

About us

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

Our budget priorities

It's time to build a fairer, greener Scotland, free from poverty. We call on the Scottish Government to deliver a just and compassionate budget that puts people first, not only utilising the additional £3.4 billion allocated by the UK Government for bold anti-poverty action, but also ambitiously uses their devolved taxation powers to generate the further revenue needed for urgent investment in our public services and communities.

Every year, our Challenge Poverty Week campaign policy asks call for systems change to address the root causes of poverty. These asks remain our central calls for this budget. We are calling for substantive action to ensure Scotland is a place where we all have: a safe and secure **home**; access to affordable and reliable **public transport**; an adequate **income** to live a decent and dignified life; **food security**; and access to third sector organisations that are well resourced through **fair funding**.

As such, our key asks for the 2025/26 Scottish Budget include:

- Adequately funding the delivery of new social homes through the Affordable Housing Supply Programme, and allocating funding to ensure that existing social homes are well-maintained and suitably adapted to meet people's needs;
- Ensuring transport funding is directed towards networks which meet the needs of local people; this includes expanding concessionary travel to under 25s, those receiving low-incomes and disability benefits, unpaid carers and asylum seekers;
- Allocating sufficient funding to deliver the roadmap to the Minimum Income Guarantee, including investment in social care; expansion of the funded childcare entitlement to low-income households; and further increases in the Scottish Child Payment;
- Delivering universal free school breakfast and lunch provision to all pupils in Scotland; and
- Providing funding to community and voluntary organisations that follows SCVO's definition of fair funding and takes account of the increase in employer National Insurance contributions.

Introduction

Budgets reflect the choices and priorities of our Governments. We are clear that our political leaders must take responsibility to build a better economy and society that allows all people the income necessary to live in decency and dignity. Whilst we recognise that the 2025/26 Scottish Budget comes in the context of a challenging fiscal environment, it also comes in the context of one in five people in Scotland (21%) - rising to one in four children - having their life chances restricted by the preventable injustice of poverty. The risk of poverty continues to be particularly high for certain groups including disabled people, Black and minority ethnic people and single parents, over 90% of whom are women.

The impact of the COVID-19 pandemic and the ongoing cost of living crisis have seen people struggle to access the financial security - through employment, public services and social security - that would enable them to live well.

If the Scottish Government are to be true to their core policy objective of eradicating child poverty, they must choose to meet these challenging fiscal and social contexts with decisive action, taking a different path to ensure investment in people and our critical public services. This is not just essential for people's wellbeing, but is also critical for building a strong economy.

We are therefore urging the Scottish Government to deliver a just and compassionate budget that not only utilises the additional £3.4 billion allocated by the UK Government for bold anti-poverty action, but also ambitiously uses their devolved taxation powers to generate the further revenue needed for urgent investment in our public services and community organisations.

We cannot build a strong economy unless we invest in people and public services. That is because the people of Scotland are the economy; it is made up of the sum of everything we do. When we all have access to good healthcare, education, childcare and housing - when we are able to live in security - we thrive, and so does our economic wellbeing.

However, broken systems are costing us all every day. The time, stress and money spent on navigating broken transport and housing systems, insecure food infrastructures, and rising child and social care costs are making life impossible for people across Scotland, and particularly those living on low incomes. This not only has an individual and household impact; when people are unable to support their local communities or access employment, it is a drag on our economy.

In August, over 100 of the Poverty Alliance's members - representing charities, trade unions, campaign groups, and community organisations - came together in a joint letter to the First Minister, asking him to put action to tackle poverty at the heart of the 2024/25 Programme for Government.¹ In recognition that those living in the grip of poverty cannot afford to wait, these diverse organisations showed their support for a range of critical actions including ensuring: safe and secure homes; affordable and reliable public transport; implementation of the Minimum Income Guarantee; food security; and fair funding for the third sector.²

These critical actions remain at the centre of our asks for this budget.

¹ See <https://www.povertyalliance.org/programme-for-government-2024/>

² Challenge Poverty Week (2024) *Overview of Key Policy Asks 2024*. Available at: https://www.povertyalliance.org/wp-content/uploads/2024/08/An-Overview-of-our-Policy-Asks-for-Challenge-Poverty-Week-2024_v2.pdf

Putting action to tackle poverty at the heart of the budget

The Poverty Alliance and our membership have welcomed the development of key strategies designed to tackle poverty and inequality in Scotland, including that on child poverty. This strategy has been accompanied by the introduction of statutory child poverty targets. While this leadership is important - and government actions are forecast to lead to a fall in child poverty - it has not yet facilitated a meaningful reduction in overall poverty rates in Scotland.

The latest scrutiny report from the Poverty and Inequality Commission on child poverty concluded that limited progress has been made towards meeting these targets. They are clear that reaching the interim poverty targets would now require an unprecedented eight percentage point reduction in one year, and achieving the 2030 targets will require transformative change in relation to all drivers of poverty.³ **We agree that the necessary pace and scale of resourced action has not yet been taken to shift the dial on poverty.**

Whilst action to raise incomes through policy interventions like the Scottish Child Payment is making progress - showcasing what can be achieved with commitment to, and funding for, significant change - the Poverty and Inequality Commission states that:

“Progress in other areas is slow or not evident at all, and we are seeing the impact of budget cuts, or the failure to invest sufficient additional funding, in some of the key commitments in Best Start, Bright Futures, including in the areas of employability, childcare and affordable housing.”⁴

Poverty is a breach of our human rights, undermining people’s ability to meet basic needs such as food, housing and transport, and access opportunities like fair work. Fulfilling the Government’s legal duty to respect, protect and fulfil human rights requires resourcing, so **taking a human rights approach to Government budgeting would ensure that resources are used to effectively realise people’s rights and address inequality.**

The forthcoming budget is therefore a critical opportunity to ensure that Scottish Government anti-poverty commitments, which are bold in their intent, are backed with adequate resourcing.

Using our taxation powers to invest in our public services

Utilising Scotland’s powers over taxation is a critical tool that the Government can choose to use in building a fairer Scotland through public investment. Better tax builds better budgets, which builds a better future for all of us.

The Scottish Government has already taken welcome steps, which have made our taxation system more progressive. Before the UK Government’s budget announcement, the First Minister made a welcome intervention outlining the need to *“invest boldly to improve living standards, increase equality, and protect the planet”*.⁵ Since then, the Chancellor of the Exchequer has taken positive steps towards unlocking our country’s massive wealth to fund

³ Poverty and Inequality Commission (2024) *Child Poverty Delivery Plan Progress 2023-24*. Available at: https://povertyinequality.scot/wp-content/uploads/2024/06/Executive_Summary_Child_Poverty_Delivery_Plan_progress_2023-2024_Scrutiny_by_the_Poverty_and_Inequality_Commission.pdf

⁴ Ibid.

⁵ Scottish Government (2024) *Invest to Grow: First Minister’s Speech*. Available at: <https://www.gov.scot/publications/invest-to-grow-first-ministers-speech/>

that investment by, for example, increasing rates of Capital Gains Tax.⁶ These are encouraging signs that political leaders are responding to the demands and expectations of the public on progressive tax for investment. However, whilst a move in the right direction, we must be clear that there is still a long way to go. We are in agreement with the Poverty and Inequality Commission that the current process of tweaks to existing levers “*is an inadequate response to the scale of the challenges facing public finances.*”⁷

As an example, last year, the Scottish Government chose to freeze council tax. While this was recorded as a cost of living measure, this is not progressive taxation. This decision has undoubtedly had negative consequences for those living on low incomes and further embedded inequality in Scotland. About two thirds savings are seen by the top half of the income spectrum, those who are the most able to pay higher council tax rates. Meanwhile, the freeze only saves the poorest households an average of 50p a week whilst making no difference to the 450,000 low-income households who receive Council Tax Reduction.⁸ Freezing council tax has inevitably meant less money for critical, locally-delivered public services that form a vital lifeline for people living on low incomes. It is estimated to have cost the Scottish Government at £148m,⁹ a value that would have significantly reduced the in-year budget cuts announced by the Government in September.

A renewed approach to tax for social investment is therefore urgently needed. The Scottish Budget is an opportunity to take us further along the road to a better collective future. The Scottish Government must explore opportunities to harness Scotland’s wealth to tackle poverty, utilising their powers over taxation to raise the revenue necessary to invest in our public services and social security safety net.

This renewed approach should use Scotland’s existing tax levers - like Scottish Rate of Income Tax - more progressively, while also using devolved powers to implement new and improved forms of local taxation that target under-taxed wealth. Costed proposals from the Scottish TUC show how this could unlock an annual £1.1bn of extra revenue for social investment in the short-term, and an additional £2.6bn a year through a package of longer-term reforms.¹⁰ Previous proposals by IPPR Scotland projected raising a £1.5bn a year in additional annual public resource.¹¹

Ensuring Scottish social security support matches the real cost of living

Our social security systems are a public service that should be there for all of us when we need it. We are calling on the Scottish Government to increase the other low-income

⁶ HM Treasury (2024) *Autumn Budget 2024*. Available at: <https://www.gov.uk/government/publications/autumn-budget-2024>

⁷ Poverty and Inequality Commission (2023) *How better tax policy can reduce poverty and inequality: Recommendations for an effective and accountable Scotland*. Available at: https://povertyinequality.scot/wp-content/uploads/2023/10/How_better_tax_policy_can_reduce_poverty_and_inequality_October2023.pdf

⁸ IPPR (2023) *10,000 children left in poverty by ineffectual council tax freeze*. Available at: <https://www.ippr.org/media-office/10-000-children-left-in-poverty-by-ineffectual-council-tax-freeze-ippr-scotland-says>

⁹ Fraser of Allander Institute (2023) *Policy announcements at SNP Conference: what do they mean for Scotland?* Available at: <https://fraserofallander.org/policy-announcements-at-snp-conference-what-do-they-mean-for-scotland/>

¹⁰ STUC (2023) *Raising taxes to deliver for Scotland*. Available at: <https://www.stuc.org.uk/resources/scottish-tax-options.pdf>

¹¹ IPPR (2024) *The case for fair tax reform in Scotland*. Available at: https://oxfamapps.org/scotland/wp-content/uploads/2023/09/The-case-for-fair-tax-reform-in-Scotland-Joint-briefing-FINAL_September-2023-1-2.pdf

benefits delivered by Social Security Scotland in April 2025 by at least the rate of inflation, to ensure they retain their real-terms value.

We have welcomed the introduction of the Scottish Child Payment (SCP), and its subsequent increases in value. Through our work we know that the Payment is having a demonstrably positive impact at an individual household and family level, with Social Security Scotland processes having made applying for this support less stigmatising. We know that the payment has assisted in easing the pressure on household budgets, helping to keep families afloat.

This is a bold policy that could be bolder still. IPPR Scotland's modelling shows that an increase to the SCP to at least £40 per week would lift a further 20,000 children out of poverty, over and above the 40,000 children expected to be lifted out by existing payments. This would surpass the interim targets, making good progress towards the 2030 goal.¹² **We will continue to call for the SCP to be increased to £40 per week.**

The Scottish Government must also boost the value and administrative responsiveness of the Scottish Welfare Fund and act quickly to implement the findings of its review.¹³ The funding allocated to local authorities by the Scottish Government for Scottish Welfare Fund awards has remained stagnant at £35.5 million since the 2020/21 budget, despite significant increases to everyday essentials. Further to this, £49.9 million worth of Scottish Welfare Fund awards were given in the 2023/24 financial year, representing a 129% overspend.¹⁴ This additional funding came from already stretched local authority budgets, and indicates the need for further national level funding. This is having visible consequences on the availability of the fund for those in crisis, with the latest statistics from the Scottish Government highlighting that award rates had fallen in most quarters of 2023/24. This is partly related to increasing pressure on budgets.¹⁵ There is, therefore, an increasingly urgent need to boost the value of the Fund.

Progressing the Minimum Income Guarantee

To reflect the need for anti-poverty action across all policy-making, our key policy focus is the Minimum Income Guarantee (MIG) and the interim steps that are needed to deliver this. **A MIG is an idea centred on setting a minimum income level below which people would not be allowed to fall.** Income adequacy is central to effects to address poverty, and any serious effort to tackle poverty must have adequate incomes at the centre. **A MIG will require more than just change to social security; made up of several complementary parts, it would be delivered through reform to our public services, changes to the world of work, and improvements to social security.** The Scottish Government have given a clear, welcome commitment to developing a MIG, which is being progressed by an Expert by Experience Panel, Steering Group and an Expert Group, made up of poverty and equality organisations, trade unions and academia.

¹² Institute for Public Policy Research (2023) *Poverty doesn't have to be inevitable – it needs political will and investment to eradicate*. Available at: <https://www.ippr.org/blog/poverty-doesn-t-have-to-be-inevitable-it-needs-political-will-and-investment-to-eradicate>

¹³ Scottish Government (2023) *Review of the Scottish Welfare Fund: Main Report*. Available at: [Review of the Scottish Welfare Fund: Main Report](#)

¹⁴ Scottish Government (2024) *Scottish Welfare Fund Statistics: annual update 2023-24*. Available at: <https://www.gov.scot/publications/scottish-welfare-fund-statistics-annual-update-2023-24/documents/>

¹⁵ Ibid.

Ahead of the Expert Group's final report – expected later this year - we have published a series of papers¹⁶ which summarise the output of seminars with our members on different aspects of the MIG. In our session on resourcing the MIG,¹⁷ attendees were clear that costs associated with progressing the MIG were necessary, and actions to raise this revenue were essential. They were also keen to emphasise that the cost of the MIG must be put into the broader context of the huge economic and social costs associated with poverty in Scotland, including within our education and health budgets. This engagement project has highlighted the need for stronger evidence on the socioeconomic cost of poverty, including the benefits of increased preventative spend.

The forthcoming Expert Group report will outline a potential roadmap to delivery of a MIG in Scotland, including actions such as increases in the value of the Scottish Child Payment, investment in the care economy and expansion of concessionary travel to low-income households. However, to make this a reality, the Scottish Government's budget must allocate sufficient funding for the initial steps to delivery. We look forward to working with the Scottish Government on the delivery of this potentially transformational policy.

Responding to the mental health impacts of poverty

Scotland's mental health and cost-of-living crises are deeply connected. Poverty is a key driver of poor mental health; people struggling to pay their rent or mortgage, feed their families, or cover essential bills are at higher risk of developing mental ill health. This is compounded by the effects of poverty-related stigma. Our recent report on stigma and mental health with the Mental Health Foundation highlights that experiences of poverty-related stigma are associated with greater levels of anxiety and depression.¹⁸ In gathering the views of 1,000 people living on £30,000 or less, it found that 82% of survey respondents believed those on low incomes often experience at least one type of structural stigma.

Poor mental health can also make accessing employment and managing money harder, which places individuals and households into a cycle of financial vulnerability.

As such, we are very concerned about the effect of cuts to the mental health budget that came in September, and the real-terms cut - frozen in cash terms - that mental health spend has seen in successive budgets. **We urge the Government to meet their mental health spending commitments in the tackling child poverty delivery plan so that they effectively meet demand and deliver accessible, integrated and stigma free support.**

Valuing the third sector through fair funding

Scotland's third sector is essential; it is often at the frontline of efforts to challenge poverty, helping to shape policy and providing vital support to people who are held back from being able to live in decency and dignity. The impacts of the pandemic and the on-going cost of living crisis have seen demand for support provided by the third sector soar.

¹⁶ See <https://www.povertyalliance.org/mig/>

¹⁷ The Poverty Alliance (2024) *Funding the fight against poverty: how do we pay for the Minimum Income Guarantee*. Available at: <https://www.povertyalliance.org/wp-content/uploads/2024/10/2.-Funding-the-fight-against-poverty-1.pdf>

¹⁸ The Poverty Alliance, the Mental Health Foundation and the University of Strathclyde (2024) *Experiences of Poverty Stigma and Mental Health in the UK*. Available at: <https://www.povertyalliance.org/experiences-of-poverty-stigma-and-mental-health-in-the-uk/>

Yet too many organisations are themselves without the financial security they need to survive and thrive. There are now further questions about how increases to employer National Insurance contributions, announced in the UK Government's budget, will impact those charities and community groups who are already struggling to keep their doors open.

It is clear that a fair funding approach is critical to adequately valuing the crucial work that our voluntary and community organisations deliver for us all, but particularly for the most vulnerable in Scotland. SCVO have defined fair funding¹⁹ as a long-term, flexible, sustainable, and accessible approach to funding. This includes, but is not limited to:

- Longer-term funding of three years or more;
- Flexible unrestricted core funding;
- Timely decision-making and payments;
- Accessible and proportionate application and reporting processes; and
- Sustainable funding with inflation-based uplifts.

For almost a decade, the Scottish Government has committed to longer-term funding for the third sector across multiple government strategies. But this increasingly urgent commitment has not been met by action. The Poverty Alliance have consistently called on the Scottish Government to make good on their pledges to enable a sustainable third sector which can offer fair work, support volunteers, and deliver high-quality outcomes.

Challenges around funding is an ever-present issue for the Poverty Alliance's membership. We welcomed the Social Justice and Social Security Committee's pre-budget scrutiny which focused on third sector funding principles. In our response to the Committee's scrutiny,²⁰ we highlighted key challenges relating to current funding structures that our members are currently facing. These include:

- Issues with staff retention, recruitment and morale;
- A lack of capacity for future planning and strategic development; and
- Significant challenges around continuity of vital service provision.

That is why one of the core policy asks for this year's Challenge Poverty Week relates to the introduction of fair and sustainable funding of three or more years for the third sector. For this to happen, **we urge the Scottish Government to provide funding for community and voluntary organisations that satisfies SCVO's fair funding criteria and supports the increases to employer National Insurance, to make progress on this urgent issue.**

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¹⁹ The Scottish Council for Voluntary Organisations (2024) *Programme for Government Proposal 2024/25: Delivering Fair Funding by 2026*. Available at: <https://scvo.scot/p/92443/2024/06/27/programme-for-government-proposal-2024-25-delivering-fair-funding-by-2026>

²⁰ The Poverty Alliance (2024) *Scottish Parliament Social Justice and Social Security Committee Pre-Budget Scrutiny 2025-26*. Available at: <https://www.parliament.scot/-/media/files/committees/social-justice-and-social-security-committee/correspondence/2024/pre-budget-scrutiny-2025-26/the-poverty-alliance-prebudget-202526-submission.pdf>