

Institute for Public Policy Research



UNIVERSAL BASIC SERVICES

BUILDING FINANCIAL
SECURITY IN SCOTLAND

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and Casey Smith**

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SUMMARY

Financial security – or the lack of it – remains a significant challenge for families across Scotland. For many, the Covid-19 pandemic loaded greater pressure onto already strained finances. Now, as we look towards a looming energy cost crisis and rising food prices, there is an acute need to help families manage in the face of rising living costs.

But building financial security is also a critical challenge over the longer-term, as the major disruptions set to shape the 2020s – from automation to the transition to net zero – threaten the financial resilience of people across Scotland.

IPPR Scotland has argued that to tackle financial insecurity, policymakers in Scotland should be focussed on delivering a ‘living income’ for all. To ensure everyone has an adequate income that supports a decent standard of living, we have made the case for a focus on three key routes to financial security.

1. Increasing incomes through fair work.
2. Boosting incomes through the social security system.
3. Reducing costs.

Our programme to date has looked closely at how fair work and social security can play their fullest possible roles in delivering a living income. In this report, we turn to the role reducing costs can play in boosting financial security.

The Scottish government’s 2021 Programme for Government made a significant commitment to working towards a minimum income guarantee. As part of this work, Scottish government have committed to explore how universal basic services (UBS) can contribute towards a minimum standard of living for families across Scotland. As we look towards recovery from the Covid-19 pandemic and to the challenges ahead through the 2020s, we argue that a UBS approach represents a critical opportunity to reduce costs and strengthen financial resilience for families across Scotland.

In this paper we identify the largest costs facing families below a living income, set out the current policy approach for each of these areas, and discuss the potential for a UBS approach across new areas to bring more people closer to a living income. These include care, transport, information, food and utilities.

We find that childcare costs present a significant barrier to reaching a living income for families with children, and particularly for lone parent households. We find that a low-paid lone parent making maximum use of childcare support on offer will still fall short of the minimum income standard by over £140 a month – even if working full-time. We also find that transport costs represent a significant drain on household finances for families with children in Scotland, constituting over one-fifth of household costs after housing and childcare. Action to reduce childcare and transport costs will be key to guaranteeing a decent standard of living for every family. In each of these areas, extending a UBS approach would be in keeping with the Scottish model for existing services, and would help families with their costs. In addition, energy, housing and food

are all clear areas in which rising costs associated with meeting basic needs are putting families' budgets under growing strain.

Universal basic services are not a new concept. Our National Health Service and our education system represent universal basic services that emerged from the post-war settlement of the mid-20th century. As we look to rebuild from the Covid crisis, we make the case for extending a UBS approach to meet the needs of people living in Scotland in the 2020s and into the decades to come.

To decide which services are best suited to a UBS approach, we propose the Scottish government uses the following criteria.

1. The potential for a universal basic service approach to **improve financial resilience** for families and individuals.
2. The potential for a universal basic service approach to improve **efficiency** where a collective approach stands to lower costs for providers as well as those accessing services.
3. The potential of a universal basic service approach to generate **public goods** through, for example, improved health or education outcomes, or reduced carbon emissions.

With significant tax raising and borrowing powers reserved to Westminster, the Scottish government would not be able to move to a UBS approach across the range of services explored in this report immediately. Reflecting this, we identify policies that could be pursued in this parliament that would strengthen financial resilience in line with the principles of a UBS approach. These include the following.

- **Reducing up-front childcare costs:** The Scottish government should explore all available routes that might enable them to **mitigate the up-front costs associated with claiming childcare costs under universal credit**. This could follow the approach taken by the Northern Ireland executive, who offer a non-repayable grant of up to £1,500 to parents and carers in receipt of universal credit. Our analysis of available data suggests that this policy would support 900 parents in Scotland transition into work per month with a £500 grant at an estimated cost of £5 million per annum. Funds could be delivered through the Scottish Welfare Fund, or through Scotland's Social Security Agency.
- **Action on transport costs:** Building on its commitment to provide free bus travel to young people (aged under 22), the Scottish government should **extend free bus travel to those in receipt of universal credit and equivalent means-tested benefits**. This would stand to bolster financial security for low-income households, lower barriers to accessing work, education and training opportunities, while lowering transport-related emissions. We estimate that this expansion would cost an additional £50 million per year.

Looking further into the future, ambitions to deliver UBS in Scotland need to grapple with a new set of considerations and trade-offs. These include appropriate models for service provision, where and to what extent universalism should shape provision, and what role, if any, for-profit providers should have to play in the provision of basic services.

We propose that the Scottish government launch an **independent commission on the future of public services** in Scotland, to consider these questions with a view to shaping the next decade of public service innovation delivery. A decade on from the Christie Commission, the commission should bring together service users, providers and sector experts to explore the shared challenges facing services, opportunities to further embed Christie principles

across public services in Scotland, and where a UBS approach can improve national outcomes.

IPPR Scotland will also be continuing work in this area over this parliament. The next stage of our Rethinking Social Security Programme will consider in detail how a universal basic service approach could shape the provision of care and transport services across Scotland, as well as what revenue raising options within current Scottish government powers could pave the way towards a living income for all.

INTRODUCTION

REDUCING COSTS, MEETING NEEDS: THE CASE FOR UNIVERSAL BASIC SERVICES

The Covid-19 crisis has shone a light on the ways in which we rely on collective services to pool risk, and to meet our shared needs. We saw this most clearly in the NHS, that provided care at the point of need, regardless of ability to pay, throughout the pandemic – and has begun to restore public health through a mass vaccination programme. As learning moved online, care services were withdrawn, and healthcare services limited to protect NHS capacity, the vital role that these services provide in our day-to-day lives, and across our society, could no longer be taken for granted.

In a crisis that has demanded collective action on the largest scale in decades, this pandemic has underlined how much we rely on one another and on collective institutions to live secure and healthy lives. Public health has relied on a functioning NHS, an enhanced social security system, and new forms of income protection. Demand for social protections has skyrocketed, as universal credit (UC) claims more than doubled across the UK between March and November 2020 (Department for Work and Pensions 2021). In response to the pandemic, policymakers have turned to additional forms of social protection. The Scottish government has provided crisis funding to support low-income families through the crisis by expanding the Scottish Welfare Fund, the winter hardship payment, and tenant hardship grant and loan funds. Meanwhile the UK government has delivered the largest peacetime expansion of state intervention through the coronavirus jobs retention scheme, which protected some 393,400 jobs across Scotland at its peak in January 2021 (Scottish Government 2021a). We have also seen innovation at unprecedented scale and speed as the NHS has delivered a world-leading mass vaccination programme to protect public health (Baraniuk 2021).

The pandemic has made clear that our individual health and prosperity are inextricably bound to one another's. Our individual health has relied on collective efforts: not just from front line staff in health and care services, but also the willingness of friends and neighbours to get vaccinated for the sake of protecting others. The threat of the pandemic and the policy response it has required has underlined the reality that we live mutually interdependent lives. Our individual health cannot be protected without a collective effort to maintain our public health. Our individual livelihoods cannot be maintained without the care services we rely on to raise our children and meet the needs of those who are sick or disabled.

Yet through their most challenging months, though the collective institutions that we build our lives on – our schools, childcare centres, hospitals, and care services – have been rightly celebrated, these services remain under acute strain. The NHS has been pushed to the brink, in what health secretary Humza Yousaf has described as the biggest crisis in its existence (Sleight 2021). And, the Covid-19 crisis has also exposed how unevenly risk is distributed across

our society, illuminating the deep inequalities that shape Scotland in 2021. Existing inequalities have shaped the direct health threat posed by Covid-19, as people living in the most deprived areas of Scotland and South Asian Scots were disproportionately likely to die as a result of the virus (National Records of Scotland 2020a, 2020b). Meanwhile, the financial impact of the crisis has been borne most heavily by those on low-incomes, lone parent families, and disabled people (Collard et al 2021). Through lockdowns, sickness, and self-isolation orders, those who enjoy financial security have faced very different choices to those without it.

Now, as we look towards rising energy costs and a deepening cost of living crisis, there is cause for pause as we consider how we can shape a recovery from the Covid-19 pandemic that strengthens financial security and ensures all families in Scotland have the means to live healthy and fulfilling lives.

WHAT ROLE DO COLLECTIVE SERVICES PLAY IN DELIVERING A LIVING INCOME?

This paper is the third and final in our ‘living income’ series. This programme to date has explored the role of a strengthened social security system and realising fair work in building financial security across Scotland. This third report explores the role collective services could play in delivering a living income by reducing costs and pooling risk, alongside fair work and a minimum income guarantee, so that a living income is a reality for everyone in Scotland.

While it is clear to see the role that direct cash payments – such as that made by the Scottish child payment – play in improving people’s living standards, collective services also play a key part in delivering financial security. They can do this by reducing the costs associated with meeting basic needs – such as our need for health, care, shelter, education, transport, food, or information. We can see this clearly in the case of the NHS, which provides a service based on need and is free at the point of use. As well as providing many other benefits, this reduces the costs families might have to bear to maintain their health – as services are funded collectively through taxation, instead of by individuals or families absorbing those costs individually.

The financial contribution made by collective services is often referred to as a ‘social wage’. The value of services provided publicly are a benefit in kind, and act as a ‘social wage’ by reducing the costs families face. Collective services tend to be funded through general taxation and national insurance contributions, and made available to all at the point of need. They also tend to offer collective benefits, for example, in the form of a healthier or better educated population, and to have an important function in preventing future disadvantage. Collectively-provided services can also reduce the overall cost of provision to society, both through efficiency benefits and preventing deeper costs down the line.

Through this programme of research, we have defined a ‘living income’ as an income that supports full participation in life in Scotland in 2021. We have used minimum income standards (MIS) developed by JRF and the University of Loughborough as a starting point, as a measure based on the public’s view of what is essential for a decent standard of living in the UK today (see box). The measure is based on a ‘basket of goods’, including, for example, food costs, housing costs, and travel costs (University of Loughborough 2020). We can see the role services play by looking more closely at this basket: we can safely assume that a typical family living in the UK will not have to bear costs for their children’s school education, or for visiting the doctor. We can, however, expect that as things stand, a typical family in Scotland is going to have to pay to meet their basic needs relating to internet, transport and utilities, as these things are not (wholly) provided through a collective service.

WHAT DO WE MEAN BY A LIVING INCOME? INTRODUCING MINIMUM INCOME STANDARDS

This research programme has focussed on delivering a living income for families across Scotland. In order to quantify a living income in cash terms, we take as a starting point a set of minimum income standards calculated by a research team at the Centre for Research in Social Policy at the University of Loughborough for a number of different household types (University of Loughborough 2020). These standards are based on what the public say is needed ‘to achieve an acceptable standard of living in the UK today’. The standard is calculated by speaking with members of the public to identify what different households need to participate in society in contemporary Britain. Researchers then cost a basket of goods that supports this ambition. A minimum “is about more than survival alone. However, it covers needs, not wants; and necessities, not luxuries: items that the public think people need to be part of society” (Hirsch et al 2020).

Critically, a minimum income standard varies across differently composed households. This means a minimum income standard for a single person without children is different to that of a couple without children, and likewise the minimum income standard for a single person with dependent children is distinct from a couple with dependent children. Similarly, a minimum income standard varies on the basis of the number of dependent children in a household, and by the age of those dependent children. This recognises that single adults face higher costs in some areas than couples, and the additional costs associated with dependent children of different ages. For more details, please see earlier publications in this programme.

WHERE NEXT FOR COLLECTIVE SERVICES?

As we look towards recovery from the Covid-19 crisis, services will have a critical role to play in rebuilding financial security. Ambitions have focussed on the concept of ‘universal basic services’ (UBS). While not a new idea, new thinking is beginning to reimagine the role collective provision could play in building a shared future, and in navigating the uncertainty ahead in a changing world, where automation, the climate crisis, demographic change in the form of an ageing population, and deep existing inequalities challenge existing approaches to meeting collective needs.

The Scottish government has committed to exploring a UBS approach. In 2021, the Social Renewal Advisory Board, which advised Scottish government on plans for pandemic response, recommended that the Scottish government commit to the principles underpinning ‘universal basic services’, as a model for greater financial security. In response, the Scottish government made a commitment to exploring a UBS approach (Scottish Government 2021b). This was repeated in the SNP’s 2021 manifesto, which committed to exploring a minimum income guarantee and within that the idea of UBS – recognising the contribution of services like childcare and the NHS in ‘ensuring a minimum standard of living’ (SNP 2021). The Scottish government’s 2021 Programme for Government committed to exploring how UBS ‘can contribute towards a minimum standard of living, via services such as transport, digital, and childcare’ (Scottish Government 2021c).

This report explores the extent and ways in which the idea of UBS can help us reimagine the design and delivery of services in Scotland to build financial security. It does not have scope to assess all potential areas of need in detail, or to make detailed recommendations for reform of specific services. Instead, we intent to offer a starting point for a wider dialogue about what services could and should look like in future, and the role they have to play in delivering a living income for all.

1.

WHAT IS A UNIVERSAL BASIC SERVICE APPROACH?

A universal basic service approach is a framework for providing collective services that meet basic needs. The logic of UBS aims to deliver a floor for living standards in Scotland – by guaranteeing ‘a minimum standard of life’ (Portes et al 2018). A UBS approach, as developed by work from the UCL Institute for Global Prosperity, and more recently by Anna Coote and Andrew Percy, offers a ‘collective approach that supplements – and reduces dependence on – monetary income’ (Coote and Percy 2020). The case for UBS is built on a recognition of the value of collective provision – and the need to pool resources and share risk in order to meet shared needs. In doing so, universal basic services guarantee every citizen ‘security, opportunity, and participation’ – strengthening social citizenship (ibid).

Anna Coote and Andrew Percy (2020) define universal basic services through three key concepts.

- **Services:** collectively generated activities that serve the public interest.
- **Basic:** services that are essential and sufficient to enable people to meet their needs.
- **Universal:** everyone is entitled to services that are sufficient to meet their needs, regardless of their ability to pay.

Advocates of a UBS approach make the case for collective services that are sufficient to meet people’s needs, and sustainable – meaning that they are delivered within our planetary limits, and can continue to provide for future generations. This report takes this definition as a starting point for exploring how a UBS approach could be delivered across a wider range of services in Scotland.

Contrary to misconceptions, a universal basic service approach is not about one centralised service provider, offering a uniform basic service to all. Instead, its proponents argue for an overhaul of the traditional model of public service delivery, in which services are controlled by people who need and use them, and supported rather than directly provided by the state (Coote and Percy 2020). A UBS approach opens up a range of options for how collective services should be designed and delivered.

PUBLIC SERVICE OBLIGATIONS – WHAT ARE THEY AND HOW MIGHT THEY WORK?

Existing work on how to put a universal basic service approach into practice has considered what structures could support a wider range of providers to deliver collective services in the common interest. Proponents of a UBS model argue that services should be driven by a central mission to meet people’s needs, with delivery underpinned by a wider set of governing principles to underpin the contract between citizens and service providers. Anna Coote and Andrew Percy’s work has made the case for provision shaped by ‘public service obligations’, similar to those employed in the European Union for services of general interest,

with services offered on an explicitly not-for-profit basis. The Manchester School has developed ideas on how ‘social licensing’ could make the right to trade in a basic service dependent on “providing a service, plus meeting negotiated criteria of community responsibility on issues such as sourcing, training, and payment of living wages” (Foundational Economy Collective 2018).

Universal basic services should be accessible to all, and sufficient to meet people’s needs. As Anna Coote and Andrew Percy have argued, this means ‘that all citizens and/or residents are entitled to services that are sufficient to meet their needs, regardless of their ability to pay’ (Coote and Percy 2020). In practice, the concept of universalism has many and often contested meanings (Coote 2021). Work by Anna Coote and the social guarantee project describes universal basic services as a commitment to recognising what is necessary for people to ‘live a life that they value’, highlighting education, healthcare, childcare, adult social care, housing, transport and digital access within this remit. The aspiration that everyone should have access to ‘life’s essentials’ as a right based on resident participation underpins the notion of UBS (ibid). Crucially, this case for universal access does not mean treating everyone the same, but instead striving for ‘universally appropriate provision’, where access is based on need (ibid).

In practice, a UBS approach will involve trade-offs, particularly in the Scottish context where significant tax raising and borrowing powers are reserved. This includes distinguishing between services that should be provided for free at the point of need, for all – such as the NHS – and those services that require a different approach to meeting people’s needs, including a particular approach to needs assessment, such as housing. We recommend that the approach to universality is considered on a case-by-case basis across service areas, considering how services can most effectively ensure everyone’s needs are met, and be delivered pragmatically.

BENEFITS OF A UNIVERSAL BASIC SERVICE APPROACH

Reducing costs and building financial security

Collective services reduce costs and build financial security by contributing a ‘social wage’. Through providing free or universally affordable services,¹ the income people need to meet an acceptable standard of living is reduced. There is also strong evidence to suggest that collective services deliver disproportionate benefits to lower-income households. OECD research finds that public services across OECD nations account for 76 per cent of disposable income for the poorest 20 per cent of households, compared to 14 per cent for the richest 20 per cent (Verbist et al 2012).²

While this report is concerned primarily with the role of services and cost reductions in delivering financial security, previous work in this programme has underlined the critical role of social security provision in protecting against poverty. Each of work, services and social security have a critical role to play in reducing financial insecurity across Scotland.

1 Here we define affordable services as those that enable households to achieve or maintain a minimum income standard after housing and service costs have been taken into consideration.

2 This analysis considers in-kind benefits as a share of disposable income, including education, health care, social housing, early years education and care, and elderly care.

Investing upstream to prevent harm and create public goods

Universal basic services focus primarily on *upstream* prevention of harm: by providing public health and education services, and the care we need to grow up into healthy and educated adults, and to live full and independent lives as disabled people, or in our older years. In doing so, it creates public goods: a healthier and better educated population, leading to a stronger labour market. This has the potential to create a virtuous cycle whereby investments in social capital (through care, education and health services) support stronger public finances that can in turn support improvements in the quality of collective services.

In turn, social investment reduces the long-term costs faced by the Scottish exchequer. A healthier, better educated, better cared for population can be expected to lead to better outcomes across a range of critical measures – including increases in healthy life expectancy, improved labour market outcomes, and increased tax returns. Some key services offer wide-reaching returns, which compound. Investment in high quality early years education and childcare, for example, supports better outcomes for children through their educations and into their working lives. A 2017 University College London study confirmed ‘sustained improvements’ in the educational outcomes of children who attended early years education, with a higher proportion of students awarded five GCSEs ranked from A to C, as well as broader psychological and behavioural benefits (Waldren 2017). Equally, greater availability of childcare supports parents to enter or progress in work and subsequently help improve household incomes, which stands to improve child outcomes further still (Fraser of Allander 2022; Oppenheim and Archer 2021).

Narrowing inequalities

Existing public service provision has a significant redistributive impact. Free provision of basic services ‘automatically’ targets lower income households, who stand to gain disproportionately from services provided universally (Portes et al 2017, Coote and Percy 2020). Universal basic services narrow inequalities by introducing a floor on basic service provision that everyone can rely on to meet a wider range of needs. Research by the OECD finds that existing public services reduce income inequality by between one-fifth and one-third, depending on the measure of inequality used, as compared to a counterfactual of no collective provision (Verbist et al 2012). Moreover, public services can make a critical contribution to developing human capital and narrowing intergenerational inequalities, through services such as high-quality early years education and care, education, and healthcare (OECD 2018).

Pooling resource to deliver better outcomes

Universal services build financial security by pooling resources to reduce the risk that people’s basic needs go unmet. Instead of everyone having to go out to source their own healthcare, collective resources can be invested in services that meet people’s needs. Advocates of a UBS approach to public service provision argue that UBS is the logical conclusion of decades of evidence pointing to the ‘redistributive effect’ of public services, and the benefits inherent to adopting collective approaches to resolving collective social problems (Coote and Percy 2020, Portes et al 2017). We also know that market-based systems, such as the US health care system, tend to be substantially less efficient than collectively funded and provided services: US healthcare spending per person routinely outstrips spending in the UK, but delivers poorer outcomes in terms of life expectancy (ONS 2016). By pooling and sharing risk across society we ensure nobody is left behind and that everyone can benefit from a baseline of service provision which meet their basic needs and their capacity to lead decent and fulfilling lives.

Ensuring sustainability

Collective provision creates greater opportunity to manage the decarbonisation of the economy, for example through retrofitting social housing stock for energy efficiency, or through less carbon-intensive healthcare provision: the per capita carbon footprint of health care in the USA is 2.5 times greater than in the UK (Gough 2021). Accessible, affordable, and coordinated public transport provision stands to deliver a ‘people’s dividend’ by supporting thriving places, lower living costs, and greater connectivity (IPPR Environmental Justice Commission 2021).

Building social solidarity

Universal basic services also play a critical role in building social solidarity. Whether we are considering health care, education, childcare and social care, transport or housing, exercising a degree of collective responsibility is critical to ensuring that everyone’s basic needs are met (Coote 2020). This involves pooling resources, sharing risks and collective investment to serve public interests.

Collective services also have a role to play in developing social capital at the local level, through individual relationships and interactions. Local services build relationships between neighbours and members of a community, as shared assets that we all rely on. If these services are designed by local people, and accountable to local communities, they can strengthen the bonds between people while ensuring they better meet people’s needs.

Universal services also command a high degree of public support. This is clearest in public investment in and support for the NHS, which remains markedly high 70 years since it was founded (Kings Fund 2021). Collective services have a critical role to play in motivating a cultural shift towards collectivism and away from individualism, and in building social solidarity. This role takes three key forms. Firstly, universal services develop the experience of shared needs and collective responsibilities, fostering greater support to collective efforts. Secondly, they bring people together, strengthening social cohesion. Thirdly, they bring benefits to society as a whole: through their redistributive effects and role in reducing inequalities (Coote and Percy 2020). By demonstrating the real-world benefits of having services that are collectively funded and provided to all, in which all citizens are invested, universal services shape how we see ourselves in relation to one another.

Delivering services shaped by those who rely on them

In order to deliver high quality services that meet people’s needs, services need to be shaped by those who access and rely on them. This involves two key dimensions: giving people who use services power to shape how services are designed and delivered; and devolving power to the local level. Without a consistent and meaningful role for those who use services in their design, services will fail to adequately meet people’s needs – or to continue to improve the quality of the service they provide. A universal basic model fit for the future will rely on democratisation of service design to deliver services that can respond to local needs.

Local democratisation leads to better services that can meet the needs of local communities. These design principles foster innovation, supporting a range of service provision models and opportunities to try new approaches – driving better outcomes for service users.

RELATIONAL WELFARE: REVISITING THE AIMS OF THE WELFARE STATE

As we begin to envision how a universal basic service approach could work in Scotland today, we also need to consider how to fundamentally improve the design and delivery of collective services. The scale of the challenge facing the welfare state in coming decades is substantial, due in particular to the demographic challenges of an ageing population, and the rising costs associated with caring for a larger older generation living longer lives. At the same time, the existing welfare state has failed to resolve many of the large-scale social issues it set out to vanquish in the 1940s, as we still face acute problems of poverty and inequality.

To build lasting solutions to these challenges, a renewed welfare state should aim not to simply manage social problems, but also to work to help citizens flourish by building capability. This is the basis of work produced by Participle and leading social policy thinker Hilary Cottam, alongside previous IPPR research developing the idea of the ‘relational state’, which explores how the welfare state can be transformed to meet the needs of the 21st century by placing relationships at its centre (Cottam 2019; Cooke and Muir 2012).

This idea of ‘relational’ service provision is not new – but, in spite of long-standing commitments, (which we explore in chapter 2) service delivery across Scotland remains far away from realising a relational approach. Re-visiting these ambitions should be core to a universal basic service approach.

Supporting wellbeing and reducing stigma

Universal services also have a key role to play in supporting and improving wellbeing. This can come through the collectivisation of risk, whereby individuals or households do not have to take individual responsibility for sourcing services to meet their basic needs, and can rely on services to provide the foundations of a good life. Collective services also directly reduce financial stress by ensuring services are affordable to all. In this way, services that meet basic needs supports people to thrive in their personal and working lives (Gough 2020). In addition, universal services offer unique value as a means of supporting people living on low-incomes or experiencing other forms of social exclusion, as their universal nature means they are free from stigma in the way that other elements of the welfare state, such as means tested social security, are not. This can offer particular benefits through greater take-up of services across the population.

COMPARING UNIVERSAL BASIC SERVICES AND UNIVERSAL BASIC INCOME

A UBS approach draws comparisons with universal basic income (UBI), which has recently been considered in Scotland. The logic of UBS differs from that of a UBI, in that it emphasises collectivism as the basis of achieving a minimum floor on living standards, where a UBI emphasises individual choice in the market through monetary income provision. UBS calls for collective policy to resource shared services, and collective practice in delivering those services – whereas the logic underpinning UBI argues that individuals are best placed to spend their own money to meet their own needs (Coote and Percy 2020). In reality, it is likely that a mixed approach is required between monetary benefits and collective services to ensure everyone is able to meet their basic needs. For

example, disabled adults may require a cash-first approach to meeting some of the additional costs associated with disability, and access to user-directed services to meet their needs. One of the key policy questions for Scottish government is the criteria for a service to be collectively provided, explored later in this paper.

CONSIDERING A UNIVERSAL BASIC SERVICES APPROACH IN THE SCOTTISH POLICY CONTEXT

In Scotland today, we already rely on a small number of universal basic services – including the NHS, and through our national schooling system. The potential benefits of a universal basic service approach outlined above are not, however, automatic – but instead rely on designing and delivering high quality services that successfully meet people’s needs. While health and education services continue to grapple with acute challenges, this report focusses not on the specific challenges of those services but instead on how a universal basic services approach could be extended to new services.

TABLE 1.1: WE CAN SEE A UNIVERSAL BASIC SERVICES APPROACH IN PRACTICE IN HEALTH AND EDUCATION SERVICES

| Service | Universal basic service approach already in place | Partial basic service approach in place |
|-------------|---|---|
| Healthcare | ✓ | - |
| Education | ✓ | - |
| Social care | X | ✓ |
| Childcare | X | ✓ |
| Transport | X | ✓* |
| Housing | X | ✓* |
| Information | X | X |
| Utilities | X | X |
| Food | X | X |

Source: Authors’ analysis

*Note: Has UBS elements (ie free bus travel for certain age groups, social housing provision).

As table 1.1 demonstrates, there a range of services in Scotland that offer some elements of a UBS approach. These are perhaps most clear in the context of care, where in early years and childcare, the planned expansion of the Scottish government’s universal free childcare hours offer continues, and in adult social care, free personal care has been Scottish government policy since 2002. Social housing represents an area in which elements of a universal basic service approach have long shaped Scotland’s policy landscape, whereas the more recent expansion of a free transport offer for bus travel for young people in Scotland could represent the first steps of a UBS approach.

While each area outlined in table 1.1 represents an area of basic human need, there are difficult choices to be made in prioritising where the Scottish government’s finite budgetary resources might be best spent to reduce costs and strengthen financial security for families across the country. IPPR has argued for greater UK government investment to support economic recovery and social renewal through pandemic recovery and beyond, but without a

change of tack UK government decisions are likely to translate into difficult choices for policymakers in Scotland over the next parliament (Jung et al 2021; Quilter-Pinner and Hochlaf 2019). This report lays out priority actions the Scottish government could take over the coming years to boost financial security for families against the backdrop of a deepening cost of living crisis, and to pave a way towards universal basic services. It also acknowledges, however, the need for UK government action to create the fiscal conditions for long term investment in services.

2.

WHERE ARE WE NOW? SCOTLAND'S APPROACH TO COLLECTIVE SERVICES

The approach taken to collective services in Scotland is distinct from those provided in other parts of the UK. While some of these distinctions are long-standing, much of what distinguishes services in Scotland from other parts of the UK has developed over the last two decades of devolution. Collective services in Scotland have been characterised by a commitment to universalism, and more recently a focus on an outcomes-based approach to service delivery, through an approach orientated towards 'starting with the end in mind' (Friedman 2005; Cook 2017).

In this chapter, we consider how the delivery of collective services in Scotland has developed in recent years, and where improvement is needed to deliver greater financial security for families across Scotland.

THE CHRISTIE COMMISSION: 10 YEARS ON

This year marks a decade since the Christie commission on the future delivery of public services in Scotland. In 2011, an independent commission chaired by Campbell Christie sought to assess the state of public services in Scotland, and to set a course for public service reform in Scotland. The commission was distinct in its broad remit – looking across public services in the round, and across the system of public service provision in Scotland. It argued that public services are social investments, contributing to a better educated workforce, a healthier population, a more vibrant and resilient economy, and to social cohesion (Christie 2011). It found Scotland's public services to be 'often fragmented, complex and opaque', and systems that were too often 'top down' and 'unresponsive to the needs of individuals and communities' (ibid). It also identified a set of key challenges facing public services, including widening inequalities, the costs of 'failure demand', and the budgetary challenges associated with an ageing population.

The final report of the commission put forward four core principles for public service reform, each of which remain urgent priorities for public services in Scotland.

1. **People: empowering individuals and communities** receiving public services by involving them in the design and delivery of the services they use.
2. **Partnership:** public service providers should work more closely in partnership to support more integrated service provision.
3. **Prevention:** prioritising spending on public services that **prevent negative outcomes**.
4. **Performance:** delivering **greater efficiency** across services by reducing duplication.

While Christie's findings and recommendations have shaped the last decade of service reform in Scotland, many of the challenges it identified persist today. As

Christie wrote in 2011, “[t]he greatest challenge facing public services is to combat the negative outcomes for individuals and communities arising from deep-rooted inequalities”. The report remains a touchstone for government and policymakers working across collective services in Scotland.

AN OUTCOMES-BASED APPROACH

A ‘Scottish approach’ to collective services has also been distinguished by an outcomes-based approach (Cook 2017). This aims to shift from a top-down, reactive model of public service delivery, towards “more responsive, preventative, and collaborative ways of working” (ibid). These principles were developed through the Christie commission, and the Scottish government’s response (Christie 2011; Scottish Government 2011a).

This approach is illustrated on a national scale through Scotland’s National Performance Framework, developed in 2007 and later updated in 2018, which seeks to measure progress made in Scotland towards 11 national outcomes (Scottish Government 2021d). Progress towards these 11 national outcomes is measured by a series of indicators, year on year. This is supported by more detailed outcomes frameworks operationalised at the local and national level.

UNIVERSALISM IN SERVICE PROVISION

Service provision in Scotland has also been characterised by a universalist approach. This is evident in points of policy divergence between Scotland and other parts of the UK: including on free prescriptions, free tuition fees for higher education, and expanded school meals (as of 2021). A commitment to universalism has shaped Scotland’s approach to pre-school childcare over the last decade, through the expansion of free available hours to all families with children of a certain age, regardless of their work status (as we discuss below). More recently, age-conditioned universality has shaped policy developments offering free NHS dental care to young people aged 18–25 (inclusive) and free bus travel to under 22s (Scottish Government 2021e; Transport Scotland 2021).

CHALLENGES REMAIN

From failure demand to prevention?

Christie set out a clear challenge to public services to tackle ‘failure demand’ and the associated costs – that is, demand that could have been prevented by earlier preventative measures. A decade ago, this was evidenced by Scotland’s rising prison population. Following a sustained decrease, Scotland’s latest figures show a sharp rise in Scotland’s prison population from 2017/18 (Howard League Scotland 2021). Applications for crisis grants through the Scottish Welfare Fund had been rising steadily in recent years, before soaring through the pandemic (Scottish Government 2020a). Analysis from the Wellbeing Economy Alliance estimates that the excess cost of healthcare in Scotland for people who have experienced homelessness is over £900 million a year (Chrysopoulou et al 2021).

A failure to invest in quality basic services where people need them costs the public purse, as well as the individuals whose basic needs are not yet. We can see this clearly in the significant healthcare costs associated with poor quality housing. UK-wide analysis estimates that the cost to the NHS of poor quality housing could be as much as £2.5 billion per year owed to 20 per cent of homes being classified as ‘non-decent’ (Public Health Scotland 2021).

Over the last decade the Scottish government have explored new preventative approaches, including through challenge funds, which are allocated to local

partnerships to enable them to develop and test new services or models of service provision (Scottish Enterprise 2022).

An implementation gap

While the design and delivery of public services in Scotland is strong on principles, too often a gap persists between theory and practice. As Scotland's auditor general, Stephen Boyle, wrote this year, Christie's "ongoing relevance reflects the fact that the need for change persists" (Boyle 2021). A clear example of the gap between theory and practice can be found in Audit Scotland's assessment of the Scottish government's self-directed support strategy in social care, whereby the strategy introduced in 2010 that intended to give people greater choice and control over their care has shown limited progress towards delivering personalised care on the ground (Audit Scotland 2017). Another can be seen in limited progress towards closing the attainment gap in educational outcomes (Audit Scotland 2021).

NEW APPROACHES: INNOVATION IN SERVICE DESIGN AND DELIVERY

In recent years, innovation in service reform in Scotland has continued to develop. The process and recommendations from the Promise, the independent review of care services for young people in Scotland, took a radical new approach to imagining how services could be designed and operate differently.³ The £500 million Whole Family Wellbeing Fund announced in the 2021 Programme for Government offers a positive first step in taking this work forward over the next five years. Progress on outcomes for care-experienced young people is yet to be established as work on implementation continues.

The establishment of the Office of the Chief Designer within Scottish government in 2018 has also begun to drive new approaches to service design, with a focus on accessibility and digital inclusion.

Meanwhile, the newly established Social Security Scotland agency has engaged 'user experience panels' to bring people who use services and support into design and decision making. The Scottish co-production network, established informally in 2010, is also working explicitly to shift the balance of power in public services with Scottish government funding.⁴

The Community Empowerment Act of 2015 has given individual communities new powers over participation and planning, including the use and ownership of local assets. This includes legal requirements to form Community Planning Partnerships at all stages of planning processes, and 'participation requests', which enable communities to open dialogue with public bodies, such as their local authority, on issues they see as important. It also gives communities the right to request to use or own local assets held by public bodies, such as land or buildings, where they feel they could do a better job of using them, and extends the rights already held by rural communities to buy privately owned land and buildings to urban communities too. These new powers relate to services in that they offer new or reinforced routes for communities to shape the design and delivery of services in their local area. This is a positive innovation with significant potential, but it is yet to translate into change on the scale needed to transform how communities are engaged in every area of planning. Early research exploring how the act might translate into changing practice has identified persistent structural and social barriers to participation, and stressed that genuine transformation requires a shared strategy, shared resources, and shared accountability (Elliott et al 2019).

³ See: <https://thepromise.scot>

⁴ See: <https://www.coproductionscotland.org.uk/about-the-network>

3.

THE ROLE OF UNIVERSAL BASIC SERVICES IN BUILDING FINANCIAL SECURITY

Alongside the need to access healthcare and education, there are a wider set of basic needs that could feasibly be met through collective provision. In some areas, such as housing, care, or transport, we already have some forms of collective provision. But too often services fall short of meeting people's needs. What costs should we be seeking to reduce through collective services? Where could the biggest impact on financial security be achieved? In this chapter, we consider the key costs driving financial insecurity in Scotland and explore the potential for a universal service approach in reducing costs and building financial security for households across Scotland. This includes food, transport, information and communication services, care, shelter, and utilities.

To decide which services are best suited to a UBS approach, we consider the following criteria.

1. The potential for a universal basic service approach to protect against catastrophic costs and improve financial resilience for families and individuals.
2. The potential for a universal basic service approach to improve efficiency where a collective approach stands to lower costs for providers as well as those accessing services.
3. The potential of a universal basic service approach to generate public goods through, for example, improved health or education outcomes, or reduced carbon emissions.

With these criteria in mind, we consider each of these areas in turn.

We also wanted to understand what people at risk of financial insecurity themselves would value and prioritise. As part of this research, we spoke with a group of lone parents from across Scotland about their perspectives on financial security, the barriers that they have experienced, and their ideas for change. Their perspectives are included throughout this chapter, and the recommendations that follow.

WHAT COSTS DO FAMILIES NEED TO COVER TO ACHIEVE A LIVING INCOME?

We measure a living income through minimum income standards – a concept developed to measure the level of income a household needs to participate fully in society, as defined by members of the public. Figure 3.1 shows the different costs that a household should expect to be able to cover in order to achieve a socially acceptable standard of living (as described by 'a minimum income standard'), and enables us to compare how they vary across different types of households based on their varying needs. While the minimum income standard represents what members of the public think is needed for a family to enjoy an acceptable standard of living, in reality we know that particularly families on lower incomes, or with squeezed budgets, may be having to get by

on much lower levels of spending. Note that this figure excludes housing and childcare costs which constitute two of the most significant expenses facing families. A recent UK-wide poll of over 20,000 working parents found that one in three reported paying more for childcare costs than for their rent or mortgage, while more than nine in 10 said childcare costs affected their standard of living (Topping 2021). Meanwhile, recent IPPR research has found spiralling housing costs in the private rented sector to be a key driver of in-work poverty (McNeil and Parkes 2021). We return to these costs later in this chapter.

FIGURE 3.1: WHAT COSTS DO FAMILIES NEED TO COVER TO ACHIEVE A LIVING INCOME?
Weekly budget for achieving a minimum income standard across various UK household types, excluding housing and childcare costs, 2020



Source: IPPR Scotland analysis of University of Loughborough (2020) MIS calculator.

Notes: For the couple with two children, we assume one child under primary school age and one child of primary school age. Categories have been combined for readability.

Figure 3.1 shows that food, travel and utilities make up a significant proportion of spending required to meet basic needs. This is the case across a range of family types – though there are differences in the spending assumptions made across family types, reflecting their different needs. The lower levels of transport spending for a single person illustrated in figure 3.1, for example, reflect the reduced costs associated with travel by public transport as a single person, as compared to running a car for families with children.⁵ We will explore costs in each of these areas in more detail through this chapter.

1. Care

We all rely on care throughout our lives – from our early years to old age, and through sickness or disability. Despite this, care needs are often associated with significant costs for households. While our NHS and education services take a universal basic service approach to meeting some care needs, other areas offer only a partial approach – such as early learning and childcare, and adult social care. We consider these services each in turn.

⁵ Car travel remains the default transport option costed for families with children in the minimum income standard calculated by the University of Loughborough (2020).

Early learning and childcare: The current approach

Scotland has seen the expansion of early learning and childcare provision as a major focus of the last parliament – with a particular focus on early years provision. This has taken the form of the doubling free available hours for three- and four-year-olds to 1,140 hours a year (30 hours a week of term-time provision), up from 600 hours, from August 2021. This expands on the Scottish government's existing model of funded early learning and childcare hours, whereby government provides funding directly to providers for hours that are made available to parents for free. Funded childcare places are available for two-year-olds in Scotland who are under local authority or kinship care, or in a low-income household (based on receipt of qualifying benefits, and a means test on earnings). This means test is relatively tighter than in England, where the household earnings threshold for eligible two-year-olds is set at £15,400, or £1,176 take-home pay per month for families in receipt of universal credit, compared to £625 take-home pay per month for equivalent families in Scotland (Farquharson et al 2021; Gov.uk (2022); MyGov. Scot 2021).

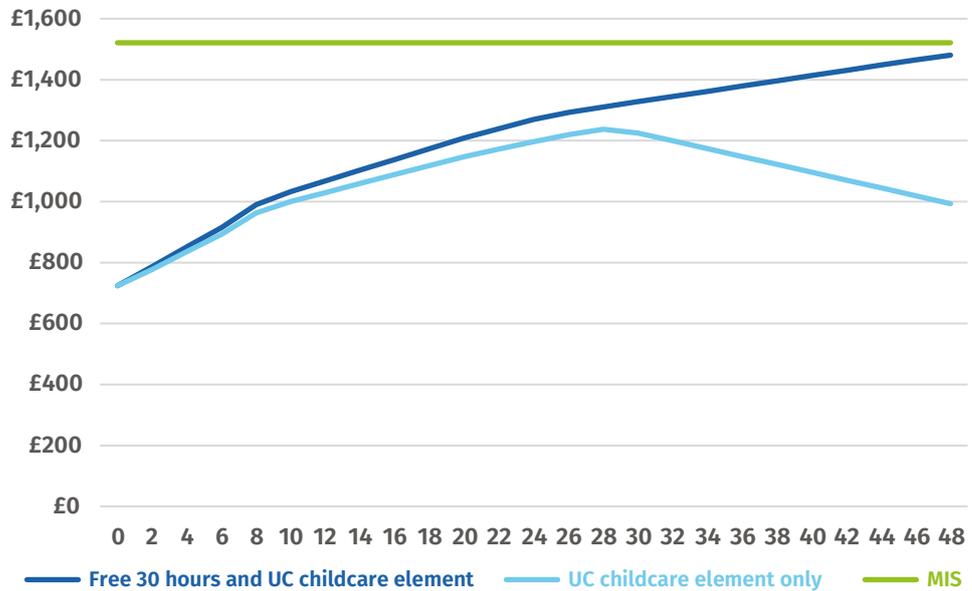
At the Holyrood elections in May 2021, the SNP pledged to expand Scotland's childcare to deliver universal childcare for all one- and two-year-olds within the next parliament, starting with low-income households (SNP 2021). These commitments have been reinforced in 2021's Programme for Government, alongside a commitment to deliver a system of wraparound childcare for school-age children (discussed below) (Scottish Government 2021c). Next, we explore the impact these commitments could begin to make to families' financial security.

To do this, we assess how far reducing childcare costs through universal service provision can help to build financial security and achieve a living income for working families with pre-school-age children. Our modelling suggests that a lone parent earning the minimum wage would see 30 free hours of weekly childcare provision begin to make a substantial difference to their take-home pay, and begin to close the gap between their current income and the minimum income standard (figure 3.2). We find that generous free childcare provision is critical in ensuring that a lone parent in low-paid employment is always better off increasing their working hours. In the absence of free hours, the lone parent reaches the childcare cost cap at around 28 hours, and thus becomes progressively worse off as they increase their hours beyond this as childcare costs and withdrawal of UC dwarf the gains from increasing hours further.

There are, however, concerns about the roll-out of the current hours extension, particularly from providers. The National Day Nurseries Association (NDNA) has raised concerns over the sustainability of childcare settings under current funding arrangements if funded childcare is extended to all children. In 2018, nearly 80 per cent of NDNA members said they would be unable to cover their costs for three- and four-year-olds with the funding they receive (Farquharson et al 2021; National Day Nurseries Association 2018). Providers have raised additional concerns about the increase in funded hours as it minimises their ability to cross-subsidise from privately funded hours above the free entitlement (Farquharson et al 2021). In response, the Scottish government has substantially increased per-hour funding to support providers through this transition (Farquharson et al 2021) – but challenges persist for providers who rely on cross-subsidising government-funded hours through charges on additional hours.

FIGURE 3.2: 30 HOURS OF FREE CHILDCARE PROVISION SIGNIFICANTLY IMPROVES WORK INCENTIVES FOR LONE PARENT FAMILIES IN LOW WAGE WORK

Income (after housing and childcare costs) for an illustrative single parent household with one young child



Source: IPPR Scotland analysis using IPPR Scotland benefit entitlement model and University of Loughborough (2020) MIS calculator

Notes: Modelling assumes earnings of £9.50 per hour. Lone parent is able to utilise the UC childcare element in both scenarios. Housing costs are assumed to be at the 30th percentile. For modelling assumptions round childcare costs see annex. Assumes 2022/23 benefit and tax system parameters. 2020 household MIS levels are uplifted by inflation into 2022/23.

2021's Programme for Government pledged a new system of wraparound childcare for school-age children, starting with a five-year delivery plan to be published later this year. Further commitments included an evaluation of pilot projects to inform full implementation of wrap-around care, and establishing a public panel of parents, carers, children, and young people to shape implementation. There are also no funded Scottish government schemes specifically targeting or enhancing childcare for working parents over the last parliamentary term. Meanwhile, the First Minister's Advisory Council on Women and Girls and the Social Renewal Advisory Board have called for the expansion of funded hours to 50 hours per week (Scottish Government 2021b; First Minister's Advisory Council on Women and Girls 2020).

Parents' perspectives

In our conversations with lone parents, childcare costs were identified as the most significant barrier to financial security that one-parent families faced. Some parents described spending more on their childcare costs than on their housing, making childcare their most significant financial outgoing. Others described how childcare costs contributed to a state of constant financial insecurity, in which they were 'always worried' about making ends meet.

"I don't understand. It's just pure ludicrous [that] your nursery fees are more than your rent!"

Participant

“Childcare costs just shouldn’t be a thing.”

Participant

Parents described a piecemeal system of childcare support that was often riddled with pitfalls. Parents and carers in receipt of universal credit are able to apply to recoup up to 85 per cent of their childcare expenses, but this failed to help with the significant upfront costs associated with paying for the first month of childcare provision. For working parents with pre-school-age children, this policy design forced them into a spiral of debt in which working parents feel like they are “constantly chasing money that you don’t have”, or earning to pay off the previous month’s childcare costs. As one parent described: “it really feels like you’re just chasing in a constant circle”. One parent described being £500 in debt as a result of paying their first month’s costs upfront – with no prospect of paying it down.

We also heard that high childcare costs affected how parents felt about paid work, and how far it offered a route to financial security. Parents described feeling trapped in a “vicious cycle” wherein “the only incentive that you’ve got [to take on paid work] is your own respect”. They were acutely aware of how much they would need to earn to make work ‘pay’ once social security implications and childcare costs were factored in. As one lone parent explained, “you’re never in pocket on minimum wage”.

Parents also described how the limited funded childcare hours available left them feeling unable to manage the demands of paid and unpaid work. They explained that while part-time free available hours only cover the time they are at work, “there’s no time for the shopping, or doing things around the house”. For a lone parent juggling the demands of work and care and the pressures of managing financially on a low income, the impact of limited affordable childcare often felt like “not having time to breathe”.

Parents we spoke with stressed that lone parents “want to work” – but that too often they face practical and financial barriers that make it seem impossible to progress in employment, or to obtain financial security. Participants wanted to see change to put the appropriate support and incentives in place to support lone parents who want to work. The parents we spoke with felt strongly that something needs to change, and that government should provide the money up front to avoid a cycle of financial insecurity.

Childcare costs vary considerably across different localities. Some parents we spoke to paid £40 per day for all-inclusive nursery provision, while others paid the same rate for half day. Parents who relied on private nursery providers also faced additional charges, including paying for children’s snacks during the day, and significant late fees if they were late to attend pick up. For lone parents of school-age children, even relatively small fees for things like breakfast clubs often “costs £2 I don’t have”.

Reducing costs

Childcare costs need to be managed for families with children to reach an acceptable standard of living. These costs affect work incentives for second earners in a two-parent family, but they are particularly acute for lone parents balancing paid work and caring responsibilities, and for families who are not eligible for free available hours (for example, working parents with a one-year-old child).

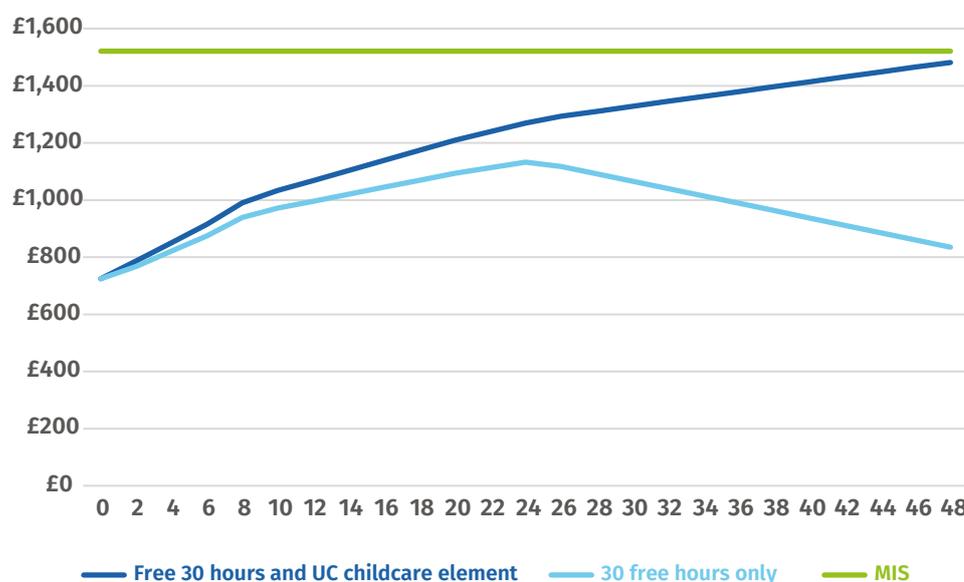
One key mechanism for reducing childcare costs for low-income families is the childcare reimbursement mechanism offered to households in receipt of universal credit. As above, however, we know that barriers to take up persist – families might struggle to finance the upfront costs they are required to take on in order to access the reimbursement, and some will not be aware of the offer.

If claimants cannot use the childcare element of universal credit, low paid workers face an uphill battle to reach a decent standard of living no matter how many hours they work. Our modelling suggests that a lone parent of a pre-school-age child who is in work and earning £9.50 an hour but does not make use of the childcare element of universal credit will become worse off (after factoring in housing and childcare costs) for every additional hour they work above 25 hours per week (see figure 3.3). At this point, their 30 free hours of childcare entitlement has been used up, and additional take-home pay from working (combined with a loss of universal credit as social security income is tapered away) is dwarfed by additional childcare costs. Meanwhile, a lone parent on the same rate of pay who *can* utilise the childcare element of UC is much more able to reach a decent standard of living. This underlines the critical role of an effective mechanism to meet childcare costs for low-income families in order to ensure work pays for working parents.

While reducing childcare costs will be critical in building financial security for families with young children, it is worth noting that realising financial security for more families will rely on wider action to improve employment outcomes and strengthen social security provision. It is worth noting that this illustrative household does not reach a minimum income standard, even where they access their full UC entitlement, including the childcare element – underscoring the extent to which improvements in pay, hours and progress, and stronger social security support, will be critical in delivering long-term financial security for lone parent families.

FIGURE 3.3: IF A LONE PARENT IN WORK DOES NOT TAKE UP THE CHILDCARE ELEMENT IN UNIVERSAL CREDIT, THEY FALL FAR SHORT OF A MINIMUM INCOME STANDARD

Income (after housing and childcare costs) for an illustrative single parent household with one young child



Source: IPPR Scotland analysis using IPPR's benefit entitlement model and University of Loughborough (2020) MIS calculator

Notes: Modelling assumes earnings of £9.50 per hour. Lone parent is able to utilise the UC childcare element in both scenarios. Housing costs are assumed to be at the 30th percentile. For modelling assumptions round childcare costs see annex. Assumes 2022/23 benefit and tax system parameters. 2020 household MIS levels are uplifted by actual and forecasted inflation into 2022/23.

Adult social care: The current approach

One area of clear policy divergence in Scotland is adult social care. Unlike in England, Wales or Northern Ireland, the Scottish government introduced a policy of free personal care for adults aged 65 or over in Scotland in 2002. In 2019, the Scottish government extended its policy of free personal care to working-age adults. Spending on adult social services in Scotland rose relative to England over the course of the last parliament, and spending levels at the end of the last parliament were 43 per cent higher in 2019/20 – making adult social services the area with the largest spending discrepancy (Farquharson et al 2021). In 2021, the Scottish government published the findings and recommendations of the Feeley review, an independent review into the future of adult social care in Scotland.

ADULT SOCIAL CARE: AMBITIONS FOR A NATIONAL CARE SERVICE

In 2021, the Feeley review on adult social care in Scotland delivered its independent report to the Scottish government, asking “[h]ow can we bridge the gap between promise and reality?” (Scottish Government 2021f). The review puts an emphasis on shifting from a model focussed on managing need to one based on enabling rights and capabilities through a human rights-based approach to care provision in Scotland. The report makes the case for understanding social care as an investment, not a cost burden, and asks if Scotland can afford not to better invest in adult social care services – ethically or economically (ibid). It puts forward a plan for improving national standards of care provision and closing the ‘implementation gap’ through a National Improvement Programme, and a model of ‘commissioning for public good’. This would see a range of people, “including people with lived experience, unpaid carers, local communities, providers and other professionals” routinely involved in co-design and re-design of services, and the monitoring of service provision.

The report’s central recommendation proposes the development of a National Care Service, on a par with the National Health Service, which would shape commissioning and procurement of social care services, provide an oversight and drive improvement, with a core focus on “improvements in consistency, quality, and equity of care” (ibid). Cross-party support for a National Care Service was secured at 2021’s May elections to Holyrood, and the Scottish government pledged to increase spending on social care by a minimum of 25 per cent in its 2021 Programme for Government – committing £800 million of additional spending by 2025/26.

2. Shelter: Housing and utilities

A secure, sufficient, and affordable home is a basic need and a foundation of financial security. In Scotland in 2021, this also requires access to sufficient and affordable utilities: through electricity, energy, and water supply.

Housing: The current approach

Housing policy in Scotland has been devolved since the Scottish parliament was established in 1999. The Scottish government’s policy on housing over the last decade has focussed on housing affordability. Research from the Joseph Rowntree Foundation has found that lower housing costs, particularly in the social rented sector, have played a significant role in achieving lower poverty rates (after housing costs) in Scotland than in the rest of the UK (Congreve 2019). This marks out housing as an area where progress on financial security has been made relative to other parts of the UK. Despite this progress, housing costs

remain a driver of financial insecurity, with private rented sector housing costs in Edinburgh and Glasgow city regions in particular rising rapidly through the last term of the Scottish parliament, and social rent increases outstripping growth in earnings across Scotland (Lord and Dembksi 2020). Meanwhile poverty rates in Scotland after housing costs have been rising since 2011–14 (Birt et al 2021). There is still much to be done to increase Scotland’s social housing supply, tackle homelessness, and strengthen housing rights – including through the Scottish parliament’s forthcoming human rights bill.

Many more social homes will need to be built to keep up with demand and ensure access to secure, sufficient and affordable housing for all who need it. Shelter Scotland, the Chartered Institute of Housing and the Scottish Federation of Housing Associations estimate that, in order to meet the current housing shortfall, Scotland needs to build at least 37,100 social homes between 2021 and 2026 (Dunning et al 2020). The Scottish government’s Affordable Housing Supply Programme had delivered 35,000 of a 50,000 target for additional affordable homes in Scotland (set for 2016–2021) before the Covid-19 pandemic hit, putting it on target (Thomas et al 2020). The 2021 Programme for Government commits the Scottish government to building 100,000 affordable homes by 2032, 70 per cent of which are for social rent (Scottish Government 2021c).

There are also new opportunities to enshrine stronger legal protections to support access to housing. In 2018, the First Minister’s Advisory group on Human Rights Leadership recommended a new act of parliament in human rights, including the right to adequate housing for everyone. In addition, the Scottish government is currently undertaking work to explore measures of rent affordability in the affordable housing sector.

Reducing costs

Thinking of access to secure, sufficient, and affordable housing through a service model is complicated by questions of ownership, land, location, and planning. The fundamental question of affordability is complex: but, as IPPR have previously argued, tying rents to income could begin to meet the housing needs of more people (Webb and Murphy 2020).

Alongside the clear need to invest in expanding Scotland’s social housing stock, IPPR have argued for a new ‘living rent’ model, to make housing affordable to those on low- and middle-incomes. This would offer a new type of social housing, that links rents to the average income in a particular area (ibid).

As the Scottish government considers its approach to affordable housing, there is also a clear opportunity to connect conversations about housing affordability to ambitions to deliver a minimum income guarantee in Scotland.

Energy and water costs: The current approach

As we look towards a looming energy cost crisis, utility bills are set to rise drastically across the UK in the spring, placing household finances under growing strain. UK energy bills are expected to rise by an average of £600–800 in April 2021, and may rise to 12 per cent of all spending for the poorest 10 per cent of families across the UK (Thomas and Shepherd 2022; Joyce et al 2022). Urgent action will be needed by the governments at Holyrood and Westminster to help families to manage soaring energy bills.

In recent years, close attention has been paid to fuel costs and water costs by policymakers in Scotland. In 2019, the Fuel Poverty (Targets, Definitions and Strategy) Scotland Act passed through parliament and received Royal Assent. It offers a new working definition of fuel poverty, and targets to reduce fuel poverty in Scotland. The Scottish government now define fuel

poverty as those whose reasonable fuel needs are more than 10 per cent of the household's adjusted net income after housing costs, and/or those whose remaining net adjusted income after housing costs, childcare costs, and fuel costs 'is insufficient to maintain an acceptable standard of living for members of the household' (Scottish Government 2018). This latter measure is based on minimum income standards, and demonstrates how this measure of an acceptable standard of living can be used to assess need for basic services.

The act is supported by a fuel poverty strategy, shaped by the Scottish Fuel Poverty Strategic Working Group, and the Scottish Rural Fuel Poverty Task Force. Both groups identified the need to better understand and identify those in need across Scotland in order to deliver against its core ambition "to see more households in Scotland living in well-insulated warm homes, accessing affordable, low carbon energy, and having an increased understanding of how to use energy efficiently to heat their homes" (Scottish Government 2018).

The Scottish government supports energy saving home improvements through a variety of area-based schemes, and energy efficiency programmes, which can be accessed through the Energy Saving Trust. In 2017, the Scottish government confirmed its ambition to establish a publicly owned, not for profit energy company. This was scrapped in 2021, at which point the Scottish government announced new plans to deliver a new public energy agency. This will work to coordinate and accelerate the delivery of heat and energy efficiency reforms, and provide advice to local and national government.

Various forms of income support are already in place to support households in Scotland with their energy costs through UK government schemes. These include the winter fuel payment, which is offered to anyone born on or after 26 September 1955 and paid automatically to anyone in receipt of the state pension. Other schemes include the cold weather payment, and the warm homes discount. The cold weather payment is paid to people in receipt of qualifying benefits (including pension credit, universal credit, income-based jobseeker's allowance and income-based employment and support allowance) if the average temperature in your area is recorded as or forecast to be freezing or colder for a week or longer, at a rate of £25 a week. The warm homes discount is designed for people in receipt of the guarantee credit element of pension credit, and for low-income households who meet their energy supplier's criteria. The scheme currently contributes £140 towards energy bills and is an obligation on energy suppliers.

Water costs have also received attention in recent years for the costs they bring to bear on low-income households in Scotland. Households eligible for council tax reduction (CTR) in Scotland may also be eligible for a water rates reduction through the Water Charges Reduction Scheme, but reductions on water rates are capped at 35 per cent of water and waste water charges. This can cause confusion for those in receipt of CTR, who still have to pay water charges even when they have full council tax reduction. Citizens Advice Scotland have identified that those who pay over 3 per cent of their income on water charges as the group most in need of support, and currently only 21 per cent of this group in Scotland qualifies for any reduction (Citizens Advice Scotland 2020).

Reducing costs

Utilities make up a substantial proportion of the costs a households need to cover to meet an acceptable standard of living, with those on low-and middle-incomes spending a far higher proportion of their income on energy costs than those on higher incomes. Analysis from the Resolution Foundation suggests that rising costs could see the lowest-income households spending more than one tenth of their household budgets on energy costs by 2022 (Marshall 2021).

In addition, the impact of rising fuel costs will be felt most acutely in the least energy-efficient homes – which (in England) are now more likely to be low-income homes (ibid). It is essential that efforts to reduce fuel costs are brought together with efforts to improve the energy-efficiency of homes across Scotland. Affordable energy in future will rely on a holistic strategy that ensures low- and middle-income households are not left behind either by the impacts of rising bills, or by a lack of affordable routes to improve the energy efficiency of their homes. In the meantime, existing UK government schemes to support households with energy costs are poorly targeted, and there is now a clear case to both expand eligibility and increase their generosity.

As policymakers in Scotland grapple with a UK-wide energy cost crisis, and the need to decarbonise home heating in Scotland grows all the more urgent, there are a broad and complex set of considerations surrounding future energy provision in Scotland. This is further complicated the devolved settlement, as most of the energy policy is reserved to the UK government.

Finally, there is a clear opportunity to bring water rates in line with the council tax reduction scheme to reduce costs on low income households, and avoid households falling into debt.

3. Food

Food is a fundamental human need – but food insecurity in Scotland is widespread. In 2019, 9 per cent of adults in Scotland reported having experienced food insecurity over the last 12 months (Scottish Government 2020b). Almost one-third (31 per cent) of single parents had experienced food insecurity over the same period, as had one in five single adults aged over 65 living alone (Ibid).

Food insecurity: The current approach

In February 2021, the Scottish government set out what it describes as a distinct human-rights approach to securing the right to food and tackling poverty in Scotland. This approach is built primarily on efforts to reduce food insecurity through increased incomes, including through the Tackling Child Poverty Delivery Plan (Scottish Government 2019) and the Fair Work Plan (Scottish Government 2021g). The Scottish government has introduced efforts to increase incomes and reduce household costs through expanded advice services and funded early years education and care places, and bolstered household incomes through social security with the Scottish child payment (a £10 weekly payment for low-income families with children), the Best Start Grant (three one-off payments for families with young children) and Best Start Foods (a prepaid card to buy healthy foods).

This approach is supplemented by activity aimed at improving ‘cash first’ responses to food insecurity, including by improving referral pathways and through access to the Scottish Welfare Fund, which administers crisis grants. Throughout the Covid-19 pandemic, this has included £130 million targeted at tackling food insecurity through local authority free school meal provision over holidays (up to Easter 2021), provision of grocery packages to those with extreme clinical risk in the shielding group, and investment in community and third sector food responses (Scottish Government 2021h). This has been followed by £100 COVID winter hardship payments made to low-income families in receipt of free school meals. A forthcoming review of the Scottish Welfare Fund will assess challenges relating to adequate resourcing and delivery of the fund across Scotland’s 32 local authorities.

Following Holyrood elections in May of this year, the Scottish government confirmed plans to introduce universal free school lunches for primary-school-

age children over the course of this parliament, starting with primary fours this year, and expanding to primary fives in 2022 (Scottish Government 2021i). In October 2021, the Scottish government also announced a consultation on a new approach to end food insecurity (Scottish Government 2021j).

Reducing costs

Food and drink costs represent a significant portion of the minimum income standard – but food represents an area where individual choice is integral to a dignified approach. While there is a clear case for a cash first approach, there are some areas in which collective services have a role to play in realising a right to food in Scotland.

The first is free school meals, through which the introduction of a universal service offers a way to secure healthy food access for all primary-school-age children, ensuring take-up by those who need it and eliminating the stigma of a means-tested service (Joseph Rowntree Foundation 2022). Expanding eligibility for free school meals for secondary age children could benefit low-income families by as much as £440 a year for each child at school, with benefits in terms of educational and health outcomes (Farquharson 2020).

4. Transport

Transport: The current approach

Transport costs are a substantial financial outgoing for people across Scotland. A lack of affordable and accessible transport can have wide ranging consequences for financial insecurity and wellbeing, including by limiting access to employment or other key services. We also know that the public support ambitious action to improve and decarbonise local transport infrastructure across the UK (Frost et al 2021).

Action to reduce travel costs in Scotland has so far concentrated on distinct demographic groups: first by extending free bus and coach travel to those aged 60 and over, and to disabled people (with eligibility based on receipt of qualifying disability benefits, or medical conditions where someone needs to travel to health or social care appointments, and their ability to travel is impaired). This is delivered through a National Entitlement Card, which disabled users have to reapply for regularly, but which is issued with no expiry to those aged 60 and over. Disabled people are also eligible for partially discounted rail travel. In March 2021, the Scottish government announced the expansion of free bus travel to those aged 5-18 through the National Entitlement Card. In August 2021, this was expanded to include all those aged under 22 under a scheme that will become operational from 31 January 2022.

Scotrail also offer a policy of providing 2 free return tickets per month to attend job interviews, and a free Scotrail ticket to cover employees' first month at work. In addition, job seekers can access a time-limited Jobcentre Plus Travel Discount Card for those who have been claiming universal credit for three months or longer via a UK government scheme.

Reducing costs

Transport connects us to social and economic opportunities, and supports full participation in society. Transport costs also represent a substantial portion of the costs that make up a minimum income standard – particularly for households that rely on a private car. Now, the transition to a net zero economy means there is urgent need to invest in decarbonised public transport services that meet people's needs and are accessible to all.

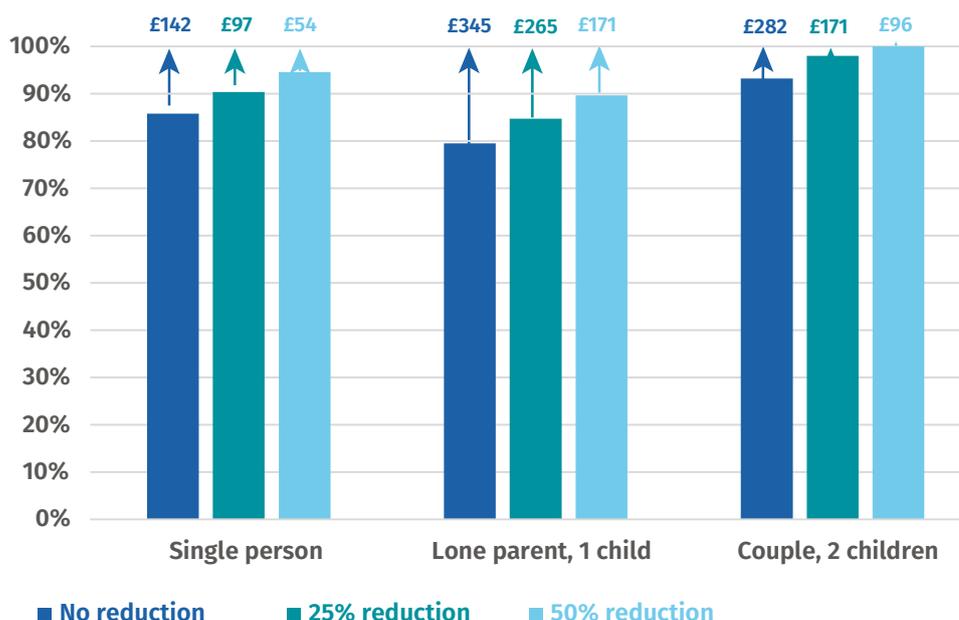
Expanding collective transport provision also presents an opportunity to strengthen the financial security of low- and middle-income households in

Scotland. In Figure 3.4, we illustrate the impact of reducing transport costs on the incomes of a range of typical families. We can see the impact reducing transport costs has on the cash short falls families experience between their income and a Minimum Income Standard. A 25 per cent reduction in transport costs could close the gap between the income of a typical low-income couple with two children and a minimum income standard by over £100.

The reality of Scotland’s geography, however, means that total reliance on public transport is an unrealistic objective for many households. Shifting transport patterns away from private car use and towards public transport across Scotland could begin to make a significant impact on both carbon emissions and financial security. In very rural areas, a focus on widely or universally available electric vehicle infrastructure and investment to support greener private transport options will be required to support a wider transition.

FIGURE 3.4: REDUCING TRANSPORT COSTS THROUGH UNIVERSAL SERVICE PROVISION COULD SUBSTANTIALLY REDUCE THE GAP BETWEEN HOUSEHOLD INCOMES AND A MINIMUM INCOME STANDARD

Proportional income shortfalls and cash gaps between typical household incomes and minimum income standards



Source: IPPR Scotland analysis using IPPR Scotland’s benefit entitlement model and the University of Loughborough (2020) MIS calculator

Notes: Assumes hourly rate of pay of £9.50 in all scenarios, the headline rate of minimum wage in 2022/23. Assumes a single person works 36 hours a week, the lone parent works 20 hours a week and the couple with two children work 36 and 20 hours respectively. Assumes 2022/23 benefit and tax system parameters. Assumes use of 30 free hours and the UC childcare element. Housing costs are assumed to be at the 30th percentile. 2020 household MIS levels are uplifted by forecasted and actual inflation into 2022/23. For modelling assumptions round childcare costs see annex.

Considering transport needs across Scotland’s varied and rural geography offers important lessons for a universal basic service approach to grapple with. To meet people’s varied needs across varying contexts will require a variety of different approaches, and design principles focussed on providing for the needs of those

who are currently most underserved by services. Attempting to scale a one-size-fits all model across Scotland risks reinforcing existing inequalities

5. Information and digital access

The current approach

The Scottish government currently supports the Connecting Scotland programme, which aims to support everyone in Scotland to get online. The programme recognises that being online is an essential lifeline, ‘keeping us connected to friends and family, informed and entertained, and able to learn, work, shop and access health information and other public services (Connecting Scotland 2021). It works with partner organisations to support people to get online, by providing digital devices, internet connectivity, and training and support.

Through the pandemic, the Scottish government also pledged to give every child a digital device. This commitment was echoed and extended in 2021’s Programme for Government, which pledged to ‘give every child a device and a connection to get online’ within this parliament (Scottish Government 2021c). This represents a commitment to deliver a universal basic service to every child in Scotland through ensuring access to digital.

The UK government’s Department for Work and Pensions has recently launched a scheme in collaboration with TalkTalk that offers universal credit claimants seeking work a six-month voucher for free broadband, with no contract or credit check required. The scheme aims to tackle digital exclusion and remove barriers to employment, and is being rolled out UK-wide after a trial in the north west of England. It will be offered via Job Centre Plus coaches.

Reducing costs

Access to the internet and a mobile phone are now necessary for full participation in society, and to access employment. Yet people on low incomes are less likely to have the equipment, data, skills, and confidence to participate in and benefit from an increasingly online world. The Covid-19 pandemic has laid bare the wide-reaching impact of a lack of digital access for education, learning and access to employment, and rightly spurred efforts to ensure every household in Scotland has means to get online.

Through recovery, the Scottish government should continue this focus on ensuring every household has access to a reliable and affordable internet connection, to connect with friends, family, and community, to learn online, and to access public services, social security, and employment. Efforts to expand access to the internet could begin with households in receipt of means-tested benefits, including through Job Centre Plus clients, Fair Start Scotland clients, and social housing tenants, in order to ensure access to basic services for all. The Scottish government should also continue working with schools and local authorities to provide needs-based advice, support, and training to help people to get online and develop digital skills. This should also include access to reliable internet and IT devices in public spaces: through community hubs, libraries, and local authority buildings.

4.

BUILDING FINANCIAL SECURITY IN SCOTLAND THROUGH A UNIVERSAL BASIC SERVICE APPROACH

Collective services have a critical role to play in delivering a living income in Scotland. They offer the foundations of a good life to all through collective investment in our health and wellbeing, education, care, and other basic needs. As we look towards 2030, there are clear opportunities for social renewal to pave the way towards strengthened and expanded universal basic services – by building resilience in our health and education, and by building on investment in early years and childcare, and in ambitions to realise a National Care Service.

In this chapter we set out the key tests for a universal basic service approach, and key recommendations for near and long term that can help to deliver a living income and tackle financial insecurity in Scotland. Our proposals highlight areas for public investment and improvements in the design and delivery of existing services. They prioritise building financial security for families and, over the long run, strengthening the resilience of Scotland’s economy public finances through a healthier and better educated population, and greater opportunity and security for all.

To maximise the benefits of a UBS approach, we set out eight key tests that should underpin the Scottish government’s approach to delivering universal basic services.

KEY TESTS FOR A UNIVERSAL BASIC SERVICE APPROACH

1. Services should provide sufficient quality to satisfy people’s needs and support full participation in society.
2. Services should be universally accessible to people resident in Scotland – with access based on need, not ability to pay.
3. Services should be designed to reduce costs, narrow inequalities, and prevent future disadvantage.
4. Services could be delivered by a range of providers delivering against ‘public service obligations’.
5. Services should be designed and controlled democratically, with power devolved to the lowest appropriate level.
6. Services should ensure those that rely on them have power and agency in shaping service provision.
7. Services should be designed and delivered to promote dignity, respect, and human rights.
8. Services should build social solidarity by bringing people together as service users, and through the process of designing and delivering services that respond to local needs.

Closing the gap: Action to reduce costs and pave the way towards universal basic services over this parliament

The Scottish government should launch an **independent commission on the future of public services** in Scotland, aimed at shaping the next decade of public service innovation delivery. A decade on from the Christie commission, the commission should explore the shared challenges facing services in Scotland, from our ageing population to the need to rapidly decarbonise our economy. Reviewing progress made over the last decade, the commission should seek to identify how and where the principles established through the Christie review can be further embedded across public services in Scotland – and where a universal basic service approach can improve national outcomes.

The commission should explore how Scotland’s regulatory frameworks can set a floor on minimum provision, as well as drive up standards and improvement by ensuring that all public service providers are subject to the same rules of play. The commission should what criteria a service should meet to benefit from a universal basic service approach; how services should be provided, considering trade-offs between centralised provision and a range of local providers; where and how universalism should apply, considering where, for example, services might begin to charge a proportion of costs to those with higher incomes; and what role, if any, for-profit providers should have to play in the provision of services that meet basic needs, and on what terms.

Finally, the commission should work to establish a set of shared ‘public service obligations’ to shape service delivery in Scotland and a strategy to bring public service delivery in line with these obligations – including by taking profit out of front-line service provision.

FIRST STEPS TOWARDS A UNIVERSAL BASIC SERVICE APPROACH FOR THIS PARLIAMENT

Reducing up-front childcare costs

The Scottish government should explore all available routes that might enable them to **mitigate the up-front costs associated with claiming childcare costs under universal credit**. This could follow the approach taken by the Northern Ireland executive. In Northern Ireland this required a legislative route, that saw the Universal Credit (Northern Ireland) Regulations 2016 act amended to allow childcare payments made by the Department for Communities through the Adviser Discretion Fund (ADF) to be used in the calculation of the person’s childcare costs element. A non-repayable grant of up to £1,500 is now being made available to parents and carers in receipt of universal credit. Due to data limitations, it is difficult to estimate costs, however indicative analysis of available data suggests that £5 million per annum would be a reasonable starting point for funding which could support around 900 transitions into work a month with £500 grants.⁶ This could be delivered through the Scottish Welfare Fund, or through Scotland’s Social Security Agency.

Action on transport costs

Building on its commitment to provide free bus travel to young people (aged under 22), the Scottish government should **extend free bus travel to those in receipt of universal credit and equivalent means-tested benefits**. This would stand to bolster financial security for low-income households, lower barriers to accessing work, education, and training opportunities, while lowering transport-

⁶ Based on analysis of UC caseload data to identify those who could transition into eligibility for the UC childcare element by entering work. Assumes monthly on-flow of 5 per cent, one-quarter of whom we assume will remain on UC and make use of the childcare element.

related emissions. We estimate that this expansion would cost an additional £50 million per year.⁷

Reducing energy costs for low-income households

The Scottish government should target and provide additional financial support for households in fuel poverty, as defined in the Fuel Poverty (Scotland) Act,⁸ to cover immediate short-term costs associated with increasing energy bills. Given a limited UK government response to increasing energy costs, with a commitment to increase the Warm Home Discount by only £10, the Scottish government should seek to **increase the value of the proposed fixed, non-weather dependent, £50 winter heating benefit (as a replacement for the £25 cold weather payment) to £300 this coming winter** on account of the ongoing energy cost crisis. In line with Scottish government proposals, eligibility should be expanded to households in receipt of income-related benefits.

Action on food costs

Building on its commitment to providing universal free school meals in primary schools, the Scottish government should **expand entitlement to free school meals to all secondary school children in households in receipt of universal credit or equivalent working-age benefits**. This would be expected to contribute towards closing the attainment gap and narrowing health inequalities and could be managed on a local authority basis. We estimate that this would represent a doubling of entitlement (on pre-pandemic eligibility), at an additional cost of around £20 million per year.⁹

Reducing water rates for low-income households

Scottish government should reform water rates charges in order to **bring water rates relief in line with the council tax reduction scheme**. Local authorities across Scotland should ensure that households eligible for council tax reduction see their water rates reduced from the same threshold and on the same taper as council tax reduction (rising from the 35 per cent maximum reduction currently available to low-income households). This would cost an estimated £30 million in 2022/23 (IPPR analysis of Scottish Water 2020; Scottish Government 2021k).¹⁰

Universal digital access

The Scottish government should work to fully deliver on its commitment to provide every school child in Scotland with a laptop or tablet computer. This amounts to delivering 700,000 individual devices, distributed through Scotland's 32 local authorities (Scottish Government 2021l). In addition, the government should expand its efforts to offer low-cost digital devices, data plans and broadband contracts via credit unions and social landlords. In addition, Scottish government should widen access to Connecting Scotland through Job Centre Plus and Fair Start Scotland referrals, and through partnerships with a range of service providers – from social care providers to employability partners. This should be with a view to ensuring every household in Scotland has access to good quality, reliable broadband, and every community has access to high quality reliable public Wi-Fi, digital

7 We estimate a unit cost per additional adult who benefits from free bus travel on the basis that extension of the Under 19s Free Bus Travel costs £50 million, assuming adults cost twice as much as children.

8 Households that spend more than 10 per cent of net income after housing costs on meeting reasonable fuel needs and fail to meet 90 per cent of the UK minimum income standard after adjusting for childcare cost deductions and any benefit received.

9 Based on analysis by CPAG on the cost for extension at a UK level of £700 million, broken down for Scotland only using breakdown of children who live in UC households by nation. Costing assumes in baseline Scottish government plans for free school meals for all primary-aged school children.

10 Builds on previous methodology by Child Poverty Action Group. Assuming 106,000 council tax reduction claims with children (March 2021 figure) and average water rates of £383 per year in 2022/23, with 25 per cent of costs covered in the baseline.

devices and charging points via local libraries, community hubs, colleges, care settings, and other public buildings.

Reforming the council tax reduction scheme

The Scottish government should reform its council tax reduction scheme to set council tax support against a minimum income standard. This would see the council tax reduction scheme kick in at the point at which a household's income falls below a minimum income standard – or a proportion of one. We anticipate that a scheme based on JRF's minimum income standards would cost an estimated £590 million per year if at 100 per cent of the MIS, and £340 million per year at 75 per cent of the MIS.¹¹ This should be delivered as part of a wider reform of council tax (for more, see Gunson et al 2021).

TOWARDS UNIVERSAL BASIC SERVICES: A VISION FOR 2030

Realising benefits of a universal basic service approach will require deeper service reform. Through this report we have outlined a set of key criteria for prioritising services best suited to a universal basic service approach: those that service to build financial security for families across Scotland, improve efficiency, and generate public goods. Based on these criteria, we argue that transport, childcare, and adult social care represent the clearest immediate opportunities to take forward a universal basic service approach through this parliament. Finally, we outline a vision for these three key services in 2030. To take this vision forward, Scottish government should prioritise action over this parliament to pave a way towards a universal basic service approach, and consider revenue raising options to expand service provision across each of these areas over the longer term.

Transport

The Scottish government should seek to achieve free universally accessible decarbonised bus travel by 2030. To deliver a just transition to a net zero economy, IPPR have argued that government policy should look to deliver a 'people's dividend', including access to universal decarbonised travel, that's affordable to all, and eventually free at the point of use (EJC 2021). This could be phased in through a 'travel allowance' scheme that provides free bus and train travel for those whose income falls below a Minimum Income Standard, and a set number of journeys for free for all local residents to encourage public transport use.

At the local and regional level, transport development across Scotland should invest in high-quality decarbonised public transport as a critical part of Scotland's transition to a net zero economy. This will require equal priority being placed on improving the availability and quality of public transport across Scotland.

A universal basic service strategy for early learning and childcare

The Scottish government should coordinate the development of local universal basic service strategies for early learning and childcare provision in Scotland, aimed at paving the way towards a service that provides excellent care for every child in Scotland, and lowers barriers to employment for all parents and carers. A universal basic service should provide full-time and wrap-around care for all families of pre-school-age children, free at the point of need, from the end of parental leave to the start of schooling. This would offer free full-time provision to households below a Minimum Income Standard, with households on incomes above making a phased contribution to the cost of additional hours

¹¹ Analysis uses Wealth & Assets Survey to estimate the proportion of Scottish council tax paid by the poorest 31 per cent (under the MIS, based on estimates by the New Economics Foundation) and 19 per cent (under 75 per cent of the MIS as per same analysis) ordered by equalised household income. These estimates are then applied to 2021/22 Scottish government council tax revenue to estimate council tax revenue lost.

beyond a 30-hour floor of universally available free available hours. In addition, a universal basic service would include wrap-around care for school-age children, including through breakfast and after school clubs, and through funded places with childminders and other age-appropriate providers for families with incomes below a minimum income standard.

As a first step, the Scottish government should work with providers, parents and carers, and Scotland's childcare workforce to develop a set of appropriate public service obligations to shape future provision. These obligations should support high-quality and sustainable early years provision across Scotland, including a sustainable funding settlement for providers, and a workforce strategy that supports collective bargaining for the childcare workforce.

A National Care Service

The design and delivering of a National Care Service in Scotland should be based on a universal basic service approach that meets the eight tests outlined above by 2030.

To get there, the Scottish government should convene care recipients, carers, providers, and representatives of the sector workforce to establish a series of public service obligations. These obligations should shape the commissioning of services on a not-for-profit basis and establish effective mechanisms for care recipients and carers to shape local service provision, as well as their personal care. Priority should also be placed on devolving power over design and delivery of services to the local level in order to meet local needs.

IPPR Scotland will also be continuing work in this area over this parliament. The next stage of our Rethinking Social Security Programme will consider in detail how a universal basic service approach could shape the provision of care and transport services across Scotland, as well as what revenue raising options within current Scottish government powers could pave the way towards a living income for all.

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ANNEX

CHILDCARE COSTS MODELLING

For a lone parent, we model the numbers of hours of childcare coverage needed (including wrap-around care) in total as:

$$\text{Childcare hours needed} = (1.2 \times \text{hours worked}) + 1.7$$

We assume 30 hours free childcare is available three quarters of the year, and no free childcare the remaining quarter of the year.

On that basis, we calculate for these 2 periods demand for childcare “in excess” of the free hours provided and compute a weighted average across the year of weekly costs not covered by free hours provision. We assume childcare costs of £5/hour and that parents re-coup these costs through the Universal Credit childcare element, recovering 85% subject to the cap.

Worked example

A lone parent working 30 hours:

Applying the formula above we model demand for childcare as **37 hours a week**.

For the two periods:

| | Excess hours (not covered by free hours) |
|--------------------------------------|--|
| Period covered by free childcare | 7 |
| Period not covered by free childcare | 37 |

So, across the year, hours not covered by free childcare offer are calculated as:

$$(7 \times 0.75) + (37 \times 0.25) = 14.5 \text{ hours a week}$$

Multiplied by £5 per hour, we reach childcare costs of **£314 a month**, which would lead to a childcare element of UC of £267.

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