

# Finance and Public Administration Committee Call for Views on the sustainability of Scotland's finances

## Briefing for Consultation Response 16<sup>th</sup> August 2023

<https://yourviews.parliament.scot/finance/sustainability-scotlands-finances/>

### **1. How should the Scottish Government's Budget 2024-25 and its future budgets respond to these challenges?**

The starting point for any public spending in Scotland should be based around an outcomes-based approach – will this spending help grow Scotland's economy and cut its poverty rate?

Further to that, Citizens Advice Scotland believes that public spending in Scotland should reflect the principles outlined in the Christie Commission, particularly around preventive spend. This is why we would outline the reduction and eventual eradication of poverty as being a central element in public spending decisions.

As Christie outlined, much of our public spending is weighted towards dealing with the fallout of problems such as poverty – such as the attainment gap in our schools or health inequalities increasing pressure on our NHS.

Reducing poverty levels and turning to an outcomes-based approach could allow that existing spend to be redirected elsewhere.

CAS believes the development of Community Wealth Building in Scotland will help to retain public spending and economic activity in local communities, helping local governments meet public service reform aims. CABs have a lot of value in working towards Community Wealth Building in Scotland. Money unlocked for citizens through our services is spent in our local economy, helping local employers as well as building community wealth. The money CABs unlock for people is often spent in the local communities they serve.

Investing in preventative and early-intervention services helps public services save money and resources. For example, the CAB network in Scotland saves the NHS around £22 million a year. When people go to a CAB and have their incomes maximised, they avoid further negative outcomes associated with a lack of income, be that physical health or mental wellbeing.

In regard to funding for the third sector, we believe that there is an administrative burden of reporting that could be avoided by taking steps to reduce any unnecessary reporting.

### **2. Does the Scottish Government's 'three pillars' strategic approach to managing the public finances adequately address the scale of financial pressures expected in the Scottish Budget 2024-25 and in the medium-term? Should the Scottish Government follow a different approach instead, and if so, why would that be more effective?**

CAS understands the three-pillar strategic approach as follows:

- Strengthening how the Scottish Government manages public spending to ensure public money is fully focused on delivering government objectives, underpinned by necessary reform and prioritisation to maximise the impact of our available resources and capital investment.
- Increasing focus on economic policies and actions with the greatest potential to grow and strengthen Scotland's well-being economy and to grow the tax base to support the funding of our vital public services.
- Ensuring a strategic approach to tax policy, which considers the longer-term impacts of our tax choices on individuals and our competitiveness, and which has been developed through clear engagement with stakeholders.

On that basis we agree with this three-pillar approach as a way of underpinning spending decisions.

### **3. Given the pressures on the capital budget, how should the Scottish Government prioritise its capital spend in the Scottish Budget 2024-25 and over the medium-term?**

CAS would strongly argue for energy efficiency spending to be protected in capital budgets. The climate emergency won't become less of an urgent priority because of Scotland's shifting demographic population and investing in energy efficiency measures will create or sustain jobs to contribute to economic growth and in the long term better insulated homes will pay less for energy – if that isn't seen as an urgent priority after the year consumers in Scotland have faced due to the energy crisis then it is hard to see when it ever will.

### **4. What are the implications of a declining capital budget, including on the productive capacity of the Scottish economy?**

Other organisations will be better placed to outline the impact of delayed or cancelled infrastructure projects in areas such as transport.

CAS would refer to our response to question 3 about the urgent need to protect and prioritise energy efficiency spending from both a climate and consumer perspective.

We would add to that the need to protect and, if possible, increase capital spending on housing, particularly social housing.

We know that housing costs are a key driver in poverty rates across the country, and we have seen an increase across the Citizens Advice network in demand for housing related advice.

In the year to April 2023, housing advice delivered by the CAB network increased by 11%. Advice on access to or the provision of accommodation increased by 20%.

Meanwhile, housing issues account for around 15% of all page views of our online advice content and demand has grown considerably since before the pandemic with an increase of 63% since 2019/20.

While some of this demand will be down to the mortgage crisis, the underlying problem that predates both this crisis and the pandemic, is that Scotland doesn't have enough homes.

To return to CAS' overarching argument about a public spending strategy – one that prioritises outcomes, creates growth and cuts poverty - cuts to capital spending around house building and energy efficiency are likely to just increase pressure on other public services down the line.

**5. The Scottish Government's spending plans for resource (day-to-day spending needed to run public services) and capital (investment in assets and infrastructure) for 2024-25 until 2026-27 are to be updated and published alongside the Scottish Budget 2024-25 later this year. Where should the Scottish Government protect or prioritise spending in these multi-year plans? Please also indicate how these funds can be found, such as increased taxes or reallocation of money from another portfolio.**

CAS would strongly argue for the protection and prioritisation of funding for advice services over this period.

The current cost of living crisis will cast a long shadow and leave a significant legacy of debt which will require people to have access to confidential, impartial and free advice.

The value of the advice the Citizens Advice network provides is significant. Last year the network unlocked £132 million for people through things like social security payments and employment entitlements.

On average, one in six people who seek advice see a financial gain, the average value of which is over £4,200.

The wider impact of advice saves our health services tens of millions of pounds a year and is worth a broader £245 million in net gains to Scottish society according to independent analysis.

From the point of view of public spending to grow the economy and tackle poverty, there are few better value for money investments than advice. For every £1 funded to cover the CAB core advice service, £12 is returned to the community in client gains.

CABs also contribute towards the wellbeing-economy of Scotland. For example, there is not only a financial gain from the advice and advocacy that CABs provide clients, but also a wellbeing gain. Client satisfaction research commissioned by CAS during the pandemic surveyed just over 1,000 CAB clients and found;

- 70% of our clients reported that the advice they received improved their mental health and wellbeing.
- 80% said that it relieved stress.
- 91% felt that the support they received increased their confidence in dealing with issues in the future.
- 94% said it helped them realise they were not alone.

The CAB network also helps deliver skills development and employability outcomes through our volunteering opportunities. Volunteering at CABs not only provide benefits to local communities, but also volunteers themselves. Volunteering has a great impact on getting people back to work in good jobs, with 35% of CAB volunteers move on to paid work or further education. Despite delivering outcomes for Scotland in getting people the skills needed to get into the world of work, the CAB network has never been utilised to its full potential.

Long-term proposals by Scotland's skills agencies are to maintain spending on meta-skills programmes and ensure all those who need to upskill or retrain can access these programmes. It would seem appropriate to CAS that access to such funding is widened to the voluntary sector.

Given that local government is the primary core funder of CABs, we are encouraged by the aspirations of the Verity House agreement, with shared goals around tackling poverty, a just transition to net zero and person-centred public services – these are all things that can be delivered by a properly resourced CAB network.

It is very welcome to see the agreement speak about funding flexibility for local government to meet these shared aims.

Every CAB manager in Scotland is aware of the "potholes before poverty" problem – the need for funding for statutory services to be prioritised over longer term outcomes-based spending such as reducing poverty.

More flexibility around outcomes-based spending should lead to a better deal for local CABs and more support for local people.

CAS has had good experiences with the Scottish Government around a more outcomes-based model of funding for the Money Talk Team service.

CAS would also underline the need for better security for advisers and advice staff, and a move towards multi-year funding. This was a commitment in both the SNP and Green manifestos and would make a massive difference around recruitment and retention in the advice sector.

Just like many of our other public services, advisers are under increasing pressure and demand. March 2023 saw record breaking demand for advice across the Citizens Advice network in a variety of ways. CABs helped people more than 100,000 times, the highest month on record for individual pieces of advice given, and the highest number of people helped, at over 25,000, in more than three and half years.

It's not just that CABs are dealing with more cases, they are dealing with more complex cases with clients often presenting at crisis point. Advisers at our Extra Help Unit have had suicide prevention training because of the nature of the cases they are dealing with during this crisis. That takes a toll and is made all the more draining when your own job security is only guaranteed year to year. Too often advice agencies find themselves issuing redundancy notices to their own staff because there isn't security of funding.

It isn't morally acceptable, or economically optimal, for advisers helping people with employment rights and income maximisation to be unsure of their own job security and income every single year.

These concerns have been echoed by the Scottish Energy Insights and Coordination Group (SEIC) that warned about insecurity of funding in the sector.

The report warned that "many advice agencies and advisers themselves operate on short term contracts, with associated short-term bidding, recruitment and reporting all taking time away from service delivery for clients."

The group also noted that "funding is typically offered within single financial years; even if funding is renewed, short term contracts make it challenging to offer long term contracts to advisers. This in turn leads to staff turnover, particularly in smaller organisations."

CAS does not hold an evidence base on taxation as a fiscal lever or areas of public spending where reductions should be made.

We would argue that properly resourced advice of the kind the CAB network provides is in line with the strategic objectives of the Scottish Government and the Verity House agreement.

Services are currently underfunded versus demand, and this demand will not end once the 'cost of living crisis' headlines do.

However, even in a scenario where CABs could rely on flexible outcomes-based funding with security over multiple financial years would make a huge difference.

CAS would also like to see full cost recovery funding. Funders can often overlook aspects such as management costs, overheads and areas like maternity/paternity leave and sickness leave over the statutory entitlement.

**6. The Scottish Government plans to address the budgetary implications of the expected long-term fall in population through growing the economy and tax base, public service reform, and an upcoming 'Addressing Depopulation Action Plan'. Are these the right priorities to address the implications of this fall in the population and, if not, how could the Scottish Government be more effective in this area?**

CAS holds no evidence on the issue of depopulation so cannot comment specifically on that area. We would agree that growing the tax base and public service reform towards a more preventative model is one that should be pursued.

Ensuring every consumer in Scotland can contribute to economic growth is essential. Research for CAS suggest 1 in 4 consumers regularly run out of money before the end of the month, and 1 in 10 consumers have this issue every single month. That is not an economy where everyone is able to contribute to economic growth, and ultimately will hold Scotland back.

### **7. How should the Scottish Government start to address the forecast funding gap of 1.7% each year up until 2072-73?**

CAS does not hold a fiscal evidence base, but as outlined in previous responses, a shift towards a more outcomes focused, and preventative, model of public spending would free up resources to be redirected.

### **8. How should the Scottish Government balance its short and long-term financial planning and where can improvements in this area be made?**

CAS does not hold a fiscal evidence base, but as outlined in previous responses, a shift towards a more outcomes focused, and preventative, model of public spending would free up resources to be redirected.

### **9. How will long-term financial pressures impact on the delivery of national outcomes and climate change targets and what steps can the Scottish Government take to alleviate these impacts?**

CAS would reiterate previous responses in this area – namely that not investing in net zero or to reduce poverty will simply lead to increased pressure on public services in the years to come, as well as more sluggish economy growth as consumers have less disposable income to contribute towards growth.

There is also a need to enable a just transition to net zero for vulnerable people and groups. There should be investment into those who may struggle to afford required changes.

The Christie commission highlighted the importance of investment in preventative and early-intervention services as this helps public services save money and resources. CABs are a good example of the good outcomes of investment in this type of service. For example, the CAB network saves the NHS around £22 million a year. When people go to a CAB and have their incomes maximised, they avoid further negative outcomes associated with a lack of income, be that physical health or mental wellbeing.

## **10. In follow-up to the Committee's inquiry on effective decision making, how can transparency be improved around how the Scottish Government takes budgetary decisions?**

CAS has no specific recommendations here but would again emphasise the need for spending to be invested in delivering outcomes, not outputs, and would suggest the explanation for decision making reflect that.