



Poverty and Inequality Commission: Briefing for the Social Justice and Social Security Committee's pre-budget scrutiny

1. How will the spending allocations for 2023-24 set out in the Spending Review impact on poverty?

The spending allocations for 2023-24 that are set out in the Resource Spending Review (Spending Review) need to be seen in the context of the cost of living crisis. 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. We say more about this below, but initially focus on the spending allocations themselves.

Child Poverty – social security

The Spending Review shows a commitment to addressing child poverty through significant investment in social security. At a time when many areas of the budget are receiving real terms cuts, investment in social security has been prioritised. This includes increasing the Scottish Child Payment to £25 per week, and changes to the application and review process for the new Adult Disability Payment, which are expected to lead to more successful applications and higher average awards.¹ The increase to the Scottish Child Payment is a really important pillar of the Scottish Government's Child Poverty Delivery Plan 2022-2026 (the Delivery Plan).

Child Poverty - employability

Parental employability support is also an important strand of the Delivery Plan, and planned funding was almost doubled between 2021-22 and 2022-23. The Spending Review indicated that this level of funding would be maintained in 2023-24, with further investment in future years of the Spending Review.

The Commission welcomed this investment in employability, recognising the important role that it could play in meeting the child poverty targets. While the Commission recognises that some reprioritisation of budgets will be needed, the Commission is disappointed to see that this funding has now been subject to in-year cuts. The Deputy First Minister's letter to the Finance and Public Administration Committee² sets out a £53m reduction in employability spend for 2022-23. This reduces funding for employability from £124.6m to £71.6m.

This funding cut raises significant concerns about the progress that the Scottish Government and partners have been making in delivering the employability

¹ [Scotlands-Economic-and-Fiscal-Forecasts-August-2021-Full-Report-Revised-October-2021.pdf \(fiscalcommission.scot\)](https://www.fiscalcommission.scot/Scotlands-Economic-and-Fiscal-Forecasts-August-2021-Full-Report-Revised-October-2021.pdf)

² [Cost crisis: letter to Scottish Parliament committee - gov.scot \(www.gov.scot\)](https://www.gov.scot/Content/consultations/2022/09/2022-09-20-cost-crisis-letter-to-scottish-parliament-committee)

commitments set out in the Delivery Plan. The letter says that work will be undertaken with local authorities and delivery partners to learn lessons from Phase 2 of No One Left Behind and to further strengthen the approach to the design and delivery of employability services. We would note the important role of employability in tackling child poverty was highlighted back in the first Delivery Plan in 2018, when the Scottish Government committed to a parental employability programme. So far we have not seen the evidence about the impact of, and learning from, this. The Commission has concerns about the lack of progress that is being made. It is not clear what the in-year budget cut might mean for progress and funding for employability in 2023-24. The longer the delays, the less chance the Scottish Government has of meeting the 2030 child poverty targets.

Child Poverty – investment in other areas identified by the Delivery Plan

While the investment in social security is substantial, other areas of the budget that are critical to delivering actions in the Delivery Plan are not seeing an increase for 2023-24. There appears to be an overall pattern where funding is not increasing until towards the end of the Spending Review period. This will delay will make it difficult for the Scottish Government to meet the interim and the 2030 child poverty targets. For example, while the spending allocation for Tackling Child Poverty and Social Justice increases substantially over the spending review period, the funding does not see a significant increase until 2024-25, the year after the interim Child Poverty targets are due to be met.

The Delivery Plan recognises that improving access to high quality affordable and accessible childcare is essential to enable parents to engage in training, learning and employment. It commits to further developing funded offers for early learning and childcare for children aged one and two, starting with low-income households within this Parliament, and to building a system of school age childcare (before and after school and during school holidays), with those on the lowest incomes paying nothing, by the end of this Parliament. The Delivery Plan says that the Scottish Government will develop and publish a strategic plan, setting out the approach to delivering the commitments, in summer 2022, once the outcome of the Spending Review is known. As both the Local Government and the Early Learning and Childcare spending plans remain static up until 2026-27, it is not clear that any funding has been allocated to start to deliver these commitments during this Parliament. Funding in 2026-27 will be too late to have the impact that is needed towards meeting the child poverty targets.

The Commission has been clear that the Scottish Government must focus on implementing at pace and scale over the period of the Delivery Plan (2022-26), ensuring that detailed delivery plans and timetables are in place, and that further action must be developed now to meet the 2030 targets. The Spending Review and the recent in-year budget cuts do not appear to support this.

One further area the Commission would highlight is concessionary travel. In the Deputy First Minister's letter, he sets out a £37.6m cut in 2022-23 to the concessionary travel budget, based on a forecast reduction in patronage numbers

and fare levels. In its child poverty scrutiny³, the Commission noted that it had heard anecdotal evidence from young people and parents that some children and young people were not getting their free bus pass because the application process was so difficult. 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.

Local government and other areas of the budget that impact on poverty

While the investment in social security is very much to be welcomed, the Commission has emphasised that poverty needs to be seen holistically, and cannot be solved by focusing on individual policies. Many other areas of the budget are seeing real terms cuts, and these will mean cuts to services and support that impact on people experiencing poverty.

Of particular concern are the spending allocations for local government, which will experience a real terms cut, made worse by escalating inflation. This puts not just local government services, but also local third sector and community organisations and services, at risk. Services such as money and debt advice, family support, and food and community projects are crucial for many people experiencing poverty, and likely to become even more so as the cost of living crisis bites.

Previous experience suggests that when local government funding is squeezed, local authorities tend to respond by using their remaining funding to ensure that they meet their statutory duties, such as social care, child protection, education etc., and to avoid redundancies in their own workforce. Because of this, funding cuts often fall on non-statutory services provided by the Third Sector. If funding for these services is cut, as a result of the real terms cut to local government funding, this could lead to increases in poverty, and the depth of poverty, as people are not able to access the advice and support that they need.

Spending allocations for health and social care are not likely to be enough to meet demand, which is of concern for the many people experiencing poverty who are disabled, looking after a disabled household member, or who have a long term health condition. If people are unable to get the support with their health or care that they need this is more likely to entrench them in poverty.

Impact of public sector employment on poverty

The public sector is an important employer, providing fair work for around one in five employees in Scotland, and employing higher proportions of women and disabled people. The spending review proposes to hold the total public sector pay bill at around 2022-23 levels by returning the overall size of the public sector to pre-COVID-19 levels. The aim is to do this through effective vacancy and recruitment management.

³ [Poverty-and-Inequality-Commission-Child-Poverty-scrutiny-report-2021-2022.pdf](https://www.povertyinequality.scot/Poverty-and-Inequality-Commission-Child-Poverty-scrutiny-report-2021-2022.pdf)
([povertyinequality.scot](https://www.povertyinequality.scot))

There is potential for a reduction in public sector numbers to impact disproportionately on groups at higher risk of poverty, such as disabled people and lone parents, who are predominantly women. The 2022-2026 Child Poverty Delivery Plan sets out the role the public sector can play in contributing to meeting the child poverty targets as a fair work employer, and the aim to offer more opportunities to parents from the priority family types set out in the Delivery Plan. Reductions in public sector employment potentially reduce the opportunity of public sector employment to contribute to reducing poverty.

The impact of the cost of living crisis on spending allocations

As we noted earlier, the cost of living crisis has got much worse since the spending review was published. Inflation is soaring and energy costs are out of reach of many households, not just those on the lowest incomes. The UK Government's plan to limit energy bill rises for all households for two years is a step forward, but many households will still struggle with already high bills and demand on support services is likely to increase. More support for low income households from the both the UK Government and Scottish Government will be needed.

Energy costs are also rising hugely for organisations. The UK Government's announcement of a six month price cap for businesses will help this year, but leaves a lot of uncertainty about the outlook for 2023-24. At the moment it is not clear whether any further support will be provided by the UK Government and what impact any further UK Government spend might have on the Scottish Government's budget.

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.

Several of the front line service providers that the Commission has visited as part of its Cost of Living work report that they fear that the huge rise in energy costs will impact on their ability to remain open and deliver services. 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.

We have seen, from the in-year budget cuts made so far, that there is a high risk that the need for short term responses to the cost of living crisis will divert funding away from longer term action to address the structural drivers of poverty.

2. If you think there are measures in the Resource Spending Review that could increase poverty – what can be done to prevent this.

Reprioritising spending

The cost of living crisis is an emergency just as serious as the pandemic, and needs a similar level of response. The UK Government, Scottish Government, local authorities, the NHS, the third sector and local community groups need to work together to prevent deaths and catastrophic impacts on people's health and

wellbeing. That work will need to be adequately resourced. More money is needed from the UK Government, but the Scottish Government will also need to reprioritise spending.

We have seen that the Scottish Government has already started to do this. It should be asking what is absolutely essential spending that cannot be cut, and what 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. It must make sure that its investment is evidence driven. The £1 billion investment, over the course of this parliament, to tackle the poverty related attainment gap is one area where there could be increased focus on the impact of the funding. In the short term some of the funding could be used to directly support families who are struggling with food and energy costs; children who are cold and hungry at home will not be able to participate in a way that helps close the attainment gap.

While the Scottish Government has identified savings from the concessionary travel budget, this appears to be in response to lower forecasted levels of demand. As the Commission highlights above, this could be of concern if it is as a result of those who are entitled to concessionary travel not being able to access it. The Commission has recommended in advice to Scottish Ministers that the Scottish Government should instead gradually raise the age of entitlement to concessionary travel until it is equalised with the state pension age and use the money saved to expand support for low income users of public transport.⁴

Raising revenue

The spending allocations set out in the Spending Review give some indication that investment to tackle child poverty may be being pushed to later in this Parliament. There is a clear need for the Scottish Government to respond to cost of living pressures, which will sweep more families into poverty, but this must not be at the expense of taking the action that is needed on the longer term drivers of poverty.

The Spending Review did not address issues of revenue raising through taxation. The Spending Review notes that tax policy decisions are generally reserved for annual budgets and that any changes to tax policy will be considered in the round in line with the published 'Framework for Tax 2021' and prevailing economic conditions.

The budget will need to consider the role of progressive taxation in meeting the Scottish Government's priorities, particularly in ensuring the delivery of actions set out in the Child Poverty Delivery Plan.

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.

⁴ [Poverty and Inequality Commission Cost of Living Advice to Scottish Government - Poverty & Inequality Commission \(povertyinequality.scot\)](https://www.povertyinequality.scot/)

3. What level of analysis do you expect to see in the 2023-24 Equalities and Fairer Scotland Budget statement?

The Equality and Fairer Scotland Statement for the Spending Review takes a narrative approach around opportunities and challenges, which identifies some elements of spend that will respond to those opportunities and challenges. The 2022-23 Equality and Fairer Scotland Budget Statement included narrative about budget areas and then a selection of key budget commitments that were particularly important for people with different protected characteristics.

The Commission expects to see the Equality and Fairer Scotland Budget Statement (the Statement) set out the impact of key budget commitments for people with different protected characteristics, including socio-economic disadvantage. It should not just list those commitments which do have an impact but also set out major spending commitments which are not considered to have a particular impact on these groups, and what analysis has been done to understand this.

The Statement should set out what impact equality analysis has had on budget decisions. Equality impact assessments are often carried out too late in the policy making process, when decisions have already been made. The purpose of preparing the Statement should not be to describe the impact of budget decisions that have already been made, but to communicate a process of equality and human rights analysis that is embedded in policy making.

In addition to the Equality and Fairer Scotland Budget Statement, the Commission would like to see the Scottish Government undertake a revised cumulative impact assessment for the Child Poverty Delivery Plan. The Scottish Government published an assessment of the cumulative impact of a package of Scottish Government policies on child poverty alongside the Child Poverty Delivery Plan. In its Child Poverty scrutiny report⁵, the Commission noted that as changes of consequence to the modelling occur, the work should be reviewed and published openly and transparently. The combination of external factors, such as rapidly rising inflation, along with reduced funding for employability, a key element of the Plan, means that the modelling should now be updated.

**Poverty and Inequality Commission
September 2022**

⁵ [Poverty & Inequality Commission Child Poverty Scrutiny Report 2021-22 - Poverty & Inequality Commission \(povertyinequality.scot\)](https://www.povertyinequality.scot/child-poverty-scrutiny-report-2021-22)