

Equality Analysis in the Budget and Spending Review 2011 Onwards

**A Report by the Equality and Budget
Advisory Group (EBAG)**



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Foreword

The Equality and Budget Advisory Group (EBAG) developed this report in August 2010 and met with the Cabinet Secretary for Finance and Sustainable Growth on 25 August 2010. The report has been helpful in the consideration of equality within the budget process and has now been agreed to make it more widely available.

EQUALITY ANALYSIS IN THE BUDGET AND SPENDING REVIEW 2011 ONWARDS

The way that Governments raise and spend money has the potential to reduce the inequalities that occur in families, communities, markets and businesses; or to amplify them.¹

Introduction

1. In 2009, following the publication of the Equality Statement on the draft 2010/11 Budget, Cabinet asked the Equality and Budget Advisory Group (EBAG) to consider how the Scottish Government could improve the equality analysis of future budgets and spending decisions, in particular with regard to the 2011/12 Budget and Spending Review.

2. The Equality and Budget Advisory Group is pleased to provide this input to Ministers as part of the budget and spending review process. The Group, which includes representatives from the Scottish Government, Scottish Women's Budget Group, Equality and Human Rights Commission, Equality Network and COSLA (further information on EBAG can be found at: <http://www.scotland.gov.uk/Topics/People/Equality/18507/13477>) hopes that it will also contribute to the shaping of future approaches to public policy and resource management. The Group recognises the unprecedented budgetary challenges which Ministers face in the coming period and that difficult choices will need to be made. EBAG asserts that the Scottish Government is unlikely to deliver on its Purpose and make resource decisions that meet policy objectives under its economic strategy, its social policy frameworks and its National Performance Framework, with greater transparency, unless equality is explicitly considered.

3. The approach set out within this paper is intended to ensure that equalities issues are given due consideration and weight in key decision-making, and fits with the Purpose. Delivery on key Purpose targets, the National Outcome "*we have tackled the significant inequalities in our society*", and the early intervention and prevention agenda requires a focus on how budget decisions address structural inequalities and impact on protected equalities groups.

4. Through applying equality analysis within the framework of the public sector equality duties the Scottish Government can take account of differential impact upon equality groups and can take action to ensure that inequality is not deepened. Equality analysis therefore takes the Scottish Government further towards meeting

¹ Professor Diane Elson (2004), Chair of Sociology, University of Essex, advisor to UNIFEM, UNDF, Oxfam and past Vice president of the International Association for Feminist Economics

its goals of ensuring that frontline services deliver for different people in Scotland's communities and works to ensure that disadvantage does not become further entrenched.

Recommendations

5. The main recommendations of the Report are:

- ◆ Equality considerations should be an integral part of the core budget and spending review process.
- ◆ The Scottish Government should aim to secure the best outcomes in this constrained environment by undertaking equality analysis and impact assessment to ensure that it makes informed and better targeted budgetary decisions.
- ◆ Given the severe economic situation, the focus for equality analysis and impact assessment in the 2011-12 Budget should be on spending priorities and on those proposals for material reductions or increases in resources. Where there is a risk of a negative impact, consideration should be given to steps that can be taken to mitigate that impact. In future however it is expected that equality analysis will be an integral part of all spending and budget planning.
- ◆ There should be an Equality Statement to accompany the draft Budget 2011/12 and spending review proposals.
- ◆ Consideration should be given by Ministers to strengthening this and future budget preparations:
 - By developing a clear set of underpinning principles creating a more strategic approach to the development of spending plans overseen jointly by policy and finance;
 - By establishing a central internal "challenge" function within Scottish Government structures where the "equalities challenge" would ultimately sit along similar lines to a Treasury function in the UK Government; and
 - By generating and embedding a cross Directorate understanding of the budget process.
- ◆ Scottish Government should consider how it will approach the following challenges with a mind to ensuring that equality analysis is an integral element of any intervention:
 - finding ways to reduce the demand on public services through early intervention and prevention; and
 - finding more efficient and responsive means of delivering services by redesigning and/or reconfiguring.
- ◆ Scottish Government should give a particular focus to undertaking equality analysis and impact assessment on the strategic policy frameworks and significant policy developments which in the coming period will form the

basis for economic recovery, public service delivery and work that is undertaken locally by public authorities.

- ◆ Consideration should be given as to how equality can be better reflected in the localism agenda and be explicitly linked with the single outcome agreement process.
- ◆ Efforts should be made to develop the skills and capacity of staff across Government and the public sector to undertake cross agency /cross directorate assessments and analysis in the light of public service redesign.
- ◆ There should be a greater understanding of the particular links between equality (and the nature and extent of inequalities in Scotland) and economic activity, productivity and participation. These links should be reflected more systematically in policy development and key Scottish Government published documents and frameworks.
- ◆ Efforts to improve the availability of data available should continue. In particular, work should continue on the development of the Equality Measurement Framework to ensure its alignment with the National Performance Framework.
- ◆ Scottish Government should demonstrate leadership on equality by the equality analysis of its spending and policy decisions and by conveying positive messages about the importance of considering the needs and experiences of equality groups² and vulnerable communities³ within the budget process.
- ◆ The future work of EBAG should be linked systematically to the development of the Scottish Government's Budgeting for Outcomes work.
- ◆ The future work of EBAG should evolve to include the consideration of how the monitoring of the actual impact of spending decisions might be improved in future in ways that assists in the move towards outcome budgeting.

² The term 'equality groups' refers to the wide range of equality characteristics that will be protected under the Equality Act 2010 including age, gender, disability, race and religion amongst others. While the legal protection does not cover all of these characteristics yet, it is good practice to consider all characteristics in the work we do. The term 'equalities' covers the same equality characteristics referred to above but also includes socio-economic group and health inequalities, which are essential to consider in equality analysis.

³ Vulnerable groups or communities are considered to be those from disadvantaged socio-economic backgrounds and/or those within some equality groups such as women, disabled people, ethnic minorities and older people who are overrepresented in low income groups. It should be noted that not all equality groups would be considered to be vulnerable.

Focus of the Report

6. In this paper EBAG focuses on three main areas. Firstly, the report reflects on the evidence and some of the contextual issues around the recession, economic recovery and growth, the pressure on public spending and potential contraction of the public sector. Further analytical detail can be found in '*Coping with change and uncertainty Scotland's equalities groups: a scoping study*⁴'. The Group argues the relevance of addressing issues of equality as an integral part of the drive to increase productivity, participation and solidarity. The report stresses the importance of integrating equality considerations in key strategic frameworks and policies (such as the plans for economic recovery) and argues that addressing equality issues in spending and reduction plans is essential for more informed and better targeted budgetary decisions. It also highlights the importance of the public sector equality duties and that these can be a helpful lever for change and improvement.

7. Secondly, options and specific mechanisms for embedding equality within the next budget and spending review process are outlined. EBAG has taken a pragmatic approach to what can be done at this stage.

8. Thirdly, what needs to be done in future is highlighted. The report explores the opportunities presented by the sheer scale of the funding pressures to look afresh at how public services are provided and delivered and at a macro level, to consider what further adjustments might be made in the current approaches to policy, budget processes and resource management. In particular, the report looks at the moves to redesign public services and the management of resources; reflects on how equalities analysis will be a key element of such changes but that it too will need to be undertaken in a new way. EBAG suggests that analysis and impact assessment will need to be developed much more in collaboration and partnership with a range of providers and service users, necessarily reflecting the increased complexity and shared nature of public service delivery, and that this will present capacity challenges for the Scottish Government and its service delivery agents.

Spending for Economic Growth

9. The Scottish Government has important choices to make about where to prioritise spending and how to reduce costs. The Cabinet Secretary for Finance and Sustainable Growth has made clear his commitment to, and focus on, economic recovery and protecting frontline services which people value. EBAG agrees that these are important priorities and would argue that there are relevant equality dimensions within these areas. Measures to promote equality and address inequality are necessary in the drive for economic growth and wellbeing, increased productivity and participation.

10. The Government's Purpose is sustainable economic growth so that all of Scotland can flourish. This acknowledges that "as well as being a desirable outcome

⁴ Scottish Government (Communities Analytical Services, with contributions from ScotCen, the Coalition for Racial Equality and Rights and Napier University), 2010, *Coping with change and uncertainty Scotland's equalities groups: a scoping study*⁴, <http://www.scotland.gov.uk/Topics/Research/by-topic/equalities/publications>).

and characteristic of growth, addressing social, regional and intergenerational equity is also a key driver of growth”.⁵

11. Inequalities in employment, training, education and health can affect the productivity and performance of the economy. For example:

- ◆ Productivity can be constrained if there is reduced access to employment opportunities and scope to make full use of Scotland’s human resources and skills. There are considerable barriers to women, minority ethnic communities, disabled people, older people (and now younger people) accessing and reaching their full potential in the labour market;
- ◆ The participation target is placed at risk by the number of people who are economically inactive, which will increase during this coming period;
- ◆ The Government’s population target might be challenged by the impact of the recession on migration flows. Reduced job opportunities may deter potential migrants, as may an environment in which minority ethnic communities are more likely to be unemployed and experience discrimination; and
- ◆ The solidarity target will be affected by the reduction in the growth of incomes and reduced employment opportunities. Amongst those most vulnerable are lone parents, disabled people and young people who are over-represented among low income groups.

12. That equality is important for individuals but also for society is well evidenced in many recent reports – including *Coping with Change and Uncertainty Scotland’s equalities groups: a scoping study*. Social spending directed at equality groups leads to better outcomes across the board. The Government Purpose and the inclusion of the outcome “we have tackled the significant inequalities in our society” within the National Performance Framework demonstrates that the Scottish Government shares this understanding that a more equal and just Scotland contributes to our economic and social wellbeing. This thinking is reflected further in the three Social Policy Frameworks *Achieving our Potential*⁶, *Equally Well*⁷ and *Early Years*⁸. However, this understanding is not always reflected in the Government’s key economic documents and policies leading to concern that important equality dimensions are being missed. EBAG asserts that it is vital that equality considerations are incorporated into key strategic policies and frameworks. The Group suggests that there are stronger links between the work on equality and the economy than is currently being reflected in core narratives, and recommends that work is undertaken to identify how better to achieve the Purpose targets in ways that promote equality and reduce inequality.

⁵ Scottish Government (2007) *The Government Economic Strategy*

⁶ Scottish Government (2008) *Achieving our Potential: A framework to tackle poverty and income inequality in Scotland*

⁷ Scottish Government (2008) *Equally Well: Report of the Ministerial Task Force on Health Inequality*

⁸ Scottish Government (2008) *Early Years Framework*

Financial and Economic Context

EBAG acknowledges the unprecedented challenges which Ministers and leaders in the public sector are facing in relation to managing the impact of the recession and the prospective substantial reductions in public sector spending. Analysis from the Office of the Chief Economic Adviser suggests it could take until 2025/26 for the Scottish Government Budget to return to 2009/10 levels - a total adjustment period of 16 years. During this period the cumulative loss, compared to a scenario where the Scottish Government Budget was assumed to remain at its 2009/10 level in real terms, is estimated to be approximately £39 billion.

13. There are several important dimensions arising from the recession for equality groups impacting them as employees in the public sector and in terms of the services they use and value most.

Equality, Vulnerable Groups and Socio-economic Disadvantage

14. Vulnerable groups are an essential consideration in spending decisions. The impact of spending decisions on equality groups is closely linked to their impact on “vulnerable” individuals, not least due to over-representation of equality groups (disabled people or ethnic minorities for example) among the most disadvantaged in our society.

15. The three social policy frameworks *Equally Well*, *Achieving Our Potential* and the *Early Years Framework* set out the early intervention and prevention approach advocated by the Scottish Government, aimed at reducing disadvantage and inequalities. They set out the case for ensuring that public services are refocused to ensure that they meet the needs of those most vulnerable to poor outcomes, and to support shifts in resources to ensure that individuals, families and communities are able to achieve their potential. Early intervention and prevention must be prioritised as effective ways to break generational cycles of disadvantage. There is a strong economic case for doing so: this will generate future savings for Government and for wider society.

16. Progress on the Solidarity, Cohesion and Participation Purpose targets also require that Ministers do not lose their focus on the most “vulnerable” – particularly in the context of an economic downturn - and considering the impacts of budgets on “vulnerable” groups is a critical part of this.

Employment

17. Unemployment has been rising during the period of contracting output and is still rising although less than might have been expected compared to previous recessions. The reasons for this are not clear although it is suggested that the resilience of the public sector has provided a buffer so far. However, as the forecast public spending reductions are realised, unemployment in the public sector is expected to rise significantly. There are likely to be employment impacts which will be acutely felt in some geographical areas, such as Glasgow and rural areas, and on groups such as women, disabled people, young people aged 16 – 24, some ethnic minorities and older pension age people. Lower skilled workers may be pushed out

of the market by those newly unemployed with higher skills. This in turn may have a disproportionate impact on particular groups – again young people and disabled people. Women already experience disadvantage in the labour market and their situation is made worse by the fact that they are less likely to have savings or investments. Lone parents, 90% of whom are women, are particularly vulnerable to poverty and indebtedness.

18. As EBAG describes the potential impacts of the recession and spending cuts in this report it should be emphasised that the groups most affected are those already facing considerable disadvantage and inequality. Beyond the impacts of the recession, there are deep-rooted and systemic inequalities which characterise the labour market. These include, for example, occupational segregation between men and women and the continuation of gender pay and minority ethnic employment gaps.

Structural inequalities, experienced by some of the equality groups, which preceded the downturn, suggest that there are factors beyond the general performance of the economy which influence their labour market outcomes. Recent labour market changes can obscure deeper, and more enduring, differences which may require more than a return to economic growth to resolve⁹

19. It is therefore paramount that when the impact on communities of spending proposals are being considered, this should include not only whether the proposals are likely to improve or exacerbate their situation, but also whether there are opportunities to address underlying structural inequalities.

Services

20. The reduction in public spending and the contraction of the public sector and public services will directly affect equality groups. The “social income” provided by these lifeline services is relied on by the range of equality interests, but the shifts in funding and cuts in provision may impact particularly on some groups more than others. For example, there are likely to be particular gender implications. The situation of some groups including disabled people who are increasingly prevalent amongst the most vulnerable can live in precarious circumstances and may be less able to absorb ‘shocks’ due to relatively small changes in their circumstances, such as cuts to services they rely on. Pushing “vulnerable” groups further into exclusion can make the ‘scarring’ effects of disadvantage substantially worse, and generate further demands on services downstream.

21. According to the Office for National Statistics¹⁰, there are nearly twice as many women working in the public sector in Scotland as men – 64% versus 36%. In Scotland, women make up just over 70% of the local government workforce (they

⁹ Equality and Human Rights Commission (2009) *The equality impacts of the current recession*, www.equalityhumanrights.com

¹⁰ Office for National Statistics (2009) *Annual Population Survey*

are particularly concentrated in education and social services sectors)¹¹. The lifeline services more susceptible to cuts or change such as home based care, elder and respite care, childcare, debt advice, fuel poverty and housing are used mainly by women but also cuts in these sectors will more likely impact women's employment.

22. Women are not only more dependent on the 'social income' provided by these services than men, but women will also be impacted by the removal of these services and may be called on to carry the burden of cuts in caring services.

23. Disabled people are particularly reliant on public sector support and services and so cuts in public spending are likely to impact strongly. In addition, these cuts in combination with the prospective programme of welfare reform recently announced by the UK Government will amplify the disadvantage.

24. The needs of disabled people, or indeed, other equality groups will not diminish with the cuts in any particular service but the demand may be displaced to other service providers, the voluntary sector or indeed the local community. It is clear that services to equality groups could be further impacted by other measures adopted to tackle the budget deficit for example by moves to tighten eligibility criteria for care or social support and the resulting substitution of statutory provision by informal care and support from families and friends.

25. Scotland's current and future demographic profile indicates that the demand on public services is likely to increase at the same time as resources are set to decrease. The gap will not be filled by efficiencies alone – there is an urgent need to look at the design and provision of public services. Equality analysis will be crucial in this process. In this regard the work being done around independent living and in the context of the reshaping of older people's care present useful models for consideration and learning.

26. The public sector plays a key role in Scotland's society and economy. Much of Scotland is rural and is reliant on the public sector to do more than just provide services. Therefore it is important we think about the invisible glue that holds communities together. The public sector has a role to connect communities, building cohesion and wellbeing. We need to be sure that the changes that are made now for the short term do not take away the very infrastructure that supports community resilience and which, once gone, will be costly or almost impossible to rebuild.

Third Sector

27. The third sector plays a vital role in the engagement of communities and the delivery of services. This sector will be faced with funding cuts and, with reduced resources, will have to deal with increased demand. Furthermore, many of these organisations provide key services for equality communities supporting, for example, disabled people to live independently, childcare in deprived areas, frontline services for women and children affected by domestic abuse. There are also particular communities whose principal support comes from the voluntary sector. For example outside of NHS medical provision, LGBT communities are solely reliant on the third sector. These services provide passporting of individuals between mainstream services, so the effectiveness of these core services will be impacted by their

¹¹ Scottish Government (2010) *Joint Staffing Watch Survey*

removal. Evidence¹² shows that the third sector also has a role as an employer, providing part-time and flexible employment themselves, particularly for women.

Tax and Benefits

28. The UK Government's recent decisions around tax particularly the VAT rise and benefit cuts are likely to impact the most vulnerable more severely than the wider population. It is expected that equality groups will be affected as consumers, as recipients of benefits, as users of services and as low paid employees of public sector services. This brings about a potential "double whammy" of either having to pay more for existing services from less income, or services are reduced or cut altogether affecting a person's total package of social support. A knock-on effect of fiscal change might also be the possible increase in demand on public services and those provided by the third sector.

General Approach to the Budget

29. It is not the purpose of this report, nor in EBAG's remit, to make recommendations on spending allocations but the Group does want to make some general points on the approach to the Budget and Spending Review before providing some recommendations for the process.

- ◆ Government has a choice about how it applies the spending reductions. The SPICE briefing from 16 April 2010¹³ is useful in this respect. It outlines a number of ways in which this could be done with different potential impacts. Some approaches may be more likely to impact negatively on frontline services and equality groups for example spreading the reductions evenly across budget areas 'salami slicing'; others may afford more protection for equality groups for example targeted provision or basing decisions around priorities. The Group would suggest that 'salami slicing' may make it more difficult to avoid disproportionate impacts on particular groups and would seem to work against a more holistic and strategic approach to identifying spending priorities, managing reduced resources and remaining outcomes focused. Whilst a targeted or priorities approach may be preferable, prior equalities analysis will assist in the development of the priorities and will be necessary to ensure that the benefits to, or negative impacts on, equality groups are not overlooked. It is also important to acknowledge the cumulative impact of different decisions across different budget lines and the potential negative impact that a number of decisions added together could have on equality groups.
- ◆ During a period of tightening spend there may be an inclination to make expedient choices with budgets that are not committed or are "non statutory" particularly as these will be considered 'easier' to cut.

¹² The social economy turnover in Scotland showed a 4.3% increase (in real terms) between 2008-9 while turnover of the Scottish Economy as a whole increased by 0.3% (in real terms) over the same period (<http://www.scotland.gov.uk/Topics/Statistics/Browse/Business/SocEconomy/SocEcon2009>)

¹³ The Scottish Parliament, SPICE The information Centre, Finance Scrutiny Unit Briefing, Budgeting and Equalities (16 April 2010)

Programmes for equality groups traditionally sit on the outside of mainstream spend and are therefore at greater risk of being cut. Cumulatively this could have a significant impact on equality groups and vulnerable communities if it were allowed to play out, especially if it was not corrected by a refocusing or better targeting of mainstream spend. It will be essential to maintain a holistic focus in planning spending if such challenges are to be met.

- ◆ There are also issues around reductions in spend in one area having a direct impact on another. For example, reductions in spend on adapting social housing for disability or age may have an unforeseen impact on the social care budget at local level as individuals become more reliant on other services.
- ◆ There should be an analysis of the programmes identified for cuts and also the priority spending areas and an effort made to look at the impact of decisions cumulatively and holistically across internal Government structures and also across different levels of government i.e. local government and NHS.
- ◆ In the short term, whilst it will be difficult to achieve in all cases, we should do our best to avoid decisions which could impact negatively on Scotland's longer term outcome of reducing significant inequalities. The Scottish Government should also in the short term move beyond efficiency savings and cuts towards embracing thinking around how outcomes and services might be achieved differently through service redesign, reorganisation or restructuring. As far as possible the Scottish Government should ensure decisions are not taken in the short term in a way that makes the longer term work of redesign and/or reconfiguring of services around needs more difficult.
- ◆ EBAG also suggests that more needs to be done to better target spending in the priority spending areas. This crucially relies on stronger analysis at the start of the policy process. This will also need leadership across Government on the value and importance of equality analysis and the development of appropriate skills and capacity amongst policy officials and analysts.
- ◆ The approach will take time and will not be achieved fully this year. As such EBAG suggests that work continues beyond November to support and develop the equality analysis which will underpin these new developments.
- ◆ EBAG recognises that there will be tensions to be addressed on a number of fronts including:
 - How to reconcile the potential conflict between achieving climate change targets and addressing the needs of disadvantaged communities for example in areas such as transport, fuel poverty;
 - How to support the redesign of services which, in the long term may provide savings and efficiencies, but which in the short term may require investment at a time of reduced resources;

- How to balance the potential cost saving of moving to the targeting of services against the loss of universal provision; and
- How to invest to maximise economic growth while balancing with the resourcing required to increase the proportion of income earned by the lowest earning groups, in order to support the solidarity target.
- ◆ Equality data needs to be improved because the ability to respond to current and longer term challenges depends on the quality of data and analysis. In this respect EBAG agrees with the Equal Opportunities Committee on the importance of accurate equality data¹⁴. The Group recommends therefore that work should continue on the Equality Measurement Framework to collect and collate relevant data and on developing disaggregated data on the indicators and outcomes within the National Performance Framework.
- ◆ There will also be a need to consider how officials working in both the Scottish Government and within public authorities are equipped for these new challenges. Concerted work needs to be done to increase their skills and capacity to undertake equality analysis across agencies and policy areas, and in undertaking the more complex stakeholder engagement which this demands.
- ◆ There is a need to improve the understanding around the value and purpose of equality analysis. In addition to the important role it can play in identifying and helping to address the needs of communities in policy and spending decisions, it can also contribute to: improvement in performance towards outcomes; more effectively targeted provision; and a richer perspective on key strategic issues such as economic policy.

Reshaping public services - designing public services around needs of citizens

30. The shifting relationships and the value of community involvement in defining needs and taking action is becoming more relevant for the public service reform agenda as is reflected in the terms of reference for the Independent Budget Review¹⁵ group which includes:

- ◆ The importance of designing public services around the needs of the citizens that use them; and
- ◆ The appropriate balance between government, community and individual action in the delivery of the outcomes that matter most to them. Shifting responsibility to individuals and enabling communities to take action themselves has interesting equality aspects to it.

¹⁴ Equal Opportunities Committee Official Report, 23 March 2010
<http://www.scottish.parliament.uk/s3/committees/equal/or-10/eo10-0601.htm>

¹⁵ Independent Budget Review: the report of Scotland's Independent Budget Review Panel (July 2010) <http://www.scotland.gov.uk/About/IndependentBudgetReview/Resources/final-report>

31. Many of the services which may be open to redesign are those that are directed to equality groups. It is important to acknowledge that not all current models and services meet the needs of our communities and there is a case for review and redesign (engaging the communities concerned) where further gains could be made in both efficiencies and in outcomes for people.

32. Two examples where a greater focus on equality can offer benefits (both in efficiencies and outcomes) is in and around services to disabled people and the measures to support Independent Living and in the review of Older Peoples Services.

Independent Living

Independent Living is a vision of equality for disabled people based around a barrier-free environment and is about maximising the opportunities for disabled people to participate in society. It recognises the contribution a disabled person can make from their lived experience. It puts disabled people in the driver's seat of policy and service development. The work around independent living provides an opportunity to channel resources more effectively to better meet the needs of individuals. Disabled people who are empowered and enabled to live independently may be better able to participate in the labour market (crucial to the Purpose targets on participation, and as 41% of households containing a disabled person have incomes of less than £10,000 also helps with the Solidarity target). The work being undertaken to achieve change in this area is being done on a model of co-production. This is a model based on equalising power and ensuring that those affected are fully engaged in the mapping of the issues and in design and delivery of the solutions.

Older Peoples Services

The Older Peoples Services review is being carried out in conjunction with the Health Directorate and COSLA. It acknowledges that the current systems in place cannot sustain the increase in the proportion of the population over 65 and the increased costs of institutional care. Financial pressures and workforce issues will also contribute to current arrangements not being sustainable. This is part of a process to look at alternatives which might provide effectively for older people and has incorporated a joint Equality Impact Assessment (EQIA) on the possible differential impact on population groups.

COSLA and the Scottish Government have come together to assess the changes needed and the scale of the issue. They are now effectively creating a shared view of the challenges and solutions needed. Undertaking a joint EQIA also benefits both sides as they share the effort and the results (reducing the time and effort taken) but also producing a better assessment of impact. There is more that can be learnt from this approach.

Community Engagement

33. The consultation and involvement of equality groups is a legal responsibility on public bodies under the public sector equality duties. It is an obligation which is a valuable tool for improving understanding and providing insight into community needs and experiences. Successful engagement with service users including those

in equality groups can transform the way services are delivered. In developing our approaches to community engagement it is vital to remember that not all communities' needs are the same, they will not speak with one voice and priorities will clash. Furthermore there is the need to consider the capacity of people to engage. Some in the community will be able to engage and to take more of a role, however, others may not. In the context of diminishing resources attempts to empower communities must be properly considered and resourced. Additionally there is a danger that inequality will be entrenched further if additional responsibilities are placed on those who have least capacity to take them on or who are already shouldering disproportionate responsibility.

Localism

34. Following the introduction of the Concordat and Single Outcome Agreements, the bulk of decision making with the potential to impact on communities rests with Community Planning Partnerships, including local authorities and health boards. The framework within which both national and local decisions are made is a shared one around the Purpose and shared National Outcomes. Increasingly there will be shared approaches to policy development, service design and delivery.

35. This move to localism means that central government has less direct control over significant budgets but increased potential to influence the achievement of shared outcomes. In this regard, the Scottish Government has a key role to play in undertaking equality analysis in the development of strategic policy and frameworks particularly those that form the basis for local provision. The Scottish Government can also demonstrate leadership by conveying positive messages about the importance of the public sector equality duties and the value of equality analysis in the decision making process. More could be done to highlight that equality is part of Best Value and there will be opportunities to raise the profile during the roll out of the new public sector equality duties.

36. The opportunities presented by the new relationship between central and local government are not always recognised by communities and stakeholders. There are fears amongst communities about their future support and some feel that the absence of ring-fenced funds has made their plight more precarious. It is understandable that some organisations are calling for a return to ring-fencing as a way of protecting services to "vulnerable" groups at a time when reform of services may fundamentally change the relationships between providers and users. We appreciate the Scottish Government's view that local government is best placed to understand the needs of their communities and that support may be directed accordingly. However, communities need assurance that their needs will be considered. Equality analysis, which involves engagement with communities and understanding the evidence available, if undertaken and used, should improve decision making and provide community assurance.

Progress to Date

37. Last year, an Equality statement on the draft 2010/11 budget was published. EBAG welcomed this as a good first step, as did the Parliament's Equal Opportunities Committee and equality interest groups. All agreed that it was a

starting point from which the agenda would move forward. The aim for EBAG this year has been to improve the process of equality analysis underpinning the spending plans and budget. At a time of reduction in public spending there is greater need for more systematic embedding of equality.

38. EBAG is pleased with the developments to date which include:

- ◆ Strategic links with the Scottish Government's Budget Strategy Group and their agreement to include equality considerations within the core budget process. We also note and welcome that early agreement has been reached that in the short term the focus for equality analysis will be on:
 - Priority spending areas – particularly those which are deemed highly relevant for equality groups. We would be expecting that policies and programmes within these areas to be assessed for their impact on equality.
 - Areas where there are significant changes proposed in resources. Proposals for material reductions or increases in resources available for a particular programme or group of programmes will be assessed for the impact on equality groups and, where there is a risk of negative impact, an assessment of the steps that could be taken to mitigate against that impact will be made.
- ◆ The integration of specific equality questions within the first phase of the main budget commissioning correspondence from the Finance Directorate. This is an important step early in the process which should enable Ministers and senior officials to consider the high level impact of any initial proposals and to have positioned this within their approach to future developments. It will also increase the confidence of Ministers that they are meeting their statutory equality obligations; and that stronger, more transparent and fairer decisions will be able to be taken in a difficult climate.
- ◆ Research on the impact of the recession on equality groups and their resilience to it carried out by the Scottish Government analysts¹⁶ We have also drawn upon both this and also the findings of three critically significant national reports *An Anatomy of Economic Inequality in the UK*¹⁷, *Fair Access to the Professions*¹⁸ and *The Marmot Review on Fair Society, Healthy Lives*¹⁹.

¹⁶ Scottish Government (Communities Analytical Services, with contributions from ScotGen, the Coalition for Racial Equality and Rights and Napier University), 2010, *Coping with change and uncertainty Scotland's equalities groups: a scoping study*¹⁶, <http://www.scotland.gov.uk/Topics/Research/by-topic/equalities/publications>).

¹⁷ Hills, J (Chair) (2010) *An Anatomy of Economic Inequality in the UK: Report of the National Equality Panel*, London: Government Equalities Office

¹⁸ Milburn, A (Chair) (2009). *Unleashing Aspiration – The Final report of the Panel on Fair Access to the Professions*, London: Cabinet Office

¹⁹ Marmot, A (Chair)(2009). *Fair Society, Healthy Lives- The Marmot Review*, London: University College London

- ◆ Work to encourage early capacity building of senior officials so that they are prepared and equipped to provide the analysis for Ministers. We note that a workshop for Directors took place on 29th June 2010 and that others are planned later in the process.
- ◆ Increased support for teams working on the budget preparations and relevant policy areas.

Independent Budget Review

39. EBAG welcomes the Scottish Government's decision to commission the Independent Budget Review (IBR) and note that its report was published on 29 July. The remit of the IBR included taking into account "the importance of protecting and supporting the most vulnerable in our society" and it is important that the spending review process does so too. The Treasury Spending Review also includes a requirement to limit the impact of spending reductions on the most vulnerable. The timing of the IBR report has meant that EBAG will not be able to reflect on its recommendations in this report but intends to do so later. The Group expects to make some initial comment at the meeting with the Cabinet Secretary for Finance and Sustainable Growth on 25 August and more fully thereafter.

40. The Group also values the opportunity to input further provided by the Cabinet Secretary for Finance and Sustainable Growth's decision to consult with the public on the IBR's report and would hope that every effort is made to engage equality groups in this.

Next Steps

41. While EBAG is pleased at how the budget setting process has developed since last year and the inclusion of equality within the core process is welcome. There are further steps that could be taken this year that would further improve the process.

42. The Group's focus in the coming period will be to advise further on how to improve the equality analysis undertaken across Government and to ensure that this is developed as part of the main budget process. Ultimately this should be core business and an integral part of budget preparations which is led by the parts of the Scottish Government responsible for finance and strategy and contributed to by equality officials.

Second Phase of Budget Process

43. Between August and October finance and policy officials will be considering the findings of the IBR, preparing for the comprehensive spending review and testing various options for both spend and savings. The development of earlier plans and consideration of new proposals will be ongoing. The Group would expect that equality considerations will be part of this process and reflected in any further commissioning or advice notes.

44. Equality policy and analytical officials will work with finance and policy teams across the office on the equality analysis and in identifying key areas on which to concentrate more detailed work.

45. The Cabinet Secretary for Finance and Sustainable Growth might wish to consider what in addition to this report, and attached evidence, he and his Cabinet colleagues would find helpful to assist them in the process of considering the impacts of proposals on vulnerable communities and equality groups. The Group has included a short set of questions which might serve as an initial checklist and would of course be happy to provide a workshop or briefing for the Cabinet if so desired.

A Challenge Function

46. Since devolution spending has increased year on year there has been little imperative to develop strategic pre-expenditure assessment and robust process of test and challenge. Further, the roles of finance and policy have been largely separate in the process. In the new environment the need for closer collaboration and for a more strategic approach is required particularly if there is to be effective partnership across the public sector, collaboration across portfolios, incorporation of equality analysis and a focus on budgeting for outcomes.

47. EBAG suggests that there should be the creation of a ‘challenge function’ at the heart of government where the “equalities challenge” would ultimately sit. It has the potential to provide for a more robust structure at the heart of government developed perhaps along the lines of the Treasury function in the UK Government. This year the IBR is providing an external challenge function but consideration might be given to trialling some internal approach which could provide some helpful test, challenge and screening.

Budget Documentation

48. EBAG appreciates that no decisions have yet been taken about the format and presentation of the budget and spending review decisions. However, the Group expects that there will be explicit reference to equality within the budget and spending review documentation. The Group also expects there to be an accompanying Equality Budget Statement.

49. Ideally EBAG would like to reach a point where equality is so effectively mainstreamed and there is sufficient analysis of the main priorities that it is clear from the Budget document itself how equalities have been taken into consideration. However, the Group believes that this stage has not yet been reached, and further progress is necessary before EBAG would advise that the Scottish Government dispenses with a separate Equality Statement. Instead, the Group thinks that the Statement should evolve and become a narrative which not only describes the process but shows how equalities analysis has been embedded throughout the process. Other improvements for the Equalities Statement should include:

- ◆ A clear statement that the focus is on how spending contributes to promoting equality and how proposals have considered equality and socio economic analysis;

- ◆ The use of case studies where deeper analysis could show how equality has been considered;
- ◆ The inclusion of the outputs of the various equality workshops held in preparing for the budget; and
- ◆ The Equality Budget Statement should also link as far as is possible to the Budget document. We suggest that further consideration is needed to decide how best to achieve that.

50. In preparation for forthcoming years, it would be useful to share some of the learning from the Scottish and international experience with relevant people in Government and the public sector. EBAG suggests that a seminar should be held in 2011 which reflects on current UK developments, international experiences and provides an opportunity to explore some of the new challenges and potential linkages with, for example budgeting for outcomes.

Looking Forward

51. While the Group has focused on the immediate budget and spending review process, its work has highlighted the need for there to be a longer term focus. This is in recognition of the time required to improve data and to increase the capacity of the Scottish Government as an organisation, but it is also a recognition that integration of equalities into the main budget process is also reliant on how the main budget and spending review process develops and matures within the Scottish Government.

Budgeting for Outcomes

52. The Group has noted and welcomed the work that is being taken forward within the Scottish Government on better focusing policy and spending decisions around the Purpose and on the National Outcomes. We note the ongoing work that is taking place on Budgeting for Outcomes and recognise that this is in early stages of development and will take time to mature, and think that there is benefit for the work of EBAG to be aligned more closely to that work over the longer term. Analysing budgets for their impact on people and communities fits very well alongside an approach that analyses for its impact on outcomes.

Messaging to others

53. Important messages can be sent to the rest of the public sector through the budget and the budget documentation itself. There should be explicit signals within the budget and budget narrative, and a clear indication that equality analysis has been undertaken to support key national policy frameworks such as the Economic Recovery Plan and the Skills Strategy.

Redesign of services

54. The current interest and discussion around the redesign of public services will bring new challenges to budget setting and allocation and, within that, to equalities

analysis and assessment. Many of the policies and services being considered for redesign or reconfiguration will be those that are directed at, or highly relevant to, protected groups. A shared approach to analysis with other public sector interests will need to be developed. The work taking place with COSLA looking at the future modelling of services around older people's care is relevant. EBAG welcomes this initiative and the development of timely and joint equality analysis. Using this development to also pilot a joint EQIA will be extremely helpful in providing a possible model for approaching impact assessment on other strategic issues. EBAG will reflect on the output of the COSLA and Health Directorate work on equality impact assessment of Older People's Services to see what lessons can be learnt and how they might be rolled out across the Scottish Government and shared with the wider public sector.

Internal working

55. Such approaches do require people to work in new and innovative ways. It will be important that there are the skills, capacity, resources, positive relationships and leadership in place to support future equalities analysis. Whilst the public sector has developed its skills and experience in equality impact assessment (in particular policy, service and programme areas), the new environment will present new challenges. It is not clear that there are, as yet, the capacity and skills amongst officials across central and local Government to undertake robust equality analysis around the redesigning of services which will require complex engagement across agencies, directorates and stakeholders and a more sophisticated approach to sharing data and information.

56. The tools, guidance and approach to impact assessment and equality analysis will need to be reviewed. EBAG understands that this will be done in the light of: the findings of the Equality and Human Rights Commission's (EHRC) Section 31 assessment of the Scottish Government; the decisions of Ministers with regard to the new public sector equality duties; and the steer provided by the Scottish Government's internal review of EQIA.

Equality Data

57. The Group also recognises that effective analysis relies on access to equality data and measurement information. Equality data is limited but getting better. Data on some communities like LGBT is harder to obtain. The Group notes the work that is being taken forward by the EHRC on the Equality Measurement Framework and the efforts being made to link this to the Scottish Government's National Performance Framework. However, the lack of data should not be used as an excuse for not undertaking analysis or making an assessment of the impact of proposals and programmes. Consultations and engagement with stakeholders can provide valuable information and insight.

58. Good equality data and information is core to making good policy and spending decisions. The Scottish Government and partners need to get smarter about the use of data and information about the diversity and profile of communities. Equality data is essential if the appropriate analysis is to be undertaken. It will also help to ensure better targeting of what will be reducing resources.

59. The development of the Equalities Measurement Framework has highlighted data gaps and the opportunity for greater improvement and inter-agency collaboration. As this develops there will be a real scope to share understanding of equality issues and outcomes across the public sector and to align bodies with a common aim and sense of purpose.

Local Partners

60. EBAG acknowledges the importance of the wider public sector and the Government's local partners in progressing equality. In the current climate the Group also recognises that the decisions and actions of public bodies will be of even more importance to local communities. Equality analysis and impact assessment needs to be carried out at the different levels of Government and consideration given to the impact of spending proposals at both local and national level.

61. To this end, and particularly in the light of the reconfiguration of public services, work will be needed over the next period to build the capacity of local partners. This is a difficult time for the public sector and there is already pressure on resources for staff support; for example the recent news on the reduction in equality training for the police. Ministers may wish to explore with CoSLA, Community Planning Partnerships and other public authorities how capacity can be strengthened for instance through sharing resources, training, doing joint EQIA, sharing data and best practice.

62. EBAG asks that Ministers reflect on the opportunities to incorporate explicitly equality within the next iteration of Single Outcome Agreements and to embed it further into the localism agenda. The Group realises that the development of local equalities indicators is ongoing as part of the NPF and look forward to seeing this come to fruition.

Conclusions

63. This paper sets out EBAG's views on the current issues facing equality groups in Scotland and proposals for dealing with them within the budget process. The Group's main conclusions are:

- ◆ The recession and spending reductions have already and will continue to impact communities, the Scottish Government's Purpose targets and outcomes including its National Outcome to tackle significant inequalities.
- ◆ Equality analysis and impact assessment is essential for good decision making and should be at the core of the budget process. Priority policy areas and budget decisions can be significantly strengthened with equalities analysis. Strong equality analysis is not marginal to the overall process and should be a core part of the budget process and vital to the delivery of the Purpose and Ministerial priorities.
- ◆ The budget needs to be based on a clear set of principles which should be widely communicated and shared. Some suggested principles are attached at the back of the report.

- ◆ Analysis in this budget and spending review should focus on helping shape the spending priorities and in determining the impacts on priority spend areas and those that are identified for cuts or significant change.
- ◆ The work is not about 'protection' of certain areas of spend but rather on developing the way the Scottish Government analyses its policy and programme choices. This needs to include equalities analysis to ensure that the outcomes of the decisions taken are strong, informed and defensible.
- ◆ There is a need for key strategic priorities to be assessed for their impact on vulnerable and equality groups. Further work is required over the coming months to identify key policy areas for support and focus.
- ◆ Longer term objectives necessitate a strengthening of the internal structures and processes for budget setting which could include a specific challenge function within the Scottish Government structures.
- ◆ The moves to redesign public services require closer collaboration with public partners and stakeholders and leadership and facilitating roles to be played by the Scottish Government.
- ◆ The capacity and skills of officials need to be developed to deal with the new challenges and budgetary constraints including skills on collaborative inquiry and equality analysis
- ◆ The Scottish Government needs to provide focus on leadership and behavioural change if equalities analysis is to be fully integrated into policy development and spending prioritisation and embraced positively as an essential element of good decision making.

ANNEX A PROPOSED BUDGET PRINCIPLES

Building equality assessment into the high level decision making process has never been tried before. The present bottom up approach using the EQIA tool has been criticised as not making the links to spending decisions. Successfully mainstreaming within SG is a medium term ambition reliant on skills and capacity within the office but also on the availability of data. It opens up a question as to whether there is a need for a central challenge role, similar to that provided by the Treasury at UK level, but missing within our current structure where equalities budgetary analysis and challenge might best sit over the longer term.

The following is a suggestion for what a Spending Review Process might look like incorporating an explicit consideration of equality within its remit:

We aim for a process that is:

- ◆ Outcomes focused, supports economic recovery and the Purpose and demonstrates how decision-making has been informed by our legislative responsibilities.

We aim for a process that is informed by some key principles:

- ◆ Outcomes focused
- ◆ Rigorous
- ◆ Accessible
- ◆ Consistent
- ◆ Transparent
- ◆ Evidenced based
- ◆ Equality and Carbon assessment

A proportionate decision-making process informed by these principles would:

- ◆ Be robust;
- ◆ Enable us to identify the key activities and programmes that matter most;
- ◆ Allow us to identify how decisions have been made and to demonstrate an awareness of their likely impact;
- ◆ Allow us to demonstrate compliance with equalities and carbon responsibilities set out in legislation ; and
- ◆ Be evidenced based and informed by knowledge especially on the impact of the recession and impact on different groups of people in Scotland.

Specific equality guiding principles

- ◆ To take account of differential impact upon any equality groups/individual/community;

- ◆ To consider whether differential impacts stack up on any individuals carrying several equality characteristics; and
- ◆ That inequalities should not be deepened.

Key outputs would be:

- ◆ A budget narrative clearly stating what sort of budget this is;
- ◆ An equality statement on the budget for 2011/12 informed by analysis of decisions on different communities; and
- ◆ A clear set of priorities (analysed for how they can positively influence equality).

ANNEX B SUGGESTED GUIDING EQUALITY QUESTIONS FOR CABINET

While there is no set list of questions to use when considering proposals for their impact on equality (and more specifically equality and vulnerable groups) Cabinet might wish to consider using the following which should help inform an understanding of potential effects.

Questions that will help might include:

- ◆ Which areas of policy and spend best contribute to protecting the needs of equalities groups? Are there positive impacts for equality groups of any changes proposed? (i.e. could they contribute to narrowing future inequalities)?
- ◆ How has the recession affected the demand for these services?
- ◆ What other factors affect demand in the future? (e.g. aging population)
- ◆ What will the impact of reduction or withdrawal of services be on service users and workers? Are there any disproportionate or significant differential impacts on equality groups?
- ◆ Are particular groups more reliant on the policy – either because they are more likely to work in delivering it, or because they use the service in greater numbers?
- ◆ Could a change in how the service is delivered be regarded as indirect discrimination, because it may disproportionately impact or inadvertently excludes a certain group?
- ◆ What reforms in delivering public services are being considered? What impact will the re-design and re-configuration of services have on specific users? Can these (core) services be refocused or better target the needs of those vulnerable to poor outcomes?
- ◆ What are the implications of reductions in public services employment (think protected groups i.e. gender, disabled, race)? Will they have a disproportionate or differential impact on equality groups?
- ◆ Is there an adjustment that could be made to reduce the adverse of negative impact?



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