



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Justice and Social Security Committee

Thursday 9 January 2025

Session 6



The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 9 January 2025

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SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE

1st Meeting 2025, Session 6

CONVENER

*Collette Stevenson (East Kilbride) (SNP)

DEPUTY CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

COMMITTEE MEMBERS

*Jeremy Balfour (Lothian) (Con)

Katy Clark (West Scotland) (Lab)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Marie McNair (Clydebank and Milngavie) (SNP)

*Paul O'Kane (West Scotland) (Lab)

*Liz Smith (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Mark Griffin (Central Scotland) (Lab) (Committee Substitute)

Shirley-Anne Somerville (Cabinet Secretary for Social Justice)

CLERK TO THE COMMITTEE

Diane Barr

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Justice and Social Security Committee

Thursday 9 January 2025

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Collette Stevenson): Good morning, and welcome to the first meeting in 2025 of the Social Justice and Social Security Committee.

We have apologies from Katy Clark. I believe that Mark Griffin will join us as a substitute shortly.

I welcome our new senior clerk, Diane Barr, to the committee—a very warm welcome to you, Diane.

Our first item of business is a decision on whether to take agenda items 3 and 4 in private. Are we all agreed to take those items in private?

Members indicated agreement.

Budget Scrutiny 2025-26

The Convener: Our next item is an evidence session on the Scottish Government's budget for 2025-26. The committee received a response from the Scottish Government to its pre-budget report in December. The budget for 2025-26 was also published in December.

I welcome from the Scottish Government Shirley-Anne Somerville, Cabinet Secretary for Social Justice, James Wallace, deputy director for communities finance, and Julie Humphreys, director for tackling child poverty and social justice.

Before we move to questions, I invite the cabinet secretary to make a short opening statement.

The Cabinet Secretary for Social Justice (Shirley-Anne Somerville): Good morning, convener. This budget will protect and build on the substantial investments that this Government has already delivered for the people of Scotland. In total, the budget will deliver almost £64 billion of funding in 2025-26.

The budget protects the social contract at the heart of this Government's approach, continuing free prescriptions, ensuring that no Scottish student pays tuition fees and providing access to free bus travel for almost 2.3 million people. It continues to deliver a social security system that is based on dignity, fairness and respect, and a national health service that is free at the point of use.

It will also go further, renewing and reinvesting in Scotland. The draft budget allocates an additional £1 billion for social justice, which will take our budget to £8.2 billion in 2025-26. The budget mitigates where United Kingdom Government policies undermine our efforts to tackle poverty. We will reinstate a universal pension-age winter heating payment and provide funding to begin work to develop the systems to deliver the mitigation of the two-child cap, which could lift 15,000 children out of poverty.

In line with Scottish Fiscal Commission forecasts, we are investing a record £6.9 billion for benefit expenditure in 2025-26, providing support to around 2 million people—that is one in three people in Scotland—and the money will go directly to those who need it most.

We are investing around £750 million more than in the 2024-25 budget, supporting disabled people, supporting older people to heat their homes in winter, and helping low-income families with their living costs. That investment is £1.3 billion more than the level of funding forecast to be

received from the UK Government through the social security block grant adjustment.

The budget invests an additional £172 million in affordable housing, which will help to keep rents lower and will benefit around 140,000 children in poverty each year. That investment contributes not only to tackling the housing emergency but to our target of 110,000 affordable homes by 2032. Although individual projects require to be identified locally by councils, the budget provides enough for around 8,000 homes.

We invest more per person than any other UK nation in measures to help people remain in their homes. We will provide approximately £97 million in discretionary housing payments in 2025-26, which is an increase of £7 million, to enable councils to offset the UK Government's bedroom tax and benefit caps and to cover shortfalls between housing benefit and rent. That is in addition to homelessness funding provided through the local government settlement.

I recognise the financial pressures on the third sector and the additional pressure that the UK Government's decision to make changes to employer national insurance contributions places on many organisations in the sector. The 2024 programme for government commits the Scottish Government to making improvements to grant making, including greater clarity and consistency of existing arrangements.

I thank the committee for its pre-budget scrutiny and look forward to its questions.

The Convener: I am conscious that we have only about an hour and 15 minutes, so I will swiftly invite Liz Smith in.

Liz Smith (Mid Scotland and Fife) (Con): Thank you, convener. I apologise to you, cabinet secretary, but I am to give evidence to another committee at 10.15, so I will have to leave early. I am not walking out on you, but I will have to leave in order to present evidence in committee room 3.

I will begin on the topic of child disability payments, for which there is currently £450 million in this year's budget. The statistics that we are being given for next year's budget show that it will go up to £618 million, which is an increase of 37 per cent—which, I have to say, is a very considerable increase.

Will you comment on why there is such a substantial increase in that part of the budget over the course of just one year, especially when adult disability payments are going up by around 11 per cent and when the 37 per cent is far in excess of what is happening elsewhere in the UK?

Shirley-Anne Somerville: There are two aspects to that, so I will break down my answer into two sections.

First, we are seeing an increase across the UK in the number of people who are applying for disability benefits. That has been remarked upon not only in Scotland but elsewhere. That is one aspect.

The second aspect is that, because of the systems that we have put in place in Scotland, we are finding that people are applying for the benefits to which they were entitled under the previous Department for Work and Pensions system, but for which they perhaps did not apply because of their concerns about the system. In essence, we are seeing the system being more accessible, in that we are seeing people who were always entitled to benefits coming forward to claim that entitlement and going through the system.

Liz Smith: Do you think that those reasons explain the whole 37 per cent increase? That is a very substantial figure for just one year of a budget.

Shirley-Anne Somerville: If I can put it simply, we base our budget on the Scottish Fiscal Commission's forecast, and the only way that the benefit forecast will go up is if the assumptions that we are looking at in that work suggest that more people will be entitled to and claim the benefit, meaning that benefit take-up will go up. Those are the reasons for that.

We can certainly provide the assumptions that underlie the Scottish Fiscal Commission's forecast for that increase. In essence, our budget is based on the assumptions in its working.

Liz Smith: Can I be clear that the 37 per cent increase covers not only those for whom you think the application process in the existing system has been easier, but more people who will come into that system who are eligible for payments? Is that what you are saying?

Shirley-Anne Somerville: What I am saying is that, right across the UK, we are seeing an increase in the number of people who are coming forward for disability payments and that, on top of that, in Scotland, we are also seeing people coming forward because of the ease of the system. There are two different aspects to it.

There may be more people throughout the UK who are applying for disability benefits in general. We will then also see an additional increase on top of that, because of the lack of barriers to entry to our system.

Liz Smith: When we are talking about very considerable increases, it is important that we try to work out the reasons behind them. If there are two categories, it is important that we get to the bottom of that.

At the Finance and Public Administration Committee this week, the Auditor General told us

that Audit Scotland is doing some work—which I think will be published in July—on the factors that are creating the increase in relation to the adult disability payment. What do you expect the findings of that study to be?

Shirley-Anne Somerville: I would not go as far as to suggest what the Auditor General will find in that report. However, if I can talk again about the assumptions on which the forecasting is based, I think that we can see an overall increase in the number of people who are coming forward for disability benefits in total, and also an increase in Scotland.

It is important to look at the assumptions on which the forecasts are based, and I am happy to provide further information on that. Our budgets are based on the Scottish Fiscal Commission's forecasts; those assumptions are all laid out by the Fiscal Commission.

Liz Smith: The Fiscal Commission has said that the number of people who are not coming off the case load is quite substantial. Is that a concern to the Government?

Shirley-Anne Somerville: We must ensure that the system is based on the right decisions being made. If people are staying on the case load, it is because they are entitled to be on it. Nobody stays on the case load if they are not entitled to be part of it. That is a very important aspect of our work.

In the past, under DWP systems, the review process was exceptionally onerous and a barrier to people continuing to receive money to which they were entitled. We have reviewed our review process for child and adult disability payments, so that will have an impact.

However, we should get back to first principles. The important aspect is whether people on the case load are entitled to their benefits. If they are, they should not come off it.

Liz Smith: My final point is on the \$64 million question. The Scottish Fiscal Commission has just published new costs relating to mitigation of the two-child cap. It says that the cost will be £155 million and will rise to £198 million by 2029-30. That means that social security spend in Scotland, which is already something like £529 million more than the money that is secured for devolved benefits, will go up. Where will the money come from to meet the commitments that the Scottish Government has set out?

Shirley-Anne Somerville: As Liz Smith knows, the Government must produce a balanced budget every year, so budget decisions will need to be taken every year to ensure that that commitment is met. We are continuing to make that important investment in families that are in deep poverty. There is much evidence and research from

stakeholders that demonstrate that lifting the two-child cap would be the single biggest policy change that we could make to lift children and their families out of poverty.

Liz Smith: Where will the money come from?

Shirley-Anne Somerville: With respect, I am talking about the priorities that the Government is setting and the fact that what anti-poverty campaigners have said is the reason behind the Government stating that we will invest in that policy, and we will need to make changes to the budget to ensure that it is delivered. As Liz Smith knows, we are required to have a balanced budget every year. We know that the policy will result in an additional cost to the Government, but it is an investment in people, and it is therefore important that we consider that cost as part of our balanced budget process.

Liz Smith: Thank you.

The Convener: Liz Smith touched on the independent review of the adult disability payment, which is coupled with the minimum income guarantee report. There could be recommendations that further spending will be required by Social Security Scotland. How comfortable would the Scottish Government be with such increases to social security spending?

Shirley-Anne Somerville: There might be recommendations, particularly in the review of the adult disability payment, that would not incur additional expenditure—they might be about improving the way in which the system works—but I absolutely take your point. You have raised two very important and significant pieces of work that could well come with significant price tags for certain aspects.

Inevitably, the Government will need to review the recommendations and consider the delivery requirements. We will also need to consider whether the Government agrees with the timescales for the recommendations, because, clearly, the more radical the recommendations, the more challenging they will be, given the fiscal environment in which the Scottish Government is working. Considering the affordability of changes will be an important next step in the process after the reviews are published.

As you alluded to in your question, the reviews are independent and will come to conclusions and make recommendations for the Government as they see fit. It will then be important for the Government to reflect on the recommendations and to look at their affordability and deliverability to ensure that, if we agree with them, we can analyse when they could be effected. That is the cold, hard reality.

09:45

Liz Smith talked about the investment in the mitigation of the two-child cap. We have decided to do that and it will have financial implications for the Government, which is why we will have to look very carefully at significant reviews such as those that we are discussing when we consider them.

Paul O’Kane (West Scotland) (Lab): Good morning, cabinet secretary and officials. I will move on to the theme of planning and administration of social security in Scotland.

The gateway review in February 2024 concluded that

“successful delivery appears feasible but significant issues ... exist requiring management attention”.

In your view, have those issues been addressed? What progress has been made?

Shirley-Anne Somerville: The gateway review is a very important part of our process of ensuring that we are delivering the programme effectively, and I am confident that we are. Part of the gateway review looks at the closure, in effect, of one of the Scottish Government’s most significant work programmes, which is the devolution of social security. It is a significant programme and therefore requires careful handling. The gateway review rated the social security programme in general at amber-green status in meeting its existing delivery requirements.

The closure of the programme is, clearly, very challenging, for the reasons that I have set out. I will give some examples of what has already been put in place between the programme and the agency, Social Security Scotland. There is close working on the change process that will need to take place to move things from the social security programme to the agency. The staffing has been changed to ensure that that can happen effectively. The relevant people have already been working exceptionally closely together, but the move from the programme to the agency as part of the change function is well under way. I have had a number of meetings with both the programme and the agency to talk about the closure of the programme.

We need to remember that although the devolution programme will come to an end, in effect, adaptations to social security will not. Therefore, we will continue to deliver any policy changes that are instructed by ministers through the change function in the agency. I am confident about where we are at present with the move and I am very confident in the work that the agency is undertaking to ensure that it has the right skill set, which once sat within the programme but which now needs to move to the agency. A change in the skill set will be required as the programme moves and once social security is at more of a steady

state. Clearly, we will never be in a position where there will be no changes, but we will reach a steady state for the overall social security programme and will look to make changes within what is devolved at that point.

Paul O’Kane: I appreciate what you are saying about the move to a steady state. We know that the main benefit that still needs to be devolved is employment injury assistance, and we have just touched on the Government’s intention to mitigate the two-child limit. We had this discussion before the Christmas break, but that decision was taken a week and a day before the budget was announced—you may want to correct me if I am wrong about that. To what extent has that decision been factored in, given the potential delay that could be caused to the closure of the programme? Was planning done prior to that decision being made? Were projections considered on the impact of the decision on the wider programme?

Shirley-Anne Somerville: The mitigation of the two-child cap does not change the trajectory of the closure of the programme, nor does the continuing need to devolve the industrial injuries benefit, which will change to become the employment injury assistance benefit in Scotland.

In essence, I am saying that we can move away from those being part of the social security directorate programme towards their becoming part of the social security agency. Even if we are at a steady state, we will never reach a point where nothing changes within social security.

One obvious big change that is still to come is the final devolution of employment injury assistance. The agency will always have the ability to flex and to develop the parts of the system that need to change. From the discussions about the mitigation of the two-child cap and about employment injury assistance, I am confident that the programme closure will continue as planned and that the change function, and the work that is going on within the agency, will seamlessly deliver any future social security changes that are required.

Paul O’Kane: I have a question about future changes. As you rightly point out, it is for any Government to decide what to do when more mainstream social security becomes devolved. I noted that the Deputy First Minister made some public comments yesterday about the two-child limit, suggesting that the reason why it had not previously been considered was that the DWP was not willing to give information.

Regarding long-term planning for social security, we have had a discussion about costs and we know that there will be structures for that. Has the cabinet secretary been planning that for some time? Has she considered the preparation of some

of that? That seems to be what the Deputy First Minister was alluding to yesterday. Within that, has the cabinet secretary previously asked the DWP for those powers?

Shirley-Anne Somerville: We were not in the same position in the past because we did not have the important Scottish child payment, which makes a key difference because we now have a legislative framework. We have done a great deal of work, but by no means all of it—we might need to come to the fact that a great deal of work still needs to be done to deliver mitigation of the two-child cap—but the fact that we now have the Scottish child payment makes the difference, compared with where we were previously. It is an important change that allows us to use the legislative framework that is the basis of the Scottish child payment to make it far easier to look at mitigating the two-child cap.

You asked earlier if we had looked at the matter. To be frank, I had high hopes that a Labour Government would actually deliver on that, as Labour promised for years, but it has not done that, so the Scottish Government has done so.

Paul O’Kane: The point is that the Labour Government has been in power for six months but the two-child limit existed for many years before that. We also know that the Scottish child payment came in in 2021, so my question to you is whether you asked for those powers at any point.

Shirley-Anne Somerville: We did not ask to mitigate the two-child cap in the past. The Scottish child payment was established in phases because of the important work that had to be done with the DWP to allow data-sharing arrangements and to ensure that the framework existed to allow that to happen.

The progress of the Scottish child payment from policy inception to delivery was the quickest of any benefit that has ever been delivered within the UK. I am exceptionally proud of that record, but that was the beginning of a delivery that had to happen in phases to get the payment for children up to the age of 16, because of the work that had to be done with the DWP. There were important aspects to the timing of how the Scottish child payment was delivered. The fact that it had been introduced did not mean that the work stopped—work on the various phases had to continue.

Paul O’Kane: Finally, regarding the Deputy First Minister’s comments yesterday, is she confused about the position? She seemed to think that the powers had been asked for previously, but you are saying they had not been asked for.

Shirley-Anne Somerville: We have not asked for information about the two-child cap, but I return to the fact that the difference is that we now have the Scottish payment, which makes that much

easier. The key difference from the conversations that we had about the issue many years ago is that the Scottish child payment is now in existence, which means that the process, which is still complex—certainly, it is much more complex than was suggested in comments that were made yesterday—will be eased.

The Convener: Thank you very much. Jeremy Balfour has a supplementary question.

Jeremy Balfour (Lothian) (Con): Good morning, cabinet secretary, and happy new year to you all.

I have two or three questions. I will follow up on Paul O’Kane’s question. The Cabinet Secretary for Finance and Local Government said that primary legislation would be required to mitigate the two-child cap. Can you clarify whether primary legislation or regulations will be required?

Shirley-Anne Somerville: That will require regulation here, but it will require legislation at Westminster, as well. In essence, the regulations will be Scotland Act 1998 orders.

Jeremy Balfour: That is helpful. How many agency agreements are still in place with the DWP?

Shirley-Anne Somerville: Unless James Wallace can help me with that directly, we might need to get back to you in writing.

Jeremy Balfour: Sure. Could you also perhaps let me know the cost?

Shirley-Anne Somerville: Do you mean the cost of the agency agreements?

Jeremy Balfour: Yes.

Shirley-Anne Somerville: Certainly.

Jeremy Balfour: That would be helpful. Thank you.

Finally, I notice that the VoiceAbility contract has been extended by one year. What analysis was done in order to decide that?

Shirley-Anne Somerville: We will also have to write to the committee on the analysis that informed the decision to extend the contract for a year.

Jeremy Balfour: Just to add a further paragraph if you are writing, could you set out the criteria? The contract will end in January next year, and it will be retendered. Who could apply for the contract?

Shirley-Anne Somerville: If you will forgive me, Jeremy, I will respond to all those questions in writing.

The Convener: Thank you for your shopping list, Jeremy. *[Laughter.]*

I call Jeremy Balfour. Sorry—I mean Bob Doris.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): I also apologise to Jeremy for the confusion.

On Tuesday, I told the Parliament about a dad who lost a well-paid job following his wife's sad passing away, and he had to claim universal credit for his four children. What is now Labour's two-child cap means that the system that the dad claims universal credit under will not give the family enough money to live on. To put it quite frankly, that is shameful.

I welcome the mitigation steps, but has the Scottish Government given up all hope of the UK Labour Government doing the right thing and abolishing the two-child cap?

Shirley-Anne Somerville: The UK Government has in place its task force, which is due to respond reasonably soon. I still hope that the UK Government will do the right thing. As I laid out earlier, it has been clear from all the evidence over many years that that is the single biggest intervention that the UK Government could make to lift children out of poverty. If it does so, I would, of course, welcome that.

The UK Government has already made exceptionally minor changes to universal credit. Mr O'Kane referenced one of those changes in his speech during the Tuesday debate. That points to the fact that changes could have been made earlier, but the UK Government has chosen not to make them. In that space, we will continue to work as quickly as possible to mitigate the two-child cap. However, I still call on the UK Government to abolish it, because continuing to mitigate the bedroom tax, benefit cap and two-child cap are key challenges for the Scottish Government.

Bob Doris: Has Liz Kendall, who chairs the child poverty task force on behalf of the UK Labour Government, confirmed that the Government is actively looking at scrapping the two-child cap, or does she just hope that it does so?

Shirley-Anne Somerville: Separate to the task force—I know that it is looking at social security—there is an on-going review of universal credit. Unfortunately, the devolved Administrations do not have a seat at the table of the overall task force, which is for UK Government ministers. There is a four-nations sub-committee, which precludes Scottish Government ministers or officials from being aware of what is being discussed at UK Government level.

In some ways, that is fair enough—it is the UK Government's task force—but the challenge for all the devolved Administrations is that changes that could be made in the task force because of the reserved and devolved complications that we have

mean that what is decided by the UK task force could have significant implications for what happens up here. There is a real need for that task force to take account of what is happening in Scotland, and I hope that that is happening. Those are the points that I and other devolved Administrations make in the four-nations sub-committee.

Bob Doris: I have no further questions, convener, but given Liz Smith's earlier line of questioning about the financial impact of Scotland's budget on Scotland responding to changes at the UK level, does the committee wish to pursue in the future how Scotland, the Scottish Parliament and the Scottish Government can have input into those discussions?

10:00

The Convener: Your point is taken. I will now bring in Marie McNair.

Marie McNair (Clydebank and Milngavie) (SNP): I was looking to come in on theme 1, but I will come in later on with some general questions.

The Convener: Okay, fair enough. Thank you. Jeremy, do you want to come in?

Jeremy Balfour: Yes. Thank you, convener.

What plans are in place to ensure a smooth transition from the social security programme to Social Security Scotland? I appreciate that you touched on that previously. Will extra resources require to be put in to ensure that that happens?

Shirley-Anne Somerville: In essence, the resource for that is already planned within the budget. I can give some examples to try to bring this to life a bit. For example, a specialist resource is being secured through the head of organisational capability and transition that will support a newly established project team that reports to the social security and programme leadership teams. The programme and the agency leadership teams are working jointly on that. I also mentioned the establishment of the delivery and change function, which is led by the director for delivery and change and social security, and that will drive the transition.

The committee can see that there are lines within the budget as it has been outlined, and expenditure within those lines, to ensure that the change programme is happening and that there is a smooth transition.

Mr Balfour will be well aware that we have been blessed by the fact that we have had quite a stable group of leaders in the programme and the agency throughout the devolution of social security. That is exceptionally helpful, because we have the key skills and we have people who have known one

another and worked together for many years. We are determined not to lose that skill set as we transition from programme to agency.

The Convener: I now invite Gordon MacDonald in.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I want to ask about the UK Government's national insurance hike. In its budget, the UK Government increased the rate and reduced the threshold, which has resulted in a tax on jobs of £615 per employee per year. How much additional funding will Social Security Scotland require to cover that national insurance increase?

Shirley-Anne Somerville: We estimate that it will require an extra £5 million to meet the cost of national insurance contributions within Social Security Scotland. The committee will be aware that there is a staffing level of around 4,500 full-time equivalents, which is a significant workforce. The net impact of that increase will have to be met.

The overall net impact of the increase in employer national insurance contributions for the Scottish budget remains unknown. We are still waiting for clarity from the UK Government on what additional funding it plans to provide. I am sure that the committee can appreciate that such a level of uncertainty about something that has a significant impact, not just on the agency but across the public sector, is of great concern.

It is estimated that the change could add more than £500 million in costs for directly employed public sector staff. However, if we include the staff who deliver public services more widely, such as general practitioners and dentists, it will increase to more than £700 million.

The committee will, I am sure, be aware of the letter that the First Minister and the president of the Convention of Scottish Local Authorities wrote to the Chancellor of the Exchequer on 3 January, which was widely supported by many organisations in the public sector and the voluntary and third sectors, raising concerns about the ENICs decision and seeking clarity on that funding. That clarity is key as we look to finalise budgets. I am sure that the committee would wish the Government to get on with spending our budget from 1 April, but the lack of clarity does not help.

Gordon MacDonald: On that lack of clarity, my understanding is that a suggestion was made to the Finance and Public Administration Committee that the compensation could be as low as £300 million, whereas you say that the impact will be £700 million. As well as the impact relating to the direct employees of organisations, there is also the supply chain impact through increased prices or increased costs of services. Has that been

factored into the £700 million figure? Obviously, if it has not been factored in, the figure will have to be increased again, because of the inflationary impact of the changes.

Shirley-Anne Somerville: That is an exceptionally important point. A number of the main contracts in social security are already set. As I alluded to earlier, we are coming to the end of the social security programme, so we are thankfully not at the point of establishing large new contracts in the social security agency or programme.

However, you raise a concern that we will have to consider across Government. Whether it is in relation to the agency in my portfolio or other parts of Government, the increase in costs in the supply chain and in contracts will also need to be factored into decisions.

Gordon MacDonald: You touched on the letter that the First Minister, COSLA, the Scottish Trades Union Congress and 40 other organisations have written. We have heard from charities and third sector organisations that concerns about budgets could result in reduced services, staff being made redundant and organisations no longer being viable. What will be the impact on the third sector if the changes are not fully mitigated by the UK Government?

Shirley-Anne Somerville: The third sector aspects are very important. The number of organisations that signed the letter from the First Minister and COSLA leader demonstrates the level of concern. The Scottish Government is not in a position to respond as fully as we would like to assist the third sector. We would dearly like to be in a position to do so, but the overall financial constraints that the Government remains under make that exceptionally difficult.

To touch on some of the points that the committee considered in its pre-budget scrutiny, we are keen to assist in other areas of funding for the third sector to perhaps provide support and more stability. However, that will provide stability only in relation to what the Government can give out; it will not help with a change that, in essence, will have a significant impact on the third sector and on services.

Gordon MacDonald: Thanks very much.

The Convener: I want to touch on child poverty. What is the Scottish Government's estimate of the spending in the Scottish budget that is targeting children in low-income families?

Shirley-Anne Somerville: As we set out in the debate on Tuesday, the draft budget prioritises much of the work on child poverty, whether that is the increased investment in breakfast clubs and

employability services or mitigation of the two-child cap.

Due to the Government's mission to eradicate child poverty, and in recognition of the on-going cost of living crisis that many people are feeling across the country, we are continuing to allocate more than £3 billion per year to policies that will tackle poverty and the cost of living.

As we have done previously, we will publish a detailed analysis of the breakdown of that as part of our annual progress report, which is due to be published at the end of June. The estimates at this point suggest that we will allocate more than £3 billion to assist low-income families amid the cost of living crisis.

The Convener: Okay—that is helpful. Could you give some details on the work that you have been doing with colleagues in the Scottish Government to ensure that measures such as energy efficiency and affordable housing are implemented in ways that have the maximum possible impact on low-income families?

Shirley-Anne Somerville: I will be happy to provide further information in writing on, for example, the energy efficiency aspect of the question. However, it is important that, as we look at programmes across Government, we see how we can support low-income families as part of that work. There are some aspects and services that can be universal, and there are some aspects that should be targeted at low-income families.

I can give one example. Yesterday, we had a very interesting discussion on housing at a meeting of the housing to 2040 board. We sat with stakeholders to discuss the budget for next year and the priorities for how we should spend that to assist low-income families in the context of there being a housing emergency. There were discussions on targeting, on temporary accommodation and on all the aspects of how we could use capital, financial transactions and revenue differently.

We had an exceptionally good discussion with stakeholders on the need, as many of them suggested, for the Government to spend money in a way that would target those who are in greatest need, and areas of the country that have the greatest need. We are now reflecting on the feedback that we received yesterday on housing and on how we will use the housing budget to assist us to look at child poverty and low-income families.

I give that as one example, convener—I think that the other part of your question mentioned energy efficiency—but I am happy to provide some of that in writing, if that would assist the committee.

The Convener: Thank you—that is reassuring.

Mark Griffin (Central Scotland) (Lab): I put it on the record that I have no relevant interests to declare, but I should note that I am a member of the Local Government, Housing and Planning Committee and that I will be scrutinising crossover elements of the cabinet secretary's portfolio next week.

I also apologise to the convener and the cabinet secretary for arriving late; family life is sometimes not as adaptable to a late substitution request as we might like it to be.

The areas that I want to touch on relate to homelessness. The Scottish Housing Regulator has reported that some council homelessness services are at risk of systemic failure, which has impacted on their delivery. It said:

“for some councils the demands in the homelessness system—the number of people who are homeless, and the level of need they have—exceed the capacity in the system to respond, particularly the availability of suitable temporary and permanent accommodation. The increase in capacity that is needed goes beyond that which the impacted councils can deliver alone.”

Given that the regulator's view is that councils cannot solve the problem on their own, is the cabinet secretary satisfied that the budget allocation to local councils will be sufficient to address the heightened risk of systemic failure in homelessness services? Do you think that the regulator will come to the view that the funding has removed its concern about systemic failure in homelessness services?

10:15

Shirley-Anne Somerville: I will not attempt to forecast what a regulator will say, because that would get me, as a Government minister, into difficult territory. However, I will attempt to provide reassurance about the work that we are doing, because I recognise that the regulator has opined on the issue in the past.

You will be well aware of the different ways in which homelessness services can be funded. The majority of funding for homelessness services comes from councils. For 2025-26, we have provided record funding of more than £15 billion to councils to support the delivery of a range of services, including homelessness services. There are also lines in the Scottish Government's budget that sit separately from the local government settlement. There is funding for homelessness prevention activity, there are rapid rehousing transition plans and there are the additional resources that we will provide to councils with the greatest temporary accommodation pressure. There are those lines in the budget.

In answer to the convener's previous question, I spoke about the discussions that we had yesterday with stakeholders about how that money could be spent. We looked not just at those lines but at the overall housing budget. I appreciate that that is within another committee's remit, but that funding very much has an impact on how we tackle homelessness and, in particular, the challenges with families in temporary accommodation.

In relation to how we spend the increase in capital funding, for example, we consulted stakeholders yesterday on how they wish us to spend that money, overall, to assist councils in alleviating the pressures relating to homelessness and the use of temporary accommodation, particularly by families. We are reflecting on yesterday's discussions, and that will allow us to come to conclusions on how to use the money. There is also additional money in the budget for assistance with empty homes, which will help to tackle homelessness.

Various lines in the Scottish Government's budget outwith the general funds for local authorities and the lines that relate specifically to homelessness all add up in providing assistance in tackling homelessness. As you pointed out, I am sure that many of those lines will be discussed when Mr McLennan appears before the Local Government, Housing and Planning Committee next week.

Mark Griffin: I know that you cannot pre-empt or pre-judge what a regulator might say, but is the Government's aim or ambition that those councils will no longer be at risk of systemic failure?

Shirley-Anne Somerville: Yesterday's discussions with stakeholders were exactly about how we use the budget to move forward with the councils that are in greatest need. In relation to greatest need, we talked about the families behind the regulator's discussions about systemic failure. As Mr Griffin and the rest of the committee well know, when we talk about systemic failure, we are talking about families and children in unsuitable temporary accommodation. I am particularly mindful that, when we talk about figures and the use of the budget, we always need to have in mind how we can alleviate issues for those in greatest need. That is exactly what yesterday's discussion was about.

Mark Griffin: Your answer leads me to my next question, which is about the balance of the funding for the affordable housing supply programme. It is good that that budget has increased on last year, although, in real terms, it is not quite at the level that it was two years ago. How is that budget allocated and balanced, given the stark and desperate need for suitable temporary accommodation, particularly in the city of

Edinburgh? How will the long-term ambitions of the affordable housing supply programme be balanced against meeting the real and harsh needs of those who are living in unsuitable temporary accommodation right now?

Shirley-Anne Somerville: That is another of the points that we discussed yesterday when we were talking about the balance between how much should be spent on increasing the supply of new homes and of homes overall, and how much should be used to tackle voids and to look at acquisitions and empty homes. Acquisitions do not increase the overall supply of housing, but they are a quicker way of getting people out of temporary accommodation than building new homes is. The balance between spending on new supply and spending on voids, acquisitions and empty homes was part of the discussion.

We have been clear that the Government wants to ensure that we have a pipeline of new affordable homes—and of new homes in general—which will assist the construction sector and the overall delivery of homes. However, the point was made to me and the Minister for Housing yesterday that, in a housing emergency, we may wish to spend the money differently. That discussion focused on acquisitions, for example, as a quicker way to have stock available in the affordable housing supply.

The discussions are on-going, but the feedback that we received yesterday was helpful. Yesterday will not be stakeholders' only opportunity to feed back us, but it was good to have around the table everybody with their different views having a discussion. We did not come to a consensus—as you may expect, given the number of people around the table—on how to balance the budget, but we are determined to ensure that we are delivering on the supply of new homes and also considering what needs to be done in a housing emergency.

Mark Griffin: I have a final question. Unfortunately, homelessness has been on an upward trend for some years. Do you think that, as a result of the spending decisions in the budget, we might finally see it come down in next year's figures?

Shirley-Anne Somerville: We are determined to do everything that we can to decrease the use of temporary accommodation, particularly for children.

It is not just a challenge for the Scottish Government; stakeholders have said that one of the biggest drivers of homelessness is the local housing allowance. It is disappointing that it seems that the local housing allowance will be frozen, after an initial change. If we want to reduce the number of people who are homeless, it is not just

about impacting on the number of people who are in temporary accommodation, but about trying to prevent homelessness in the first place.

In the budget, we will do everything that we can to drive that level down. Decisions could be made elsewhere that would assist us in that work as well.

The Convener: Jeremy Balfour wants to come in with a supplementary.

Jeremy Balfour: I notice that £4 million is ring fenced for a pilot scheme in relation to the Housing (Scotland) Bill. As far as I am aware, the scheme has not been announced to Parliament. However, I have had some discussion with the third sector, and it seems to be talking about some kind of scheme that will run for a year, starting in the spring of this year, as a trial to see how the legislation might work.

Can the cabinet secretary give us a wee bit more detail on that, such as the timeline and the thinking behind it? As we think about amendments to the bill at stages 2 and 3, how will they relate to a pilot scheme that will run beyond that time—unless there is to be a very late delivery of the bill?

Shirley-Anne Somerville: It is disappointing that Mr Balfour missed that announcement—I suggest that it was because there was so much good news in the budget that this bit passed him by, but it was certainly there. This was an ask from stakeholders, particularly Crisis in Scotland, to look at what preparation could be done.

In looking at the Housing (Scotland) Bill, we have had discussions about the fact that local authorities could do a great deal of work to, in essence, deliver the bill's principles without the legislation itself being in place. If we are looking at, say, prevention duties and services working more closely together, what can we do to test those aspects? We are keen to look at how we can ready ourselves for the bill being passed, because one concern that committees often have—and quite rightly so—is about any delay between legislation being passed and its having an impact on the ground, and this is the Government's attempt to build on the critique that we have received.

Again, Crisis has pointed to a number of ways in which that can be done. Mr Balfour might not have seen it, but he will find in a recent Crisis report, "75 ways to prevent homelessness", examples of some of the types of preventions that could be put in place and which do not require legislation to have been passed. That, in essence, is where we are coming from. We are now working with Crisis and others, including councils, to ensure that we are ready to start spending that money as quickly as possible at the start of the financial year.

I take Mr Balfour's point about the timescales with regard to the bill's passing, but the legislation itself does not need to be in place to allow us to start testing out approaches to prevention. Crisis and others already have a collection of tried and tested examples that show how we can put these things into practice.

Jeremy Balfour: Do you see it, then, as a pilot scheme that will cover, say, rural and urban aspects? Is there going to be just one pilot programme? How long will it last?

Shirley-Anne Somerville: Those are exactly the points that we are working through with stakeholders. I am working not on the assumption that the budget will be passed, but on the assumption that, if it is, we will want to get on with this as quickly as possible. Indeed, in the discussion on housing that we had yesterday with stakeholders, particularly with Crisis and other homelessness charities, we talked about how, when the money becomes available, I want to work with them on finding the best way of using it to maximum effect.

I hope that Mr Balfour thinks that that is a useful way for us to go about this. We are listening to stakeholders, hearing their concerns, responding to them, and then working with them on the final detail. Of course, if the committee has any suggestions on how that money could be spent, it is more than welcome to add them to the mix.

Jeremy Balfour: Convener, I should have confirmed at the start that I am still on adult disability payment.

The Convener: Thank you very much, Jeremy. I invite Bob Doris to ask some questions.

Bob Doris: Before I move on to the next theme, convener, I want, if we have time, to ask the briefest of supplementaries to Jeremy Balfour's question.

My understanding is that, if the budget passes, the pilots will be incredibly important. There is a budget line for them, but I know that there have been some really positive pilots elsewhere in the UK. Indeed, Crisis has told me about a pilot between the Department for Work and Pensions—mainly Jobcentre Plus—and local authorities in the Newcastle area, but despite really positive outcomes, everything dissipated when the money came to an end, and best practice was shared neither in that area nor anywhere else in the UK.

From a budget scrutiny point of view, then, are there any assurances that you can give us that, as part of these pilots, we will be thinking about how we mainstream, embed and sustain any success that might come from them? Having a budget line for pilots might allow them to flourish, but it does not necessarily mean that a budget line has been

identified to allow them to be embedded and to endure over the longer term.

10:30

Shirley-Anne Somerville: It is a really fair point. Part of the reason for having pilots is to demonstrate impact and therefore to be able to make the point to a service provider that it might wish to continue the approach in its mainstreaming budget, if it has had such a significant impact.

Another useful aspect of the pilot schemes is that they demonstrate not just that an approach is good for the client and the people who we are here to serve but that there are potential savings to be made in relation to other public services. For example, temporary accommodation is exceptionally expensive, so in addition to the moral reason for driving down the use of temporary accommodation, it is exceptionally useful and effective for us to do that for budgetary reasons, because councils and service providers will not be spending money on temporary accommodation. Therefore, if we can get the right prevention duties in place, there are ways to save money.

Bob Doris: That is helpful. I would not want the committee to be here this time next year—when we start to get initial emerging outcomes from what will still be fairly early pilots—discussing whether the next year's budget will sustain those pilots for the longer term. I am saying that so that, next year, we can get assurances that this will be enduring and that it will be embedded in future financial years.

I will move on to talk about the third sector and voluntary sectors. Glasgow Council for the Voluntary Sector has stated that Labour's NI increases could lead to job losses, fewer hours for staff and a reduction of services for Glaswegians. Of course, the third sector and the voluntary sector stretch right across Scotland. The cabinet secretary and the First Minister are in discussions with the UK Government to get full cost recovery in relation to the impact, not just for Government and Government bodies, but for the third and voluntary sectors.

What data does the Government have on the impact on the third and voluntary sectors? If we get money from the UK Government, we need to ensure that we know how to pass that money on to the relevant organisations that are planning for future financial years. Is the Scottish Government well sighted on the organisations that will need additional support to meet the further NI burdens?

Shirley-Anne Somerville: There has been a great deal of discussion with the third sector since the UK Government's announcement on ENICs. Very soon after the announcement, I had a

meeting with the Scottish Council for Voluntary Organisations to discuss its views on the implications for the third sector, and its public pronouncements speak for themselves. Unless I am mistaken, SCVO, along with a number of other third sector organisations, was named as supporting the letter from the First Minister and the president of COSLA to the UK Government. We are keeping very close to SCVO and other third sector bodies to talk about the impact of the increased contributions, and we will continue those discussions with them. We will continue to do our best to represent their concerns directly to the UK Government, as they are also doing directly.

Bob Doris: Again, I suppose that I did not ask the concise question that I should have asked. If money is forthcoming from the UK Government, can the Scottish Government be fleet of foot to get that money into the pockets of the third and voluntary sectors in the coming financial year?

Shirley-Anne Somerville: We will absolutely endeavour to use consequentials to assist as best we can. However, even at this stage, we do not have clarity, as we talked about earlier, on the costs to the public sector being met—never mind the wider public sector and the third sector—so there are different layers to this. At this point, it does not even appear that the UK Government will do full cost recovery for the core public sector, so I remain rather pessimistic that it will reach a solution that will help the third sector. If the UK Government has a change of heart, we will stand ready to act on that. However, I am afraid that my hopes are not high.

Bob Doris: I would like to ask about fair funding from the Scottish Government. Has the Government accepted that we must do far more in relation to fair funding for the third sector? The cabinet secretary will know that we are looking for longer-term multiyear awards for more organisations across the third sector. The Government always says, very sincerely, that it is keen to do more of that, not just directly, but through its funding bodies. However, we are never quite sure how many further multiyear awards are likely to be made. We are not very good at monitoring that kind of thing, so what reassurances could you give that, should the budget pass, there will be more multiyear awards? How will that be monitored? We are talking about a long-game initiative, so how can the committee and successor committees scrutinise that for the longer term?

I will roll my second question into my first. In those future awards, will any account be taken of national insurance increases, despite the lack of clarity from the UK Government? Will there be any cognisance of cost of living increases that those

organisations will have to make more generally because of inflation?

Shirley-Anne Somerville: On the last point, I said earlier that, given the financial constraints that the Scottish Government remains under, we will not be able to respond as fully as we would like. We will carefully assess all grant applications, as the committee would expect us to do, to see what we can do to cover costs. However, that is exceptionally challenging, given that there has been only a 1 per cent real-terms increase in the Government's revenue budget this year—indeed, after accounting for inflation and deducting social security funds, the Government's resource budget is forecast to drop by 0.3 per cent. That is the financial position that we remain in.

On the issue of multiyear funding, we have made that commitment and I take it seriously, as do my Cabinet colleagues. Clearly, third sector grants are distributed not only in my portfolio but across Government. It has been exceptionally difficult for us to monitor that within Government, given the systems that we had in place previously, but that will improve now that we have new systems, such as the new financial management system, which will enable us to understand the baseline of grant information across Government.

I am pleased to say that we are increasing the number of two-year funding agreements with third sector organisations. We are developing, in essence, a pilot within Government to support organisations that deliver essential services or contribute to the Government's priority of ending child poverty. We are still collating that information across Government, so I will provide further information on that in writing, but we are moving forward with providing that multiyear funding and with early notification for organisations of that funding.

Given that the budget has not yet passed, we cannot give a concrete grant offer, but we are sending out letters of comfort, so that third sector organisations, and those in the pilot in particular, will know what to expect from the Government should the budget pass.

I am also working to ensure that we deliver earlier grant notification overall, where possible, even if that is not part of the pilot. That will vary from portfolio to portfolio. Some grants still require to be discussed between the portfolio and the organisation, because, for example, the exact nature of the service provision might not yet have been determined. However, we are keen to move forward with multiyear funding and early notification, and the pilot is a significant step that we have undertaken to provide that.

Bob Doris: I want to check something. That sounds encouraging, but it is frustrating, because

we have assertions and we need the correct data to analyse and scrutinise the situation. You have said that there will be more two-year awards. Do you recognise that two-year awards are at the lower end and are in fact far less than the minimum of three years that the third sector has been calling for? How many more two-year awards have been issued?

Shirley-Anne Somerville: As I said, we tried to get out as many early notifications as possible before Christmas. This is the first week back after Christmas, and we did not have capacity to gather all the information before I came to the committee today, but we will provide it in writing. I appreciate that we are on a journey with regard to the length of grants, but the pilot has been welcomed by the third sector as a definitive move that we have made. We have moved from something that we were trying to do to something that we are delivering with the pilot. I will provide the details of that across portfolios to the committee.

Bob Doris: That would be helpful. I am not sure whether the information will be across the board or just about the organisations in the pilot. If it is only on a select group, that will not give us a feeling for what is happening across the country. Will we get details of how many organisations have two-year awards, three-year awards and awards of more than three years? Will that be baselined against what has happened in the current financial year?

Shirley-Anne Somerville: As I say, we are on a journey, and we have taken an important first step to move forward with multiyear funding. I can provide the committee, in writing, with the steps that we have taken on this part of the journey, which have been welcomed by the third sector.

Bob Doris: Okay, so—

The Convener: I am conscious that Marie McNair still wants to come in. I respect your persistence, Bob, but I would like to move on.

Marie McNair: Thank you, convener. I know that Mr Doris likes the floor, but other members want to come in.

Cabinet secretary, in the parliamentary debate earlier this week, you and I both called out the use of certain language—the specific word was “handouts”. Worryingly, the two main Opposition leaders used that word. Do you worry that, if people persevere in using that kind of language, that will undermine efforts to increase take-up and will deter folk from claiming?

Shirley-Anne Somerville: I am really concerned about that. I have to say that I am genuinely astonished that the leader of Scottish Labour used the word “handouts”. Since the devolution of social security, I thought that we all agreed on the principles of social security. We had

a near consensus, with the exception of the Scottish Conservatives, that social security is an investment in people. I said during the debate that I see the Scottish child payment, for example, as a lifeline for people. It is not just me saying that; that is what I hear when I speak to constituents. I would be surprised if any MSP did not hear that from their constituents.

Talk about handouts really plays into the stigma around people claiming what they are entitled to and what they should apply for. I am deeply disappointed that we no longer seem to have a near consensus that social security is an investment in people. I hope that the leader of Scottish Labour will reflect on the fact that that word does not help us. When we are trying to encourage people to come forward to get what they are entitled to, a discussion about handouts is not helpful; in fact, it is exceptionally detrimental.

Marie McNair: Absolutely. It could be any one of us in that situation. Parliamentarians need to be mindful of the language that they use.

Disabled people are extremely concerned about the UK Government's plans for personal independence payment and work capability assessments. Do you have concerns about how those plans will impact the social security budget through the block grant?

Shirley-Anne Somerville: I am concerned about that. I am concerned about many things when it comes to this issue, but one concern is that there seems to be confusion around disability benefits and employability. Disability benefits are paid to people with a disability or long-term condition, regardless of whether they are in employment, to cover the additional costs of disability and long-term conditions.

10:45

We must be really careful about how we discuss the increasing number of people coming forward to claim disability benefits. I am concerned about some of the tone and language in the overall debate. The UK Government is looking at that, and I am glad that it has distanced itself from some aspects of the previous Conservative Government's attitude, but we must wait to see what happens.

The budget is key. Any changes to what happens within a UK benefit can have significant implications for the block grant adjustment for the Scottish Government. We had a stark example of that recently, when the UK Government made a very quick and, I still think, ill-judged decision about the winter fuel payment—what we call the pension-age winter heating payment—which made a difference to the Scottish Government's budget. We must be cognisant that any change of heart,

particularly one that happens in an exceptionally short time, could very well have budgetary implications that the Scottish Government would have to tackle.

The Convener: Before we conclude, I have a question about the budget implications of future work.

At our previous meeting, we heard from Professor Graeme Roy of the Scottish Fiscal Commission about the 60 per cent increase in child disability payments. There are concerns that the increase comes predominantly from young women who might have behavioural or mental health issues. We asked what is causing that and one answer was about how we are delivering that benefit, which has a bigger uptake because it is more accessible and we are less intrusive. There is also greater awareness of that benefit, which is very welcome. There are concerns that the need might be due to the pandemic, social media or education. I know that that issue crosses several portfolios and is not one just for you, but is the Scottish Government undertaking any work to look at that?

Shirley-Anne Somerville: The Government frequently produces and publishes information giving a breakdown of social security payments and the reasons behind them.

The convener rightly points to something that I see when I go out on visits. I am mindful of a visit to the Royal National Institute of Blind People last year, when I spoke with an adult but about the same type of process. That individual's condition had deteriorated, but he had not raised that with the DWP because he was so fearful, given his experience of applying for benefits in the first place, that what he got might be taken away rather than being increased. However, he did share that change in his circumstances with Social Security Scotland and is now receiving support that he has probably been entitled to for quite some time.

That is not the only conversation I have had that shows that discussions in the community encourage other people to come forward. We will see more people coming forward because of others' positive personal experiences, which takes us back to the idea of encouraging people to come forward to get what they are entitled to. I am pleased that that is an issue. Yes, it presents budgetary challenges, but we cannot try to cut the social security budget by increasing stigma or barriers. We need a social security system that works for people, and you have given some examples of that, although we must take account of the financial implications.

The Convener: That is helpful.

That concludes our evidence session. I thank the cabinet secretary and her officials for attending

today. We now move into private session to
consider our remaining agenda items.

10:49

Meeting continued in private until 11:15.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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