



## Scottish Parliament's Finance and Public Administration Committee's consultation on '*Scotland's public finances in 2023-24: the impact of the cost of living and public service reform*'

August 2022

Ed Pybus

---

CPAG in Scotland's response to the [Finance and Public Administration Committee's](#) consultation on '[Scotland's public finances in 2023-24: the impact of the cost of living and public service reform](#)'

Q - The Scottish Government's Resource Spending Review assumes that the current taxation policies are maintained while funding for health and social care and social security is prioritised. Are these the right priorities and approach for the Scottish Budget 2023-24 and until 2026-27?

- It is absolutely right that funding for social security is prioritised. This is essential to meeting the Scottish government's statutory child poverty targets and to protecting Scottish families from health and economic shocks.
- Taxation policy needs to be kept under review to ensure sufficient resources are made available to deliver on the Scottish government's priorities and legal commitments. It should not be assumed current taxation policy will be sufficient to generate the necessary resources.
- We welcome the commitment in the spending review to prioritise "reducing child poverty" (<https://www.gov.scot/publications/investing-scotlands-future-resource-spending-review/pages/1/>). All policy and spending decisions must therefore be viewed through a child poverty lens. Prioritising investment in social security must also be supported by investment in other services (such as education, childcare, housing, transport, employment, family support and advice services) which low-income families rely on, including those provided by local authorities.
- We welcome the commitment to investing in social security. Continuing to invest in, and to increase investment in, social security will be critical and necessary if

Scotland is to meet its child poverty targets.

Specifically there needs to be:

- Additional investment in the Scottish child payment, including an above inflation increase to the Scottish child payment in April 2023 followed by sufficient further increases to ensure that, whatever the impact of wider anti-poverty policies, Scotland meets its child poverty targets.
- Funding to limit the impact of UK cuts to universal credit that push families deeper into poverty. This should include investment to:
  - continue to fully mitigate the bedroom tax;
  - provide sufficient ringfenced funding to local authorities to mitigate the benefit cap as fully as possible;
  - to mitigate the two-child limit via an additional payment of Scottish Child Payment; and to
  - investigate how other groups impacted by UK welfare reform, such as young parents, disabled children and lone parents, can be supported.
- Provide sufficient investment to ensure that Social Security Scotland can meet its aims as set out in its statutory charter, its legal obligations and its forecast spending. For example, the Scottish Fiscal Commission forecasts that an additional £568m will be invested by 2026 due to the improvements the Scottish government are making to adult disability assistance alone. Given the pressure budgets are under it can't be assumed that current taxation policies will raise sufficient revenue to support this and other investments in social security.
- Sufficient investment in the Scottish Welfare Fund to provide support for families in crisis.
- The Scottish government must ensure that wider spending decisions support progress on child poverty. For example investment in the health and social care workforce can be used to increase parental income from employment and to remove the barriers to employment faced by women, BME communities, lone parents and those affected by disability.
- The Scottish government must use Scotland's tax powers to ensure the nation's income and wealth is fully harnessed to fund the social security and infrastructure needed to prevent and reduce child poverty.

**Q - The Scottish Fiscal Commission (SFC) notes that Scottish income taxes have grown more slowly than the rest of the UK and is forecasting Scottish taxes to be around £360 million less in 2023-24 than they would be without income tax devolution. The SFC is also forecasting that, as a result of forecast error, the Scottish Budget in 2023-24 could be £221 million lower. How should the Scottish Government's Budget 2023-24 respond to this challenge?**

- As described above the Scottish government should use its tax powers to ensure it has sufficient resources to meet its commitments and obligations – including its legal obligations under Article 27 of the UN convention on the rights of the child – the right to an adequate standard of living. Therefore the Scottish government needs to ensure the nation's income and wealth are fully harnessed to fund the social security and infrastructure needed to prevent and reduce child poverty.
- In order to do this the Scottish Government must undertake a review of its existing tax powers to ensure it is maximising the resources available to tackle child poverty and adequately fund the services that low income households rely on. In the CPAG book *Let's Talk About Tax* (<https://askcpag.org.uk/?id=-230997>) we look

at how the tax system can prevent and reduce child poverty.

Specifically the Scottish Government should:

- use Scottish powers over income tax to increase revenues;
- commit to not implementing in Scotland any income tax cuts that are instigated in the rest of the UK;
- review the costs, and benefits, of the current system of non-domestic rates; and
- consider the opportunities for further harnessing Scotland's wealth.

### Q - How should the Scottish Government respond to inflationary pressures and the cost of living crisis in its Budget 2023-24?

- The Scottish Government must invest in a 'cash first' approach to ensure households can meet their needs. A 'cash first' approach addresses the root causes of poverty - an inadequate social security system and inadequate wages for many of those who do work. It must ensure families are getting the payments they are entitled to, via income maximisation and take up strategies. And it means that when people are in crisis they can access cash supports, rather than have to rely on the indignity of charitable food aid or 'vouchers'. There is much that the Scottish government can do to invest in a 'cash first' approach.
  - Additional investment in the Scottish child payment including an above inflation increase to the Scottish child payment in April 2023 and sufficient further increases to ensure Scotland meets its child poverty targets. When considering the rate of the rise the Scottish Parliament must take into account the additional high costs that low income household will face that are often above the headline rate of inflation (see, for example, The Institute for Fiscal Studies briefing <https://ifs.org.uk/publications/16058>).
  - Additional investment in the Scottish Welfare Fund (SWF), including investment in the administration of the fund. The SWF is a key mechanism to ensure that households in crisis can access cash, rather than charitable food aid, and it needs sufficient investment to ensure the Scottish government can achieve its aim of ending the need for foodbanks and other forms of charitable food aid.
  - Investment in social security to limit the impact of UK cuts to universal credit that push households deeper into poverty such as:
    - Continuing to fully mitigate the bedroom tax;
    - Providing sufficient ringfenced funding to local authorities to fully mitigate the benefit cap;
    - Investing sufficient resources to mitigate the two-child limit via an additional payment of Scottish child payment; and
    - Investigate how other groups adversely impacted by welfare reform, such as young parents, disabled children and lone parents, can be supported.
  - There must be sufficient investment to fund the expansion of income maximisation and advice services, including the training of new advisers.
  - Data sharing and automation of payments must be prioritised. For example Social Security Scotland must ensure that data on Scottish child payment recipients is shared with local authorities to allow them to identify families that might benefit from additional support, and local authorities should share data with Social Security Scotland on which families are

entitled to the ‘bridging payments’ (see <https://www.mygov.scot/scottish-child-bridging-payments>) and other low income supports, to ensure they are invited to apply for the Scottish child payment. Consideration must be given to the alignment of entitlement criteria for the wide range of benefits that low income households are entitled to, to make automation easier, and support a wider range of households.

- The Scottish government can also reduce costs for households. This can often be most effectively done through the universal provision of services. A universal approach is not only more effective in reaching all families in poverty, but also provides security and stability for higher income families, and helps stop families falling into poverty ( see, for example, For example C.J. Morelli and P.T. Seaman (2022), *Understanding Society: Poverty, Wealth and Inequality in the UK*, London). The Scottish government have already committed to the universal provision of free school meals for all primary school children, and we are disappointed that they have failed to meet this commitment by the original date of August 2022. In this budget the Scottish government must allocate sufficient resources to allow for both the capital costs, and revenue costs, of providing free school meals to all primary school children to be met, and start exploring how to roll out free school meals to all secondary school pupils. As a first step towards this the budget should allocate sufficient resources to allow the roll out of free school meals to all those entitled to universal credit (or equivalent legacy benefit).
- Another area where the Scottish government can reduce costs is in the provision of childcare. We welcome the provision of 1140 hours of funded children for all children over 3. However we are concerned that the decision to target the provision of childcare for those 2 and under, and potentially the targeting of the provision of school age childcare, may mean many low income families don’t access the support they require. This budget should allocate sufficient resources to allow Scotland to move toward a childcare system that provides, for those who choose to use it, up to 50 hours of accessible, flexible high-quality child centred childcare from the point the child is six months old, that is free at the point of use.
- As well as funding for health and social care, the Scottish government needs to ensure that there is sufficient funding for those services that are essential to everyone but are particularly important to low-income households. For example, there must be sufficient budgeted allocated to allow the Scottish government to meet their commitments regarding the cost of the school day, both the ongoing costs of the commitments that have already been rolled out, but also to ensure that the outstanding commitments are fully rolled out as soon as possible. These include:
  - Providing ‘every child with a device and a connection to get online’;
  - Ensuring funding is available so that ‘every primary and secondary pupil can go on curriculum related and residential trips’;
  - Supporting the automation of school clothing grants in every local authority; and
  - Investing in advice provision in education settings and providing resources for a national campaign focusing on awareness and uptake of entitlements.

**Q - The Spending Review identifies key areas of reform over the lifetime of the Parliament to support its priorities in the Spending Review, including delivering efficiency savings across the public sector. How should the Scottish Government approach each of these areas to achieve efficiencies while also maintaining effective public services?**

- **Digitalisation**
  - The Scottish government must ensure that IT systems, specifically for social security and other supports for low-income households, are developed in such a way that data sharing can both reduce administration costs and also maximise the take up of entitlements. This must be built in at the development stage, and include both the technical solutions to sharing data, as well as the legal gateways to allow data sharing between public bodies in order to maximise take up of entitlements, whilst protecting individuals' privacy rights.
  - For many people accessing services digitally is convenient and effective and we understand can be an efficient way of delivery services. However, we also know that there can be barriers to accessing services digitally, and low-income households are more likely to face 'digital exclusion' (see for example CPAG's 2020 report "The Cost of Learning In Lockdown" or The Scottish Government's 2021 "Equity Audit" report). The Scottish government must undertake robust assessments, in each case, to ensure that the digitisation of services does not raise any barriers to accessing services, particularly for low-income households.
  
- **improving public procurement**
  - We know that work is not a way out of poverty for many families (68% of children living in poverty in Scotland are in households where someone is in paid work). Whilst we are aware that employment legislation is outwith the competency of the Scottish Parliament, public procurement can play an important role in help ensure that paid work does better protect families from poverty. The Scottish government must ensure that public procurement plays in role by making sure companies procuring public contracts:
    - sign up to the fair work agenda;
    - actively work to remove the barriers to employment that women, people from certain minority ethnic backgrounds and people affected by disability face;
    - apply flexible working best practices to support those with caring responsibilities; and
    - address low pay, particularly in female dominated sectors such as social care and child care.

**Q - What impact will the Spending Review priorities have on the delivery of national outcomes in the National Performance Framework?**

- Prioritising social security and reducing child poverty will help the Scottish Government deliver on many of its national outcomes. For example, it will directly help "tackle poverty by sharing opportunities, wealth and power more equally" and will help reduce health inequalities to ensure that people "are healthy and active". A right to adequate social security is a key human right, from which other rights flow, so prioritising social security will help the Scottish government work towards "fulfilling its human rights" obligations.

**Q - How should the Scottish Government target spending in its budget to achieve net zero targets?**

- The Scottish government must invest in net zero policies that will reduce poverty and inequality, as well as work toward achieving net zero. For example, investment in public transport, and reducing the costs of public transport, will disproportionately benefit low-income households, as well as reducing carbon emissions.
- The Scottish government must ensure that investment in energy efficiency measures reaches low income households; that any barriers to accessing energy efficiency measures that low income households face are monitored and mitigated and that there is robust monitoring of groups that are, and aren't, accessing such supports.

**Q - How has the Scottish Government reflected its commitment to fiscal transparency in the Spending Review and how can it best ensure that spending in the Budget 2023-24 can be properly identified and tracked?**

- It is important that each spending decision is assessed for its contribution to meeting child poverty targets. The way in which budget decisions impact on child poverty needs to be clearly articulated, and evidenced.