

About the David Hume Institute

[The David Hume Institute](#) is an independent Scottish think tank which continually challenges itself and others to ensure the future is prosperous, inclusive, sustainable and fair.

In our work, the Institute listens to and reflects on a wide range of sources. We engage with a wide range of people across Scotland including those who are seldom heard; from different ethnic and cultural backgrounds; different genders, ages and abilities.

In 2020-21 the David Hume Institute conducted the largest multi-generational research project in Scotland in the last five years. [The Action Project](#) brought together people from across Scotland to consider the actions needed to move faster towards a more prosperous, sustainable, inclusive and fair country. Over 5,000 people identified actions they want to take to help Scotland *build forward better*.

The David Hume Institute worked with partners to reach people of all ages and backgrounds across Scotland. These included U3A, the Scottish Youth Parliament, the Children's Parliament and local organisations like InspirAlba in Campbeltown and Resonate Together in Alloa. The Institute listened to the conversations, then analysed themes and patterns. The website, [WhatsYourAction.scot](https://whatsyouraction.scot) presents the findings and encourages others to have their say.

Response text - submitted on Scottish Parliament web form 17th August 2021

1. How should the Scottish Government's Budget for 2022-23 address the need for a fair and equal recovery from the Covid crisis?

- **Prioritisation** – the Scottish Government's Budget for 2022-23 should publish how it has prioritised for a fair and equal recovery to enable people to understand its decision making.
- **Publicly transparent methodology** - the Scottish Government needs to be clear on the underlying evidence for prioritisation choices, based on impact and outcomes intended. There needs to be explicit recognition of the trade-offs in the budget between 2022-23 deliverables, and investments in subsequent financial years needed for supporting transformational change.
- Scotland already has statutory outcomes in place in the [National Performance Framework](#) (NPF). The NPF is aligned to the globally adopted [United Nations Sustainable Development](#)

[Goals](#) (UNSDGs). Budget priorities should be directly linked to the progress for all of the NPF which should be tracked regularly. The budget should be clear on the interdependencies between different investment priorities and look for efficiencies across budget boundaries.

- The continued connection to the UNSDGs is important for providing a common language to collaborate with other organisations and governments around the world - including in other parts of the UK which have also committed to delivering them.
- Within the overall NPF assessment, the focus should be on those hardest hit by Covid-19. Government should set out where the pandemic's impact has had the most impact on increasing poverty and reducing fair work opportunities. All budgetary measures taken should ensure that these improve beyond the pre-pandemic level quickly, with target dates.
- To support longer term recovery, it is critical to move away from [single year budgets](#). This would be a significant public benefit to all publicly-funded services, third sector organisations and businesses more generally to publish provisional spending plans for future years, and to provide details of the assumptions and projections about revenue which underpin these. This will help longer term planning for service improvement, investment and productivity across Scotland. The benefit of this approach would be to allow all organisations to make their own indicative plans, more easily work on medium term projects with others and collectively boost both productivity and outcomes for Scotland. We recognise it increases political risk, but would encourage all to support such transparency positively.

2. How should the Scottish Government's Budget address the different impacts of the pandemic across age, income and education groups and across places?

- The pandemic has exacerbated both economic and social inequality across Scotland. It has set back progress on reducing poverty and inequality.
- World Economic Forum [Global Gender Gap Index](#) (March 2021) highlights the risk of gender equality being set back a generation by the pandemic.
- [Scotland's Gender Equality Index](#) (December 2020) provides a pre-pandemic baseline. The pandemic has had a detrimental impact on gender equality, especially women's employment levels. The next update, due to be published in December 2023, will be a key metric on tracking progress.
- The David Hume Institute's research conducted in partnership with the Children's Parliament and the Scottish Youth Parliament showed that young people's top 4 priorities

are climate change, digital inequality, inclusion and poverty. The budget must have clarity on investment in 2022-23 for climate transition to net zero; delivering planned expenditure on broadband accessibility and digital inclusion; setting how expenditure will directly influence the reduction in poverty and promote greater inclusion.

- The Scottish Government must continue to support work to improve Scotland's Places. This includes Scotland's internationally recognised [Place Standard](#) tool and the [Place Principle](#).
- The David Hume Institute's [commissioned report](#) from Professor Duncan Maclennan argues for devolving resources by putting more power in the hands of local communities. The report discusses the balance of responsibility between central and local government. The key point is that taxation policy should be decided to achieve the best long-term outcomes and evidenced in how they meet the NPF targets.
- Indications of spending beyond 2022-23 in a multi-year framework are likely to maximise projects where the pay-back extends beyond the current fiscal year.
- Through the David Hume Institute's Action Project we heard from businesses in remote areas of Scotland about their local ecosystem and how they supported each other. They identified less with business sectors and more with other businesses locally. Examples included working together to support local employment to develop and retain skills in the area. The budget should recognise that targeted regional funding can be as important as sectoral support for developing employment and retaining skills in communities.

3. In 2022-23, it is likely that there will be reduced levels of available Covid-related financial support for the public and private sector. Given this, what should be the priorities for the Scottish Government's Budget?

- **Prioritisation is key.** At a time of multiple challenges and tight public finances, hard choices are almost certainly going to involve choosing to stop spending money on services or initiatives that are achieving public good, and are valued by their recipients or stakeholders in order to start or increase spending on other areas that are now judged a higher priority.
- As well as transparent prioritisation, people told us through The Action Project they wanted a focus on climate action; faster delivery of digital infrastructure especially in rural communities and to give those most excluded support to engage actively.

4. How should the Scottish Government Budget in 2022-23 address the risks arising from the level and rate of recovery from the pandemic in Scotland relative to the rest of the UK? Please consider any impact on devolved tax receipts and social security benefits in your answer

- The Scottish Government has a track record of creative employment support, for instance when the Future Jobs Fund was withdrawn establishing Community Jobs Scotland. The scheme has a track record of positive destinations alongside feedback from organisations and young people that paid employment is a game-changer. At a time when tax receipts will be crucial, prioritising support for jobs where skills can be developed, rather than skills development alone, will be critical.
- The Young Persons' Guarantee had a positive impact during the pandemic. Analysis of the outcomes will help determine whether elements of it can be retained in future years.
- There have been dramatic changes in the labour market in Scotland as a result of the pandemic and EU-exit. The budget will need to invest in communities with a view to retaining and developing the skills of those who live there, as well as attracting new skills to support existing and emerging jobs, particularly those supporting decarbonisation.
- Prioritise increasing equality - there are widely documented potential benefits to the Scottish economy through higher levels of equality, for example through increasing tax take.
- The budget should build on Scotland's comparative advantage in addressing climate change and transitioning to net zero by delivering on the agreed outcomes from COP 26.
- EU funding schemes are finishing and are being replaced with a range of UK and Scottish Government led funding. Government will need to be transparent about the change, where this may leave gaps in funding and how this will or could be addressed.
- The Scottish Government should continue to prioritise support for rural communities and economies to avoid rural depopulation.
- One of the UK Government's replacement policies for EU funds is the new UK wide £220 million Community Renewal Fund (CRF). The CRF allocates funding directly to local initiatives but encouraged larger bids (over £500,000+) and bids score higher when endorsed by the constituency MP. With the short turnaround times for the CRF deadlines, this made it harder for small community organisations to bid for funding. There may be projects that don't meet CRF requirements that could be valuable for the Scottish Government to support.
- The timing of the UK budget to inform the Scottish budget should be set to remove the uncertainty seen in 2019-20 and 2021-22 to reduce the level of risk in the Scottish spending

plans. The Scottish Parliament should seek assurances this will be the case to enable the benefits from the multi-year approach highlighted above to be achieved.

5. How has the Fiscal Framework worked in managing response to the crisis?

- The Fiscal Framework is complicated and it is not always immediately clear exactly how Scotland will be impacted in a rapidly changing external context. The intricacies of the framework were discussed at two previous [David Hume Institute events](#) with Professor Graeme Roy and with the [Scottish Fiscal Commission](#)
- The current Fiscal Framework allows for some adaptation to Scottish needs, for example in social security. Through the Fiscal Framework, the option for Universal Credit (UC) claimants in Scotland to choose to be paid more frequently or have housing benefit paid directly to landlords has made a significant difference to some individuals. With 82% of UC claimants (184,150 people) choosing more frequent payments (MFP) since October 2017, and 33% (75,030 people) have taken up direct payment to landlords for housing costs as a way to help manage money and reduce housing insecurity.¹ With poverty increasing, retaining these Scottish adaptations is likely to help many people.
- The Fiscal Framework also enabled the different approaches to covid business support grants in Scotland. Reviewing how effective these have been against policy objectives will be important in understanding if they are tools that can be deployed in future circumstances.

6. How should learnings from the pandemic inform the forthcoming review of the Fiscal Framework?

- The Fiscal Framework limits the Scottish Government's ability to manage spending (and saving) across financial years. More flexibility could help commitments to multi-year spending plans as discussed in the Institute's recent paper on [multi-year budgeting](#).
- We support a review to learn about how the Fiscal Framework has worked during the pandemic and whether Covid has meant that the Framework needs amending in some way.
- The loss of significant European Funding as a result of EU-exit also needs to inform the review of the Fiscal Framework. New direct spend in Scotland from Whitehall departments (e.g. MHCLG previously DCLG) expanding their focus and teams into Scotland must also be considered.
- Understanding the interactions between devolved and reserved taxes through the fiscal framework is important so people and businesses can plan ahead. For instance, choices on

¹ <https://www.gov.scot/publications/evaluation-universal-credit-scottish-choices/> accessed 16th August 2021

Scottish income tax, have to take account income tax rates and bands elsewhere in the UK and the potential for higher earners to move out of Scotland. For those taxpayers who may stay in Scotland but have more flexibility in how they structure their personal finances, the interaction of Scottish Income Tax with income tax on savings and dividends, corporation tax and capital gains tax must also be considered. It is important the review of the Fiscal Framework considers these interactions.

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