

The Poverty Alliance Briefing for Scottish Government 2024/5 Budget November 2023



About us

The Poverty Alliance is Scotland's anti-poverty network. Together with our members, we influence policy and practice, support communities to challenge poverty, provide evidence through research and build public support for the solutions to tackle poverty. Our members include grassroots community groups, academics, large national NGOs, voluntary organisations, statutory organisations, trade unions, and faith groups.

1. Introduction

Too many people across Scotland, including 250,000 children, are having their life chances restricted by the injustice of preventable poverty. This is completely unjust in a wealthy country like Scotland. The risk of poverty continues to be particularly high for disabled people; single parents, the majority of whom are women; and Black and minority ethnic people. Covid-19 and the ongoing cost of living crisis have contributed to a rising tide of poverty as people struggle to access adequate incomes that would enable them to live a dignified life. The inadequacies of our social security system and structural issues in our labour market have been further illuminated by these dual crises.

In a **letter to the First Minister in August, some 150 charities, trade unions, campaign groups, and community organisations came together to ask the First Minister to put action to tackle poverty at the heart of the Programme for Government.**¹ In recognition of the fact people living in the grip of poverty cannot afford to wait, these diverse organisations showed their support for a range of critical actions including increasing the Scottish Child Payment; fair funding for the third sector; housing; transport; and the implementation of the Minimum Income Guarantee.² **While some of these priorities were progressed in the Programme for Government, we believe that the Scottish Government is not using all of the powers at its disposal to tackle poverty in Scotland.** We know the action that is needed to tackle poverty, and it is time to invest in these critical priorities.

In 2017, Scotland's statutory child poverty targets were passed in the Scottish Parliament with cross-party support. Scotland's First Minister has since stated that the defining mission of his leadership should be to reduce, if not eradicate, the injustice of poverty. However, despite the designation of tackling child poverty as the national mission of the Scottish Government, **Scotland is not currently on track to**

¹ See <https://www.povertyalliance.org/campaigners-unite-programme-for-government-2023/>

² Poverty Alliance (2023) An Overview of our Policy Asks for Challenge Poverty Week 2023 <https://www.povertyalliance.org/wp-content/uploads/2023/08/An-Overview-of-our-Policy-Asks-for-Challenge-Poverty-Week-2023-FINAL-1.pdf>

meet our legally binding targets. We believe that this critical national priority cannot be sacrificed due to a lack of funds. **We are therefore urging the Scottish Government to ambitiously use their devolved taxation powers to generate more revenue to help deliver a Scotland free from poverty.**

We recognise the difficult fiscal and economic environment as we approach this budget. Projections suggest there will be a £1.9 billion hole in the Scottish Government's budget by 2027-28. The Finance and Public Administration Committee in the Scottish Parliament have highlighted concerns for the long-term sustainability of Scotland's finances.³ We agree. **This economic outlook means it is more important than ever that the Scottish Government make progressive use of their devolved taxation powers.** It is time to build a fairer, greener Scotland where everyone has access to an adequate income that allows for a dignified and decent life.

2. Putting action to tackle poverty at the heart of the Scottish Government budget

The Poverty Alliance and our membership have welcomed the development of key strategies designed to tackle poverty and inequality in Scotland, including the Tackling Child Poverty Delivery Plans; the Fair Work Action Plan; and A Fairer Scotland for Disabled People. These strategies have been accompanied by the introduction of statutory child poverty targets. While this leadership on the issue is extremely important, and Scottish Government actions are forecast to lead to a fall in child poverty, it has not yet facilitated a meaningful reduction in overall poverty rates in Scotland. **The latest scrutiny report from the Poverty and Inequality Commission concluded that, without urgent and concentrated action, the Scottish Government will miss both the interim and 2030 child poverty targets.**⁴

The policy platform outlined in the Programme for Government builds on existing commitments and places continued focus on tackling poverty and inequality in Scotland. However, it is also clear that we need to go further and faster if we are to meet our child poverty targets and address inequality in Scotland. **The Poverty and Inequality Commission's latest scrutiny report states "The funding being allocated to actions to tackle child poverty, excluding the Scottish Child Payment, does not seem to match the ambitions set out in Best Start, Bright Futures."**⁵ The forthcoming budget is therefore a critical opportunity to address this issue, ensuring that our policy priorities are backed with adequate resources. The Scottish Government must embed their commitment to tackling poverty into the

³ Finance and Public Administration Committee (2023) *The Sustainability of Scotland's Finances* <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-finance-and-public-administration-committee/business-items/the-sustainability-of-scotlands-finances>

⁴ Poverty and Inequality Commission (2023) *Executive Summary: Child Poverty Delivery Plan Progress report 2022-23 Scrutiny report* available at https://povertyinequality.scot/wp-content/uploads/2023/06/Exec_Summary_Child_Poverty_Delivery_Plan_progress_2022-2023_Scrutiny_Poverty_and_Inequality_Commission.pdf

⁵ Ibid.

forthcoming budget with significant investment for the action that is needed to make poverty a thing of the past.

3. Using our taxation powers to raise the revenue needed to tackle poverty

Tackling poverty in Scotland requires greater investment in our social security safety net and the public services that we all rely on, but that are a vital lifeline for people on low incomes. Utilising Scotland's powers over taxation is a critical tool in building a fairer Scotland and raising the revenue needed for this investment, particularly in the current fiscal environment.

The Scottish Social Attitudes Survey found that there is public support for changes to taxation, with **nearly two-thirds of people in Scotland supporting increased taxation for spending on health, education and social security**. Similarly, 68% said that income should be redistributed from the better-off to those who are less well-off.⁶ Critically, research from **IPPR Scotland found there was strong public support for tax increases, even if the individual's own tax would increase, where the revenue is used to fund the social safety net.**⁷

Changes announced in the Autumn Statement regarding National Insurance will disproportionately benefit higher earners and means less money for our critical public services. **This decision highlights that the UK Government is unwilling to acknowledge that public services are already in crisis.** Analysis from the Resolution Foundation and others point to these taxation changes being funded by delayed public spending cuts following the next election.⁸ **With little to no announcements regarding social investment in our public services, and a reduction in the public purse through tax changes, the future for these services now looks increasingly bleak.**

We had **welcomed the First Minister's commitment, as outlined during the leadership election, to considering the introduction of wealth taxes and a new income tax band.** This would have reinforced Scottish Government's commitments on poverty and inequality with tangible action and investment. It is therefore concerning that the First Minister is seemingly rolling back on the positive rhetoric surrounding the use of Scotland's taxation powers.

Putting justice and compassion at the heart of our council tax system

While the recent consultation on council tax did not represent the fundamental reform which is necessary to put justice and compassion at the heart of the system, it was a welcome start. The Resolution Foundation have stated that these reforms, while "relatively modest", would have "meant Scotland taking meaningful

⁶ Scottish Government (2022) *Scottish Social Attitudes Survey 2021-22* available at <https://www.gov.scot/publications/scottish-social-attitudes-2021-22/pages/5/>

⁷ IPPR Scotland (2022) *Funding a Social Renewal* available at <https://www.ippr.org/files/2022-12/final-pdf-fsr.pdf>

⁸ Resolution Foundation (2023) 'Pre-election giveaways arrive early' available at <https://www.resolutionfoundation.org/press-releases/pre-election-giveaways-arrive-early-with-biggest-tax-cuts-since-1988-but-taxes-are-up-not-down-rising-by-4300-per-household/>

steps towards a fairer proportional system”.⁹ We are therefore disappointed by the decision, announced at SNP Conference, to freeze the rate of council tax. **If enacted, the council tax freeze would represent a failure of responsible Government, and a step back on the road towards reforming a regressive tax that places an unjust burden on the shoulders of low income households.** We urge the First Minister to reconsider this decision.

We disagree with the claim that a council tax freeze is a cost of living measure for low income households. In contrast, the decision could have negative consequences for those living on low incomes, while also having the longer-term implication of further embedding inequality in Scotland. Freezing council tax will inevitably mean less money for the critical public services that form a vital lifeline for people living on low incomes.

The Fraser of Allander Institute estimate that, assuming that council tax would have increased by 5% as it did last year, the freeze will collectively cost councils £148m next year. However, calculating that figure on an 8% increase and factoring in the changes proposed in the recent consultation, equates to losses of around £417m.¹⁰ Local Authorities have reported that all so-called “easy” savings have been made, meaning any further reductions in council budgets through this freeze will have major impacts on jobs and services, including statutory services,¹¹ with far-reaching negative consequences for people experiencing poverty.

Analysis from IPPR Scotland also shows that the impact of the freeze on household budgets will be negligible, and a majority of those struggling households will see no benefit at all. This policy, in providing blanket relief from increases in council tax, ignores the disproportionate impact of the cost of living crisis on low income households. Over 400,000 of our lowest income households are already afforded some relief by the Council Tax Reduction (CTR) scheme. The freeze will thus have no benefit for these households, at a time when prices are continuing to rise and much of the financial support that was in place last winter has now been removed. Based on conservative assumptions, and accounting for the CTR, IPPR Scotland estimate the freeze will reduce the council tax paid by households by around £100 million. However, **only £10 million of this reduction will be seen by households in poverty, and households with children in poverty will see only £3 million of these savings.** As a result, **the council tax freeze is expected to have no impact on Scotland’s ability to meet our child poverty targets,** or our efforts to tackle poverty more broadly.

The policy represents something of a double whammy for low income households, with the freeze providing little to no benefit in terms of their ability

⁹ Resolution Foundation (2023) *A Wealth of Variety* available at

<https://www.resolutionfoundation.org/app/uploads/2023/10/A-wealth-of-variety.pdf>

¹⁰ Fraser of Allander Institute (2023) ‘Policy announcements at SNP Conference: What do they mean for Scotland’ available at <https://fraserofallander.org/policy-announcements-at-snp-conference-what-do-they-mean-for-scotland/>

¹¹ Finance and Public Administration Committee (2023) Pre-budget 2024-25 scrutiny: The sustainability of Scotland’s finances available at <https://www.parliament.scot/~media/committ/6526>

to make ends meet while also jeopardising the public services that they are more likely to rely upon. The money the Scottish Government are expected to allocate to the “fully funded” council tax freeze could be far better allocated if the desired outcome is to reduce poverty and inequality.

Investing together for a stronger Scotland

The Scottish Government have taken initial steps which have made our taxation system more progressive. However, **we believe a renewed approach to tax is urgently needed. The Scottish Government must explore opportunities to harness Scotland’s wealth to tackle poverty**, utilising Scotland’s powers over taxation to raise the revenue necessary to invest in our public services and social security safety net. This new approach to social investment should use Scotland’s existing tax levers, such as the Scottish Rate of Income Tax, more progressively while also using devolved powers to implement new and improved forms of local taxation that target under-taxed wealth. **Reform is badly overdue, and we are in agreement with the Poverty and Inequality Commission that the current process of tweaks to existing levers “is an inadequate response to the scale of the challenges facing public finances.”**¹²

In September, a joint briefing from a range of organisations including the Poverty Alliance; Oxfam Scotland; IPPR Scotland; One Parent Families Scotland; and the Scottish Women’s Budget Group outlined that **our critical national priorities, including action to challenge poverty, cannot be sacrificed due to a lack of funds.**¹³ Over 50 organisations signed up to the briefing, showing that there is widespread support for a new approach to taxation. The policy options put forward in the briefing include:

- Introduce a **new Income Tax band between the current Higher and Top rate**, with the opportunity to raise between £110m and £260m depending on where that band is set.
- **Commit to fundamentally reforming the devolved tax system, within this parliament, including a national consultation.** This must go beyond tweaks and fundamentally rethink, from scratch, how Income Tax can be best designed alongside all other taxes, including reformed local taxation.
- Launch a **cross-party process to replace current Council Tax before the end of this parliament in 2026**, ending the long and damaging impasse. The process of replacement can no longer be delayed and legislation for a new system should be in place before the end of this Parliament.
- Property is the most valuable type of wealth held by households in Scotland, making property taxation a natural starting point for improving wealth taxation.

¹² Poverty and Inequality Commission (2023) *How better tax policy can reduce poverty and inequality: Recommendations for an effective and accountable Scotland* available at https://povertyinequality.scot/wp-content/uploads/2023/10/How_better_tax_policy_can_reduce_poverty_and_inequality_October2023.pdf

¹³ Oxfam Scotland, IPPR Scotland, Poverty Alliance et al (2023) *The Case for Fair Tax Reform in Scotland* available at https://oxfamapps.org/scotland/wp-content/uploads/2023/09/The-case-for-fair-tax-reform-in-Scotland-Joint-briefing-FINAL_September-2023-1-2.pdf

Any reforms or replacement of the Council Tax must tax property wealth more fairly and seek to contribute towards gender equality.

Modelling by IPPR Scotland concluded that up to £350 million could be raised by replacing the existing Council Tax with a new percentage of value tax set at 0.75 per cent of a home's value. The hybrid model outlined in the paper would enable a gradual move towards revaluation, ending the absurdity that we continue to utilise property valuations from 1991. Only fundamental reform of council tax, a long-term commitment of the Scottish Government, will address the inherent unfairness in the system.

Poverty causes severe harm in people's daily lives, damaging their health and employment prospects, risking financial and personal wellbeing, and infringing basic rights to things like food and housing. That makes it more likely that a child born in poverty today will go on to face poverty in later life. As much as this is an issue of social justice, it is also an issue of economic justice and prosperity. For example, **the health consequences of income inequality account for around £2.3 billion of Scottish health board budget allocations, one-fifth of the total.** Putting justice and compassion at the heart of our taxation system is not only the right thing to do, it also makes economic sense.

4. Ensuring our Social Security system matches the real cost of living

Uprating benefits in line with inflation is the minimum action required to ensure that our social security system enables people to live with dignity.

Uprating UK social security payments by the September inflation figure was the right thing to do, and we are pleased that the Scottish Government have also committed to using this metric. Soundings from the UK Government that social security may be uprated using the October inflation figure caused stress and anxiety for those living on low incomes. This again underscores the need for an independent process to regularly determine the level of social security, based on the cost of essentials.

Trussell Trust and Joseph Rowntree Foundation's (JRF) Essentials Guarantee campaign highlights that Universal Credit's standard allowance falls well short of the indicative level for what is needed to afford essentials. The campaign states that **90% of low-income households on Universal Credit are currently going without at least one essential like food, a warm home or toiletries.**¹⁴ Research from the Joseph Rowntree Foundation found 3.8 million people experienced destitution in 2022, including around one million children. Similarly, **in the year to March 2023, the Trussell Trust network in Scotland distributed a record number of food parcels, a 30% increase compared to the same period last year.** We are deeply concerned that the unjust changes to social security announced for disabled people or those with long-term health conditions will force increasing numbers into destitution, particularly when almost two-thirds (62%) of those experiencing destitution within the JRF research reported having a chronic health problem or disability.

¹⁴ Joseph Rowntree Foundation (2022) *Guarantee our Essentials* available at https://www.jrf.org.uk/system/files/files-research/guarantee_our_essentials_-_summary.pdf (jrf.org.uk)

Clearly, **even uprating benefits in line with inflation is not enough to offset costs for those living on the lowest incomes.** Given that inflation is an average of the cost increases over a variety of products this does not paint an accurate picture of the cost increases experienced by low income households. For example, **while the overall CPI rate of inflation sits at 4.6%, the cost of food has increased by 10.1%.¹⁵ This increase has a greater impact on low income households who spend higher proportions of their incomes on food.¹⁶** It is imperative that benefits are uprated at levels which reflect the real increases in the cost of living experienced by low income households. It is also imperative that we remember that any reduction in inflation does not mean that prices are falling, but rather that they are not increasing as quickly.

We have welcomed the introduction of the Scottish Child Payment, and the subsequent £5 increase last year, with the impact of this policy underscoring the importance of bold policy decisions. **Last year, the Scottish Child Payment was not uprated in line with inflation which meant a real term cut in its value.** By April 2024 this crucial payment will not have been increased for 16 months, despite costs rising significantly over this period. We are therefore pleased that the Programme for Government included a commitment to increase the value of the Scottish Child Payment in line with inflation. However, as per Humza Yousaf's commitment during the leadership election, **we are calling for the Scottish Government to take further action to increase the Scottish Child Payment beyond the rate of inflation to help keep families afloat.**

Uprating in line with inflation would mean the Scottish Child Payment rate would rise to around £26.68,¹⁷ remaining below the £30 the First Minister committed to during the leadership campaign. **This is concerning as modelling shows that the Scottish Child Payment needs to reach £40 per week if we are to meet the interim targets and make good progress towards the 2030 goal.¹⁸** The Scottish Government should increase the Scottish Child Payment to at least £30 in this budget, while also setting out a clear timetable for increasing the payment to £40 during this parliament.

5. Key policy priorities

Every year, Challenge Poverty Week places emphasis on a number of key policy asks that will help us to free people from the grip of poverty. These policies are designed to turn our shared values of justice and compassion into action, and to highlight to politicians what action is required to build a Scotland free from poverty. This year, our policy asks were developed in collaboration with a short life working

¹⁵ BBC news (2023) 'Inflation falls to 4.6% as Government says pledge met early' available at <https://www.bbc.co.uk/news/live/uk-67423724>

¹⁶ Office for National Statistics (2022) *Family spending workbook 1: detailed expenditure and trends*. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/familyspendingworkbook1detailedexpenditureandtrends>

¹⁷ Increase calculated using Consumer Price Index as of September 2023

¹⁸ IPPR (2023) *Poverty doesn't have to be inevitable – it needs political will and investment to eradicate*. Available at: <https://www.ippr.org/blog/poverty-doesn-t-have-to-be-inevitable-it-needs-political-will-and-investment-to-eradicate>

group with representation from public bodies, the private sector, and a variety of third sector organisations.¹⁹ These policy asks remain our central calls for the Scottish Government's budget. **We are calling for substantive action to ensure Scotland is a place where: we support our communities and volunteers; we have safe, secure and sustainable homes; we all have enough to live a decent and dignified life; we can all get where we need to go; and no one goes hungry.**

In the latest scrutiny report, the Poverty and Inequality Commission stated that it is “concerned that there does not seem to be the necessary clarity or sense of urgency” around the delivery of key actions in Best Start Bright Futures. In particular, the Commission points to cuts to funding to expand parental employability support; slow progress on the pace of action on funded childcare for one and two year olds and school age childcare; and limited progress in putting child poverty at the heart of the Affordable Housing Supply Programme.²⁰ These areas must be priorities for the Scottish Government in the forthcoming budget, if Scotland is to meet our child poverty targets.

Housing

Child poverty rates after housing costs are generally lower in Scotland compared to other parts of the UK due to greater availability of social housing. However, **stagnation in the number of new social homes being built, coupled with an expensive private rented sector (PRS), is pulling more families into poverty and insecure housing.** In the PRS, severe poverty nearly doubles once housing costs are taken into account, and relative poverty rises from 25% to 34%.²¹ Shelter Scotland have highlighted that a record number of children (9595) are living in temporary accommodation, with a 130% increase since 2014.

Despite this, the housing budget has seen real terms cuts of 16% in last year's budget, delaying the provision of urgently needed affordable homes. Housing charities are clear that the investment already committed to the Affordable Housing Supply Programme will not go far enough in delivering the social homes that communities across Scotland so desperately need. In order to ensure that housing contributes to meeting the child poverty targets, we echo calls from Shelter Scotland

¹⁹ The membership of the short life working group included: Age Scotland, abrdn, Christians Against Poverty, Church of Scotland, Glasgow Disability Alliance, Inverclyde Council, Lanarkshire Rape Crisis, The Larder, LIFT Edinburgh, Marie Curie, The Ripple Project, STAR Project, Station House Media Unit, and Stop Climate Chaos Scotland. Please note the policy asks and content of the accompanying briefings may not reflect the organisational views of each member of the working group.

²⁰ Poverty and Inequality Commission (2023) *Executive Summary: Child Poverty Delivery Plan Progress report 2022-23 Scrutiny report* available at https://povertyinequality.scot/wp-content/uploads/2023/06/Exec_Summary_Child_Poverty_Delivery_Plan_progress_2022-2023_Scrutiny_Poverty_and_Inequality_Commission.pdf

²¹ Scottish Government (2023). *Poverty and Income Inequality in Scotland 2019-2022*. Available at: <https://data.gov.scot/poverty/>

that the Scottish Government must **make good on its commitment to buy and build at least 38,500 social homes by 2026**²² to reduce housing need.

The Minister for Housing has noted that we have seen a further £700m wiped from the budget by construction inflation sitting at between 15% and 20%. If we are to meet our targets on affordable homes, as a minimum, the Scottish Government must rectify the erosion of the Affordable Housing Supply Programme budget through inflation. The Scottish Government must adequately fund the budget to reflect the level of need. **The importance of this investment is underscored by the recent declaration of a housing emergency in Edinburgh, with the lack of affordable housing options creating a clear barrier to ending poverty in the city.**

Parental employability and child poverty

Increases in the Scottish Child Payment have been the main driver of progress against the interim targets. However, this cannot be the case for the final targets which can only be met by a range of actions that work together and are transformative in scale. There remains a critical role for the labour market in our approach to tackling poverty in Scotland and high-quality paid work should remain a core focus for any anti-poverty strategy. This is particularly true as the latest data shows that over **two-thirds (69%) of children, and 57% of working-age adults experiencing poverty live in a household where someone is in paid work.**

The Poverty Alliance support the Scottish Government’s analysis in Best Start, Bright Futures about what is required in the realm of employability. However, the implementation gap means that these policy commitments are not yet enabling parents to escape the grip of poverty. In September 2022, the Scottish Government announced a cut of £53m in proposed employability support spending. **According to analysis by the Fraser of Allander Institute, this cut represents 43% of the amount named in 2022-23 budget.**²³ While the Scottish Government have acknowledged that this budgetary change means fewer parents will be supported, there is no indication of how many parents have been affected.²⁴

These cuts are concerning in the context of child poverty. Data highlights that mainstream programmes are not delivering for the priority family groups outlined in the Tackling Child Poverty Delivery Plan, or for women who are more likely to be primary caregivers. This contributes to poorer labour market outcomes for women, particularly single parents; Black and minority ethnic people; and disabled people. **We urge the Scottish Government to provide sufficient funding for the**

²² Shelter Scotland (2023). *Shelter Scotland Briefing: First Minister’s Statement on Scottish Government Priorities and Scottish Government Debate on Child Poverty and Cost Of Living* (Unpublished)

²³ Scottish Government (2021) *Scottish Budget 2022 to 2023* available at <https://www.gov.scot/publications/scottish-budget-2022-23/pages/7/>

²⁴ Fraser of Allander (2022) *First thoughts on the Scottish Emergency Budget Review* available at <https://fraserofallander.org/first-thoughts-on-the-scottish-emergency-budget-review/>

implementation of the employability commitments in the Tackling Child Poverty Delivery Plan, including the allocation of additional resources to local authorities for the implementation of the Parental Transition Fund at the local level.

Expansion of affordable and flexible childcare

In order to support parents into work, services such as childcare must be affordable and accessible. **The Poverty Alliance have welcomed the introduction of the 1140 hours of funded childcare as a positive step in the provision of affordable and flexible childcare.** However, 1140 hours only equates to the duration of the school day and continues to fall short of full-time working hours. This therefore limits the ability of primary caregivers, typically women, to work full-time.²⁵ Given the inextricable links between child poverty and women's poverty, tackling women's inequality in the labour market is critical to meeting our child poverty targets.

Part-time work is correlated with low-paid employment, with part-time jobs being more than three times as likely to pay below the Living Wage than full-time roles.²⁶ The latest release of the Scottish Government's Poverty and Income Inequality data notes that those families where all adults are in full-time work have a low poverty risk.²⁷ **The increased funded entitlement has not negated the need for expensive top-up childcare for single parent households, or households where both parents want to work full-time.**

The wraparound childcare pilots announced in the Programme for Government are welcome. However, these announcements are fairly limited in scope. The Poverty Alliance consistently hear from people experiencing poverty that an affordable system of wraparound childcare, including for school-age children, is what is needed to enable them to train; and enter and progress in paid work. **One of the key findings of our engagement with people experiencing poverty on Scotland's lifetime skills offer was that people need greater access to affordable and flexible childcare,** with a focus on more wraparound childcare, including funded hours before and after the school day.²⁸ Wraparound childcare is needed across the country and there is a need to invest more widely in this support. In the longer-term, the **Scottish Government should increase the funded provision of childcare to 50 hours per week.**

²⁵ Close the Gap (2021) *Close the Gap briefing for Scottish Government Debate: Early Learning and Childcare – 1140 Hours and Beyond*. Available at: <https://www.closesthegap.org.uk/content/resources/Close-the-Gap-briefing-for-Scottish-Government-Debate---Early-Learning-and-Childcare.pdf>

²⁶ Jones, Gareth (2019) 'Women benefit from living wage expansion', Third Force News. Available at: <https://tfn.scot/news/women-benefit-from-living-wage-expansion>

²⁷ Scottish Government (2023) *Poverty and Income Inequality in Scotland 2019-22* available at <https://data.gov.scot/poverty/index.html#Children>

²⁸ Poverty Alliance (2023) *The Lifetime Skills Offer* available at <https://www.povertyalliance.org/get-heard-scotland-lifetime-skills-and-equalities/>

Fair funding for the third sector

Our community and voluntary organisations are often at the frontline of efforts to challenge poverty in Scotland, providing vital and invaluable support to people trapped in the grip of financial insecurity. During the pandemic and the on-going cost of living crisis, demand for services and support provided by third sector organisations soared, yet too many of these organisations have been left without the security they need to thrive. The Scottish Council of Voluntary Organisations; (SCVO) **third sector tracker has found that over two-thirds (67%) of those surveyed reported financial challenges, while 39% found it difficult to plan ahead.**²⁹ These concerns are included in the Social Justice and Social Security Committee’s pre-budget scrutiny report, with the Committee recommending that “a fair funding framework is developed and agreed as a matter of urgency”.³⁰

The Scottish Government must make good on their commitment to introduce fair funding for the third sector. **As detailed during Challenge Poverty Week, we are continuing to call for the introduction of fair and sustainable funding of three years or more for the third sector.**³¹ SCVO have defined Fair Funding³² as a long-term, flexible, sustainable, and accessible approach to funding. This includes, but is not limited to, **longer-term funding, flexible unrestricted funding, timely decision-making and payments, accessible application processes, sustainable funding with inflation-based uplifts, and proportionate, transparent approaches to monitoring and reporting.** This is critical to adequately valuing the crucial work of our voluntary and community organisations across Scotland.

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²⁹ Scottish Council for Voluntary Organisations (2023) *Wave Five findings – Winter 2022*. Available at: <https://scvo.scot/policy/research/scottish-third-sector-tracker>

³⁰ Social Justice and Social Security Committee (2023) *Pre-budget scrutiny* available at <https://bprcdn.parliament.scot/published/SJSS/2023/11/7/b79aec21-9722-42e9-9ae9-ccce5f09f18d6-2/SJSS062023R10.pdf>

³¹ Poverty Alliance (2023) *A Scotland where we value our communities and volunteers* available at <https://www.povertyalliance.org/policy-briefing-1-a-scotland-where-we-value-our-communities/>

³² The Scottish Council for Voluntary Organisations (2023) *Fair Funding for the Third Sector* available at <https://scvo.scot/p/56732/2023/01/16/%E2%80%8Bfair-funding-for-the-voluntary-sector>