

The logo for SPICe, featuring the text 'SPICe' in white on a purple-to-blue gradient background.The Information Centre  
An t-Ionad Fiosrachaidh

## Social Justice and Social Security Committee

### 23<sup>rd</sup> Meeting, 2022 (Session 6), Thursday, 22<sup>nd</sup> September

## Pre-budget Scrutiny: 2023-24 budget

### Introduction

On 23 June the Committee took evidence on the spending review. Since then, the Scottish Government has conducted an emergency review of the 2022-23 budget in response to the rising cost of living. A UK mini-budget expected on Friday 23<sup>rd</sup> and the results of the Scottish emergency budget review will be published two weeks later. The draft Scottish budget 2023-24 is still expected in December.

The Deputy First Minister, John Swinney, has announced in-year cuts to the 2022-23 Scottish budget. The Committee has written, inviting him to attend a meeting. These cuts will also be relevant to the discussion today in as much as they may pre-figure the approach to the 2023-24 budget.

On pre-budget 2023-24 the Committee will hear from two panels this week and two panels next week. This week's panels are:

#### Panel 1:

- [Dr Alison Hosie, Research Officer](#), Scottish Human Rights Commission (SHRC)
- [Sara Cowan, Co-ordinator](#), Scottish Women's Budget Group (SWBG)

#### Panel 2:

- [Ed Pybus, Policy and Parliamentary Officer](#), Child Poverty Action Group (CPAG)
- [Morag Treanor, Deputy Chair](#), Poverty and Inequality Commission (P&IC)
- [Paul Bradley, Policy and Public Affairs Manager](#), Scottish Council of Voluntary Organisations (SCVO)

Next week the Committee will hear from: Enable, Shelter, Inclusion Scotland, Scottish Women's Aid, Scottish Refugee Council and BEMIS.

In July, the Committee asked witnesses to consider the following as part of its pre-budget consideration:

- How will the spending allocations for 2023-24 set out in the Spending Review impact on poverty?
- If you think there are measures in the RSR that could increase poverty – what can be done to prevent this.
- What level of analysis do you expect to see in the 2023-24 Equalities and Fairer Scotland Budget statement?

***This paper provides background on cost of living, inflation, the spending review, 2022-23 budget cuts and social security forecasts before suggesting themes for discussion with panel 1 (from p. 8) and panel 2 (from p. 13).***

## Background

### ***Inflation***

The CPI inflation rate in the year to August 2022 was 9.9%, down from 10.1% in the year to July. The rate in September will set social security benefit rises from April 2023. That will be published on 19 October.

The slight fall in over-all inflation is mainly due to motor fuels.

Electricity prices rose by 54.0% and gas prices by 95.7% in the 12 months to August 2022.

For further information see: [ONS Consumer Price Inflation August 2022](#). (n.b the ONS focuses on CPIH but does also discuss CPI).

The [Real living wage](#) is currently £9.90. This year's increase is due to be announced on Thursday 22<sup>nd</sup>.

### ***Cost of Living - polling***

The Scottish Government has commissioned regular polling on public attitudes to and the impact of the rising cost of living. The following results are for August – before the recent announcements on energy caps. It showed that even before the price rises expected in October, many people are struggling financially and the vast majority have changed spending habits. The full results, (disaggregated across a large range of measures) are available at: <https://www.gov.scot/publications/public-attitudes-to-coronavirus-tracker-waves-data-tables/>

Selected results are set out below:

Household finances: August 2022

- 25% struggle a lot or somewhat to pay for groceries and essential travel
- 26% struggle a lot or somewhat to pay household bills (including energy bills, rent and mortgage)
- 43% struggle a lot or somewhat to pay for non-essentials such as going out or going on holiday

Coping strategies: six months to August 2022

- 58% took steps to reduce energy use in the home
- 55% spent less on non-essential items
- 33% used savings
- 20% cut back on essential items, such as food
- 14% have not taken any particular actions

Health impact: August 2022

- 22% agree that their physical health is affected by the rising cost of living
- 44% agree that their mental health is affected by the rising cost of living

Government support: August 2022

- 60% say the Scottish Government isn't doing enough
- 77% say the UK Government isn't doing enough

### ***UK Government Support with Energy Bills***

The UK Government has set out [assistance with household energy prices](#):

- A typical UK household will pay no more than £2,500 a year on their energy bill for the next two years from 1 October. The average unit price for dual fuel customers paying by direct debit will be limited to 34.0p/kWh for electricity and 10.3p/kWh for gas, inclusive of VAT, from 1 October.
- Average standing charges will be 46 pence per day for electricity and 28 pence per day for gas.
- £400 energy bills support scheme in 6 instalments from October
- £650 cost of living payment for those on means tested benefits. Paid in instalments in summer and autumn 2022
- £150 disability cost of living payment to those on disability benefits. Paid in September 2022.
- Discretionary fund for those not on standard gas/electricity contracts – such as those living in park homes or heat networks who “will be no worse off and will receive comparable support.”

### **Scottish Government cost of living measures**

Measures taken specifically in response to the increasing cost of living since October 2021 include:

- Continuing free school meals during holidays costing £22m
- Increases to various energy efficiency schemes costing £161m
- Increase Scottish Child Payment from £20 to £25 costing £18m
- Increase certain social security benefits by 6% instead of 3.1% costing £3m
- Additional funding for Discretionary Housing Payments for benefit cap mitigation costing £4m
- Passing on UK Government council tax rebate £280m.

The Scottish Government also point out the wide range of policies they have, such as free early learning and childcare, which also reduce people's costs. Spending on these, together with the above measures totals £3 billion this year.

Additional measures included in this year's [Programme for Government](#) include:

- Rent freeze and eviction ban until at least 31 March 2023 – emergency legislation is expected
- Freezing Scotrail fares until March 2023
- Doubling the fuel insecurity fund to £20m
- Piloting a no-interest loan scheme for those on lower incomes to access short-term credit to meet unexpected costs
- Providing additional £5m for Discretionary Housing Payments and allow them to be used for energy bills as well as rent.
- Extending eligibility for the Tenant Grant Fund, to provide help for those struggling to pay rent as a result of wider cost of living increases

The pre-existing pledge to introduce universal free school meals for P6 and P7 will be introduced 'subject to discussion with CoSLA'

The increase to and extension of the Scottish Child Payment is brought forward from December to 14 November.

### **Cuts to 2022-23 budget**

On 7 September John Swinney announced [£500m cuts to the 2022-23 Scottish budget](#). These will be made through autumn budgets revisions in October.

Some of the cuts may be relevant to child poverty agenda and the policy of maximising take-up. These include:

- £3m removed from the Education Maintenance Allowance, due to lower than forecast demand.

- £20m removed from Scottish Funding Council due to lower forecast requirement in FE student support, national transition training fund and additional European structural funds income
- £53m removed from employability. “Work to be undertaken with local authorities and delivery partners now to learn the lessons from Phase 2 of No One Left Behind and to further strengthen our approach to the design and delivery of employability services.”
- £37.6m removed from concessionary travel. Forecast reduction in patronage and fares.
- £82m Barnett consequentials “utilisation of funding provided by UKG as part of cost of living announcements in spring 2022 on child poverty action plan”
- £20m employee costs savings in social justice, housing and local government from “enhanced recruitment controls.”

A full list is available in the [letter to the Finance Committee on 7 September](#).

[Announcing these cuts](#), John Swinney said:

“Further savings will be required to balance the budget, particularly if inflation continues to rise.”

The Committee has [written to the Deputy First Minister](#) asking for more information.

### ***Forecast devolved social security spending 2023-24***

In May, the Scottish Fiscal Commission (SFC) forecast total spend on devolved social security would be £4,958 million in 2023-24 up from £3,949 million in 2022-23.

This is around £881 million less than the funding received from the UK government. Almost all of this ‘shortfall’ is due to the Scottish Child Payment (£428 million) and the additional cost of ADP compared to PIP (£280 million). This will already have been taken into account in the Spending Review.

These figures will likely increase at the next forecast in December. At the time of the May forecast, the SFC had assumed inflation in quarter 2 of 2022 would be 7.7% rising to 8.7% in quarter 4 before falling back to 1.5% by quarter 4 of 2023.

The SFC’s next forecasts in December will be used to set the Scottish social security budget for 2023-24.

### ***Spending Review allocations for 2023-24***

The Committee discussed the spending review on [23 June](#).

The spending review in May set out broad spending allocations which will inform the 2023-24 Scottish budget.

The spending review prioritised social security and health. This meant that many other budget areas have ‘flat-cash’ allocations. This includes: local government, higher education and student support, Scottish Funding Council and the skills and training budget.

The spending review did not set out tax policy or public sector pay policy.

It did set out a high-level proposal to “return the overall size of the public sector workforce broadly to pre-COVID-19 pandemic levels.” Further detail is expected with publication of the draft budget. (Since then settling pay disputes in the public sector has increased spending).

The spending review did not include a detailed impact assessment. The Equality and Fairer Scotland budget statement due to be published alongside the 2023-24 budget will:

“set out progress on impact assessments related to the proposals outlined within the spending review. This will provide stakeholders with an opportunity for fuller scrutiny within the current financial year.”

Further detail is set out in the [SPICe paper for the 23 June meeting](#).

## Panel 1: Suggested themes for discussion

Panel 1 comprises: Scottish Human Rights Commission and the Scottish Women's Budget Group.

An [SHRC briefing](#) describes human rights budget scrutiny as:

“exploring both the budget process: to ensure that it is participative, transparent and accountable; as well as examining a government's resource generation, allocation and spend with reference to the agreed human rights standards”

Scrutiny can take a human rights based approach:

“by asking the government to explain how it believes it has maximised its available resources to deliver its human rights outcomes.”

In their submission for this meeting the **Scottish Human Rights Commission** stress the importance of using the language of rights saying: “Poverty [...] is best viewed as a cluster of rights violations.” Like SWBG, they note a lack of transparency and published analysis of how budget decisions are made and how their impact is assessed. They consider that “the time is ripe for transformative process change” recommending “a zero based budgeting exercise”.

SHRC also refer to plans to incorporate human rights treaties and commitments made in the [Open Government Action Plan 2021-25](#) to [improve the accessibility of fiscal information](#).

**The Scottish Women's Budget Group (SWBG)** stress that responses to the cost of living crisis should recognise that the impact is not felt equally. Forthcoming research includes:

- Qualitative research on the impact of the cost of living crisis
- Modelling the cost of high-quality social care service

The submission highlights the real term cuts in the spending review to local government and early learning and childcare. It discusses recommendations of the Equality Budget Advisory Group on equality and human rights budgeting. The Scottish Government is expected to respond in September. At time of writing they had not yet responded.

SWBG consider that there needs to be greater scrutiny of the budget decision-making process, stronger links to the National Performance Framework and evaluation of the impact of past budget decisions. SWBG recommend the Committee consider these issues in relation to the coming budget.

The following suggests five themes for panel 1.

- **Theme 1: Poverty as a ‘rights violation’**
- **Theme 2: Human Rights and Equalities Budgeting in a crisis**
- **Theme 3: Changes to the budget process**
- **Theme 4: Tax policy**
- **Theme 5: Equality and Fairer Scotland Budget Statement**

### **THEME 1: Poverty as a ‘rights violation’**

The SHRC discussed the importance of using the language of rights. They say:

“Poverty represents a failure (a violation) to fulfil the right to an adequate standard of living as is established in international human rights law. Other rights, like the right to education, to work and decent working standards, to health and adequate food and adequate housing, are also affected by poverty [...] Poverty, viewed through this lens, is thus best viewed as a cluster of human rights violations in Scotland.”

**Members may wish to discuss:**

- 1. Do witnesses consider that the Scottish Government treats poverty as ‘a violation of human rights’?**
- 2. If so – are there examples of where this has affected budget decisions?**
- 3. If not - can witnesses give examples of how recent budget decisions might have been different if poverty had been viewed as a violation of human rights?**

### **THEME 2: Human rights and equalities budgeting in a crisis**

Already under pressure at the time of the spending review in May, further pressures on the Scottish Budget have emerged over the summer. The consequences for the Scottish Government of the UK ‘mini-budget’ are not yet clear. It’s possible that Scottish Government may need to take quick decisions on its 2023-24 budget.

[On 7 September, John Swinney explained that cuts to the 2022-23 budget](#) were needed due to inflation, the cost of public sector pay settlements and the cost of supporting Ukrainian refugees. He explained:

“we have taken those savings that we consider have the least impact on public services and on individuals.”

On the cut to employability he said:

“At a time of acute labour shortages, historically low unemployment and soaring inflation, we have taken the view that we must prioritise wage increases over spending on employability, but this is not a decision we have taken lightly.”

The Committee has written asking for further information.

Discussing a human rights approach to budget cuts the SHRC state that:

“any retrogression in rights is also subject to important human rights standards and principles. Retrogressions of rights must:

- be temporary and time-limited
- be necessary and proportionate
- be non-discriminatory and mitigate inequalities
- ensure the protection of a minimum core content of rights
- consider all other options, including financial alternatives such as changes in taxation.”

**Members may wish to discuss:**

4. The [recent announcement on the 2022-23 budget](#) shows the government balancing public sector pay, support for refugees and managing inflation against areas where existing allocations may not be fully required. **Do witnesses have any comments on whether the choices made are consistent with a human rights or equalities based approach? If not, how could a different approach have been taken?**
5. In a crisis, decisions often need to be taken quickly and in the absence of full information. **Do you think this applies to the 2023-24 Scottish budget and if so, what is the best way to ensure a ‘rights based’ approach is taken?**

**THEME 3: Changes to the budget process**

Both submissions discuss weaknesses in the current budget process. Over recent years there hasn’t been a ‘normal’ budget process – with disruptions due to the timing of UK Government budgets and COVID-19.

The SHRC recommend ‘more radical’ changes to the budget process are required.

“What is required is a zero-based budgeting exercise, where time can be taken to provide a true assessment of rights realisation across Scotland (as best as possible) and allow this assessment to bring into question whether Scotland is raising enough resources to truly realise people’s rights.”

This month, the Scottish Government is due to respond to the 31 [recommendations of the Equality Budget Advisory Group](#). These were made in July 2021 and were organised under the following general headings.

- Process – wider budget process: including multi-year funding, pre-budget statement, in -year reports and mid-year review reflecting equalities analysis and human rights standards, analysis of outcomes of previous spending decisions, publication of a ‘citizen’s budget’ and accessible information on the budget process.
- Process – integrating equalities and human rights analysis into policy-making and budgetary cycles. Including public participation in formulating budget commitments. A Pre-Budget Equality and Human Rights Assessment / Annual Portfolio Performance Update and be published immediately before summer recess.
- Communications – internal
- Communications – external
- Organisation and culture
- Knowledge and understanding

At time of writing the Scottish Government had not published its response to the recommendations.

#### Members may wish to discuss:

6. There is far more budget information published now – including [‘level 4’ data](#), [Scottish Fiscal Commission forecasts](#), [report on benefit uprating](#), the [Medium Term Financial Strategy](#), the [Fiscal Framework Outturn Report](#) and the [Equality and Fairer Scotland Statement](#). **To what extent has this information improved the budget process?**
7. The SHRC recommend ‘zero-based budgeting’. **Can SHRC describe the scale of such an exercise? How would it take account of the many ‘fixed costs’ in the budget such as public sector pay and social security rules?**
8. For many years it’s been acknowledged that analysing equalities impacts is hampered by lack of data. **How much progress has there been in improving data sources? What are the priorities for future improvement?**

#### THEME 4: Tax Policy

The SHRC state that:

“the Commission would argue that the Scottish Government’s focus would be more effectively spent on seeking to raise revenue than to believe the funding gap can be closed through efficiency”

The SWBG state that:

“there is a need to embed human rights and equality as an overarching priority for Scotland’s public spending and revenue raising decisions.”

The [Equality and Fairer Scotland statement for the 2022-23 budget](#) stated:

“We will continue to use our powers over income tax in a progressive manner, aiming to protect taxpayers on low incomes and raise revenue to fund high-quality public services for all.”

The spending review did not cover tax policy. That will be set out as part of the 2023-24 budget.

**Members may wish to discuss:**

- 9. What principles should underpin tax policies?**
- 10. What kind of impact analysis would you expect to see published to accompany the tax policy in the Scottish budget?**
- 11. Do witnesses have specific proposals for 2023-24 Scottish tax policy?**

#### **THEME 5: Equality and Fairer Scotland Budget Statement**

Witnesses were asked to consider what level of detail they would expect in this year’s EFSBS.

The SWBG state:

“The Equality and Fairer Scotland Budget Statement (EFSBS) should act as a way of documenting the analysis that informs the budget decisions providing a clear relationship between how decisions in the budget are driving towards the National Performance Framework.”

[...]

“SWBG recommends that the EFSBS joins up particularly with the NPF to demonstrate how budget decisions contribute to Scotland’s nationally agreed outcomes.”

The [National Performance Framework](#) includes 11 high level outcomes and 81 ‘indicators of progress’. For example, “we tackle poverty by sharing opportunities, wealth and power more equally”. [Indicators](#) include poverty statistics – the latest of which relate to 2017-20.

SHRC point out that: “One of EBAG’s long standing criticisms is that some Scottish Government initiatives appear to retrofit Equality and Human Rights Impact Assessments to their processes.”

The [Equality and Fairer Scotland Budget statement](#) for the 2022-23 budget set out which areas of human rights are relevant to which budget areas, and set out

spending commitments of particular importance to those with protected characteristics. The spending review did not include a detailed equalities statement, but one is expected to be published with the draft Scottish budget.

**Members may wish to discuss:**

**12. What are the immediate priorities for improving the Equality and Fairer Scotland Budget Statement for the 2023-24 budget?**

**13. The National Performance Framework is very high level and its 81 indicators are generally statistical measures that indicate broad trends. What is the best way to use the NPF to inform scrutiny of this year's budget decisions?**

**14. How can we ensure that impact assessments are more than just 'paper exercises'?**

## Panel 2: Suggested themes for discussion

Panel 2 comprises: SCVO, CPAG and the Poverty and Inequality Commission.

**SCVO** highlight the number of people employed in the voluntary sector and its contribution to tackling poverty. The submission reiterates previous calls for “fair funding that is multi-year, flexible, accessible and sustainable.”

**CPAG** welcome the priority given to social security and make specific policy proposals. For example, mitigate the two-child limit to take 10,000 to 15,000 children out of poverty at a cost of £85m. They consider that: “When making the ‘hard choices’ to resource the cost-of-living response the Scottish government must as an absolute priority protect investments in action that reduce child poverty.”

Other recommendations include that any cuts to income tax in rUK are not implemented in Scotland if to do so would reduce resources for child poverty commitments.

**The Poverty and Inequality Commission** welcome the priority placed on social security but are disappointed at the in-year cuts to employability and concessionary travel. They are also concerned at the impact of proposed ‘flat-cash’ allocations in the spending review. They note that:

“The cost of living crisis is an emergency just as serious as the pandemic, and needs a similar level of response”

**The following five themes are suggested:**

- **Theme 1: Impact of cost of living on individuals and organisations**
- **Theme 2: Impact of 2022-23 budget cuts**
- **Theme 3: Spending required for 2023-24**
- **Theme 4: Tax policy 2023-24**
- **Theme 5: Public sector pay and procurement policies**

### **THEME 1: Impact of cost of living on individuals and organisations**

The UK Government has announced measures to mitigate the expected rise in energy bills in October. However, as yougov polling has found (see above) many families were already struggling in August.

The **Poverty and Inequality Commission** discuss how:

“The crisis has worsened significantly since the Spending Review was published and, while additional support on energy costs has been announced

by the UK Government, the full impact on households, businesses, third sector organisations, and public spending is still to be seen.”

**CPAG** refer to the higher energy costs faced by families with children.

The impact on organisations can in turn impact on individuals if it reduces the support available or affects them as employees.

CPAG discuss the importance of funding local authorities, advice agencies, childcare and Social Security Scotland. They state that:

“Sufficient funding needs to be place for services (such as education, childcare, housing, transport) that are essential to all families but are particularly important to low-income households.”

The submission from **SCVO** highlights the contribution of the voluntary sector to both supporting people in poverty and in being a major employer.

- the voluntary sector had an annual turnover of over £8.5 billion in 2021, employing around 135,000 staff.
- “there is no possible success in alleviating or eradicating poverty in Scotland that does not heavily involve the expertise, experience, and dedication of the voluntary sector and its workforce.”

The **Poverty and inequality Commission** note that:

“Some services funded directly by the Scottish Government have noted that their multi-year grants from the Scottish Government, while welcome, have not increased on 2019 amounts.”

**Members may wish to discuss:**

1. **How is the rising cost of living already impacting on individuals?**
2. **How is the rising cost of living affecting organisations? How, in turn, does this impact on individuals?**

## **THEME 2: Impact of proposed 2022-23 budget cuts**

The Committee has invited John Swinney to discuss the 2022-23 budget cuts at a future meeting. The cuts potentially relevant to the Committee’s remit are set out in the background section above.

CPAG and the Poverty and Inequality Commission both highlight the cut to employability. CPAG say: “it is vital that the impact on child poverty delivery is kept under close scrutiny.”

The Commission say: “This funding cut raises significant concerns about the progress that the Scottish Government and partners have been making in delivering the employability commitments set out in the Delivery Plan.”

The Poverty and Inequality Commission are also concerned about the cut to concessionary travel, referring to anecdotal evidence that the application process was difficult. They say:

“The Commission would be very concerned if this reduction in patronage numbers reflected a lower-than-expected level of take-up of free bus travel from children and young people. This is an issue that should be explored further. It is important to know what analysis of take-up the Scottish Government has carried out, for example by SIMD.”

**Members may wish to discuss:**

3. John Swinney has chosen to: “prioritise wage increases over spending on employability.” **Do witnesses agree with this choice?**
4. **Do they have concerns about the other areas earmarked for in-year cuts? Do they think these cuts will impact on child poverty?**
5. **Should these cuts be reversed in the 2023-24 budget?**

**THEME 3: Spending required for 2023-24**

As noted above, the Spending Review set out increased budgets for social security but ‘flat cash’ settlements elsewhere, including local government.

CPAG note that, in the context of rising costs:

“lack of sufficient further investment will put at risk the ability to reduce child poverty on the scale needed to meet statutory child poverty targets”

Similarly, the Poverty and Inequality Commission state that:

“Inflation will reduce the value of the allocated funding, raise running and staffing costs for services, and reduce the value of benefits for individuals. This means that even where spending allocations have risen, the positive intended impacts of the spending review on poverty will be reduced.”

SCVO reiterate their calls for: “fair funding that is multi-year, flexible, accessible and sustainable to help voluntary organisations plan through the crisis.” They also ask for “annual inflationary uplifts for grant funding and contracts”.

The Commission consider that spending needs to be reprioritised:

“spending could be repurposed to support families, but it must also make sure that it is not diverting funding away from the longer term action that is needed to prevent and eradicate poverty.”

In discussing re-prioritisation they mention the education attainment fund “where there could be increased focus on the impact of the funding.” (N.B Funding is in the region of £200m p.a. The Education Children and Young People Committee [reported on this fund earlier this year](#). They noted that: “Given the size of the budget and scale of ambition, it is vital that the long-term impact of the attainment challenge funding is measured”. The Scottish Government has yet to respond.)

CPAG make specific spending proposals for 2023-24. These include:

- Introduce an addition the Scottish Child Payment to mitigate the two-child limit, costing £85m and lifting 10,000 to 15,000 children out of poverty
- mitigate the ‘under 25 penalty’ (People under 25 are entitled to lower rates of means tested benefits. Eg. £265.31 per month instead of £334.91 per month Universal Credit standard allowance).
- Ensure existing commitments are rolled out as soon as possible and properly resourced (eg. P6 and P7 free school meals).
- Universal free school meals in secondary schools – starting with families getting Universal Credit or equivalent benefits.
- Move towards 50 hours accessible, flexible, high quality free childcare from 6 months of age.

**Members may wish to discuss:**

- 6. How might the ‘flat cash’ settlement for local government set out in the spending review impact on child poverty?**
- 7. To what extent might that impact be mitigated by the increased spending on social security which is already planned? (eg increase to the Scottish Child Payment)**
- 8. Thinking across the Scottish budget as a whole, are there any areas where you think spending could be re-prioritised?**
- 9. What are the most important areas where additional spending is needed to address the rising cost of living and meet the child poverty targets?**
- 10. Addressing child poverty is a clear ‘national mission’ – but what is needed to ensure we don’t lose sight of tackling poverty amongst those who don’t have children?**

#### **THEME 4: Tax Policy for 2023-24**

Both CPAG and the Poverty and Inequality Commission discuss using tax policy to relieve pressure on the Scottish budget.

[The Prime Minister has proposed](#) reversing the recent increase to national insurance. Other proposals – including a rise to the thresholds for paying basic and higher rate income tax and a cut in the basic rate – have not (at time of writing) been confirmed. The Scottish Parliament has power to [set the thresholds and rate of income tax](#). (Although they can't do so 'in-year'). National Insurance is reserved.

CPAG recommend that the Scottish Government should:

- use Scottish powers over income tax to ensure adequate revenues are available to deliver the strategic outcomes set out in the resource spending review;
- commit to not implementing in Scotland any income tax cuts that are instigated in the rest of the UK that would reduce the resources available to deliver on child poverty commitments;
- review the costs, and benefits, of the current system of non-domestic rates; and
- consider the opportunities for further harnessing Scotland's wealth.

CPAG mention non-domestic rates. There was a review of business rates (the [Barclay Review](#)) in 2017 which led to legislation (<https://www.legislation.gov.uk/asp/2020/4/enacted>).

The Poverty and Inequality Commission also refer to taxes, including council tax. They state:

“The Scottish Government should consider how it can use the tax levers available to it. This could include existing powers over income tax, and the ability to create new local taxes. It should also take action on council tax which is an unfair and regressive tax. Previous reviews, and cross party talks, have not led to meaningful reform.”

The [Scottish Government](#) is: “committed to making local taxation more progressive while improving the financial accountability of local government.” Some changes were [made in 2017](#) following an independent review. There is an [extensive scheme of discounts and the Council Tax Reduction scheme](#) which reduce council tax bill for many low income households. There is also a scheme for water charge reduction. However, the council tax system itself has been [criticised for being regressive](#).

**Members may wish to discuss:**

- 11. Should tax policy be used to relieve pressure on the Scottish budget? If so, how should Scottish taxes change?**
- 12. If changes are intended to produce additional revenue (as opposed to redistributing the tax burden) what are the priority areas that any additional revenue should be used for?**

**13.** The Poverty and Inequality Commission refers to the failure of previous reviews to significantly reform council tax. **Does the Commission think there is potential for Council Tax to raise additional revenue whilst at the same time being more progressive?**

**14.** Are witnesses planning on working up further detail on tax proposals?

#### **THEME 5: Public sector pay and procurement policy**

All three witnesses have emphasised the role of public and voluntary sector services in tackling child poverty – in service provision, as employers and through awarding contracts. SCVO discuss the impact of short term funding.

SCVO state that:

“The sector must be resourced and supported to pay our essential workforce the Living Wage and support them through the cost-of-living crisis.”

They recommend that:

“To support organisations to pay the Living Wage, public grant funding and contracts should include a Living Wage uplift.”

The new [real Living Wage](#) is due to be announced on Thursday 22<sup>nd</sup> September.

**Members may wish to discuss:**

**15.** How might public sector pay and procurement policies support the Scottish Government’s ambitions to tackle child poverty?

**16.** What level of analysis do you expect to see in the budget, setting out the expected impact of policies?

**17.** (for SCVO) why does SCVO think it has been so difficult to make progress on multi-year funding? How can greater progress be achieved?

Camilla Kidner  
SPICe  
20 September 2022