consider any recommendations the committee may have in this area or what further information I can provide to aid the committee's scrutiny of the impact Covid-19 has had on our finances.</p> |
| 67 - 68  | The Committee accepts that the Scottish Government faces challenges in managing its budget where there is a limit on the funds that can be carried forward into the next financial year, particularly during a crisis such as the pandemic when funding allocations and spending decisions can be more fluid and reactive. We believe, however, that there is scope for the Scottish Government to be more open and transparent about its approach, which we consider may help to foster greater public understanding of this issue.   | <p>I agree with the Committee's assessment on the challenge in balancing the Budget within a reserve limit which represents less than 2% of our funding, and which falls every year in real terms.</p> <p>This has been even more challenging during Covid-19 where the fluidity and scale of our funding availability has increased dramatically as has the volatility in expenditure due to the nature of demand led business and transport support.</p>   |

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|          | <p>We further seek clarification as to whether the underspend balance for 2021-22 of £20 million will be formally allocated in the Spring Budget Revision.</p>  | <p>To clarify, the £20 million the committee refers to was a balance of Covid-19 consequentials not formally allocated at the Autumn Budget Revision, this is in part due to timing.</p> <p>The funding position has moved considerably since then and full details of final allocations will be detailed in the Spring Budget Revision. My officials will also provide the committee with more extensive analysis of the Scotland Reserve and funding position more broadly in the “Brief Guide to the Spring Budget Revision” which should help aid the committee’s scrutiny.</p>   |
| 77       | <p>The Committee believes that there should be engagement between the two governments on the potential effects of tax policies set in the UK, such as national insurance contributions, that interact with devolved tax policy, to ensure that Scottish taxpayers are not negatively impacted. The Fiscal Framework review provides an opportunity to put in place formal arrangements for inter-governmental working to ensure the potential interactions between tax policy decisions by the UK and Scottish Government are fully considered.</p> | <p>77. The Committee’s point is noted and will be given due consideration when developing future Income Tax policies. As the Committee will be aware, some tax policies have commercial and market sensitives therefore it may not always be appropriate for interaction to take place between the two governments before the policies are officially announced.</p> <p>In relation to National Insurance Contributions (NICs), despite the devolution of some powers over taxation to the Scottish Parliament, the application of NICs in Scotland remains entirely reserved to the UK Government. The Cabinet Secretary for Finance and the Economy recently wrote to the Chief Secretary to the Treasury to request that <b>QUOTE</b>: “the National Insurance Upper Earnings Limit for Scottish taxpayers should be aligned with the Scottish Higher Rate Threshold”. However, the UK Government once again refused to meet this request. While National Insurance remains reserved to Westminster, we continue to urge</p> |

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|          |   | <p>the UK Government to take into consideration the differing tax rates in Scotland.</p> <p>More broadly, it remains crucial that the review considers the arrangements for intergovernmental engagement and co-ordination. This should include how we minimise friction in interactions between the two governments' tax and social security regimes to ensure that the Scottish Government has maximum flexibility in its policy choices and ability to manage the impacts of UK policy choices through the Fiscal Framework and vice versa.</p>  |
| 83 - 84  | <p>The Committee notes that income tax policy divergence in Scotland has, since devolution, largely offset the poorer growth in receipts in Scotland. However, the deterioration in the Scottish Fiscal Commission's income tax forecasts would appear to bring additional pressure on Scotland's public finances. Our report goes on to explore the reasons behind these trends and how we might start to address them.</p> <p>We further consider that the Fiscal Framework review presents an opportunity to shape the framework to better take account of the Scottish tax base. While the evidence we have heard suggests that there are no easy answers, we look forward to providing our views on Block Grant Adjustments to the authors commissioned with writing the independent report in due course.</p> | <p>It is clear from the SFC's latest forecasts that wider economic factors continue to affect Income Tax receipts – but that does not in itself undermine devolution or the Scottish Government's progressive tax policies. Instead, it reflects the inadequate constraints of the devolution settlement, with the Fiscal Framework and limitations on the powers of the Scottish Parliament impacting our ability to grow the economy and improve tax performance.</p> <p>That is why we continue to call on the UK Government to devolve key powers over migration and the economy, and to ensure a comprehensive review of the Fiscal Framework is undertaken. The review must consider the impact of underlying risks to the Scottish tax base through the Fiscal Framework, including distributional and demographic risks, and potential solutions to address these risks.</p> <p>We also welcome the Committee's views on the Block Grant Adjustment mechanisms as part of the independent report's stakeholder input.</p> |

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| 96 - 100 | <p>The Committee agrees with the Scottish Government that it “must rise to the challenges of the future by putting our public finances on a sustainable trajectory” ii , and we suggest that productivity, wage growth, and labour market participation should be a particular focus for the Scottish Government.</p> <p>We consider that evidence showing that Scotland is lagging behind almost all other areas of the rest of the UK in key indicators of economic performance is deeply worrying. We are particularly concerned to note the latest SFC Forecasts showing Scotland’s income tax receipts falling behind the Block Grant Adjustment, which we consider could, if they come to pass, put Scotland’s future fiscal sustainability at risk.</p> <p>We note the Cabinet Secretary’s evidence that she would be looking to various initiatives including the ‘No One Left Behind Strategy’, the National Strategy for Economic Transformation, and the Population Taskforce, to help address the trends affecting income tax receipts. We heard in evidence that they include Scotland’s underlying low earnings growth, labour force participation rates and productivity, as well as demographic challenges. We recognise that reversing these trends will not happen overnight and that the initiatives highlighted by the Cabinet Secretary are at an early stage. We also understand that the Scottish Government is providing support to the SFC in preparing to produce its first fiscal sustainability report. We believe this could make an invaluable contribution to this debate and seek an update on this work.</p> <p>In our pre-budget report we reported on the evidence we heard regarding a complicated landscape of Scottish Government strategies and plans which have been recently</p> | <p>We welcome the committee’s support of our aims to grow the economy. We will shortly be publishing our National Strategy for Economic Transformation which will outline the steps we will take to grow the Scottish economy over the next decade. However, without full control over economic policy and immigration, we do not have all the powers we need to address these demographic issues and drive growth in the economy and the tax base.</p> <p>While the SFC’s latest report shows the pandemic has had an impact on Scotland, it is not true that Scotland lags behind the rest of the UK. On the latest data, Scotland’s GDP per capita is the 4<sup>th</sup> highest of UK nations and regions; Scotland’s productivity has increased by more than any other nation or region of the UK between 2007 and 2019; and Scotland has been the top destination in the UK for foreign direct investment outside London for the past 6 years.</p> <p>We would also note that, under the Fiscal Framework, it is Scotland’s growth relative to the rest of the UK that determines our Budget position. Currently, strong earnings growth in London and the South East means that our budget is being reduced even while earnings growth in Scotland recovers strongly from the pandemic. As discussed in the report, we will be seeking to address these issues through the Fiscal Framework review.</p> |

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|          | <p>produced, or are soon to be, all with a bearing on the economy and fiscal sustainability. We called on the Scottish Government to outline how it could streamline and link up its various strategies and plans, a recommendation which was not addressed by the Scottish Government in its pre-budget response. We reiterate this recommendation and also request a response to our pre-budget finding that “the Scottish Government considers how the National Performance Framework could be more closely linked to budget planning and therefore seek further information on this matter”.</p> <p>We welcome the inclusion of ‘changing demographics’ as one of the three primary drivers of public spending within the Resource Spending Review Framework. This appears to provide scope, as noted in our pre-budget report, for a renewed, more focused and sustained approach to policies aimed at reversing these demographic trends.</p> |   |
| 108      | <p>While the Committee understands that the Scottish Government’s approach to social security is specific to the challenges and inequalities faced in Scotland, we are concerned at the resulting downward pressure on other budget lines that the Cabinet Secretary accepts would be necessary to meet the increasing costs of social security. Difficult decisions on priorities lie ahead and we therefore agree with Cabinet Secretary that the Scottish Government will need to “take intelligent decisions about the nature of social security in order to meet demand”. We seek further details as to exactly how the Scottish Government plans to use the resource spending review to manage the shortfall across other budget lines.</p>   | <p>This year’s Scottish Budget was one of choices, and we chose to back our national mission to tackle child poverty.</p> <p>The Social Security budget shows the strength of the Scottish Government’s commitment towards building a social security system for the people of Scotland with dignity, fairness, and respect at its heart that meets the needs of the people.</p> <p>The Scottish Government will continue to take a responsible and capable approach to Scotland’s finances, ensuring that our delivery plans are affordable and present value for money. This includes monitoring all areas of expenditure during the year, prioritising</p> |

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|          |   | <p>spend and making use of the limited fiscal borrowing powers in 2022-23. The Scottish Government's borrowing decisions are based on the overall fiscal position and are finalised at the end of the financial year to ensure maximum fiscal flexibility.</p> <p>The Scottish Government will continue to manage any variance between actual and forecast expenditure or Block Grant Adjustment, in a competent, responsible and balanced way, as part of the annual budget process, in line with the principles and policies set out in the Medium-Term Financial Strategy.</p> <p>The forthcoming Resource Spending Review will allow us to take spending forecasts into account to determine funding requirements as we target public spending to where it delivers greatest benefit for the public purse. Difficult decisions will have to be made regarding any new policies, ensuring they are affordable and deliver value for money for the public purse. The Resource Spending Review Framework sets out how we will take an outcomes-focussed, evidence-based and consultative approach to this, with a focus on our three strategic priorities: tackling child poverty, addressing climate change, and securing a stronger, fairer, greener economy.</p> |
| 114-115  | We reiterate the conclusions from our pre-budget report that the limits on the Scottish Government's resource borrowing powers to cover forecast error and resource management, and the Scotland Reserve, are not currently sufficient and that these should, as a minimum, be linked to inflation. | <p>Noted and agreed.</p> <p>The Scottish Government is committed to being as transparent as possible in the review process, while acknowledging some elements of the process will require shared, private space for intergovernmental</p>  |

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|                      | <p>We further repeat the recommendation that “the two governments should consider the extent of the risk arising from potential divergence in forecast error between the SFC and the OBR, learning any lessons from the experience of an economic shock being triggered due to a quirk in timings”. We note the Scottish Government’s response that “the Fiscal Framework review must consider and make changes to these powers to support sound financial planning and management for future years”. As before, we seek regular updates on the progress of discussions between the two governments in relation to the independent report, which is due to precede the Fiscal Framework review, and on the review itself.</p>  | <p>discussion. Once the arrangements for the independent report are finalised, we will confirm the authorship and publish the Terms of Reference. I will keep the Committee updated.</p>  |
| <p>119 &amp; 123</p> | <p>The Committee was disappointed to receive the Cabinet Secretary’s letter informing us of an increase in the proposed Local Government Settlement 2022-23, one day after the Cabinet Secretary appeared before the Committee to give evidence on the Scottish Budget on 21 December. This meant there was no opportunity to scrutinise these issues in evidence with the Cabinet Secretary. We therefore seek clarification as to from where, and when, this additional £64 million was found. We are also interested in when both the Scottish Government and COSLA became aware of it, and the reasons why the Cabinet Secretary was not able to share this information with the Committee at or before our meeting on 21 December.</p> <p>The Committee seeks assurances that the Scottish Government will engage with COSLA at the earliest opportunity with a view to resolving any remaining concerns regarding the Local Government Settlement for 2022-23.</p> | <p>With regards to the correspondence on 22 December 2021 relating to the funding for Free School Meals, I would wish to clarify that the £64 million was confirmed in both the Budget Statement and Chapter 1 of the Budget document but was inadvertently omitted from Table 5.16 of the Scottish Budget due to an administrative oversight. This oversight had no impact on the overall budget position, nor to the funding allocated to individual portfolios nor the funding that will be made available to Councils during 2022-23.</p> <p>Changes in the funding within other portfolios to be transferred to local government in-year following the publication of the Scottish Budget would typically be reflected in the Local Government Order and scrutinised during that process. That remains the case this year but the publication of consultation Local Government Finance Circular 09/2021 on 20 December subsequent to the Budget Statement and prior to the Committee appearance presented an earlier opportunity to provide certainty to Councils and I therefore considered that it</p> |

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|           |   | <p>would be courteous to alert the relevant Committees to the change in presentation.</p> <p>The Scottish Government and COSLA have engaged positively and constructively throughout the budget process most recently on 20 January 2022 when I joined the Cabinet Secretary for Social Justice, Housing and Local Government and Minister for Social Security and Local Government to attend the inaugural Strategic Review Group meeting with the COSLA Presidential Team. The First Minister also met with COSLA Presidential Team and Political Group leaders on 26 January 2022 to discuss how best to tackle new phases of the pandemic, to progress recovery and strengthen the partnership between national and local government in order to deliver for our communities. The outcome of this engagement is that we have decided to increase the funding available to local government in 2022/23 by £120 million.</p> |
| 126 & 130 | <p>We seek clarification from the Scottish Government as to how it has prioritised preventative measures, along with examples of how this approach has resulted in a shift in policy direction and expenditure, across this Budget.</p> <p>The Committee believes that the outlook for Scotland's economic performance and the downward pressure on the Scottish Budget, requires greater emphasis on prevention and reform. We seek further details from the Scottish Government as to how it intends to deliver this.</p> | <p>A commitment to Prevention has been built in as an essential principle across many Scottish Government policy priorities. The following examples give a flavour of this commitment, impact to date and its continuing importance to Scottish Government:</p> <ul style="list-style-type: none"> <li>• We have reshaped <b>Youth Justice</b> services to take a whole-system approach underpinned by GIRFEC, so all agencies that come into contact with children and young people who offend work together to address their needs and take early action at the first signs of any difficulty. This approach has helped to contribute to a significant reduction in children and young</li> </ul>  |

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|          |                          | <p>people's contact with the justice system, including an 85% reduction in the number of 12-17s proceeded against in Scotland's courts between 2008-09 and 2019-20.</p> <ul style="list-style-type: none"> <li>• <b>Developing the Young Workforce</b> is Scotland's youth employment strategy - a preventative programme that aims to increase options for young people in schools and colleges, and to increase opportunities for employment. We met this Programme's headline target, to reduce youth unemployment in Scotland, excluding those in full-time education, by 40% by 2021, in 2017 – four years ahead of schedule.</li> <li>• We are designing a new <b>National Care Service</b> around the needs of care users and care workers. Prevention and early intervention will feature prominently as part of this, so that people can move easily between different types of care and support as their needs change. At the heart of our thinking is that social care should be seen as a service which is there to help and support people at the earliest stage, preventing deterioration and people getting into crisis situations.</li> <li>• Through our ongoing commitment to <b>Keep the Promise</b>, we are creating a care system that improves outcomes and wellbeing of those it supports, and ensures they grow up in loving environments. In line with Christie's commitment to prioritising prevention, The Promise clearly highlighted the importance of un-stigmatised access to effective universal and intensive family support with early intervention and prevention at its core. Central to this are whole systems approaches</li> </ul> |

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|          |                          | <p>which ensure families can access the help they need, when they need it, reducing the need for crisis interventions.</p> <p>Our approach to <b>Covid Recovery</b> illustrates what strong commitment to Public Service Reform, including on preventing harm, includes. Our approach is built on a common purpose, not only to neutralise the negative impacts of the pandemic, but also to tackle long-standing and deep-rooted inequalities. It focuses on person-centred and holistic ways of working, so people can access support they need easily and with no wrong doors. It includes an emphasis on local services maintaining and extending close engagement with communities, building on the community-based work during the Pandemic.</p> <p>Our Covid Recovery Strategy is built on 3 interconnected themes that cannot be pursued in isolation: financial security for low income households; wellbeing of children and young people; good, green jobs and fair work. We are placing strong expectations on public services to work together towards that common purpose, breaking down traditional delivery silos; and also on Scottish Government officials to break down traditional policy silos, so our approach is genuinely person-centred.</p> <p>We are providing resources to meet these expectations, including:</p> <ul style="list-style-type: none"> <li>Investing at least £500m over the life of this Parliament to create a Whole Family Wellbeing Fund, to provide whole family support and resource shifts</li> </ul> |

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|          |                          | <p>from chronic to preventative interventions as we #KeepThePromise.</p> <ul style="list-style-type: none"> <li>• Investing £200m in adult upskilling and retraining opportunities.</li> <li>• Investing a further £70m for the Young Person’s Guarantee for 2021/22, as part of an extra £125m included in this year’s Budget to also enhance the National Transition Training Fund and all-age skills and employability support.</li> <li>• Providing over £8.65m in 2021-22, and at least a further £15m across 2022-24, for the Parental Employability Support Fund to help low income families identified as being most at risk of experiencing poverty.</li> </ul> <p>We have worked closely with Local Government to agree the shared vision and outcomes of Covid Recovery and underpinned this with principles about how we will work together. Our joint approach recognises the critical roles of SG and Local Government in leading this national and shared endeavour. We will support delivery of joint programmes of work with a Recovery Oversight board, with a strong focus on monitoring and performance towards outcomes.</p> <p>As the Committee has noted, prevention is one of the lenses the Resource Spending Review is using to consider public spending. The Review will consider options to redirect funding towards demonstrable preventative approaches. Effectively targeted preventative programmes can improve service delivery and achieve outcomes whilst reducing demand on public</p> |

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|          |   | <p>services and, consequently, costs to the public purse. The Resource Spending Review consultation period runs to 27 March, with the Review due to publish in May 2022.</p>   |
| 135-136  | <p>The Committee supports the work being undertaken to improve the climate change information included in the Scottish Budget and welcomes the recent update provided by the Fraser of Allander Institute on its related research. We would be keen to continue to receive regular updates.</p> <p>In our pre-budget report, we recommended that the Scottish Budget 2022-23 and Medium-Term Financial Strategy each set out how the Scottish Government plans to manage the economy to meet its net zero commitments by 2045. The Scottish Government has not provided a response to this recommendation explaining how this has been done. While meeting climate change targets and securing a stronger, greener, fairer economy are prominent goals in each, there appears to be little detail to show that the plans we asked for being in place. We therefore repeat this recommendation to which we request a swift response.</p> | <p>The Resource Spending Review offers an opportunity to review how effectively funding allocations support the delivery of our key priorities. These include addressing climate change and securing a stronger, fairer and greener economy, alongside tackling child poverty. As the process progresses towards publication intended in May 2022, this will inform the future spending plans as well as additional activity required to increase progress towards meeting statutory climate change commitments in a just way.</p> <p>The role of the MTFs, guided by the recommendations of Budget Process Review Group, is to focus on the medium-term sustainability of Scotland's public finances in the context of spending plans made in Spending Review and budget processes.</p> |
| 146-147  | <p>As this report recognises, ensuring that public funds are used effectively is essential given the scale of the challenges that Scotland faces. We recognise therefore that, taken together, these new EU replacement and levelling up funds represent a significant level of funding which has already been committed to being spent in Scotland and which is not allocated as part of the usual Scottish budget process.</p> <p>However, if funding is to be spent effectively then transparency and clarity over the purpose and outcome that each funding stream is intended to achieve is vital. We</p>  | <p>The Scottish Government continues to share the committee's concerns around the lack of and poor quality of engagement from the UK Government regarding replacement EU funding and the development of new UK-wide funds being deployed in areas of devolved competence.</p> <p>We look forward to the Secretary of State fulfilling his commitment to provide evidence to the Committee and welcome the Committee's continued pursuit of this.</p>   |

| Para no. | Comment / recommendation   | Response |
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|          | therefore welcome the Secretary of State's commitment in early November 2021 to give evidence to the Committee in person. Whilst it is disappointing that we have yet to agree a date for the session, we will continue to pursue this, as well as seeking a response to the points in our letter of 8 December. |          |
| 168      | The Committee notes the SPCB's budget proposal and expects to return to the issues discussed above during next year's budget scrutiny, once the picture becomes clearer. In the meantime, we would welcome being kept up-to-date by the SPCB of any significant changes regarding its budget.                    | n/a      |