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Dear Convener,

Thank you for providing your Pre-Budget 2024-25 report, and for the opportunity to respond. I have attached a detailed annex to this letter, which responds directly to each of the points within your report. I would also draw to your attention the following overarching points.

The Committee focussed on the need for Scottish Government to prioritise spending in this year's budget, as well as reprioritising existing funding, to create maximum benefit. It stressed the need to meet people's essential needs and was keen to understand how the Scottish Government will balance targeted support and make long term structural changes to support low-income households.

Our budget delivers against our three central missions of equality, opportunity and community. We have reviewed opportunities for more effective targeting of existing provision and services in the 2024/25 Budget, whilst prioritising programmes of work which have the greatest impact on the delivery of our three core missions. The single biggest increase in funding in this budget is an additional £1 billion for Social Security benefits and payments. Contributing to our national mission to tackle inequality.

During 2023-24 the Scottish Government allocated almost £3 billion to support policies which tackle poverty and to protect people as far as possible during the cost of living crisis. As a government, we have spent over a billion pounds mitigating the impacts of 13 years of UK Government policy such as the bedroom tax and benefit cap. In relation to targeted support, in 2024-25, we are investing £6.3bn in Social

Security benefits and payments which will reach around 1.2 million people, including our unique Scottish Child Payment and Discretionary Housing Payments, as well as a £24.4m investment in Winter Heating Payment. We also recognise the importance of longer term transformation, with the policy prospectus and Programme for Government outlining our commitment to establish a 10-year programme of Public Service Reform with a focus on fiscal sustainability, improving outcomes and reducing inequalities.

The Committee noted their concern that economic challenges are hampering the Scottish Government's mission to tackle Child Poverty and were keen to understand what consideration has been given to the balancing of universal and targeted policies to tackle child poverty. As set out in the Medium-Term Financial Strategy, published in May 2023, universal provision can improve take up of benefits and services amongst those who most need support, and offer greater security and certainty for people, but these demand-led services come with limited opportunities to control costs once introduced. We will ensure we continue evaluating policies to assess their impact over time and ensure we retain an appropriate balance between universal and targeted provision.

The committee was keen to understand how the Scottish Government will ensure local services have the resources required to deliver on housing rights. Housing need and demand is assessed at a local level, however, the Scottish Government has established a homelessness task and finish group to identify options to support local authorities manage housing pressures. In response to its recommendations, we have established a £60m National Acquisition Scheme to enable partners to buy existing properties to let.

I also note the comments from the Scottish Refugee Council regarding housing capacity and homelessness. More than 26,000 people from Ukraine have arrived in the UK through the Warm Scots Welcome programme, more than 20,500 sponsored by the Scottish Government. Since November 2022, as a result of a collaborative partnership with local government and the third sector, numbers in short-term welcome accommodation have been steadily reducing with around 3,000 guests estimated in September 2023. From the outset the Scottish Government was clear it did not want anyone staying in short-term accommodation longer than necessary. As part of the £50 million Longer-Term Resettlement Fund, we are bringing more than 1,200 homes back into use for arrivals, creating a longer-term social housing legacy for future communities.

The Committee highlighted concerns around the funding relationship between the Scottish Government and the voluntary sector and recommended a fair funding framework be developed and agreed as a matter of urgency. The Scottish Government recognises the unprecedented financial pressures on the Third Sector at this time and is committed to progressing an agenda of Fairer Funding, as outlined in the Programme for Government in September 2023. This was also reflected within the First Minister's commitment at the Gathering event on the 8<sup>th</sup> of November to expand the number of two-year grant agreements.

Finally, I would like to reassure the Committee and its witnesses that the Scottish Government is committed to improving the transparency of the public finances, as

demonstrated through our improvement work in successive Open Government Partnership (OGP) Action Plans. As part of the fiscal transparency commitment in Scotland's latest OGP Action Plan (2021-25) we have an objective to improve the transparency around the Scottish Budget, reviewing the accessibility and usability of existing and future information and guidance. In July 2023, the Scottish Government committed to progressing research on citizens budgeting in Scotland in its response to the Equality and Human Rights Budget Advisory Group's recommendations. As part of this work, we are considering how a citizens budget could improve public participation in the budget process through increasing accessibility and engagement. We currently publish *Your Scotland, Your Finances* (YSYF), which is designed to provide a condensed and simplified overview of the current Scottish Budget. Work was undertaken in 2022 to review the YSYF in line with transparency and accessibility commitments and a number of improvements are under consideration to enhance this publication going forward.

I hope that this information is useful, and I look forward to discussing these issues further when I appear before the Committee next month as part of your Budget scrutiny process.

Yours sincerely,

**SHIRLEY-ANNE SOMERVILLE**

Question	Answer
<p><b>62.</b> The Committee asks the Scottish Government to set out exactly how it will prioritise funding to mitigate the cost of living crisis. What will the balance be between targeted support and making long term structural changes to support low income households?</p>	<p>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. Decisions around the budget are being prioritised around these missions.</p> <p>As a government, we have spent over a billion pounds mitigating the impacts of 13 years of UK Government policy such as the bedroom tax and benefit cap. The UK Government’s Autumn Statement was the worst-case scenario for Scotland. It failed to provide the investment needed in services and infrastructure, reflecting the UK’s economic circumstances after Brexit. This is on top of more than a decade of UK Government underinvestment that has left our public services with very little resilience. Our Barnett funding – which is driven by UK spending choices – has fallen by 1.2% in real terms since the 2022-23 budget was presented.</p> <p>During 2023-24 the Scottish Government allocated almost £3 billion to support policies which tackle poverty and to protect people as far as possible during the cost of living crisis. In relation to targeted support in 2023-24 we invested £5.3bn in Social Security benefits and payments which will reach around 1.2 million people, including our unique Scottish Child Payment and Discretionary Housing Payments, as well as a £22 million investment in Winter Heating Payment. We also recognise the importance of longer term transformation, with the policy prospectus and Programme for Government outlining our commitment to establish a 10-year programme of Public Service Reform with a focus on fiscal sustainability, improving outcomes and reducing inequalities.</p> <p>We are using our social security powers to deliver a system built on dignity, fairness, and respect. In 2024-25 we are investing £6.3bn in Scottish Government benefits and payments which will reach around 1.2 million people, including our unique Scottish Child Payment – funding that will increase in 2025/26 - and Discretionary Housing Payments. However, it is important that the UK Government uses its full range of reserved powers, including those around social security, to address these challenges and support people and business across Scotland and the rest of the UK. I set out our asks of the UK Government in my <a href="#">letter</a> to the Chancellor of the Exchequer of 20 November in</p>

advance of the UK Autumn Budget Statement, including a request to legislate for an essentials guarantee. This would provide those who need it most with the most basic of necessities.

The Scottish Government recognises the importance of hearing the voices of those impacted by low income and poverty in tackling poverty. That is why the First Minister invited a group of six people with lived experience of poverty to attend his Anti-Poverty Summit in May 2023 and then met the same group again during Challenge Poverty Week in October 2023. In follow-up, a further meeting with a widened group including other key anti-poverty stakeholders was held on 21 November with the Deputy First Minister and Cabinet Secretary for Social Justice. This focused on listening to the views of the lived experience group and anti-poverty stakeholders on their priorities for the budget, and setting out some of the difficult choices which have to be considered given the fiscal environment. We recognise the importance of longer term transformation to ensure households are resilient to financial shocks like the current cost of living crisis. In October the Scottish Government Cabinet agreed to consider using a set of child poverty principles to inform forthcoming discussions on the Scottish Budget for 2024-25 and beyond. This will help to ensure the draft Budget and future plans go as far as is possible to meeting our statutory child poverty targets and to delivering on the actions set out in *Best Start, Bright Futures*. These principles include ensuring that lived experience informs service design, delivery and funding, greater cross-government collaboration and fairer funding for the third sector. In addition to this we have updated our internal decision-making processes to ensure that child poverty considerations are a key part of the decision-making process.

In the policy prospectus and the Programme for Government we committed to establish a 10-year programme of Public Service Reform (PSR) that will:

- Ensure public services remain fiscally sustainable by reducing costs and reducing long-term demand through investment in prevention;
- Improve outcomes, which will improve lives and reduce demand on public services; and
- Reduce inequalities of outcome among communities in Scotland, recognising the need not just for improved outcomes, but a focus in policy and delivery on those most disadvantaged.

This commitment is a core part of Government's response to the challenges laid out in the Medium Term Financial Strategy, as well as addressing specific commitments on efficiency measures laid out in the Resource Spending Review.

	<p><i>Best Start, Bright Futures</i> commits to bring together partners to overcome barriers and maximise the use of resources to provide holistic support tailored to the individual needs of priority families. We are working in partnership with a selection of local authorities and third sector partners to transition to more enabling and place-based models of support. These place-based partnerships are broadly aimed at supporting service redesign and system reform, in the context of tackling child poverty and wider public service reform.</p> <p>The Clackmannanshire Family Wellbeing Partnership, <a href="#">Glasgow and Dundee Pathfinders</a>, and the <a href="#">Social Innovation Partnership</a>, have collectively sought to test a range of specific interventions across different locations, approaches and scale with a common purpose of reforming services to tackle child poverty. The aim is that collectively these partnerships can implement and evidence what works and move delivery towards relational and highly adaptable approaches and demonstrate effective partnership working between Scottish Government, Local Government and the unique value of the third sector. These approaches will ensure that services operate in a person-centred way for those we are seeking to support. We will encourage and test innovative approaches and leverage in the expertise of partners, and share best practice to inform policy change with local delivery.</p> <p>Another example of this transformational work is our commitment to invest £500m in Whole Family Wellbeing to improve holistic family support. The funding is supporting local areas to transform their services and to prioritise preventative, holistic family support. This funding is a key driver to addressing the challenges of child poverty by ensuring that families can access the support they need, where and when they need it. Supporting the wider wellbeing of the whole family is essential to helping families navigate their way out of poverty. This is a transition fund, which is focussed on delivering the system changes required to shift investment towards early intervention and prevention activities, that will prevent future need.</p>
<p><b>69.</b> The Committee notes the First Minister’s ‘mandate letters’ to Cabinet Secretaries and asks the Cabinet Secretary how she and other Cabinet Secretaries are reporting progress on tackling poverty, so the</p>	<p>Tackling poverty and protecting people from harm is one of three critical and interdependent missions for the government. The Scottish Government is unequivocal in its commitment to meet our statutory targets through our Tackling Child Poverty Delivery Plan, <i>Best Start, Bright Futures</i> which sets out a bold package of actions needed to drive progress and how we will work together with our partners to break the cycle of poverty for children and families across Scotland.</p> <p>Annual progress reports are provided on each Delivery Plan. Given the ambition, scale and significance of <i>Best Start, Bright Futures</i>, the Scottish Government has established a programme to focus on delivery; strengthen collaboration across government and with partners who are critical to its</p>

<p>overall cumulative impact on poverty can be assessed.</p>	<p>success and increase our focus on understanding the impact of our actions and our investment on an ongoing basis. We have created the Tackling Child Poverty Programme Board, which consists of all Scottish Government Directors-General, lead Directors, delivery partners and champions of change from across Scotland to oversee the Scottish Government’s performance on delivery. The Cabinet Secretary for Social Justice has also established the cross-portfolio Child Poverty Ministerial Oversight Group to consider the important role and contribution of their portfolios to tackling child poverty, providing a mechanism for Ministerial-level oversight of delivery of the component parts of <i>Best Start, Bright Futures</i> within and across portfolios.</p>
<p><b>77.</b> The Committee aims to publish its Addressing child poverty through parental employment inquiry report in the coming weeks. The Committee asks the Scottish Government to have regard to any recommendations relevant to the budget when responding to the Committees 2024-25 Pre-Budget report.</p>	<p>The Scottish Government welcome the Committee’s focus on child poverty and parental employment and will give due regard to recommendations in the forthcoming budget.</p> <p>In line with requirements, the Scottish Government will seek to respond to relevant conclusions and recommendations no later than 23 January 2023.</p>
<p><b>79.</b> Given the financial context, the Committee asks the Scottish Government what consideration it has given to the right balance between universal and targeted policies to tackle child poverty. The Committee would also welcome the Scottish</p>	<p>As set out in the Medium-Term Financial Strategy, published in May 2023, universal provision can improve take up of benefits and services amongst those who most need support, and offer greater security and certainty for people, but these demand-led services come with limited opportunities to control costs once introduced. We will continue to evaluate policies to assess their impact over time and ensure that we retain an appropriate balance between universal and targeted provision.</p> <p>With the current pressures on public finances, our spending plans will unapologetically direct our resources to those in greatest need. We will set our spending proposals, reflecting better targeting, in the forthcoming 2024-25 Scottish Budget.</p>

<p>Government’s views on the Fraser of Allander Institute’s suggestion to undertake a focused options appraisal exercise to meet the 2030-31 child poverty targets.</p>	<p>The Scottish Government remain unequivocally committed to meeting the targets set by the Child Poverty (Scotland) Act 2017. A Zero-Based review took place over the summer on <i>Best Start, Bright Futures</i>. This was an intensive process reviewing the actions in the plan and assessing whether these were still the most appropriate to take us on the flightpath to the achieving the targets. It concluded that these were still the correct set of actions and the pace and sale of delivery, backed by the necessary budgets is key to success. We will continue to review and assess progress and consider all options available to us, to make the required progress and to break the cycle of poverty in Scotland.</p> <p>We will publish the final Tackling Child Poverty Delivery Plan, for the period 2026-2031, by the end of March 2026. The actions committed will be informed by consultation with stakeholders and wider evidence, including findings from our overarching evaluation strategy on child poverty, to guide a balanced approach to meeting the ambitious targets set.</p>
<p><b>97.</b> The Committee asks the Scottish Government what action it is taking to ensure local services have the resources they need to deliver on existing housing rights, as well as ensuring that funding is in place and staff are prepared to deliver the suite of new housing rights, such as the UN right to adequate housing.</p>	<p>Housing need and demand is assessed at a local level with strategic housing delivery plans supported by the Scottish Governments Affordable Housing Supply Programme. The Scottish Government established a homelessness task and finish group to identify options to support local authorities manage housing pressure in their area. In response to its recommendations, we have established a £60m National Acquisition Programme to enable partners to buy existing properties to let as social and affordable homes.</p>
<p><b>98.</b> The Committee considers the £60 million funding for the acquisition of property to reduce the use of temporary accommodation and, making better progress with improving the supply</p>	<p>The Scottish Government has a strong track record when it comes to affordable housing. Since 2007, we have delivered more than 126,000 homes and despite the challenges being faced by the industry, despite the disastrous UK Government "mini-budget" of 2022, which has left the housing market struggling against inflationary pressures, as well as the devastating impact of Brexit on construction costs and workforce challenges. We have delivered 40% more affordable homes per head of population than England and 70% more than Wales.</p>



<p>of affordable homes, are both essential to make real and lasting progress on homelessness. The Committee asks the Scottish Government what action it is taking to ensure its housing budget is fully spent, including addressing any 'blockages' to spending.</p>	<p>The Scottish Government will continuously review the impact of current inflationary pressures and market conditions on our capital programme.</p> <p>We continue to work closely with our partners, both centrally and through our network of area teams, to maximise delivery of affordable homes of the right type in the right place.</p> <p>In 2023/24 we have invested over £83m in Discretionary Housing Payments; a vital tool to reduce poverty, safeguard tenancies and prevent homelessness. In 2024/25 we will make over £90 million available, mitigating UK Government cuts such as the bedroom tax and benefit cap.</p> <p>The Scottish Government worked hard to ensure the UK Chancellor lifted the three year long LHA freeze. However, the damage done has been considerable – an estimated total £819 million cut. Coupled with cuts of £181 million to Scotland's capital budget, this has severely hampered efforts to increase available housing.</p>
<p><b>100.</b> The Scottish Government has a leadership role in delivering social homes that meet the needs of Scotland's diverse population and to help build capacity within social landlords to ensure staff have the training and resources they need to better meet the needs of their tenants. The Committee asks the Scottish Government how it will exercise this role.</p>	<p>From April 2007 to end September 2023, we have delivered 126,396 affordable homes, over 89,000 of which were for social rent, including 23,625 council homes – the first council house building programme in a generation.</p> <p>The Scottish Government greatly values the professionalism of housing leaders and professionals and the substantial contribution they make to communities across Scotland. In September 2023, the Minister for Housing attended an event hosted by the Chartered Institute of Housing on Scottish Housing Day which focussed on housing as a profession. We will continue to discuss with stakeholders the importance of training and education for those working across different parts of the housing sector. The independent Scottish Housing Regulator also gets assurance that social landlords are meeting regulatory requirements, this includes monitoring, reporting and assessing on Registered Social Landlords governance, by this we mean their arrangements for the leadership, strategic direction and control of an RSL.</p>
<p><b>112.</b> The Committee notes the letter to the UK Government requesting funding to meet the impact on local authorities of the</p>	<p>Housing need and demand is assessed at a local level with strategic housing delivery plans supported by the Scottish Government's Affordable Housing Supply Programme. The Scottish Government established a temporary accommodation task and finish group to identify options to reduce the use of and time spent by homeless households in temporary accommodation. In response to its</p>

<p>increasing speed of asylum decisions and asks what planning the Scottish Government has undertaken to estimate the impact of the number of claims being processed on the need for housing. Further to this, what action will the Scottish Government take to ensure there is sufficient resourcing for local authorities to meet this demand?</p>	<p>recommendations, we have established a £60m National Acquisition Programme to enable partners to buy existing properties to be used for affordable housing.</p> <p>The Minister for Equalities, Migration and Refugees wrote to the UK Immigration Minister on 28 October to raise significant concerns about recent asylum policies, calling for additional support for local authorities in association with its “Streamlined Asylum Process”. No response has been received.</p>
<p><b>114.</b> The Committee asks the Scottish Government for its views on providing financial support to people that are identified as being trafficked.</p>	<p>Where there are Reasonable Grounds, as identified via the UK-wide National Referral Mechanism, to believe that an adult is a victim of an offence of human trafficking or slavery, servitude and forced or compulsory labour, the Scottish Ministers must, during the relevant period (which is currently up to 90 days), secure for the adult the provision of such support and assistance as they consider necessary given the adult’s needs.</p> <p>Funding is provided through the Victim Centred Approach Fund (VCAF) to the Trafficking Awareness Raising Alliance (TARA) and Migrant Help who are sharing over £7.45 million from VCAF over the period 2022-2025. TARA support adult females who have been trafficked for the purposes of commercial sexual exploitation and Migrant Help support all other adult victims.</p> <p>As above, support can be provided for up to 90 days (known as the relevant period), or longer in some circumstances, and can include accommodation, assistance with day to day living, medical advice and treatment including psychological help, language translation and interpretation, counselling, legal advice, help accessing other services and, if the victim wishes, repatriation.</p>

Over the period 2022-2025, the VCAF is also providing £480k to Justice and Care to provide two Victim Navigators embedded with Police Scotland's National Human Trafficking Unit; £130k to JustRight Scotland to support the Scottish Anti-Trafficking and Exploitation Centre (SATEC), the only specialist legal project in Scotland that provides direct legal advice and representation to adult survivors of trafficking and exploitation regardless of nationality, gender, type of exploitation and geographical location; £329k to Survivors of Human Trafficking in Scotland (SOHTIS) to pilot Project Integrate, which provides person centred, trauma informed and compassionate long-term support for up to 80 survivors of human trafficking in Scotland and £817k to NHS Greater Glasgow and Clyde (Glasgow Psychological Trauma Service) to provide a national psychological trauma support service to adult trafficking victims.

The UK Illegal Migration Act will prevent potential victims of trafficking who are deemed to have entered the UK 'illegally' and receive a Reasonable Grounds decision from continuing to access the safety and support available in Scotland under the Human Trafficking and Exploitation (Scotland) Act 2015. This support is vital to stabilise and begin rebuilding their lives.

Victims of human trafficking, including women trafficked for the purposes of commercial sexual exploitation, are some of the most vulnerable people in society.

Trafficking victims often suffer from severe trauma. They have little choice about their movements and are frequently unaware of their location or how they entered a country. Removing existing protections based on how they entered the UK is irresponsible and will make victims much less likely to seek help, tightening the grip of perpetrators and providing significant challenge to efforts focused on disrupting or prosecuting perpetrators.

Scottish Ministers are clear that the Illegal Migration Act should be repealed as soon as possible by the UK Government.

The Scottish Government remains committed to supporting victims of human trafficking and exploitation. We are currently evaluating the options available to us as we look to mitigate the impact of the Illegal Migration Act in relation to victims of trafficking requiring support in Scotland.

<p><b>115.</b> The Committee asks what analysis the Scottish Government has undertaken to identify the budgetary consequences of the UK Government's Illegal Migration Act 2023 and the reported plans of the UK Home Office to fast-track asylum claims.</p>	<p>On 20 June 2023, the Scottish Government hosted a stakeholder summit to share stakeholder and government assessments of the impact of the Illegal Migration Act in Scotland and to identify and discuss the options available to us as a collective to mitigate, where possible, the harmful impact of the Act.</p> <p>We continue to press the Home Office for information on the planned implementation of the Act, and in the meantime are working to assess the identified mitigation options as we look to ensure continued support to people seeking asylum.</p> <p>In line with our commitment at the summit, 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.</p>
<p><b>116.</b> The Committee recommends the Scottish Government provides sufficient funding to the Scottish Guardianship Service to continue to meet the demand for its services.</p>	<p>The Scottish Government is aware of the increased demands on the Guardianship Scotland service and is liaising closely with the service provider to assess the impact and ensure continued support is provided to unaccompanied asylum-seeking children in Scotland.</p>
<p><b>117.</b> The Committee understands that the Scottish Refugee Council has been discussing refugee integration with the Scottish Government. The Committee asks what work it has undertaken to develop a more formal integration route for refugees, which includes national standards and the timescales for this work.</p>	<p>The Scottish Government is currently refreshing the New Scots Refugee Integration Strategy, in partnership with the Scottish Refugee Council and COSLA. This refresh will take account of the changed context since the current version of the strategy was published, including Afghanistan, Ukraine, and asylum dispersal. As much of the legislative and operational authority lies with the UK Government, the Scottish Government and partners have little scope to influence routes but we are together exploring how the approach in Scotland can be built upon to ensure needs are met appropriately. The overarching strategic framework of the refreshed New Scots strategy is intended to be published in March 2024 with the associated action plan to be published in June 2024.</p>

**121.** The Committee welcomes the creation of a Scottish Recommended Allowance, which fulfils one of the Scottish Government's commitments in the Promise. As part of its follow-up actions to the Committee's report, the Committee will be hearing from the Minister for Children, Young People and Keeping the Promise soon to examine the level of funding for the Scottish Recommended Allowance, amongst other aspects. **The Committee asks whether the Scottish Government considers the financial support being provided is sufficient to cover the rising costs of caring for children, particularly given the continuing cost pressures households are experiencing.**

The Scottish Government is confident that the funding to support the roll out of the Scottish Recommended Allowance (SRA) is sufficient.

The SRA is based on independent analysis carried out by Fraser of Allander Institute in 2018 on the cost of supporting a child.

The rates from the independent Fraser of Allander analysis included estimates on minimum income provided by the Joseph Rowntree Foundation (JRF) and incorporated Nina Oldfield's 50% uplift for a looked after child.

The Fraser of Allander costs were then uprated on a similar basis as used for other payments to households but also taking account of affordability and deliverability.

The £16 million funding is based on the difference between the cost of paying the SRA (or higher) and current local authority expenditure on foster and kinship care allowances.

It has been modelled using current local authority expenditure on children in foster and kinship care, including 'informal' kinship care expenditure, and the most up to date data from the Children's Social Work Statistics 2021/22.

We are committed to maintaining the 2023-24 levels of support for the allowances going forward, and to reviewing the funding implications for future years from 2024-25.

**122.** The Committee also asks the Scottish Government to provide further information about

On 18 October 2023 the Scottish Government issued a letter to local authorities' directors of finance detailing the funding they were receiving. This letter enables local authorities to implement the Allowance knowing the level of funding they will receive.

<p>when local authorities will be provided with the £16 million funding to deliver the Scottish Recommended Allowance and how that funding will be distributed between local authorities.</p>	<p>The monies will be transferred from the Scottish Government at the end of the financial year 2023/24 through the Local Government settlement funding mechanism. This is standard practice.</p> <p>Regarding distribution, the £16 million funding is being distributed on the same basis as the existing kinship care allocation. This distribution has recently been changed to 35% numbers of children aged 0-18 in low income families, 35% numbers of children in receipt of Scottish Child Payments, and 30% 0-18 general population, for the full 2023-24 financial year.</p>
<p><b>138.</b> The Committee was concerned to hear robust evidence from SCVO regarding the financial pressures on the voluntary sector and its funding relationship with the Scottish Government, described by SCVO as the ‘worst year’. The Committee recommends a fair funding framework is developed and agreed as a matter of urgency; and would ask the Scottish Government what steps it is taking to secure this and what the timescale for delivery is likely to be. SCVO has been asking for multi-year funding for a number of years and the Scottish Government has previously committed to this. It is crucial this matter is resolved to ensure the</p>	<p>The Scottish Government is aware of the financial pressures on the Third Sector at this time and recognises that the sector needs clarity and stability to secure its resilience and grow its capacity. That is why we have committed to develop a Fairer Funding approach for the sector as a means to embed systemic change and create conditions for third sector organisations to thrive as part of a mixed economy.</p> <p>As set out in the Programme for Government, our initial focus is on making improvements to grant-making processes to provide greater clarity and consistency of practice. This includes increasing the number of two-year grants in the forthcoming budget and working to embed a multi-year grant approach on all third sector grants by 2026.</p>

<p>vital work of the third sector is recognised and supported.</p>	
<p><b>139.</b> The Committee asks what plans the Scottish Government has to investigate the financial pressures the voluntary sector is under and what other actions it can take to support the sector, given its valuable role in providing support and services to communities.</p>	<p>The Scottish Government is keenly aware of the pressures the sector is under. The financial environment is extremely difficult and demand for services is increasing. Despite what will be a challenging budget, we are committed to continuing our investment for key strategic organisations that provide a backbone of support to the third sector including the SCVO and Third Sector Interfaces.</p> <p>As part of our approach to fairer funding for the sector, we are working to enhance our understanding of the scale and nature of government investment in the third sector. This will enable us to better measure the impact of government funding across portfolios and ensure that our approach is clear, consistent and fair.</p>
<p><b>140.</b> The Committee recommends that the Scottish Government investigates what is causing the delay within the Government’s funding system to voluntary organisations with the aim to rectify this as a matter of urgency. For the next financial year, the Committee expects the Scottish Government to issue timely formal confirmations and payments, to ensure crucial funds can be spent and organisations can seek match funding at the earliest opportunity.</p>	<p>Following the UK government’s disastrous mini-budget last year, the Scottish Government faced considerable financial uncertainty that meant we could not provide the timely notification that we would normally wish to. We understand that organisations need timely grant decisions and payments in order to reduce financial uncertainty and effectively resource delivery and have recognised the need to make improvements.</p> <p>In line with the recent commitment given by the First Minister, we are working, within the context of the 2024-25 Scottish Budget process, to issue notifications of funding arrangements to third sector organisations, as soon as is practicably possible before the end of March 2024.</p>

<p><b>141.</b> The Scottish Council for Voluntary Organisations (SCVO) has set out its fair funding framework. The Committee asks the Scottish Government what its definition of fair funding is and where this differs from SCVO’s framework.</p>	<p>In line with our commitment in the Programme for Government, the Scottish Government is working to develop our approach to Fairer Funding for the third sector. As noted above, this includes an immediate focus on increasing the number of multi-year grants and ensuring prompt notification of funding arrangements for the third sector.</p> <p>We have also committed to undertake a review of grant conditions to ensure that they take account of the needs of third sector organisations, and we will be developing our understanding of the third sector funding landscape to identify where further action is needed. We intend to work closely with the SCVO and other key third sector partners in developing our approach.</p>
<p><b>151.</b> The new Consumer Prices Index (CPI) was announced on 18 October and rose by 6.7% in the 12 months to September 2023, the same rate as August.<sup>1</sup> We recognise the importance of maintaining the real-terms value of benefits. Therefore, we expect the Scottish Government to uprate all Scottish benefits by the September CPI of 6.7% and if this does not happen, we require detailed justification as to why not. We look forward to scrutinising the annual uprating report when it is published later this year.</p>	<p>Scottish Ministers’ approach to social security up-rating for 2024-25 has been confirmed as part of the Scottish Budget, with all benefits being uprated by the September CPI of 6.7%. In line with legislative requirements, the report explaining this assessment will be shared with the Committee when regulations are introduced to change social security payment rates.</p>
<p><b>152.</b> In addition, we ask the Scottish Government</p>	<p>As part of the leadership contest, a public commitment was made by the First Minister ‘to increase the Fuel Insecurity Fund’ if he were to be elected. Given the Fuel Insecurity Fund can provide support to</p>



what consideration it gave to the decision to invest in the Fuel Insecurity Fund against increasing the Winter Heating Payment.

a wide range of people who are affected by the ongoing cost crisis and increased energy costs, it was deemed appropriate to use this as the mechanism to provide additional tailored support rather than focus only on current recipients of the Winter Heating Payment. As the committee will be aware, we introduced Winter Heating Payment last winter to ensure people on a low income with an additional need for heat would receive reliable support each winter. Whilst this £22 million investment is an important support mechanism for households during the winter, it is targeted support for people with a young child, a disability or an older person within the household. 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 continue to be a vital lifeline for many struggling households, with estimates that FIF will reach over 100,000 households alone this year with some level of direct support via our trusted third-sector partner network. Additionally, the investment has supported a new delivery partner – the Wise Group, who have played a significant role in enabling the success of energy crisis funding across the UK to support the tackling of fuel poverty. This has included distribution of over £3 million directly to households and vulnerable customers since March 2020. At the start of this year, the Wise Group launched their ‘Lifting People out of Fuel Poverty in the UK’ report.

The Scottish Government has worked with delivery partners to ensure that partners had the ability to scale up with enhanced capacity to deliver this direct frontline support to those households most in need across Scotland. By working with our existing FIF partners, we have been able to utilise their own national and local trusted referral partners to provide support to households, which can include assessment for energy saving advice and further signposting to additional support based on their needs.

In 2024-25 the Scottish Government are investing £24.4 million for Winter Heating Payment, providing a stable, reliable annual £55 payment, and is expected to help around 411,000 households with their heating expenses this coming winter.

**164.** The Committee acknowledges the ongoing debate in relation to council tax reform and

The Scottish Government remain committed to exploring proposals for meaningful changes to be introduced to Council Tax, in partnership with Local Government.

<p>replacement of council tax in the context of a wider review of local government funding more generally. The Committee asks the Scottish Government for its latest consideration of these matters and how this may impact on funding budget settlements.</p>	<p>The Programme for Government 2023 committed to continue the Joint Working Group on sources of Local Government funding and Council Tax Reform, co-chaired by Scottish Ministers and COSLA. The Joint Working Group have met 6 times and are continuing to consider a broad range of measures including identifying options for the reform or replacement to Council Tax.</p>
<p><b>165.</b> Given the Committee’s remit and its principal focus on social security and inequality, the Committee expects to see detailed analysis of how the tax measures in the budget will impact on different income groups, including on the six priority family types for the child poverty targets.</p>	<p>The Scottish Government is committed to understanding the impacts of its revenue policies on different groups and incorporating these insights into policymaking. Since 2018 we have published distributional analysis of Scottish Income Tax policy decisions alongside each Budget, including impacts by household income decile and by household type (<a href="#">link</a> to 2023-24 Budget publication).</p> <p>We intend to extend this analysis in the 2024-25 Budget to incorporate the impacts of social security policy and intend to continue developing our analysis of the distributional impacts of Government policy further. This will include analysis by the six priority family types, where possible. In some instances, a limited sample size in the underlying data prevents us producing reliable analysis of some household types.</p>
<p><b>187.</b> The Committee asks the Scottish Government to consider the suggestions listed above through the annual budget documents or by some other means and if this is not feasible, explain why not. For example, SCVO finds it difficult to understand whether the</p>	<p>In the PfG we are committed to produce a plan for Fairer Funding. Recognising the challenging circumstances, the third sector faces we are prioritising timely notification of funding and increasing two-year funding.</p> <p>The committee’s recommendation is welcome, and we will consider them within future policy making process as part of our plan for Fairer Funding.</p>

budget announcement is positive for the third sector, so the Scottish Government could set out the total Government funding for the voluntary sector and the sector's contribution to the economy could be a separate exercise. Similarly, the Scottish Government could undertake engagement with the voluntary sector on Government spending priorities, which could be a separate piece of work to inform the general direction of budgets.