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10 January 2023

Dear Convener,

Thank you for providing your Pre-Budget 2023-24 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 has focused on how budget decisions are made, emphasising the importance of taking a human rights-based approach, and of transparently using data to support policy development, to enable greater participation and increased accountability. The 2023/24 Equality and Fairer Scotland Budget Statement (EFSBS) builds on work from previous years, providing greater data-led analysis, by portfolio and key characteristic, of the expected impact of spending plans, and this is linked to the National Outcomes. We will continue to evolve and develop our approach and welcome the Committee's feedback on progress to date.

The Committee has rightly highlighted the significant impact of the current cost crisis, which is disproportionately hurting the most vulnerable in our society, and adding further pressure to our public services. It is in this context that the 2023/24 Budget has been set.

My portfolio is responsible for leading our national mission to reduce child poverty, which is one of the three stated budget priorities. As such, I am working closely with Cabinet colleagues and officials across government to ensure we deliver a comprehensive package of measures targeted towards those experiencing socio-economic disadvantage, and in particular families with children.

The Scottish Government is already providing significant support for such households, which will help to mitigate these impacts. By the end of March 2023, we

will have invested around £3 billion in a range of measures for households. Beyond that, in this Budget we will:

- Deliver the Scottish Child Payment, increased to £25 per week in November 2022 – bringing forward uprating and substantially more than CPI (10.1%) and available to around 387,000 eligible children, getting much needed cash into pockets – a benefit not available in the rest of the UK.
- Uprate all other Scottish benefits in April 2023 by September CPI (10.1%) at a cost of £428 million, which the Committee has specifically recommended.
- Provide £20 million to extend the Fuel Insecurity Fund into 2023-24 which will provide a lifeline for thousands of households, including the most vulnerable in society, against rising energy prices.
- Continue to invest in our No One Left Behind and Fair Start Scotland employability programmes that prioritise those who face complex barriers to accessing the labour market, including parents.
- Continue to invest around £1 billion in high quality early learning and childcare provision, with a further £42 million invested in holiday food provision and expanding our support for school age childcare.
- Provide £50 million for the whole family wellbeing programme for preventative holistic family support and a further £30 million to #KeepThePromise to our care experienced children and young people.
- Continue significant capital investment in the affordable housing programme and provide £80 million of capital funding to support the expansion of free school meals.
- We will increase spend on our concessionary travel schemes, providing access to free bus travel for over 2 million people, including all under 22-year-olds, eligible disabled people and everyone aged 60 and over.
- Maintain £200 million annual investment in the Scottish Attainment Challenge to increase the pace of progress on closing the poverty-related attainment gap.

The Committee has also highlighted its concerns about the impact the cost crisis is having on the third sector, which is exacerbated by short term funding settlements. The Scottish Government values the important role of Scotland's third sector in working across communities to tackle tough social issues. We recognise that the sector needs stability of funding and the opportunity for longer term planning and development, and we are committed to increasing multi-year arrangements. This will allow us to work in partnership to design and deliver the kind of transformation our communities need to be fit for the future, whilst ensuring public services are sustainable.

Throughout the development of the 2023/24 Budget, the Scottish Government has worked to align available resources to its stated priorities of tackling child poverty, transforming the economy to achieve net zero and delivering sustainable public services. We agree with the Committee that without further fiscal flexibility we are limited in what we can do, and welcome the Committee's support to pursue greater devolution of borrowing powers from the UK Government.

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Shona Robison', with a horizontal line extending to the right.

SHONA ROBISON

22. Witnesses have stressed to us the importance of having sufficient data, using that data correctly and analysing it to ensure policies do not have unintended consequences on people's rights and protected characteristics. Data is needed to identify issues which require action to mitigate adverse impacts on particular groups, and crucially, to inform spending decisions. We heard that witnesses feel they do not yet have the data or transparency to do that analysis.

Scottish Government response:

Information on the experience of different groups, and thus the variation of policy outcome by social groups, is informed by our Equality Evidence Strategy, and published in our [Equality Evidence Finder](#)¹. Analysts from around the SG routinely include equality breakdowns in their analytical outputs and these help to populate the Equality Evidence Finder, which presents analysis across the protected equality characteristics. This is a first point of call for policy makers to inform Equality Impact Assessments (EQIAs) which ensure that policies and spending decisions do not have adverse impacts on particular groups. Analysts also provide equality breakdowns for National Performance Framework ([NPF](#)²) indicators, including those indicators that inform the National Outcome on Human Rights.

The Scottish Government's Equality Analysis Team lead on the Equality Data Improvement Programme ([EDIP](#)³), a wide-ranging programme of work aimed at strengthening Scotland's equality evidence base. The EDIP project board is co-chaired by the Scottish Government's Chief Statistician and Chief Social Researcher - it has external membership from a number of key partner organisations. The [EDIP](#)⁴ has the buy-in of Ministers and analytical leaders across the Scottish Government, including its Analytical Leaders Group (ALG). Analytical Services Divisions (ASDs) have a strong role to play in the implementation of robust equality analysis.

The ALG approved the formation of a network of internal analysts to help take forward key elements of the programme. This network drove a comprehensive internal Equality Data Audit in late 2021 - this used a RAG analysis to show which official and national statistics datasets produced statistics broken down by each of the equality characteristics. Further to this, these lead analysts also produced draft improvement plans which formed the basis of an [external consultation](#)⁵ that ran between July and October 2022. This consultation, and findings from the supporting stakeholder engagement events held throughout September 2022, will form the basis of Scotland's next Equality Evidence Strategy.

23. We expect to see improved analysis from the Scottish Government in this year's Equality and Fairer Scotland Budget Statement (EFSBS) and the Committee intends to scrutinise this at a future meeting. Analysing data and possible impacts as part of a decision-making process, from an early stage, is important to ensure that decisions are robust and have the intended outcomes. As such, we expect equalities impacts are considered by the Scottish Government at the start of budget development process, rather than being written once decisions have been made.

¹ www.equalityevidence.scot

² www.nationalperformance.gov.scot

³ www.gov.scot/groups/equality-data-improvement-programme-edip-group/

⁴ www.gov.scot/groups/equality-data-improvement-programme-edip-group/

⁵ [Equality Evidence Strategy 2023-25 consultation - Scottish Government - Citizen Space](#)

Annex A – response to individual points raised

Scottish Government response:

While the Budget provides detail on resources allocated for the year ahead, the vast majority of the programmes, policies and services that it funds have been developed in advance, and are not generated and announced at the point at which the Budget is introduced. Instead they are developed through a robust policy-making process which involves equality impact assessments (EqIAs) and Fairer Scotland Duty assessments (FSDAs) among other impact assessments (such as for Islands and Business and Regulatory). Therefore policies funded through the annual budget are impact assessed throughout their development, implementation and execution. Any new policy or commitment announced alongside the draft has the same expectation of impact assessment as other policies.

It is worth recognising that 2022 has been an exceptional year of budget pressures and uncertainty, and we have adapted our processes to build equality assessment into additional financial planning and emergency budgeting during this year. Since the publication of [last year's EFSBS⁶](#) in December 2021, much has happened to impact on the 2022-23 budget. In the aftermath of the pandemic, the effects of the invasion of Ukraine by Russia, and the longer term impacts of Brexit have all impacted on public finances. To support forward planning, the Scottish Government launched a consultation on the [Resource Spending Review Framework⁷](#) alongside the Scottish Budget in December 2021, to inform the development of multi-year financial plans for the Parliamentary term including specific questions relating to equality and human rights impacts. The [Resource Spending Review⁸](#) published in May 2022, was accompanied by its [Equality and Fairer Scotland Statement⁹](#).

As the extent of the cost of living crisis became clear, we announced an Emergency Budget review in August 2022 to identify in-year savings that could be released to help meet the inflationary pressures emerging, including on public sector pay offers and to identify any additional funding for those most affected by the cost crisis. Initial savings were published on 7 September 2022, and we published the [Emergency Budget Review¹⁰](#) (EBR) on 2 November. This was accompanied by a [summary of the evidence on equality and fairness¹¹](#), covering all the savings and spending identified in the EBR. The UK Autumn Statement was then published on 17 November, only then providing the basis for the Scottish Draft Budget 2023-24. Therefore, in what has been a volatile and uncertain year, we have demonstrated throughout our financial planning that we prioritise assessment of equality impacts across our decision making, and take account of these when setting or adjusting our budgets.

24. We recommend the Scottish Government expands the EFSBS to include major policies, which it assesses as having no impact on human rights and protected characteristics to enable stakeholder participation and increase accountability.

Scottish Government response:

As noted above, our robust policy-making process involves equality impact assessments and Fairer Scotland Duty assessments among other impact assessments. Policies are impact assessed throughout their development, implementation and execution, which generally does not align directly with the annual budget process. Furthermore, each annual budget

⁶ [Budget areas - Equality and Fairer Scotland Budget Statement 2022-2023 - gov.scot \(www.gov.scot\)](#)

⁷ [Investing in Scotland's Future: resource spending review framework - gov.scot \(www.gov.scot\)](#)

⁸ [Investing in Scotland's Future: resource spending review framework - gov.scot \(www.gov.scot\)](#)

⁹ [Next steps - Resource Spending Review: Equality and Fairer Scotland Statement - gov.scot \(www.gov.scot\)](#)

¹⁰ [Next steps - Resource Spending Review: Equality and Fairer Scotland Statement - gov.scot \(www.gov.scot\)](#)

¹¹ [How is the cost crisis affecting equality and fairness in Scotland? - Emergency Budget Review: equality and fairness - evidence summary - gov.scot \(www.gov.scot\)](#)

Annex A – response to individual points raised

reflects both minor incremental changes to existing policies and their budget allocations and a small number of new commitments.

In pulling together the EFSBS, we ask colleagues to consider the impact of all spending programmes and undertake more detailed analysis on those that we believe that might have an impact on human rights and inequality. Although the review is comprehensive, it would be disproportionate to publish a list of all major policies which have been assessed as having no impact. However, the findings from the impact assessments for these major policies should be published on the Scottish Government's website.

Human rights and the budget process (Accountability)

31. We understand that central to a rights-based budget process is transparency, participation, and accountability. Each of these aspects is interdependent. Throughout the evidence sessions we held, witnesses have commented on how difficult they found it to engage. Even where people were 'in the room' they did not feel they were having an impact on the budget process and able to assess the impact of financial decisions based on the documents provided. This was due either to a lack of information or a lack of analysis of the data collected. In turn this has made our pre-budget scrutiny extremely challenging.

Scottish Government response: noted.

32. We do acknowledge the positive steps that the Scottish Government has been making over the past few years, though we note there is still more to do to ensure the budget process is fully transparent and participative and therefore accountable. As such, we ask the Scottish Government to set out what steps it is going to take to address the information deficit to improve budget scrutiny and to show clearly where participation impacts on decision making and when it does not.

Scottish Government response:

The Scottish Government is fully committed to transparency around the public finances and the budget process.

The Scottish Government complies with all financial reporting and auditing requirements and is committed to developing its financial reporting to support transparency and the understanding of what is a complex financial picture.

There is a well-established budget process where all changes are notified to, and scrutinised by Parliament – with the Scottish Government publishing a minimum of two budget revisions each year.

The Scottish Government also produces an annual budget publication called 'Your Scotland, Your Finances'. This short guide provides high level information on the Scottish Budget and it is aimed at general readers. The style of this document has recently been reviewed and its new plain text format supports wider accessibility needs. This guide is published on the Scottish Government Scottish Budget web page.

Through the Open Government Partnership, we published Scotland's third National Action Plan in March this year with a continued focus on Fiscal Transparency, Participation and Open Data. This builds on long-term work in previous Open Government

Action Plans to deliver financial and performance transparency. The 2021-25 Open Government Action Plan¹² includes a commitment to Fiscal Openness and Transparency.

It commits to improving the accessibility and usability of our data and information about public finances, to enable better understanding and scrutiny for a wide range of users, including citizens. This means continuously working to improve how open and transparent we are in Scotland, benchmarked alongside other countries and approaches, about the status, processes, and direction of our public finances.

33. There is a statutory requirement to review the National Performance Framework (NPF) every 5 years. The next 'refresh' is due to be published summer 2023 and will require Parliamentary approval. We are aware of the Finance and Public Administration (FPA) Committee's recent report on the NPF. Specifically, we agree with those recommendations at 147 and 148:

147. We acknowledge that linking the Scottish Budget to outcomes is complex and that, given the breadth of the National Outcomes, it could be said that if organisations spend money on improving people's lives then arguably they are implicitly aligning spending with the NPF. The Scottish Government has, however, a budget of over £45 billion and as the "driver" of the NPF should be much more than a facilitator or provider of strategic direction to other public bodies.

148. It is therefore disappointing to hear that the NPF is not seen as explicitly or transparently driving financial decisions by the Government nor as a mechanism by which organisations are held to account for spending funding effectively.

Scottish Government response:

The Scottish Budget funds the delivery of Scottish Ministers' priorities to achieve the National Outcomes identified in the National Performance Framework. The Scottish Government has considered the Finance and Public Administration Committee's Inquiry in the NPF report carefully, and the response has been issued on 13 December 2022, available via www.parliament.scot/chamber-and-committees/committees/correspondence.

The Scottish Government will undertake a statutory review of the National Outcomes in coming months, the result of which will be laid in Parliament in Term 3 2023. Furthermore, the Scottish Government is committed to introducing a Wellbeing and Sustainable Development Bill, which may place duties on public bodies and local government to take account of the impact of their decisions on wellbeing and sustainable development.

34. We recommend the Scottish Government takes this opportunity to consider how it can link spending and equalities and human rights analysis to National Outcomes to improve accountability and to set out a timescale as to how it will take forward this action.

¹² [Scotland's Open Government action plan: 2021 to 2025 - gov.scot \(www.gov.scot\)](http://www.gov.scot)

Scottish Government response:

The NPF brings a whole-of-government approach to improving outcomes including through budget. Our National Performance Framework provides a clear long term purpose and set of outcomes for Scotland's wellbeing beyond important but narrow economic measures of success.

The Scottish Budget is driven by our commitment to contributing to the delivery of the National Outcomes. The budget describes the key primary and secondary National Outcomes supported by the Government's investment. To maximise impact across the National Outcomes, our priorities do not look to one outcome in isolation. The Budget and the Equality and Fairer Scotland statement shows, as detailed in the portfolio chapters, the key primary and secondary National Outcomes supported by the Government's planned investment. This links spending to National Outcomes with specific reference to equality implications.

As we improve equality and human rights analysis of spend this will include improving alignment to national outcomes. It is important we make improvements in a structured and planned manner especially given in recent years a number of recommendations and proposals relating to budget analysis have been made to the Scottish Government, covering interests that include gender, human rights and children's rights, as well as cross-cutting strategic issues such as climate change. We are intending publishing our response to recommendations provided by the Equality and Human Rights Budget Advisory group in the near future and this response will lay out further how we plan to continue to improve alignment and accountability in this area building on prior work and we will update the committee in this area further at this stage.

Social justice and human rights budgeting

41. Governments have to be able to prove that every effort has been made to use all resources that are at its disposal. They should make effort to satisfy, as a matter of priority, those minimum obligations. We are aware the Scottish Government will be bringing forward human rights legislation in this parliamentary session. Experience of the pandemic and the cost of living pressures reinforces the need to take a human rights approach to budgeting. As such the Scottish Government would have to know whether minimum core obligations are being achieved.

42. The Committee asks the Scottish Government how it is monitoring its minimum core obligations and whether it considers it is currently meeting the minimum core obligations for an adequate standard of living within its devolved powers.

Scottish Government response:

The National Taskforce for Human Rights Leadership Report states that there be a participatory process to define the core minimum obligations of incorporated economic, social and cultural rights. The Human Rights Bill will build on our work to embed equality and rights in the fabric of the way we do things in Scotland and make rights justiciable in law. The upcoming consultation will expand on a range of themes including our thinking in relation to the aforementioned Taskforce recommendation to define minimum core obligations and other key elements including our approach to incorporation and our efforts to improve access to justice.

The Scottish Government reports regularly on Scotland’s overall record in implementing international human rights obligations, including the seven core UN human rights treaties to which the UK is a state party. Scotland’s record, as part of the UK, was scrutinised by the UN Human Rights Council in November 2022 under the Universal Periodic Review process. The Scottish Government will respond to the recommendations made as a result of the examination in due course. A detailed position statement covering obligations under the International Covenant on Economic, Social and Cultural Rights was also recently published. Ministers have written to the Equality, Human Rights and Social Justice Committee and further information is also available on the Scottish Government website.

Rising cost of living and households

51. The cost crisis has brought the right to an adequate standard of living into sharp focus.

Scottish Government response:

The Scottish Government is determined to be ambitious in looking at innovative ways to tackle poverty and inequality, and the 2021 Programme for Government included a commitment to begin work on a Minimum Income Guarantee. A Minimum Income Guarantee is an assurance that no one will fall below a set income level that would allow them to live a dignified life. It would ensure everyone has enough money for basic needs such as housing, food and essentials to allow them to live a decent, dignified healthy and financially secure life. It has the potential to reduce poverty, inequality and insecurity in Scotland and would target those who are on low incomes, and include other forms of support, beyond cash payments.

We have established an independent Steering Group which comprises Strategy Group of cross-party MSPs, an Expert Group from across the third sector, industry and academia and an Experts by Experience panel made up of individuals with experience of financial insecurity. The Expert Group will publish an Interim Report early in 2023 setting out the work to date, the context in which the policy is being developed, provide a high-level overview of direction and early thinking towards potential actions and priorities, and set out the work plan towards a final report in 2023.

52. We know from our social security work and our recent inquiry report, *Robbing Peter to Pay Paul: Low Income and the Debt Trap*¹³ how poverty is impacting people’s ability to access their other rights, for example, food, housing and health. Witnesses have stressed to us that the scale and impact of the cost crisis are worsening, referring to it as a “social emergency” and an “existential threat to people’s lives”.

Scottish Government response:

Scotland is facing a severe economic upheaval, already impacting people, businesses, public services and the third sector. A crisis that has been made worse by the actions of the UK Government. The UK is seeing its highest inflation for 41 years, driven principally by changes to the cost of domestic energy supplies. There were also increases from rising food and non-alcoholic beverage prices, and from items for recreation and culture. It is clear the rising costs of essentials – such as food and energy – are far harder for those on lowest incomes. The latest rise in inflation will disproportionately hurt the most vulnerable in society

¹³ [Robbing Peter to pay Paul: Low income and the debt trap | Scottish Parliament](#)

and heap more pressure onto our public services. Even before this latest rise, we were expecting the Scottish Budget to be worth £1.7 billion less than it was when it was published last December.

The Scottish Government is already providing significant support for households which will help to mitigate the impacts of the cost crisis. By the end of March 2023, we will have invested around £3 billion in a range of measures for households. That includes supporting energy bills, childcare, health and travel, as well as social security payments that are either not available anywhere else in the UK or are more generous, such as the Scottish Child Payment and Bridging Payment. On 2 November, the Deputy First Minister presented our Emergency Budget Review, this reflects a number of difficult decisions that have been necessary in order to prioritise help for those who need it most and protect essential public services. This includes an Island Cost Crisis Emergency Fund of £1.4 million to help Island communities and doubling the Fuel Insecurity Fund to £20 million helping households at risk of severely rationing energy use or self-disconnecting. The Scottish Child Payment has been further expanded to eligible 6-15 year olds and increased in value to £25 per child per week. In 2023-24 around 387,000 children are estimated to be eligible. We are also doubling the value of the December Bridging Payment, which will provide £260 for around 145,000 school age children from low income families.

The Scottish Government is committed to maximising the take-up of Scottish benefits, and published our second Benefit Take-up Strategy in October 2021.

Since its publication a number of initiatives have been undertaken by the Scottish Government and Social Security Scotland to maximise the take-up of Scottish benefits. We have launched the £20.4 million Social Security Independent Advocacy Service. The Welfare Advice and Health Partnerships have expanded, bringing our total commitment to investment of £3.5 million over three years to place welfare rights advisors in up to 180 practices in Scotland's most deprived areas and also remote and rural communities. Our promotion of benefits through targeted marketing campaigns and engagement events has increased take-up. The Scottish Government continues to work to automate Best Start Grant Early Learning Payment and School Age Payment automatically to eligible families in receipt of Scottish Child Payment, without the need to apply – meaning more families will be able to access the recently extended payment, which now provides £25 per week for eligible children up to the age of 16.

53. Social security is a safety net. It has a vital role in supporting those with low incomes. As we have heard, those on very low incomes face higher rates of inflation. Back in April 2022, eight of the benefits delivered by Social Security Scotland were increased by 6%.

54. The new Consumer Prices Index (CPI) was announced on 19 October and rose by 10.1% in the 12 months to September 2022, up from 9.9% in August, returning to July's recent high. 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 Consumer Prices Index of 10.1% 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.

Annex A – response to individual points raised

Scottish Government response:

The Scottish Government has a legal duty to publish a report each year that sets out the impact of inflation on social security benefits, and our plans for the next financial year. We expect to publish this report in early 2023.

We can confirm that the Scottish Government will uprate all Scottish benefits by 10.1% in April 2023 – which is the rate of CPI in the 12 months to September 2022. The Scottish Child Payment was increased by 25% in November 2022 – bringing forward its uprating by four months and increasing its rate above inflation. The Scottish Child Payment is now £25 per week – a rise of 150% in less than eight months providing important additional support for low income families, which is only available in Scotland.

This uprating includes benefits where this is a statutory requirement, as well as those where uprating is discretionary, in recognition of the difficulties being faced by many due to the increased cost of living.

As the Committee notes, this builds on our uprating for 2022-23, where eight benefits were uprated by 6%, almost double the rate of CPI in the 12 months to September 2021.

55. Paying for domestic energy is a huge draw on household budgets, particularly for households with a disabled adult or child or those who live rurally or in colder parts of the country. Due to the cost crisis many more people are in fuel poverty. According to the Scottish Government, Winter Heating Payment will replace Cold Weather Payment in Scotland. It will be an annual £50 payment, paid automatically through Social Security Scotland, to anyone who qualifies. Payments for winter 2022 will start to be made from February 2023.^{vi} In response to our letter on the proposed fuel poverty strategy, the Scottish Government said the Payment would require an investment of around £20 million every year to support people towards the costs of heating their homes irrespective of the weather, temperature, or where they live in Scotland.

56. We ask the Scottish Government to think carefully about whether this is an adequate level of payment in light of current energy costs. We will consider this further when the regulations are laid.

Scottish Government response:

Winter Heating Payment (WHP), our replacement for the UK Government's Cold Weather Payment (CWP), will be launched in February 2023. The policy aims to mitigate some of the challenges presented by the volatile winter energy costs for over 400,000 low-income households by providing a stable annual £50 payment every winter to help alleviate poverty and inequalities. In light of the current cost crisis and record rises in global gas prices where we have seen wholesale prices increasing fourfold in the last year, this critical support for those facing the most hardship is therefore being introduced at a vital time. WHP will provide a valuable contribution towards energy costs at the time of most need, alongside other support including Child Winter Heating Assistance and other energy efficiency measures.

The UK Government's Cold Weather Payment (CWP) currently has a value of £25 per cold spell, so WHP will offer the equivalent of two CWPs, which for the majority of people, will provide the same, or a greater, level of support than has been provided on average previously through the DWP benefit. The approach we have taken for WHP will ensure that individuals who would be eligible for a CWP, (had there been an extreme cold weather event

Annex A – response to individual points raised

for seven consecutive days in their location) receive a payment regardless of where they live and the weather conditions experienced.

WHP will provide households more certainty about the support they will receive each and every year. This will ensure that all households who have been identified as requiring additional support with their winter heating bills will receive it.

We have made a deliberate choice to invest over and above the corresponding level of funding that we are forecast to receive from the UK Government and this therefore limits the scope for additional increases to the value or frequency of payments as they would need to come from within our fixed Budget. We expect to spend £24 million on WHP in 2023-24, while receiving less than £3 million from the CWP BGA.

Between 2015-16 and 2021-22 an average of only £8.3 million was spent on Cold Weather Payment, supporting on average around 185,000 people each year. In 4 of the last 11 years low-income households received less than £1 million from Cold Weather Payments to help with their heating bills. We anticipate that our reliable £50 payment will provide at least £20 million to over 400,000 households every year.

In addition, we continue to provide significant funding for our Heat in Buildings Programme to make our homes and buildings warmer, greener and more energy efficient and to deliver on our commitment to allocate £1.8 billion across the lifetime of the Parliament. We will spend a total of £366 million resource, capital and financial transactions across our Heat in Buildings and Fuel Poverty budget lines.

We have also doubled our Fuel Insecurity Fund to £20m this year. This investment is helping households at risk of self-disconnection or self-rationing their energy use due to unaffordable fuel costs. The value and importance of this investment cannot be underestimated. We know the real and tangible impact this is making on the ground now, through our delivery partners, towards helping the most vulnerable in society. This has been, and continues to be, a lifeline for thousands of households against rising energy prices.

Cost crisis and the third sector

64. During the COVID pandemic the Scottish Government provided support of £20m through its Third Sector Resilience Fund as part of £350m emergency funding. The fund supported organisations that already delivered services and products but found themselves in financial difficulties directly as a result of the pandemic. The primary intention of the fund was to help third sector organisations to stabilise and manage cash flows over this difficult period.

Scottish Government response:

During the COVID pandemic the Scottish Government provided support £22,652,823 to 1,349 separate organisations through its Third Sector Resilience Fund (TSRF) as part of £350m emergency funding. [An analysis of the TSRF](#)¹⁴ was published in November 2020.

65. As we heard in evidence, the cost crisis has come swiftly after the COVID pandemic, further affecting the third sector's resilience. A resilient voluntary sector is essential to narrow the inequality gap, helping those who need it most and ensuring that Scotland's communities thrive. We note concerns from the Scottish

¹⁴ <https://www.gov.scot/publications/third-sector-resilience-fund-tsrf-analysis-applications-awards/>

Council for Voluntary Organisations and believe that a different funding arrangement must be reached. We ask the Scottish Government what plans it has to put in place emergency funding to assist third sector organisations that provide support and services during the cost of living crisis. Also, we ask the Scottish Government what lessons have been learned from the support provided to the third sector during the pandemic that can be applied to this emergency.

Scottish Government response:

The Scottish Government values the important role of Scotland's third sector in working across communities to tackle tough social issues at source.

We recognise that the third sector needs stability of funding and the opportunity for longer term planning and development and we are committed to increasing multi-year arrangements. This will allow us to work in partnership to design and deliver the kind of transformation our communities need to be fit for the future, whilst ensuring public services are sustainable.

We must acknowledge that in the current volatile economic circumstances, the coming year will be challenging. However, with a commitment to more stable funding over multiple years and increased funding in future years, this can provide greater stability for the third sector. We will therefore adopt Fairer Funding practice as far as is practicably possible now whilst broadening engagement to determine what "fair funding" means to the sector beyond immediate practical measures like multi-year funding.

In so doing we will work with the sector and public sector partners to broaden the applicability of Fairer Funding principles recognising the sector's wide impact across public policy.

66. We ask the Scottish Government to provide a detailed breakdown of the programmes impacted by the £800,000 reduction in the third sector budget for 2022-23.

Scottish Government response:

The reduction in £800,000 has limited to some extent our ability to invest in new projects to support the Social Enterprise and Volunteering Action Plans. Nevertheless both have been progressed in 2022-23 in partnership with key stakeholders in the sector.

Spending priorities

77. We ask the Scottish Government what evidence it has to support that it took human rights principles into account when deciding upon its Resource Spending Review. We also expect to see evidence of how a human rights approach has been taken to developing the 2023-24 budget.

Annex A – response to individual points raised

Scottish Government response:

The Scottish Government published an [Equality and Fairer Scotland Statement](#)¹⁵ to supplement the Resource Spending Review (RSR). This document sets out how we have taken into account human rights throughout the RSR process. In terms of the participation principle in particular it is worth noting that the RSR was also informed by a written consultation and series of stakeholder engagements, detailed in our [analysis of consultation responses and engagement](#)¹⁶ publication.

The 2023-24 Equality and Fairer Scotland Budget Statement, specifically Annex A, provides information on how we have taken human rights principles into account when developing the Budget.

We recognise that more could be done to develop our approach and our data to support human rights budgeting, and we note the responses to the committee's questions to stakeholders around this issue.

Other suggested priorities

84. There are several long-standing issues that affect the third sector's financial stability. One of the key issues is multiyear funding. Our third sector witnesses told us how their organisations are coming under increasing pressure to provide services to those they help. As funding is mostly single-year, staff are under threat of redundancy. Many third sector workers have low pay, job insecurity and are worried about facing hardship as cost of living crisis intensifies. Multiyear funding would certainly go some way to alleviating some of these issues.

Scottish Government response:

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.

One way in which we can help is to make more use of unrestricted funding which during the pandemic helped organisations to pivot and address immediate need in flexible ways.

Unrestricted multi-year funding should help organisations adapt and deal with different challenges. We'll continue to work with the sector to consider what other changes could be made to ensure Fairer Funding alleviates the challenges the sector faces.

85. We urge the Scottish Government to meet with the Scottish Council for Voluntary Organisations to discuss barriers to providing multiyear funding and consider other possible solutions and to report back to the Committee what progress has been made in addressing the issues through those discussions.

Scottish Government response:

The Scottish Government meets with the SCVO regularly to discuss Fairer Funding principles and a much wider range of issues.

¹⁵ [Foreword - Resource Spending Review: Equality and Fairer Scotland Statement - gov.scot \(www.gov.scot\)](#)

¹⁶ [Resource Spending Review Framework: Analysis of consultation responses - gov.scot \(www.gov.scot\)](#)

Refugees, asylum seekers and insecure immigration status

91. We understand that people who have No Recourse to Public Funds (NRPF) are one of the groups most likely to be living in precarious circumstances and to face destitution and homelessness. We commend the Scottish Government and its partners' preventative work in this area.

Scottish Government response:

The Scottish Government thanks the Committee for its recognition of the work undertaken in support of people with No Recourse to Public Funds (NRPF). The Scottish Government and COSLA published the Ending Destitution Together strategy in March 2021 with the aim of improving support for people with NRPF, who are at risk of or facing destitution. We are jointly taking forward a programme of work, guided by the principles of prevention, partnership and personalisation, in support of three key action areas covering essential needs, advice and advocacy and inclusion.

We are doing all we can within our limited powers to prevent homelessness for those subject to NRPF. Scottish Government ministers will continue to raise the NRPF condition and its impacts on migrant homelessness to the UK Government. We know that people with NRPF are at risk of rough sleeping or destitution, especially where they can no longer be accommodated on public health grounds. We have sought to minimise this risk by working in partnership with the third sector and local authorities to develop third sector-led accommodation pathways for people with NRPF and by supporting local authorities to understand the support they can provide to people with NRPF. In January 2022, we provided £74,732 to Homeless Network Scotland to launch the NRPF Gateway in conjunction with a range of third sector organisations who provide accommodation and support to those with NRPF.

92. Witnesses have, however, stressed the need for further action to be taken as people's circumstances deteriorate as a result of the cost of living crisis. Both the Scottish Refugee Council and BEMIS have called for the Scottish Government to use its devolved powers to take more anti-poverty action to mitigate the hardship refugees and those seeking refugee status face, as well as those subject to NRPF.

Scottish Government response:

The Scottish Government is clear that everyone living in Scotland should have the right to access support in times of need, including people in the UK immigration and asylum systems. The Scottish Government will do all it can, within devolved powers, to protect communities and support people. However, UK Government rules on NRPF make this challenging, as they restrict access to key safety nets, such as homelessness services and most welfare benefits.

The Scottish Government aims to take an inclusive approach to the design and delivery of support, so that it enables people to participate in society with the support they need. This includes ensuring that services and support are accessible to people with NRPF, unless this is precluded by reserved immigration legislation and rules.

The Ending Destitution Together strategy clearly sets out our inclusive approach, including our commitment to extend financial support to people subject to NRPF where that is possible to do. A wide range of Scottish Government programmes, public services, local authority statutory support and third sector projects already deliver support that is inclusive of people

subject to NRPF. These include healthcare, advice services and direct support for families with children and vulnerable adults.

It should be noted that people who have been granted refugee status are able to access all public funds on the same basis as anyone resident in Scotland.

The Scottish Government has serious concerns about UK Government plans to use powers in the Nationality and Borders Act 2022 to differentiate between refugees, including the potential to apply NRPF conditions to some refugees. We are opposed to the UK Government's plans, which do not align with the approach taken in Scotland and risk jeopardising integration for asylum seekers and refugees and our communities.

93. We ask the Scottish Government to cost the Scottish Refugee Council's 10-point action plan as set out in their submission, including identifying where preventative action could result in savings over current approaches, and to set out a timescale in which this work can be completed. Further, we note the data gap around the number of people in Scotland who have No Recourse to Public Funds (NRPF) and ask the Scottish Government what steps it has taken to identify the information necessary to inform a cohesive policy to address NRPF.

Scottish Government response:

The Scottish Government notes the 10-point action plan presented by the Scottish Refugee Council and welcomes its recognition that preventative action can help to reduce longer term issues and result in savings. This aligns with the approach taken in the key strategies, the New Scots refugee integration strategy and the Ending Destitution Together strategy. Prevention is one of the key principles of the Ending Destitution Together aiming to provide support to enable people to make informed decisions and access assistance before a crisis situation arises. While the Scottish Government has no plans to cost the 10-point action plan, we will continue to focus our resources on working with our partners to deliver these strategies, particularly our key partners, COSLA and Scottish Refugee Council.

As set out in the Ending Destitution Together strategy, there is no comprehensive data or analysis on NRPF, which makes it difficult to identify the number of people experiencing or at risk of destitution. As asylum and immigration are reserved matters, the Scottish Government does not hold data on the number of people with NRPF, and the Home Office does not capture the number of people who have an NRPF condition applied to their stay or monitor how many people with NRPF are in the UK at any time. Learning from the implementation of the Ending Destitution Together strategy will help us to build a stronger evidence base on the nature and scale of need for people with NRPF and strengthen our understanding of what it takes to implement sustainable solutions across Scotland.

94. We recommend that the Scottish Government reviews the [Best Start, Bright Futures Tackling Child Poverty Delivery Plan 2022-2026](#)¹⁷ to specifically include refugees in the delivery plan and updates guidance to public authorities to include refugees in their annual child poverty action plans.

¹⁷ [Best Start, Bright Futures: Tackling Child Poverty Delivery Plan 2022-2026 \(www.gov.scot\)](https://www.gov.scot/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-2026)

Scottish Government response:

Best Start, Bright Futures sets out a series of bold actions designed to reach the interim and ultimately final statutory child poverty targets as set out in the Child Poverty (Scotland) Act 2017. The plan is based on evidence of who is most at risk of child poverty – with the six priority family types identified as lone parent households, minority ethnic households, households with a disabled adult or child, three or more children, a baby under one, or a mother under 25. These households represent 90% of all children in poverty, and therefore the delivery plan is firmly focused on supporting these families, and overcoming the additional barriers they may face in accessing services and employment.

Priority family types have been identified through analysis of data to understand what types of household are more likely to be experiencing poverty. The Scottish Government is committed to continuing our data-driven approach to tackling child poverty, focusing our efforts on the three drivers of child poverty reduction, and on those most likely to experience child poverty. However, we recognise intersectionality between these different household types, and the actions in the delivery plan are focused on addressing the multiple barriers parents may face, providing holistic, person-centred support across everything that we do.

It should be noted that people who have been granted refugee status have rights to work and are able to access public funds, and therefore are not automatically low income households. However, we recognise that refugees may have a number of priority family characteristics, and in particular be part of minority ethnic households, and as such should be included in many policies targeting child poverty. We are currently refreshing guidance for public authorities to support their annual local child poverty action reports. Whilst this non-statutory guidance cannot instruct local authorities and health boards to deliver specific actions, it clearly sets out the priority family types at greatest risk of poverty and signposts to relevant resources to support more targeted and strategic action. The Scottish Government and other national partners have produced a range of resources to support public authorities, and other partners, to understand barriers faced by priority families, and to build on evidence of effective interventions for priority families.

We will continue to review data and evidence to inform the development of our next tackling child poverty delivery plan due in 2026.

Reprioritisation of allocated funding

100. We ask the Scottish Government for its views on the suggestion to reprioritise existing funding in relation to the poverty-attainment gap.

Scottish Government response:

The Scottish Government are absolutely committed to tackling the poverty-related attainment gap and are investing an increased £1bn in the Scottish Attainment Challenge over the course of this parliamentary term to do that. This next phase of the programme was developed in partnership with and agreed by COSLA and builds on the evidence set out in the Scottish Government and Education Scotland [5 year report](#)¹⁸ on progress towards closing

¹⁸ [Closing the poverty-related attainment gap: progress report 2016 to 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2021/05/Closing-the-poverty-related-attainment-gap-progress-report-2016-to-2021)

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the poverty-related attainment gap, the [Equity Audit](#)¹⁹, the [Audit Scotland report](#)²⁰ on educational outcomes, and the [OECD review](#)²¹.

The refreshed Scottish Attainment Challenge programme is closely aligned with the wider ambition to tackle child poverty, with its new mission to use education to improve outcomes for children and young people impacted by poverty, with a focus on tackling the poverty-related attainment gap.

The Scottish Attainment Challenge programme has a refreshed funding model in place, based on [Children in Low Income Families Data](#)²², which provides a fairer reflection of the numbers of children impacted by poverty. In recognition that poverty impacts children and young people across all of Scotland the introduction of Strategic Equity Funding provides all local authorities with a funded strategic role to tackle the poverty-related attainment gap for the first time. There is also the continued empowerment of headteachers through Pupil Equity Funding as the primary model for distributing funding to the education system, with funding of over £130 million allocated to 97% of schools this year. There is also the continued additional investment to support Care Experienced Children and Young People, with Local Authorities Directors of Education and Chief Social Workers determining how best to invest this funding to support the wellbeing and attainment of care experienced children and young people.

The guidance for the use of Attainment Scotland Funding is clear that this funding must be targeted to support children and young people impacted by poverty and that local data and knowledge should be used to inform those decisions. Scottish Attainment Challenge funding is being used by schools and Local Authorities to implement a wide variety of approaches designed to drive up improvements in literacy, numeracy and health and wellbeing and is targeted at children and families who are most impacted by poverty. We know that school leaders and local authorities know their pupils and communities best when determining how the money should be invested, which is why they are empowered to investing this funding, with support and advice being provided by Education Scotland, to help meet their children and family's needs.

101. We note rise in the number of families in temporary accommodation. In relation to preventing homelessness, we would welcome the Scottish Government's views on reallocating of funding from mid-market rented and low cost home ownership into social housing. We also emphasise our concerns about future prevention spending to tackle homelessness and ask how this will be allocated over the period of the Resource Spending Review. In addition, we seek clarity about how the resource provided to local authorities for the preventing homelessness agenda and local plans will be allocated for 2023-24.

¹⁹ <https://www.gov.scot/binaries/content/documents/govscot/publications/impact-assessment/2021/01/equity-audit-deepening-understanding-impact-covid-19-school-building-closures-children-socio-economically-disadvantaged-backgrounds-setting-clear-areas-focus-accelerating-recovery/documents/equity-audit/equity-audit/govscot%3Adocument/equity-audit.pdf>

²⁰ [Improving outcomes for young people through school education | Audit Scotland \(audit-scotland.gov.uk\)](#)

²¹ [Executive summary | Scotland's Curriculum for Excellence : Into the Future | OECD iLibrary \(oecd-ilibrary.org\)](#)

²² [Background information and methodology: Children in low income families: local area statistics - GOV.UK \(www.gov.uk\)](#)

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Scottish Government response:

The planning and delivery of affordable housing is focussed on meeting local needs by supporting the ‘right homes in the right place’. Local authorities, as the statutory housing authority, are responsible for assessing housing requirements locally, including any backlog housing needs and tenure pressures, to enable the delivery of housing. The ‘Local Housing Strategy’ sets out the authority’s strategic vision for housing, taking into account both national policy objectives and local priorities, based on housing need and demand evidence. As well as its strategic response to national outcomes and national housing priorities, the Local Housing Strategy sets out the approach to meeting other statutory housing responsibilities, including fuel poverty, house condition and homelessness amongst others. It also provides people with a vital opportunity to have their say and influence the future delivery of housing and housing related services in their communities.

Scotland has led the way in the delivery of affordable housing across the UK having delivered 112,993 affordable homes since 2007, over 79,000 (70%) of which were for social rent. We also have nine times as many social rented homes delivered per head of population (an annual average of 10.8 homes per 10,000 population in Scotland compared to just 1.2 in England). We have now started to deliver against our commitment to 110,000 affordable homes by 2032, of which at least 70% will be available for social rent.

The Scottish Government and COSLA are developing a new and fairer temporary accommodation funding distribution formula. Local authorities currently receive an annual share of the £23.5 million homelessness support grant and a share of the £7 million former hostels grant. The present distribution methodology is based on the amount of temporary accommodation used by local authorities rather than the efforts they are making to transform the use of temporary accommodation through their rapid rehousing transition plans (R RTPs). As the names of the grants do not reflect the importance local and national government place on homelessness prevention and earlier intervention, we will merge these two grants to create a new £30.5 million homelessness prevention fund for distribution in 2023-24. The aim is to provide greater clarity in budget documents for citizens who want to understand how their money is spent. We have agreed with COSLA a fairer distribution formula that better represents the drivers of need in homelessness and recognises local authority efforts to reduce the use of temporary accommodation.

Employability

119. Given the economic circumstances, and taking account of human rights principles, we recommend that the Scottish Government cut in employability funding should be time-limited and ask the Scottish Government to provide a timescale in which it will be reinstated to the level of funding before the cut.

Scottish Government response:

The decision to make a £53 million reduction to parental employability funding in 2022/23 has not been easy and will not be without consequence, but given the financial challenges we face as a result of inflation and a lack of additional funding from the UK Government they were unavoidable. At a time of acute labour shortages, historically low unemployment and soaring inflation, we have taken the view that we must prioritise money in people’s pockets now over spending on employability which is unlikely to result in immediate benefits for individuals, but this is not a decision we have taken lightly.

However, for 2023/24, we will reinstate funding to support the employability response to child poverty, with £69.7 million committed in recognition of the important role that employability support has to play in tackling child poverty.

120. Furthermore, with the central importance of employability to the mission to reduce child poverty, the Committee expects the Scottish Government to continue to deliver employability support for parents on the scale originally planned.

Scottish Government response:

Our approach to employability is predicated on person-centred, and voluntary support.

We believe employability support is critical, but for those facing the most significant and complex barriers to entering and retaining work, it is only part of the picture. It cannot achieve the full extent of the impact we want to see for those facing disadvantage in the labour market in isolation, that is why within Best Start, Bright Futures we have set out a cross-Government commitment to develop an integrated service offer. With effective wrap-around support from other key public services such as childcare and transport, employability services stand the best chance of supporting people into the right job, at the right time for them.

Concessionary Travel

125. The benefits of the concessionary travel scheme are clear. It would be “deeply concerning” if the reduced demand was due to the inaccessibility the scheme. We [wrote](#)²³ to the Minister for Transport earlier this year in relation to the difficulties faced by young refugees and asylum seekers accessing the scheme and received a [response](#)²⁴ which looked to have addressed the Red Cross’ recommendations.

Scottish Government response:

Since introducing free bus travel for those aged under 22 earlier this year, over half-a-million young people have joined the scheme and over 34 million journeys have been made which have been free at the point of access. In the same way as all other people living in Scotland, asylum seekers aged under 22 can obtain free bus travel through the existing statutory scheme. I do recognise that asylum seekers may have particular difficulties in applying through the online system. However, applications can be made offline through local authorities where a wider range of identity proofs are accepted. This is because the online application process has to comply with online identity verification standards and protocols which limit the proof of person documentation which can be used for the security of both the applicant and the scheme.

The Improvement Service has relaxed conditions on some of the proofs required to apply for an NEC or Young Scot NEC. This includes accepting out of date passports and proofs of address, dating back twelve months rather than just three. It has also enhanced functionality on the getyournec.scot website so people can save and return to their applications, and accepts a much wider range of proofs for parents, guardians and carers to provide their approval for their child to access the scheme. Whilst we continue to explore ways to make the application process more accessible, we must also ensure that it complies with identity verification standards and meets child safety requirements.

²³ [20220413_letter_to_cabsecsjhlq_u22bustravel.pdf \(parliament.scot\)](#)

²⁴ [Letter template Jenny Gilruth \(parliament.scot\)](#)

126. We ask the Scottish Government what monitoring it, or the Improvement Service, is undertaking to ensure young people growing up in poverty and deprivation are accessing the scheme. Also we ask the Scottish Government to hold urgent discussions with COSLA to ensure consistency of approach across local authorities to increase uptake and to keep the Committee updated on the progress made.

Scottish Government response:

Since introducing free bus travel for those aged under 22 earlier this year, over half-a-million young people have joined the scheme and over 34 million journeys have been made which have been free at the point of access. Cardholder uptake, as of 21 November 2022, is at 58.9% nationally with similar or higher uptake across some of the most deprived local authorities in Scotland. In March, the Child Poverty Action Group reported that free bus travel can save a total of £3,000 in the lifetime cost of a child in Scotland, compared to those living in England.

Transport Scotland is carrying out an evaluation of the Young Persons' Free Bus Travel Scheme to assess whether the scheme is working as expected in achieving its objectives and benefits, and to assess any potential negative impacts of the scheme on other policy aims and other modes of transport. The evaluation will assess the short, medium and long term impact of the scheme by comparing conditions at different stages.

We are determined for all young people to benefit from free bus travel, whether they use it every day to get to school, helping to cut costs for their families; or use it once a year to go visit family or go on holiday, making something previously unaffordable now within reach. We, therefore, continue to engage with key delivery partners including the Improvement Service and local authorities to encourage more young people to apply.

127. In addition, we would be interested to know the Scottish Government's views on widening free bus travel to support low income users and how that could be supported in the future.

Scottish Government response:

We currently have no plans to extend the statutory concessionary travel schemes beyond the existing bus travel provisions.

However, we are undertaking a Fair Fares Review to ensure a sustainable and integrated approach to public transport fares. This review includes consideration of increasing inflationary pressures and the Cost of Living crisis, impacting both costs of operating public transport and the affordability of using public transport. The Fair Fares Review is considering both the availability of services and the range of discounts and concessionary schemes which are available on all modes including bus, rail and ferry.

It will develop and assess options to create a fairer, more transparent system of fares across all modes that maintain and increase affordability for those who need it most, taking cognisance of the relative changes to the overall cost of travel. The review is expected to conclude in early 2023.

Consequentials: UK Government's Spring 2022 announcement

130. We accept that how Barnett Consequentials are spent is a matter for the Scottish Government but all consequentials will be a result of UK Government policies. For greater transparency and scrutiny of decision-making on in-year reductions and savings, we ask the Scottish Government what UK policy announcements the £82 million consequentials relate to. Also, we would welcome an explanation from the Scottish Government as to what Scottish programmes the money had been allocated to, before being cut, in order to better understand divergence in policy approach.

Scottish Government response:

The Scottish Government has to balance its budget as a whole within the limited fiscal constraints available to us. The £82 million consequentials, along with all other changes to Scottish Government funding, were detailed in the Autumn Budget Revision which also displays how this overall funding position reconciles to the revised portfolio allocations following all Scottish Government commitments to date.

Fiscal flexibility in the devolved settlement

144. With Scotland in the grip of another economic crisis the time is now to maximise all available resources. Reprioritising spending will only go so far and will not provide a climate where Scotland can thrive.

Scottish Government response:

The situation facing the Scottish Government is, in financial terms, by far the most challenging that we have faced under devolution, and in setting out the Emergency Budget Review (on 2 November) the Deputy First Minister noted that we have reached the limit of what can be done in terms of re-prioritisation.

In taking the necessary steps to provide sustainable public services the Scottish Government remains committed to effective public service reform designed in line with well-established Christie Commission principles. There is a programme of work underway looking to deliver both short term efficiencies and longer-term service transformation in partnership with public bodies leaders.

145. We support the ongoing “Fiscal Flexibility Framework” discussions between the Scottish and UK Governments.

Scottish Government response:

This support is welcome.

Under current arrangements our borrowing and reserve powers are disproportionately constrained, which limits the Scottish Government’s ability to respond quickly to emerging needs, and leaves Scotland overly dependent on decisions made by the UK Government. Additional flexibilities would allow the Scottish Government to mobilise and deploy funding in a more effective and efficient way to support our citizens.

Moreover, our borrowing powers and reserve limits within the Fiscal Framework are currently set in nominal cash values and hence are not protected in real terms, meaning their value is eroded each year. It is important that the challenges faced by these fixed nominal limits on

the current borrowing and reserve powers are addressed, as their real-term effectiveness continues to deteriorate over time.

146. In light of the evidence received which outlines the difficulties the Scottish Government faces in responding to crises without such powers, we request the UK Government devolves significant borrowing powers.

Scottish Government response:

We agree, the UK Government should consider this issue as a matter of urgency and would encourage the Committee to make this point to the UK Government.

147. We ask the Scottish Government what consideration it has given to using the tax levers available to address the decreasing value of spending.

Scottish Government response:

The Scotland Acts 2012 and 2016 devolved to the Scottish Parliament the power to set the Income Tax rates and bands that apply to the non-savings, non-dividend income only of Scottish Income taxpayers, with all other Income Tax Powers, including the Personal Allowance, remaining reserved to the UK Government. This means that the Scottish Government has limited power in considering more creative Scottish Income Tax policy ideas.

Our decisions on taxation have created a fairer and more progressive tax system in Scotland – protecting lower- and middle-income earners, while raising extra revenue to invest in public services and Scotland's economy. The majority (54%) of Scottish taxpayers will pay less Income Tax in 2022-23 than they would if they lived elsewhere in the UK, for the fifth consecutive year. Our decisions on tax will continue to be guided by the principles of fairness and progressivity set out in our Framework for Tax, prioritising the need to support households through the current costs crisis alongside raising revenue to invest in our public services here in Scotland.

148. Further, we note that previous reviews and cross-party talks have not led to reform of local taxes. The Scottish Government should work with local government and political parties to consider the feasibility of a reformed local tax framework. This should build human rights into its core to future-proof services and households against economic crises.

Scottish Government response:

The Scottish Government is committed to a fairer, more inclusive and fiscally sustainable form of local taxation. In the 2021 Programme for Government, we committed to establishing a working group to oversee deliberative engagement on local government funding, including Council Tax. We have now convened this working group, which has representation from Scottish Greens and COSLA, and will consider proposals for meaningful changes to be introduced in the short-term to Council Tax. This will focus on targeted changes to reflect the current circumstances created by the cost crisis, including allowing local authorities to increase the rate of Council Tax on second and empty homes, as well as others.

This working group will also consider approaches to longer term reform, and the development of effective deliberative engagement on sources of local government funding, which includes Council Tax.

149. On tax evasion, we recommend the Scottish Government should use all options at its disposal to recover tax owed by high-net-worth individuals and companies.

Scottish Government response:

Whilst powers over tax compliance policy and administration remain fully reserved to the UK Government and HMRC, we have called for greater tax transparency and stronger action from the UK Government on avoidance and evasion to help close the tax gap.

We recognise the importance of ensuring that everyone pays a fair share of tax to fund the vital services and infrastructure on which we rely, and believe that workers and businesses have an ethical obligation to deal openly with their tax affairs, whilst avoiding engaging in artificial arrangements simply to reduce their tax liabilities. These principles sit at the core of our Scottish approach to taxation.

The Scottish Government supports the development of international, multilateral measures to help combat corporate tax avoidance and protect national tax bases. We also believe the UK Government must consider the appropriateness of existing arrangements around non-domicile status to ensure integrity of the tax system, including for Scottish Income Tax.

UK Government action on cost of living

157. The instability of UK Governments spending decisions has meant the situation has continued to change from when we took evidence. This has had an impact on Scottish Government finances and has hampered the Committee's effective scrutiny of the Scottish Government.

Scottish Government response:

Throughout the Summer and Autumn the unprecedented level of change within the UK Government's fiscal approach has undoubtedly increased the scale of challenge we face in managing our 2022-23 Budget, and in planning for the 2023-24 Scottish Budget. Despite the various delays to the UK Autumn Statement and associated OBR forecasts, the Scottish Budget has been introduced to Parliament on the original timetable, thereby preserving maximum time for Parliamentary scrutiny.

In addition, the Emergency Budget Review, which was necessary due to the lack of any additional 2022-23 funding to address inflationary pressures (at a 40-year high), was published on 2 November to support transparency and enable scrutiny of the difficult in-year choices that were required.

158. We note that devolved Governments have written to the UK Chancellor of the Exchequer asking for targeted action to address the cost of living crisis, though at the time of writing there has been no response. As a Committee focused on people who are the most disadvantaged in our society, we urge both governments to work together to take urgent action to protect low income households at this time.

Scottish Government response:

The Scottish Government has continued to press the UK Government for targeted action to protect low income households through the cost of living crisis.

The First Minister's [letter²⁵](#) to the Prime Minister sent on 27 October outlined essential action to tackle the cost-of-living crisis including:

- further targeted financial support to low income households to help those most negatively impacted by rising costs and clarity on the Energy Price Guarantee from April 2023
- for social security benefits to increase with inflation in April and a permanent £25 uplift to Universal Credit to be introduced now and extended to means-tested legacy benefits. The reversal of the two-child limit for Universal Credit and tax credits, along with the abolition of the benefit cap.
- an enhanced windfall tax to fund support in place of increased borrowing and/or spending cuts, raised by broadening the Energy Profits Levy and removing the investment allowance
- additional funding for devolved governments to be made available to support people, provide fair public sector pay uplifts and protect public services

The First Minister's bilateral meeting with the Prime Minister on the 10 November provided a further opportunity to emphasise these points, particularly on the need to protect the most vulnerable and avoid a return to austerity.

The Scottish Government will continue to do what it can to help households face the increased cost of living, within the limited powers we have. In this financial year we have allocated almost £3 billion in a range of measures which will help mitigate the impacts of the cost crisis on households, of which £1 billion is for support only available in Scotland and not elsewhere in the UK.

This includes the Scottish Child Payment, which has been further expanded to eligible under 15 year olds and increased in value to £25 per child per week from 14 November – around 387,000 children are eligible. The value of the December Bridging Payment was also doubled, providing £260 for around 145,000 school-age children from low-income families.

We are doing everything within our power to support people, public services and the economy. This includes:

- Taking action to protect tenants by freezing in-tenancy rents and by introducing a moratorium on evictions with some specified exemptions at least until 31 March.
- providing over £700 million extra to support enhanced public sector pay offers (over and above what was budgeted for in December).
- Establishing an Island Cost Crisis Emergency Fund of £1.4 million to help Island communities

At the same time, we are providing much needed support to those struggling with fuel poverty

- The Emergency Budget Review doubled the Fuel Insecurity Fund to £20m this year, helping households on any fuel type that are at risk of severely rationing their energy use or self-disconnecting entirely.
- We have also allocated £336m to heat, energy efficiency and fuel poverty measures this year (2022-23) including £119m targeted at fuel poor households.

²⁵ [Cost crisis - letter to the Prime Minister: October 2022 - gov.scot \(www.gov.scot\)](#)

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- This will be delivered through a package of support via long-standing programmes that have already supported over 150,000 households in or at risk of fuel poverty.
- Our new Winter Heating Payment will be a reliable annual payment for 400,000 low income households backed by £20m annual investment beginning in winter 2022/23. It is only available in Scotland.