

HEALTH INEQUALITIES IN SCOTLAND

**Tackling the social
determinants of
health inequalities:**

A review of Scottish powers

October 2022



Health inequalities in Scotland:
An independent review

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1. Introduction and summary

While significant attention has been paid to the issue of health inequalities within Scotland – with a range of policy initiatives undertaken by successive governments, across health policy and addressing the root social and economic causes of these inequalities – they stubbornly persist, and in some instances are widening.

Despite strong progress up to the late 2000's, increasing life expectancy has stalled over the last decade, while the gap between the least and most deprived areas has become wider over the last few years. And this sits alongside an ever more important need to safeguard our collective mental wellbeing and address the national tragedy of drugs and alcohol related deaths.

To better understand where concerted action can be taken to address this issue, this paper offers a synopsis of the powers available to the Scottish Government and Parliament and local authorities to tackle health inequalities. This is not intended to be an exhaustive analysis of individual policy areas but instead provides an overview of key legislative competencies and some examples of how these powers have been utilised. It provides an overview of the powers available, their use to date and relevant policy examples, and highlights where they could potentially be further utilised to tackle health inequalities. It also provides an overview of where powers remain reserved to the UK Parliament and where further action may be required.

In keeping with the overall theme of the Health Foundation's review, it does so centred around the six policy objectives of the Marmot review which remains the key framework for tackling the social determinants of health inequalities to date (Marmot et al, 2010):

- **Giving every child the best start in life:** We show how there are full powers available to the Scottish Government around the early years, particularly infant and maternal health and early learning and childcare – though with some notable reservations on parental support
- **Enabling all children, young people and adults to maximize their capabilities and have control over their lives:** Full powers are available around education, skills and training, with notable legislative and policy commitments on educational attainment.
- **Creating fair employment and good work for all:** While some significant schemes have been devolved (to support the long-term unemployed and those with long-term ill-health of disabilities) there are complex interactions with (reserved) job centres/employment support and key reservations remain around fair work and employment legislation.
- **Ensuring a healthy standard of living for all:** There has been significant devolution of social security powers to the Scottish Parliament, particularly to support carers and people with disabilities and ill-health, and the ability to create new benefits/top-up reserved ones, but there remain complex interactions with equally significant reservations, not least low-income and out-of-work benefits (Universal Credit and legacy benefits).
- **Creating and developing sustainable places and communities:** There are a suite of powers available to support sustainable development, place-based approaches to tackling inequalities and community planning, and to tackle climate change/improve natural environment – but key reservations remain. While not a feature of his original review,

Marmot also identified housing as a key policy driver in his follow up report, 10 years on. This again is an area where the Scottish Government has significant powers, including housebuilding, home ownership, standards, and tackling homelessness.

- **Strengthening the role and impact of ill-health prevention:** Scotland has a fully devolved health and social care system – however, policy and delivery can often still be inextricably linked to UK Government decisions, particularly on funding.

Overall, it is clear that significant powers are available to the Scottish Parliament to take concerted action to tackle persistent health inequalities in many areas of public policy – though, perhaps notably, key reservations remain in those areas which could be most impactful in tackling the social determinants of health inequalities, including employment and social security.

However, our research has also found that **funding remains a key obstacle to delivering the necessary policy response at scale**. In particular:

- Despite significant devolution of fiscal powers, most notably around income tax, **the Scottish Budget is still largely determined through the Barnett formula/block grant** – and ultimately by UK Government decisions.
- Within those powers, despite a stated policy objective of seeking to use them in a more progressive way, **income tax decisions are not delivering significant funding increases**.
- There has been limited reform of taxes at a local level – in particular, despite previous commitments, **council tax remains unreformed, regressive, and arguably not delivering the funding it could to councils**.

2. Summary timeline of Scottish devolution

Devolution, as we primarily understand it, has not been a one-off event – it has been a gradual process at various points in Scottish political history and in response to key events. The Scotland Act 1998, establishing the Scottish Parliament and legislating for the first transfer of powers to it, came from the 1997 referendum on Scottish devolution; then followed the Calman Commission, established by the Scottish Parliament to review and recommend changes to the devolution settlement, which led to the Scotland Act 2012 and further powers; and, finally, the Smith Commission was established following the 2014 referendum on Scottish independence and led to the passage of the Scotland Act 2016.

The below provides a high-level overview of the main powers devolved to the Scottish Parliament through each Act.

Scotland Act 1998	Scotland Act 2012	Scotland Act 2016
<ul style="list-style-type: none"> • Health (with some exceptions) • Education • Local government and local taxes • Variation of income tax basic rate by +/- 3% (uniformly across all bands) • Economic development • Sport, tourism, and the arts • Agriculture, forestry, fishing & food • Justice and policing, and the fire service • Training for employment, including careers advice • Housing and homelessness • Environment / environmental protection • Various transport powers (with some reservations) – including Scottish road network, bus and passenger rail services, concessionary travel schemes and active travel 	<ul style="list-style-type: none"> • Further capital (for infrastructure) and resource (to cover forecast error) borrowing powers (both capped) • Ability to levy a Scottish Rate of Income Tax • Power to introduce new taxes • Stamp duty (replaced by LBTT) and landfill tax • Use and regulation of air weapons • Powers relating to the misuse of drugs 	<ul style="list-style-type: none"> • Social security, including benefits for: disability and caring, heating, funeral expenses, welfare foods, and maternity. • Power to top-up reserved benefits and create new benefits in areas of devolved responsibility. • Power to vary the housing element of UC and change payment arrangements • Control over the rates and bands of non-savings, non-dividends income tax • Further tax powers, including Air Passenger Duty and Aggregates Tax. • Crown estate • Further equalities competencies including gender balancing • Onshore oil and gas licensing • Energy efficiency and fuel poverty schemes • Employment programmes (for long-term unemployed and disabled people) • Further transport powers • Consumer advice and advocacy • Abortion

This is not intended to be exhaustive, and in part that is due to the way devolution works. Legislation does not specify which powers are transferred to the Scottish Parliament, but which remain reserved to the UK Parliament.

3. Giving every child the best start in life

Early years has been a key priority for successive Scottish Government since devolution, with **ambitions to ‘give children the best start in life’ and ‘make Scotland the best place in the world to grow up’**. Most recently, much of this work is undertaken through the ‘Getting It Right for Every Child’ approach, which has its genesis in the first devolved government and is a “...commitment to provide all children, young people and their families with the right support at the right time...so that every child and young person in Scotland can reach their full potential” (Scottish Government, 2022a).

Legislatively, there have been **significant and wide-ranging powers available to the Scottish Government since the beginning of devolution** – across maternal and infant health, social services, and early learning and childcare (ELC), education, and more – with very limited reservations. Indeed, many of the basic building blocks of these legislative powers have been in place since the Education (Scotland) Act 1980, when powers were exercised by the Secretary of State for Scotland.

In pursuit of the Scottish Government’s ambitions, one of the most significant pieces of legislation passed by the Scottish Parliament, amending and reforming the 1980 Act, is the **Children and Young People (Scotland) Act 2014**. This sought to strengthen children’s rights, introduced planning and reporting requirements on public bodies around children’s services, strengthened the role of the Children and Young People’s Commissioner, and introduced enhanced ELC provisions.

The Act also placed a particular **legislative emphasis on young people with experience of the care system** – something which has been a strong feature of Scottish policy. While specific and largescale evidence can be more limited, it is recognised that young people with experience of the care system can face poorer outcomes across a range of areas – including health and mental health, education, and experience of the criminal justice system – with damaging and long-term effects into later life.

The Act introduced new ‘corporate parenting’ responsibilities on key individuals and public bodies, extended access to services for people who have left care up to the age of 25 as well as providing greater continuing care and brought in new duties relating to young people at-risk of entering the care system.

More recently, the **Independent Care Review** concluded in 2020, with significant proposals to radically shift the model of care in Scotland and led to the establishment of The Promise Scotland, responsible for pushing those recommendations forward with the intention of full implementation by 2030. Notable commitments from Scottish Government have included developing a new Care Experience Grant – an annual £200 payment over 10 years to young people with experience of the care system – and establishing a new £500m Whole Family Wellbeing Fund over this parliament which is hoped to improve services for families, prioritise crisis prevention, and keep families together (Scottish Government, 2021a).

More controversially, the 2014 Act also highlighted the tensions which can exist in the devolution settlement, particularly between devolved and reserved powers, most notably human rights. The Act sought to introduce a ‘named person’ for every child in Scotland – for example, a teacher – to ensure their wellbeing. However, following an appeal to the Supreme Court by opponents of the scheme, certain elements were found to be beyond the competence

of the Scottish Parliament on the grounds of breaching privacy and family life rights under the ECHR (Supreme Court, 2016). Despite subsequent work to amend the legislation to make it compatible, it was scrapped in 2019.

Other **legislative moves to strengthen children’s rights have faced similar legal challenges**. In 2021, the Scottish Parliament passed the UNCRC (Incorporation) (Scotland) Bill which would have incorporated the United Nations Convention on the Rights of the Child into domestic law and placed duties on public authorities to ensure they complied with the convention’s requirements. However, a UK Government challenge was raised and the Supreme Court again found that certain provisions fell outwith the competence of the Scottish Parliament (Supreme Court, 2021) – the Scottish Government has committed to addressing these issues and bringing the Bill back.

Within the Scottish Government’s ambitions to ensure the best start in life, a **key power available is around early learning and childcare (ELC)**. Funded childcare has existed in Scotland since 2002, with the introduction of 412.5 hours a year for 3- and 4-year-olds, increased to 475 in 2007, 600 hours per year for 3- and 4-year-olds and eligible 2-year-olds (primarily look after children and those with a parent or carer in receipt of eligible benefits), and finally to 1,140 hours from August 2021, with full roll-out by August 2022.

Previous concerns have been raised about the staffing and infrastructure capacity available to manage this increase (Audit Scotland, 2020) – however, given its recency there have been no significant evaluations carried out yet to determine if these have been borne out. More pressingly, there are also concerns about whether the system yet provides the right flexibility – particularly for people in low-paid and insecure work – and in turn take-up. Recent reports have suggested that just 7,157 two-year-olds, who will be in low-income families and therefore a priority group, had taken up funded childcare offer as of April this year, compared to Scottish Government estimates of 14,500 being eligible (The Herald, 2022).

Recognising the importance of childcare, both in child development and supporting parents and carers (particularly women) to be able to access work, the Scottish Government has also made **commitments to further expand funded ELC** to 1- and 2-year-olds, starting with low-income households within this Parliamentary term, and to develop a system of **school-aged childcare** before the end of this Parliament (Scottish Government, 2021a), with an explicit focus on low-income households and helping parents into work/progress in work.

The Scottish Government also has powers to provide greater financial and in-kind support in the early years of a child’s life. The Scotland Act 2016 devolved the power to provide **assistance for maternity expenses** (while maternity benefits – i.e. Statutory Maternity Pay and Maternity Allowance remain reserved) which saw the introduction of Best Start Grant (with three new payments replacing the previous single Sure Start Maternity Grant) and Best Start Foods (which replaced Health Start vouchers).

High-profile steps have also been taken to “make Scotland the best place in the world to grow up in” through the introduction of the Baby Box – however, while evaluations have shown it to be a positive for families, particularly from a cost perspective, there remains an issue of whether it fully capitalises on its opportunity as it a means of “facilitating professional/parent engagement” (Scottish Government, 2021b) and in turn the link with antenatal care.

Powers to **introduce locally provided support** are also available – again a feature of the Scottish system since the 1980 Act which allowed education authorities to provide clothing (and other materials, for examples books and stationery) free of charge which were traditionally decided on an authority-by-authority basis. More recently, the Scottish Government has introduced the School Clothing Grant (a local authority administered payment to help families with the cost of school uniforms), removed core curriculum costs and fees for musical tuition, and set out its intention to fund the provision of free residential trips (Scottish Government, 2021a).

There has also been continued expansion of Free School Meals in Scotland, particularly universal provision. Again, the ability to provide free meals has been a feature of the Scottish system pre-dating devolution – even existing in some form since the Education (Scotland) Act 1908. Since devolution, successive governments increased eligibility to free meals for low-income families, starting in 2003, with further expansion of universal provision starting in 2007. universal free school meals are currently available to all pupils in Primary 1-5. The Scottish Government had previously committed to this being expanded to P6-7 by August 2022; however, this has been delayed.

Over and above this, the Scottish Government also has **full powers around maternal and infant health**, again with some notable policy measures, including: offering free vitamins to all pregnant women; introducing a Scottish Milk and Healthy Snack Scheme which provides regulated childcare settings funding for milk and fruit/vegetables; introducing a universal health visitor service – from antenatal to pre-school; and providing support for the additional costs faced by parents who have premature/sick newborn babies.

Finally, there is full power around **child protection and justice** – where it is recognised that traumatic experiences, or negative interactions with the criminal justice system, can follow a child into later life. Again, justice is an area where a separate system had existed prior to devolution – a feature since the 1707 Act of Union and means Scotland continued to maintain a separate justice (including criminal justice social work) system prior to devolution, with powers then transferring from the Secretary of State for Scotland to Scottish Ministers. The establishment of a Children and Young People’s Commissioner was legislated for in the first post-devolution parliament, followed by further bills under successive governments to improve areas like child protection, services for child witnesses, and youth offending.

Seeing the issue of children who offend or are at-risk as primarily a welfare issue has been a feature of the Scottish system since before devolution – with the publication of the Kilbrandon Report in 1964 – and continued since devolution. Most recently, the Scottish Government has committed to introducing a ‘Bairns Hoose’, “for all children in Scotland who have been victims or witnesses of abuse or violence, as well as children under the minimum age of criminal responsibility whose behaviour has caused significant harm” (Scottish Government, 2021a). This would implement the Barnhaus Quality Standards in Scotland, aimed at providing a trauma-informed approach and improve children’s interactions with the criminal justice system.

Underpinning, and perhaps most fundamental to, tackling inequalities and giving every child the best chance in life is reducing child poverty. Using its devolved powers, and in part a response to the UK Government scrapping previous UK-wide child poverty targets, **the Scottish Parliament unanimously passed the Child Poverty (Scotland) Act 2017**. This set statutory targets to reduce child poverty by 2030 with interim targets to be met in 2023.

After years of continued decreases, relative child poverty rates (after housing costs) in Scotland reached a historic low of 21% in 2010-13 before starting to rise. The most recent statistics (2017-20 – with more up to date figures unavailable due to data collection issues because of the pandemic) show that child poverty in Scotland now sits at 24% (Scottish Government, 2021c).

To demonstrate progress towards the targets, the Act also requires the Scottish Government to publish a delivery plan setting out how it intends to meet the targets. While the Act was passed in the full knowledge of the impacts UK-wide policy can have on child poverty, it is also clear that the Scottish Government's actions will at times face counterweights in key reserved areas – particularly reserved social security, economic, and employment policies.

Ultimately, there are wide ranging powers available to improve the lives of children and young people from birth. Some reservations do remain, however, most notably parental leave and pay which remains reserved to the UK Parliament and previous research has found, while it may be one of the most generous by length in Europe, it is the least generous by pay (International Network on Leave Policies & Research, 2022).

4. Enabling all children, young people, and adults to maximize their capabilities and have control over their lives

As the Marmot Review (2010) identified, educational inequalities can inescapably follow a young person into life, have a damaging impact on their social and economic outcomes, and in turn cause and/or exacerbate potential health inequalities.

Within Scotland, education is fully devolved – but even prior to devolution, Scotland has had a distinct education system throughout history, and the legislative basis for the overall education system is built in part off the Education (Scotland) Act 1980; though this has been amended and reformed since legislative competence was transferred to Scottish Ministers.

Since devolution, it has been recognised that the issue of educational attainment – and the gap between pupils from the most and least deprived areas in Scotland – is key to tackling wider inequalities. Since the first post-devolution parliament there have been successive efforts to improve attainment which, given the strong focus on local accountability and autonomy in education, has been driven through guidance and improvement frameworks, rather than legislation – though the Standards in Scotland's Schools etc. Act 2000 did place a duty on education authorities and Scottish Ministers to have regard to exercising their functions in a way designed to reduce inequalities of outcomes for deprived students. Most recently, in the 2016 Programme for Government, the Scottish Government stated that “it is the **defining mission of this Government to close the poverty-related attainment gap**. We intend to make significant progress within the lifetime of this Parliament and substantially eliminate the gap over the course of the next decade”.

As part of its efforts to do so, the Scottish Government introduced the **Scottish Attainment Challenge**, a £750 million fund across the 2016-2021 Parliament to help tackle the poverty related attainment gap. This was then increased to £1 billion across this current Parliament.

This funding includes (in 2022-23) £130 million for the **Pupil Equity Fund** – which is distributed directly to headteachers based on national allocation and their share of children in receipt of FSM – and £43 million for new Strategic Equity Funding – which is distributed to local authorities based on Children in Low Income Families data (Scottish Government, 2022b). The latter of these has, however, brought concerns: where funding was previously directed at the nine local authorities with the highest levels of deprivation – in keeping with Scottish Government aims to use ‘place-based approaches’ to tackling poverty and inequality – the funding is now shared across all 32 local authorities. Moreover, despite the opportunity of PEF to empower headteachers to utilise the funding to best meet the needs of their particular school and pupils which has been viewed positively, concerns remain that PEF has been used to ‘plug’ funding gaps and that it is not being properly evaluated for impact (SPICE, 2022).

While closing the attainment gap will be a long-term endeavour, **it is not immediately obvious that significant progress has been made in the early years of the programme** – and in some cases is going in the wrong direction.

In 2016-17, there was a 22.1 per cent and 17.6 per cent gap between the most and least deprived primary school pupils in literacy and numeracy. By 2020-21, these had both increased 24.7 per cent and 21.4 per cent respectively. For school leavers, the gap between the least and most

deprived pupils achieving one or more award at SCQF level 6 decreased from 37.6 per cent in 2016-17 to 35.8 per cent in 2019-20; however, at SCQF levels 4 and 5 both increased¹.

Beyond primary/secondary education, the Scottish Government also has full powers over tertiary education and again has at points sought to place an emphasis on the role of it in boosting social mobility – most notably through widening access to higher education.

While further and higher education has been devolved since 1999, the basis for much of the sector continued to be the Further and Higher Education (Scotland) Act 1992 and amendments to it post-devolution by the Further and Higher Education (Scotland) Act 2005. More significant reform was seen through the Post-16 Education (Scotland) Act 2013 which introduced several **legislative duties in relation to widening access**, including through the introduction of ‘outcome agreements’ whereby universities would need to demonstrate action they were taking to increase the proportion of students coming from deprived backgrounds as part of their funding agreements.

Subsequently, in Programme for Government 2014, the First Minister stated “I want us to determine now that a child born today in one of our most deprived communities will, by the time he or she leaves school, have the same chance of going to university as a child born in one of our least deprived communities” (Scottish Government, 2014) – setting a target of ensuring 20% of university entrants were from the 20% most deprived communities, with an interim target of 16 per cent by 2021. This interim target was achieved in 2019-20 (Commissioner for Fair Access, 2021).

The **role of colleges – which has always disproportionately recruited students from more deprived backgrounds – in boosting social mobility has also featured prominently** in the Scottish policy context. This is both as a through-route to university (via articulation from college HE courses to university degrees) and as a key pipeline for skills and training, with previous targets to boost the number of modern apprenticeships and the more recent introduction of the Youth Guarantee in response to the pandemic (offering every young person aged 16-24 the chance of going to university or college, an apprenticeship programme, training, fair employment including work experience, or participating in a formal volunteering programme). Numerous initiatives have been undertaken since devolution to enhance the availability and quality of vocational education and training, and opportunities to access it – however, this does remain socially stratified.

To support students, the Scottish Parliament also has **full powers over student funding**. Divergences between Scottish and UK policy have been seen since devolution – from 2001, the then Scottish Executive introduced a ‘graduate endowment’ – past-graduation fee – to replace tuition fees which the UK Government had introduced in 1998. The SNP subsequently scrapped this in 2007 upon being elected and ‘free education’ has since been a totemic policy in Scotland – though only for young, first-time/full-time Scottish domiciled students – though despite this, concerns have in turn been raised about the level of loan debt accrued through living cost support.

Scotland has also retained the Education Maintenance Allowance – which students from deprived areas are most likely to benefit from (with students from the 20% most deprived areas

¹ Note: Figures for 2020-21 and 2021-22 have not been referenced here due to issues in the comparability as a result of changes to assessment methods.

representing 38% of all EMA recipients – though this in part is driven by the far higher numbers of such students in Scotland’s colleges).

Overall, **Scotland has relatively strong school leaver destination figures**, with 95.5 percent going on to a ‘positive’ destination in 2020-21 (up from 93.5 per cent in 2015-16) and 4.2 being unemployed (down from 6.2 per cent) – however, notwithstanding the steps on widening access above, these destinations continue to be strongly influenced by deprivation-status, with higher education being underrepresented by those from a deprived background and non-advanced education and training being overrepresented.

Particularly for students and young people, the role of mental health and wellbeing is recognised as being important. School, college and university is a formative time for people and can bring significant additional pressures over and above those faced in ‘everyday’ life. A 2021 report by the Mental Health Foundation of Scottish university students found that 74% reported low wellbeing and nearly 20% reported suicidal ideation in the six months prior to the survey (Cameron and Maguire, 2021). In schools, a survey for the Scottish Government found secondary school pupil wellbeing was overall at the lower end of the average range (Scottish Government, 2021d).

Again, a number of initiatives have been put place to improve school, college and university wellbeing – including funding recruitment for an additional 80 counsellors in universities and colleges, and increasing access to wellbeing services in schools, including counsellors.

5. Creating fair employment and good work for all

Ensuring good, well-paid work is key to addressing inequality given the strong link between employment and poverty: 54% of people who are in families where no one is working are in poverty, and where one person is in work the poverty rate is 30% for families that just have part-time work compared to 10% for people in families where at least one person is in full-time work (JRF, 2021). **Despite further devolution in more recent years, employment continues to be an area where some of the significant reservations exist** and in turn may risk creating a complex interaction between devolved and reserved powers.

While the Scotland Act 1998 kept job search and support as reserved matters, it included some **limited exceptions around training for employment** – however, as discussed later, the use of these powers can hit up against reservations within employment and social security. Using these powers, one of the first Acts of the Scottish Parliament was to pass the Education and Training (Scotland) Act 2000 which enabled the Scottish Government to provide grants to individuals for education and training purposes and led to the introduction of Individual Learning Accounts (later to become Individual Training Accounts). While these were initially open to all, eligibility was soon targeted at those on low incomes and/or in receipt of certain benefits.

Further devolution followed as a result of the Smith Commission (established on a cross-party basis after the 2014 independence referendum to agree further powers for the Scottish Parliament) which recommended: "The Scottish Parliament will have all powers over support for unemployed people through the employment programmes currently contracted by DWP...". The Scotland Act 2016 subsequently legislated for this recommendation, devolving schemes to the Scottish Parliament to: (i) assist disabled persons to select, obtain and retain employment, and (ii) assist persons claiming reserved benefits who are at risk of long-term unemployment to select, obtain and retain employment, where the assistance is for at least a year.

In practice, this saw existing schemes delivered by the Department for Work and Pensions (DWP) – Work Choice and the Work Programme – stop taking new referrals in Scotland and the Scottish Government introducing two new transitional programmes, Work First Scotland and Work Able Scotland, from April 2017. These two transitional schemes were then replaced by the existing **Fair Start Scotland** service in April 2018.

While the introduction of Fair Start Scotland has been welcomed by many organisations, particularly for its person-centred and wholly voluntary approach (with no conditionality or sanctions attached to participation), and it has supported tens of thousands of people to secure work they may not have otherwise, there remain concerns around whether it is fully realising its potential – and whether it even can in the circumstances.

Most noticeably, there **remains a significant gap between the number of people referred to the service and those who ultimately find their way into secure work**. The most recent statistics show that between its establishment in April 2018 through to March 2022 there were 67,619 referrals to the service and 42,583 starts. So far, 15,355 people have started a job. More concerningly, for participants where data is complete, 50% of people left FSS early without completing the programme of support offered or achieving a job outcome (Scottish Government 2022d).

Some of this uptake and completion may in part be driven by Fair Start Scotland sitting as part of a convoluted and complicated employability and social security landscape, with roles and responsibilities shared across the UK and Scottish Governments. That in turn can create confusion for those referred to the service – but also, **those referred still only make up a small proportion of people receiving out-of-work and low-income benefits**, with the most recent claimant count in Scotland sitting at over 113,000 (ONS, 2022a).

Many of these claimants will find their interaction with the social security system to be through a DWP-run Jobcentre. This means they will be subject to the restrictions and requirements of the Universal Credit system and makes it more difficult to provide a genuinely holistic and ‘one-stop shop’ system of employability (and wraparound) support – particularly when there is anecdotal evidence to suggest Jobcentre staff often struggle to fully understand the Scottish system and can refer people to inappropriate support.

Where the **Scottish Government does have devolved powers is in training programmes**, running separate schemes to help people into work or to progress in work – notably through its ‘No One Left Behind’ approach which delivers employability and training schemes at a local level, involving a range of local partners, including DWP to try to ensure a joined-up approach.

As part of this, specific support has been made available for groups most at-risk of poverty – including parents, through the Parental Employability Support Fund – and the Scottish Government’s most recent tackling child poverty delivery plan set out further commitments to boost the role of employability support in tackling child poverty. Set against this, however, is the issue of funding to the necessary scale – where the 2022-23 Scottish Budget would have seen a large increase in funding for employability support, the Scottish Government’s recent Emergency Budget Review removed £53 million in-year.

Given the disjointed nature of where responsibility lies it can in turn can make it more difficult to operate employability schemes at the scale required to genuinely tackle the issue of under- and unemployment. This is further seen through uptake of No One Left Behind schemes, which has seen 16,859 people start to receive support between April 2019 to December 2021. Ultimately, it could be argued that Scottish Government schemes often operate at the margins of those who could benefit most from support – meaning both scale and impact go unrealised.

The Scottish Government has also used its devolved social security powers to introduce support to help low-income young people who have just found work, through its **Job Start Payment**. This is a cash payment for people aged 16-24 who have been on qualifying benefits for at least six months and have just been offered work, and is intended to help with the early costs – for example, suitable clothing, travel, etc.

Beyond helping getting people get into work, just as important is ensuring people can experience good pay, decent working conditions and secure hours once there – most starkly, despite common misconceptions, **two-thirds of children living in poverty are in a household where at least one person is in work**.

Previous IPPR Scotland research has found that workers have faced substantial variation in real-terms wage growth over the last decade; jobs with shorter weekly working hours are more likely to be poorly paid; a substantial share of workers in Scotland are unhappy with how their work patterns affect their lives; and there is little upward progression in career classification (Statham et al, 2021).

However, **tackling these issues within Scotland can face competence barriers** with employment legislation, and in turn most significant policy levers, remaining reserved – including industrial relations, pay and benefits, and employment rights and working practices.

Despite this, the Scottish Government has stated its ambition to become a ‘fair work nation’ by 2025 which most often utilises ‘softer’ power to engage and influence businesses operating in Scotland to enhance their fair working practices.

This includes establishing the **Fair Work Convention** as an independent advisory body, developing a fair work action plan and a self-assessment tool for employers to assess their working practices against, funding a living wage accreditation scheme, and creating a Scottish Business Pledge which aims to secure business commitments to fair working practices.

Steps have also been taken within wider (if more limited) devolved powers – including establishing Fair Work First criteria for public sector procurement, including a requirement for contractors to pay the living wage, and signing a Fair Work Agreement with the STUC which embeds fair working practices within the civil service in Scotland.

Specific actions have also been set out to address issues of participation and low pay within the labour market for those most at risk of poverty – including women, disabled people and those from an ethnic minority background. However, the Fair Work Convention’s most recent Fair Work in Scotland report found that in the five years before the pandemic, while there had been some improvements, Scotland had also regressed on key indicators and that “disabled workers, ethnic minorities, women and young workers often experience poorer work outcomes and are often more heavily concentrated in precarious and low paid work” (Fair Work Convention, 2020).

6. Ensuring a healthy standard of living for all

Aside from some very minor exceptions, social security remained a reserved matter until the passage of the Scotland Act 2016, **some of the most significant aspects of which were the devolution of social security powers** – with benefits covering low-income (marginally – the most significant low-income benefits remained reserved), ill-health and disability (including a replacement benefit for Personal Independence Payment), maternity expenses and early years, and caring devolved, together with the ability to create new benefits in areas of devolved responsibility and top-up reserved benefits.

Social Security Scotland was established in 2018 as the executive agency responsible for delivering these new benefits once introduced and work began on delivering them. While all of the devolved benefits were due to be introduced by the end of 2021 (with the exception of Pension Age Winter Heating Assistance) this has been delayed to early 2023, in part driven by the introduction of new benefits not expected at the time. To date, **Social Security Scotland is now responsible for new claims of twelve benefits** – some replacement, some new – with existing claims from DWP to SSS to be processed as part of a separate and later case transfer.

While these are significant powers, they also bring complex (and potentially negative) interactions between policy devolution and fiscal impact. Previously, the Scottish Fiscal Commission has forecast that, by December 2026-27, **social security spend in Scotland will be £1.3 billion higher than the funding transfer it will receive from the UK Government** for taking those benefits on (via block grant adjustments) (Scottish Fiscal Commission, 2022). While this is a significant amount, and will require funding to be found from within the overall Scottish budget, it is a (positive) effect of the Scottish Government utilising these new powers to reform how the Scottish benefits – and particularly disability benefits – are designed and delivered.

As part of the design of the Scottish system, alongside changes to the benefits themselves the Scottish Government has used its powers to reshape the overall ethos and narrative of the social security system – setting in statute principles of the system which are rooted in dignity, human rights and respect – as a signal of a new approach to social security and, in part, to separate it from the negative perceptions of the Department for Work and Pensions.

This has followed through into the design of the benefits themselves, with reforms to previously DWP administered benefits which will expand eligibility and/or increase payments, along with introducing wider reforms, including local delivery, accessible communication, and more dignified assessment processes – but in turn bring higher spending.

Along with devolving specific benefits, the Scotland Act also provided the Scottish Parliament **powers to create new benefits in devolved areas and to top-up reserved benefits** – albeit they still come with restrictions in that neither power can be used to compensate someone who has seen a reduction in their reserved benefit, for example, because of sanctions.

The former would enable the Scottish Government to introduce wholly new payments in a wide range of areas but to date has not been used. The power to top-up reserved benefits has been used and saw the introduction of the **Scottish Child Payment**.

This is a new payment for families with eligible children who are in receipt of qualifying benefits, designed to tackle child poverty. It was first introduced as a £10 a week, per child

payment for children aged under 6, subsequently increased to £20, and has been further increased to £25 and rolled out to children aged under 16 as of November 2022. Once fully rolled out, it has previously been estimated it will help lift 40,000 children out of poverty.

At the time of the Scotland Act being passed, the **social security powers being devolved were estimated to represent around 15 per cent of total benefit spend in Scotland at the time** – as such, while they represent a significant transfer of powers, and provide the ability for the Scottish Parliament to legislate for further benefits, they also represent a small fraction of total spend, with significant benefits remaining reserved.

Most notably, when considering policy responses to tackle the social determinants of health inequalities, that includes unemployment and low-income benefits – i.e. Universal Credit and the legacy benefits it is replacing, along with the work conditionality and sanctions regime that brings, and restrictions such as the two-child limit – however, it is likely that the Scottish Government could use its devolved powers to mitigate this. In September 2022 there were **over 469,000 people in Scotland on Universal Credit** and this number will continue to grow as more people migrate to UC from the legacy benefits it is replacing.

It can also create issues, when designing benefits through devolved powers, in avoiding sharp ‘cliff-edges’ which can act as a barrier to entering/progressing in work – for example, as a top-up to reserved benefits, the Scottish Child Payment is fully withdrawn when the underlying reserved benefit is.

The Scottish Government does have more limited operational powers around Universal Credit, in its delivery, which it has utilised through ‘**Universal Credit Scottish Choices**’. This allows UC recipients in Scotland to choose more frequent (fortnightly) payments and the have the housing element paid directly to their landlord, intended to provide greater financial security.

Finally, away from national level benefits, powers and provisions also exist for locally delivered benefits. Most notably, this includes the **Scottish Welfare Fund**. Until 2013, Crisis Loans and Community Care Grants were available to people in Scotland facing a financial crisis through the Social Fund which was managed and administered by DWP. In April 2013, responsibility for these payments was devolved to the Scottish Parliament. A new national fund was then established and passed into law through the Welfare Funds (Scotland) Act 2015, formally establishing the Scottish Welfare Fund after two years of operation. The fund is administered by local authorities on a discretionary basis and provide financial (or in-kind) assistance to people experience immediate crisis and emergency, though there have been repeated calls for its reform to better provide the immediate support people need (Statham et al, 2022).

Housing Benefit (and Local Housing Allowance (LHA) – Housing Benefit for those in the private rented sector) also remains reserved to the UK Government. The Scotland Act 2016 did, however, devolve powers over **Discretionary Housing Payments** which provides support to people whose Housing Benefit or Universal Credit does not meet their housing costs. Importantly, the **Scottish Government has used this as a means to provide additional support to mitigate the bedroom tax and the benefit cap**, demonstrating how devolved powers can be stretched to address issues created by reserved powers.

Finally, **local authorities also have broad powers available under the Local Government in Scotland Act 2003 to ‘advance the wellbeing’ of people in their area**, including providing

financial assistance – however, the ability to exercise this will be constrained by budgetary decisions from central government.

Through the pandemic, however, local support was a key feature, with the Scottish Government introducing a £130 Low Income Pandemic Payment for households in receipt of council tax reduction, along with ‘bridging payments’, for families not yet eligible for the Scottish Child Payment.

Looking longer-term, the Scottish Government has also made a commitment to develop a **‘minimum income guarantee’** which could provide a floor for living standards and protect against financial insecurity, through increased social security, fair work and collective services. This is a complex undertaking and, in its most optimal design, would require significant further devolution of powers to the Scottish Parliament – however, there may be areas where Scottish Government could take further action now, within existing powers, to set a path towards its long-term ambition.

7. Creating and developing sustainable places and communities

As the Marmot review identified in classing sustainable places and communities as a policy priority, **place plays an important role in tackling inequalities** – it plays a role in mental and physical wellbeing, informs access to public services, shapes economic outcomes through travel, employment and regeneration, and contributes to environmental standards and climate change. But again, it is also an issue which can have disproportionate impacts on deprived areas through worse air quality and in turn higher incidences of respiratory disease; poorer access to greenspace and closer proximity to vacant and derelict land; and worse transport links and in turn access to employment and services.

To address this, the Scottish Government does have a range of powers at its disposal. This includes, at a local and national level, **powers exist to protect and expand green space** – including the creation of local, regional and national parks – and competence to **maintain high environmental standards**, including powers around air quality, waste management, industrial emissions and pollution. Some of the earliest acts of the Scottish Parliament were to establish a new National Park (Loch Lomond and the Trossachs in 2002 and the Cairngorms in 2003) and land reform, partly to improve access to the countryside.

Planning has also long been a significant, devolved, platform to inform place – but through legislative means and ‘softer’ power around regulations, advice, and guidance. The draft Fourth National Planning Framework sets a clear ambition for planning and spatial policy to contribute to achieving a sustainable, net-zero future (Scottish Government, 2021e), and actions to achieve this. However, while it contains numerous references to inequality, it contains none to deprivation or deprived areas – raising a question, similar to public health policies discussed later, as to whether there is sufficient action to directly and specifically address the issues deprived areas face or whether any positive outcomes are instead merely a by-product of wider more general action.

Planning policy can also sometimes be used to **circumnavigate legislative reservations, by withholding planning permission** – for example, despite a general reservation on energy policy (including the generation and supply of electricity, oil and gas), planning legislation has been used to enable a ‘ban’ on fracking for shale gas (in reality, a moratorium on the granting of licenses).

Alongside this, further **action has been taken to promote community empowerment, development, and wealth building**. The Community Empowerment (Scotland) Act 2015 was hailed as landmark piece of legislation – designed to empower communities, give them more say in decision, and expand rights to buy for urban communities. However, it is unclear whether it has lived up to its expectations and seen the fundamental culture shift and empowerment it was intended to, particularly in deprived areas (Scottish Parliament, 2019). The Scottish Government has committed to reviewing the Act to see how these rights can be strengthened.

The Scottish Government has also committed to bringing forward a **Community Wealth Building Bill**, to “enable more local communities and people to own, have a stake in, access and benefit from the wealth our economy generates” (Scottish Government, 2021a). To date much of community wealth building has focussed on the role of procurement by public bodies – at this time, it is not clear what legislative provisions the Bill will contain to further boost community wealth building.

To further boost local development, the Scottish Government also has **powers, through the Planning (Scotland) Act, to introduce an infrastructure levy** – capturing some of the value of increased land value marked for development to aid community development. To date, this power has not been used but the Scottish Government has stated it will explore options for further legislation.

Looking ahead, the Scottish Government has stated its **ambition to develop '20-minute neighbourhoods'** – communities where people can have their needs (for example, access to services, shops, employment, etc) met within a 20-minute walk from their homes. This will be a key feature of the Fourth National Planning Framework (NPF4) and the government has committed £325 million Place Based Investment programme over this Parliament.

This also sits alongside **wider investment and action to address regeneration**, particularly focussed on areas of deprivation. While this would be a radical venture, it would likely require an unprecedented programme of infrastructure investment and development, and it is far from clear whether the resources or scale that will be delivered will achieve the stated ambitions.

Within these ambitions for 20-minute neighbourhoods, and an important part in both improving access and local communities and environments, transport and travel has been a key feature. This is an area of dual competence across the UK and Scottish Parliaments but with significant devolution, including: the Scottish road network and trunk road management; road signs and speed limits; bus policy, including concessionary fares; active travel; rail services (with some exceptions) including construction of new lines, passenger service franchising (most recently used to nationalise ScotRail), and policing; and ferries and ports.

Importantly for improving places and communities is having good and affordable transport links – where the Scottish Government has **competence in both encouraging public transport links and the creation of concessionary travel schemes**. This is an issue of importance to people across Scotland, with recent IPPR research finding that 56% of people think that reducing the amount that people need cars to travel would make Scotland a fairer country, over 60% worry about being able to afford transport, and almost two-thirds do not believe the needs of those on low incomes are considered in decisions about transport (Massey-Chase et al, 2022).

Concessionary travel schemes existed across local authorities since before devolution, with it up to each council to determine who was eligible (with schemes primarily focussed on older and disabled people), with funding provided from central government. In 2004 the then Scottish Executive announced the creation of a National Concessionary Travel scheme for older and disabled people, which launched in 2006, with reimbursement now going direct to bus companies. Local authorities still retained the ability to create their own schemes, but many have been discontinued due to funding pressures (Transport Scotland, 2020). More recently, a further concessionary scheme was launched for young people (aged under-22) in 2022.

Studies on the impact of concessionary travel have been limited – however, it is perhaps notable that earlier this year the Scottish Government reduced forecast spend on schemes by £37 million, likely in part reflecting previously anecdotal concerns of the operation of the young person's scheme. More importantly, while affordability is important, it will only be relevant where there is also accessibility.

The Scottish Government also has **powers around local road pricing (including congestion charging)** which it has used to begin introducing Low Emissions Zones in Scotland's major cities – designed to enforce environmental standards and reduce environmental pollution. This is also expected to support Scottish Government ambitions to **reduce car kilometres travelled** and to **phase out the sale of** diesel vehicles.

Within communities, housing is an important part of tackling inequalities and improving living standards. Since its establishment, the Scottish Government has had **full powers around housing since devolution**: to support and encourage housing development, including designating land for housing, and enabling more local development. Within this, affordable housing is key, and the government has set itself a target of ensuring at least 110,000 affordable homes are built by 2032, of which 70% will be for social rent and 10% in remote, rural and island communities. This follows a commitment in the last parliament to see 50,000 built over that five-year period which while (just) met overall fell short of the 70% social rent target.

Since its establishment, the Scottish Parliament has passed various pieces of legislation to provide greater protection to tenants in the private rented sector and strengthen their rights, including the Housing Scotland Acts 2001 and 2003. To take further action on housing standards costs, the Private Housing (Tenancies) (Scotland) Act 2016 introduced new standards for private tenants, and enhanced protections against evictions.

Notably, the 2016 Act also introduced the **ability for local authorities to apply to be designated a 'rent pressure zone'** which could then introduce a cap on rents in that area. While this was hailed as a step towards addressing rent costs, the power has been criticised as being too onerous and centralised (Wightman, 2020) – to date, despite spiralling rent costs, no local authority has been designated as such a zone. In response to the cost-of-living crisis, the Scottish Government did, however, introduce an emergency Cost of Living (Tenant Protection) Scotland Act which will **freeze rents and impose a moratorium on evictions until at least March 31, 2023**.

This sits alongside **housing-related benefit powers**. As well as the use of DHPs to increase the affordability of housing and mitigate the bedroom and benefit cap (discussed previously), the Scottish Government also funds the locally administered Council Tax Reduction Scheme (around £359 million in 2021-22) – though concerns have been raised that this is too tightly targeted – which existed prior to devolution, but with full power now resting with the Scottish Government.

Relatedly, since devolution the Scottish Government also **has powers to address homelessness** – with the Homelessness etc. (Scotland) Act 2003 passed in the first parliament introducing new duties on local authorities – though it may at points interact with the causes of homelessness (for example, reserved social security policy). Most recently, in 2017 a goal was set to eradicate homelessness and rough sleeping. The most recent statistics, however, show that it is a pervasive issue: between 2019-20 and 2020-21, homelessness applications, households assessed as, or threatened by, homelessness, and households in temporary accommodation all increased (Scottish Government, 2022). While these increases may in part be driven by pandemic-related reasons, ultimately homelessness applications are still broadly consistent with their 2017-18 level.

In response, the Scottish Government has again made a number of commitments. This action includes strengthening homelessness prevention duties on public bodies, scaling up rapid

rehousing centres (to replace night shelters) and also prioritising Housing First. This action is backed in part by a £50 million Ending Homelessness Together Fund over this parliament – though it remains to be seen if either funding or policy (particularly Housing First) delivers the necessary scale.

The Scottish Government's stated ambitions on community and place all sit within their broader commitment to tackling climate change and reaching net-zero. This is an area where they have **stretching legislative targets (to reach net-zero by 2045, five years ahead of the rest of the UK)** but where competence becomes more complex and difficult.

Most notably – and more recently a source of renewed tension between the UK Government and Scottish Government's – is the continued **reservation of exploration and extraction of offshore oil and gas, alongside the generation and supply of electricity, oil and gas**. Related, **powers to take a more directive approach also remain reserved** – including industry regulation and incentivising behavioural and industry change through fiscal policy (for example polluter/carbon taxes).

Set against this, however, the Scottish Government can use its powers (and, particularly, funding) to **encourage and support decarbonisation and its pursuit of a 'just transition'**, particularly within the north-east, away from oil and gas into renewable technologies.

In particular it has set a national infrastructure mission to substantially increase capital spending in new and green technology, investing an additional £2 billion in low-carbon infrastructure technology over this Parliament and funding a £500 million Just Transition Fund for the north-east over the next decade. This sits alongside wider funding to invest in new technologies, and in turn leverage private sector investment, and to increase renewable energy capacity and technology.

One notable area of work to accelerate decarbonisation is within heat in buildings, with a government commitment to decarbonise the heating of at least 1 million homes, and the equivalent of 50,000 non-domestic buildings, by 2030, and in turn securing greener, lower cost energy, through improved efficiency. That is an issue of particular importance for inequalities given the continued prevalence of fuel poverty which can also exacerbate health conditions.

Despite a general reservation on 'energy', **the ability to promote and encourage energy efficiency, and create schemes to tackle fuel poverty, has been devolved since the Scotland Act 2012**. Since then, the Scottish Government has funded a range of fuel poverty and energy efficiency schemes, including cashback and loan schemes for green heating. As part of an overall commitment to invest at least £1.8 billion over this Parliament in home and building heating programmes, £465 million will go to support those least able to pay for home energy improvements.

The Scottish Government also has powers to take legislative action and has committed to a number of statutory requirements to address energy efficiency, including requiring: new buildings where a building warrant is applied to use zero emissions heating; all home and building upgrades – at the point of sale, change of tenancy, and refurbishment – to meet at least EPC C standards from 2025; and requiring all homes to be upgraded by 2033.

While significant policy action – and in turn funding – is being directed towards tackling climate change, set out fully in the Scottish Government's Climate Change Plan (and update), it remains

the case that **Scotland has missed its interim targets in every year** since the passage of Climate Change (Emissions Reduction Targets) (Scotland) Act 2019.

While there may be issues of competence in some areas – notably taxation and regulation – there remains a question of scale and concerns have been raised that the policies being directed towards the targets are vague in places, have delivered weak progress, and will in turn require accelerated decreases in areas where they have been absent to date (Committee on Climate Change, 2021).

8. Strengthening the role and impact of ill-health prevention

The Scottish Government has a full suite of health, care and wellbeing powers available to it – and indeed **a distinct and separate Scottish NHS has existed since the UK Parliament passed the National Health Service (Scotland) Act 1947**. Prior to 1999 these functions were exercised by the Secretary of State for Scotland, but since then full powers have rested with Scottish Ministers.

Given it makes up such a significant proportion of both the UK and Scottish governments budgets, arguably some dependency could exist at a funding level, as the Scottish budget will continue to be influenced by UK Government decisions – however, alongside a commitment to pass on all health consequential in full, the Scottish Government has also made commitments to increase frontline health spend by 20% (an additional £2.5 billion) by the end of this Parliament. Health spending in Scotland has grown as both a proportion of total expenditure and GDP – however, analysis by the Institute for Fiscal Studies shows that growth may have stalled in comparison to England, being “22% higher than in England in 1999-00, 10% higher in 2009-10 and 3% higher in 2019-20”, though this may not account for additional spending in non-frontline services, including social care (IfS, 2021).

While a distinct Scottish NHS existed since long before devolution, the establishment of the Scottish Parliament did enable a new direction to be taken in how the system was designed and structured. Notably, the (then) Scottish Executive abolished Primary Care Trusts in 2004, through the National Health Service Reform (Scotland) Act 2004 – replacing them with territorial boards – which effectively abolished any market element and set it apart from reforms in England.

While the primary focus of efforts to address health inequalities must come through in prevention, and tackling the social determinants, healthcare obviously has a leading role to play in addressing its impacts, not least in early detection of the diseases and conditions most closely associated with health inequalities, chief among them cancer, cardiovascular disease, and diabetes.

The Scottish Government has taken **action to invest in earlier detection** particularly around cancer, most recently establishing new Early Cancer Diagnostic Centres to provide an alternative referral pathway. However, despite multiple government strategies across all of these areas there is not a clear or identifiable focus on the role of deprivation and *specific* actions to address its impacts on certain conditions. Most notably, the Scottish Government’s response to a pre-budget scrutiny request “to demonstrate how preventative spend measures will continue to be appropriately prioritised as it proceeds to deliver its recovery plan for health and social care services...” was noticeably absent any specific monetary figure put on prevention spend.

A further issue is the extent to which secondary care – which will treat the impacts of health inequalities and related illnesses – continues to take precedence over primary care which can play a frontline role in helping address their root causes. However, again the Scottish Government has made positive commitments on funding – to increase primary care funding by 25% over this Parliament – alongside more recent policy shifts to enhance the role of primary care in supporting community health and wellbeing – particularly when this can address social, not medical, issues at root.

Alongside moves to **redesign urgent care** to shift people away from secondary, where appropriate, to the right care pathway for them, significant reforms have been seen through the **recruitment of 300 community link workers**, who work within GP practices providing non-medical advice (for example on housing and money). These are intended to provide a source of advice and support which can direct people away from primary care and towards the appropriate services. These link workers are part of a larger multidisciplinary team (MDT) aimed at creating additional capacity and ensuring people can access the right care within one place. From this year, the Scottish Government has also started funding the establishment of community health and wellbeing teams within GP practices – with the aim of every GP Practice having such a service by 2026.

While these are positive moves, designed to enhance the role of primary care in communities, early studies have suggested that progress with MDTs has been slow and not yet seen improved care for people with complex needs (Donaghy et al, 2022).

Mental ill-health can have a particular impact on wider health inequalities, both exacerbating and being exacerbated by existing conditions and wider factors. Again, it is an area where the Scottish Government has the full powers available and has made strong funding commitments – including to **increase direct mental health investment by at least 25% over this Parliament, to ensure at least 1% of all frontline NHS spend goes on CAMHS by the end of this Parliament** (Scottish Government, 2021a).

This will support the delivery of the actions set out in the Scottish Government’s mental health strategy 2021-2027 and its post-covid Mental Health Transition and Recovery Plan, including recruitment of additional mental health workers. However, set against this, **progress towards national targets, still falls short.**

According to the most recent statistics, 81.4% of people referred for psychological therapies in the quarter ending June 2022 started treatment within 18 weeks – broadly consistent with the previous year but short of the 90% target. More worryingly, just 68.4% of children referred for CAMHS were seen within 18 weeks, down on both the previous quarter and year, and far short of the 90% target (Public Health Scotland, 2022a).

As the final part of the overall ‘system’, social care has been particularly prominent – particularly recently, with the Scottish Government’s intention to **legislate for a new National Care Service**. This would transfer responsibility for social care – potentially both children’s and adult services – from local authorities, and the NHS, to a new National Care Service (which in practice may not be a single service). A draft National Care Service (Scotland) Bill was laid before the Scottish Parliament in June 2022.

Social care is significant part of the overall system – **in 2020-21, around 1 in 25 people were receiving some form of social care support or service during 2020-21** (Scottish Government, 2022e). While overall rates have stayed broadly consistent, it is recognised that Scotland has an ageing population, and this is likely to grow. Again, the Scottish Government has also made significant funding commitments in pursuit of this and wider social care ambitions, including to increase spend in social care by 25% by the end of this Parliament.

One of the key features of social care post-devolution has been its integration with healthcare, brought about through the Public Bodies (Joint Working) (Scotland) Act 2014. This established health and social care partnerships between local authorities and local health boards.

While a radical reform – intended to ensure that healthcare was more responsive and delivered in a community setting rather than hospitals where possible – in practice there are questions as to whether it has truly changed the model of healthcare in Scotland (as the reform is sometimes misunderstood as doing), over and above putting certain health services within the responsibility of local authorities (as the legislation did).

We have been unable to source any full-scale evaluation of integration but, perhaps unsurprisingly, high-level analysis has found significant variation in outcomes across the country (SPICE, 2021). Moreover, despite the stated intention of integration to see a shift towards community care, delayed discharge, and the occupation of hospital beds by people who could otherwise be discharged, is a persistent issue – often due to suitable accommodation not being available, or funding not being in place (for example, for a care home).

A further aspect of this is **‘free’ personal care – in place for those aged 65 and over since 2002 and expanded to everyone, regardless of age, since 2019** – for those receiving care either residentially or at home. Ultimately, there can be a misconception – perhaps due to integration – that, like healthcare, social care is free at the point of use. While, in principle, this is a hugely positive reform, it is free for those who are *assessed* as needing it by their local authority. This can again mean substantial variation across the country.

As part of its response to the Feely Review, and the development of the National Care Service, the Scottish Government has, however, recently increased the rates of allowances for people who ‘self-fund’ residential care and has committed to removing charging for non-residential care.

Beyond the health and social care ‘system’, the Scottish Parliament also has **full powers around public health** – though, as noted in some examples to follow, this can hit up against reservations concerning consumer protection and regulation. However, despite continued progress since before devolution – and going back to the Second World War – that has stalled, and health inequalities are worsening.

Obesity continues to be prevalent in Scotland, with exacerbating actors of stigma and deprivation, and in turn being closely linked with incidences of Type 2 diabetes. In 2020, around two-thirds of adults in Scotland were estimated to be overweight or obese, with the risk factor being consistently higher in more deprived areas (Scottish Public Health Observatory, 2022a).

The Scottish Parliament has full powers to legislate around food standards and nutrition. Action has been taken here, including existing requirements on nutritional standards in schools, etc, and a proposed Public Health Bill in this parliament to restrict the promotion of food and drink high in fat, sugar or salt. However, there is no ability to tax or apply levies to those at source (for example, the soft drink levy is a UK-wide scheme).

Of particular note within public health, **Scotland was the first part of the UK to ban indoor smoking**, through the Smoking, Health and Social Care (Scotland) Act 2005. This was followed by further restrictions around tobacco products, including the Tobacco and Primary Medical Services (Scotland) Act 2010 which banned, amongst other things, the display of tobacco products by most businesses and the sale of cigarettes by vending machine.

As an example of where the devolution settlement can throw up issues of competing competence, this faced a legal challenge. It was argued that these provisions were outwith competence as they invoked reservations on consumer protection and regulation – however, the Supreme Court ruled against this challenge (House of Commons Library, 2022). The Scottish Government has committed to taking further restrictions forward, including potential restrictions on the advertising and promotion of vaping products.

Overall, as a result of action to tackle the prevalence of smoking, **smoking-attributable deaths have fallen consistently over the last two decades; however, it remains a leading, preventable cause of premature death** – in 2019 accounting for an estimated 300 deaths per 100,000 population in those aged 35 and over, and there remains a significant deprivation gap, with smoking-attributable deaths in the most deprived areas being over three times higher than in the least deprived areas (Scottish Public Health Observatory, 2022b).

Alcohol related disease and death is another area which both causes, and is caused by, significant health inequalities – and again, an area where Scotland’s statistics are stark. In 2021, **alcohol specific deaths rose 5%**, to 1,245, continuing a steady increase since 2012. Most worryingly, rates of alcohol-specific mortality are 5.6 times higher in the most deprived areas compared to the least deprived (National Records of Scotland, 2022) – suggesting another area where a health inequality and income-specific approach is required but may not yet be a reality.

One of the most significant actions taken to date in Scotland has been the introduction of alcohol minimum unit pricing, in 2018. This was expressly designed to tackle harmful drinking, reduce harmful drinking, and save lives. Scottish Government modelling estimated 400 fewer alcohol-related deaths within the first five years of operation (by 2023) – however, the statistics do not bear this assumption out. Studies to date have also been limited and at times found competing results of the impacts of MUP on harmful drinking consumption habits (Public Health Scotland, 2022b).

Perhaps most significant, harmful, and tragic of all public health issues in Scotland is the **persistent drugs death emergency**. In 2021, there 1,330 drugs deaths in Scotland – while this was a marginal decrease (1%) on the previous year, and the first year a decrease was seen since 2013, it remains the second highest ever total. Once again, people in the most deprived areas were at a far greater risk of death than those in the least deprived areas, by 15.3 times (National Records of Scotland, 2022).

In response to the crisis, the Scottish Government declared a ‘national mission’ to tackle the drugs death emergency, with an additional £250 million to be invested in measures over this Parliament. This includes increased capacity for residential rehabilitation and frontline treatment, additional funding for alcohol and drugs partnerships (though following a number of years of funding cuts) and expanded treatment and recovery options through new Medication Assisted Treatment standards (Scottish Government, 2021a).

This is an area, however, where there remains persistent issues around the competing competencies of the UK and Scottish parliaments, particularly in regard to the establishment of ‘safe consumption rooms’, with the **misuse of drugs remaining a reserved matter**. After years of debate – including a high-profile, pioneering example of safe consumption rooms being established by one individual, at their own personal (legal) risk – the Scottish Government

committed in 2021 to exploring legal avenues to support their establishment, though it is unclear how much progress has been made to date.

The Scottish Government has shown wider support for heroin-assisted treatment, providing funding to expand services in Glasgow and committing to identify more areas where it can be introduced – though questions remain about scale, and in turn impact. Equally, the Lord Advocate, in their role as head of the Scottish prosecution service, has used ‘softer’ powers available, issuing drugs-related diversion from prosecution guidelines.

9. Scottish Government funding

As the preceding overview has demonstrated – while there remain a number of important reservations (most notably, and key to addressing inequalities, within social security and employment) – the Scottish Government has wide-ranging legislative and policy ability to take action to address health inequalities and their social determinants. Underpinning, and key to delivering against those, however, is the issue of raising the necessary revenue to adequately fund them. This is, ultimately, one of the key determinants of delivering progress, and at the right scale – and where issues of competence remain.

While the Scottish Parliament has had tax varying powers since its establishment these were initially quite limited, and in turn were not utilised by successive governments – however, that changed with the passing of the Scotland Act 2016. This provided the Scottish Parliament with far greater powers over tax, including the ability to vary both the rates and bands of non-saving, non-dividend income (while the personal allowance remains reserved to the UK Government).

This represents a significant increase in the tax powers available, compared to the previous devolution settlement; however, devolved tax revenue (excluding council tax and non-domestic rates) still only accounts for around a third of total Scottish Government resource funding. The majority of the Scottish Government's budget is still determined through the Barnett formula and UK government block grant, and in turn dictated by UK spending decisions.

This is due to a process known as 'block grant adjustment' which, for income tax, is taken off the block grant to account for the devolved tax powers employed by the Scottish Government. This is done through a complex process – and can also result in both positive and negative reconciliations being applied in later years – but essentially reflects funding which would have been provided had those taxes not been devolved.

This means that the total revenue devolved taxes bring in will always be relative to the growth, or otherwise, of tax revenue in the rest of the UK, the total additional funding the Scottish Government can generate through tax powers can still be restricted, and there can be volatility and uncertainty in the Budget setting process which may hinder long-term financial planning. To show a worked example of this, we can consider the 2020-21 Scottish Budget for which final outturn figures were just published in July 2022.

At a time when Scottish Government tax policies raise around £500 million more than if they replicated UK Government policy, the draft budget for 2020-21 forecast devolved income tax revenue of £12.37 billion, set against an income tax block grant adjustment of £12.32 billion – therefore, just a net 'benefit' for devolved tax policy of £46 million (Scottish Government, 2020).

However, these figures can be adjusted again through the reconciliation process – outturn figures show that actual revenues were £11.59 billion against a block grant adjustment of £11.85 billion, a difference of £96 million (HM Treasury, 2022). This will result in a positive reconciliation of £50 million being applied to the Scottish Government's budget in 2023-24. However, it also vastly differs from the Scottish Government's previous forecast that it would see a *minus* £221 million reconciliation. This demonstrates the extreme budgetary volatility under the current devolution settlement but also, potentially, the limited additional funding that can be generated. As part of their forecasts provided for the draft budget 2022-23, the Scottish Fiscal Commission forecast that the income tax gap would reach -£417 million by 2026-

27 (though this will be revised with the latest outturn figures and subsequent economic forecasts) (Scottish Fiscal Commission, 2021).

Both the total revenue generated, and the offsetting impacts of the block grant adjustment, is driven by a range of factors – not least the relative growth in wealth and earnings in Scotland compared to the rest of the UK and in turn the profile of Scottish taxpayers. The highest band is dominated by a very small number of individuals- and according to the latest HMRC outturn figures, the proportion of taxpayers in the highest Scottish rate is around half that of taxpayers in the highest rest-of-UK rate – meaning it becomes ever more difficult to raise additional funding by focusing solely on this group and those around this level.

While outwith the scope of this study, there may be further changes that could be made to tax policy in Scotland to generate increasing revenue. However, it is clear that the existing powers available to the Scottish Government – at least through their current use, and just as importantly the profile of Scottish taxpayers and relative growth in tax revenue – does not raise significant additional funding.

A further limiting factor may also be the continued reservation of some of the most significant taxes. For example, the reservation of savings and dividends taxation and corporation tax limits the ability of Scottish Government to apply national-level wealth taxes. The most recent ONS wealth statistics show that Scotland has the lowest median wealth of any UK region but in turn the third highest most unequal distribution of wealth (ONS, 2022b), while the nominal value of revenue generated in Scotland through corporation tax (excluding North Sea revenue) is estimated at £3.2 billion. Specific to health inequalities, the ‘sin taxes’ of tobacco and alcohol duties – which generate estimated revenue of £2.6 billion in Scotland – also remain reserved.

Compounding this is the issue of the Scottish Government’s borrowing powers – which are sometimes assumed to provide more flexibility and opportunity than they do. Capital borrowing is *relatively* flexible – with the Scottish Government able to borrow up to £450 million a year, up to a cap of £3 billion, some of which could potentially be used for infrastructure related to tackling health inequalities or related policy areas. Revenue borrowing however, is much more fixed and most importantly does not enable the Scottish Government to borrow to fund discretionary spend. Instead, it may borrow up to £600 million a year (up to a cap of £1.75 billion) but only to address tax and social security forecast errors (i.e. where higher lower than expected tax receipts or higher than expected demand-led social security spend occurs).

Finally - and relevant to addressing the often geographically unequal impact of health inequalities – the Scottish Parliament also has full power (though, in the main, devolved to local authorities) over the setting of council tax. This is a significant source of revenue, with £2.723 billion in council tax billed in 2021-22 (though, at the time of statistics being published, 95.6% was collected), after council tax reduction was applied (Scottish Government, 2022f). While this is a significant amount, it is also one which is recognised as being generated in a regressive way, with bills the lowest as a proportion of income for the highest income households (albeit council tax reduction corrects for this to a limited extent but in an arguably inefficient way).

A previous council tax freeze – whereby the Scottish Government froze rates from the 2007 election, up until 2021, with funding provided reimburse local authorities for lost revenue –not only perpetuated this regressive revenue generation but also done so in a way which has then generated between £600m and £900m a year less than would have been the case if it was set at

the same level as in England and Wales (FAI, 2019): essentially, policy decisions have reduced revenue while not necessarily making the system fairer.

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