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Thank you for meeting me last month, and for your follow up letter of 14 May, in relation to the Poverty and Inequality Commission's scrutiny on the Scottish Budget and report on Inclusive Growth. I am grateful for the time you offered to discuss your key findings in advance of publication.

As a government we are working hard to deliver a fairer and more prosperous Scotland in trying times. The Scottish resource budget allocation from the UK Government has suffered a real-terms cut of £2 billion over the last ten years, and UK Government welfare cuts are projected to reduce social security spending in Scotland by £3.7 billion each year by 2020/21. This is before we consider the possible implications and slower economic growth caused by Brexit.

I made clear during my Parliamentary statement on the medium-term financial strategy on 30 May that we will expect resource spending proposals to focus on outcomes. And that these proposals should evidence, as far as possible, their impact on the real challenges and opportunities that we face, including in relation to child poverty. It was with this in mind that we published a baseline report from the National Performance Framework last week, to identify where progress is being made and where there is more to be done, not for Scotland on average, but for different groups who face different challenges and barriers.

In the next few weeks, we will also be publishing guidance to help strategic budget holders and scrutiny bodies across the Scottish public sector think carefully about the impact of their policy and spend on equality and socio-economic disadvantage. This guidance has been developed in partnership with the Equality Budget Advisory Group (EBAG) which includes a range of independent equality, poverty and human rights advisors.

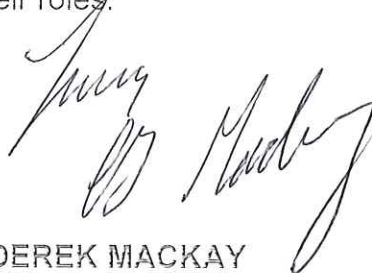
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I was heartened that you accepted my point that funding child poverty is not only about funding direct measures such as social security. Funding that goes into other areas of government such as employability, education and health can all play their part, whether it is reducing the costs of personal care and prescriptions for lower income families, free tuition fees giving a teenager the skills to build a career or Fair Start Scotland helping someone into fair work. Solving child poverty means tackling many different challenges across many different portfolios and it is this complexity that makes budgetary analysis particularly difficult.

Over the coming year we will look to strengthen analysis and transparency of the budget, building on the tradition of the Equality Budget Statement and the more recent Fairer Scotland Duty assessment. We have been open that the Equality Budget Statement has room for improvement and we are working with the Equality Budget Advisory Group (EBAG) to improve our analysis and processes for future years. I would hope that these improvements would allow for a more transparent consideration of child poverty funding, although as I note above, this will not be straightforward.

I look forward to further discussions with the Commission on these and related matters as the new Commissioners develop in their roles.



DEREK MACKAY

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