

Child Poverty Action Group in Scotland Briefing for Social Justice and Social Security Committee Pre-Budget 2022/23 Scrutiny

In order to best use this year's budget to meet the interim child poverty targets the Scottish Government must:

- At the very least double the value of the Scottish child payment in this budget.
- Invest in wider policies to tackle child poverty including childcare, housing and fair employment.
- Put reducing child poverty at the heart of the Scottish budget process. A goal of this and every budget should be to resource policies that will achieve the targets in the Child Poverty (Scotland) Act.

What is the role of social security in meeting the targets (mainly the Scottish Child Payment – but also other devolved benefits and the impact of the Universal Credit uplift).

Scottish Child Payment

Social security has a key role to play in meeting the targets. The Scottish government commitment to use its social security powers to directly support low income families and contribute to meeting child poverty targets has been a hugely welcome and significant development. The introduction of the Scottish child payment for eligible children under six at the beginning of 2021 has already put much needed money into the pockets of many low income families. Existing commitments to roll out the payment to all eligible children under 16 by the end of 2022 and to double its value (from £10 per week per child to £20) are very welcome, as is the delivery of interim payments to free school meal entitled school aged children to partially bridge the gap to full roll out.

However, unless the commitment to double the payment is accelerated, the evidence¹ is clear that statutory targets² to reduce child poverty to less than 18% of all children by 2023/24 will not be met. At its current value, and assuming full roll out as planned, it is expected that the payment will lift up to 30 000 children out of poverty by 2023/24 (a three percentage point reduction). With latest official figures showing 26% of children (260,000) living in poverty all forecasts suggest that, even combined with wider policy impact, this is significantly short of the reduction needed to meet the target. The top priority in this year's budget process must therefore be a doubling of the payment, ensuring that low-income households receive at least £20 per child per week from April 2022. Even in the current challenging environment and despite planned UK government cuts to universal credit, meeting the child poverty targets is possible with the powers that the Scottish Government currently holds³. The evidence is clear that to meet the targets the child payment needs to be at least doubled in the coming year, keeping open the possibility of further additional

¹ Joseph Rowntree Foundation (2021) <https://www.jrf.org.uk/report/turning-tide-child-poverty-scotland>

² <https://www.legislation.gov.uk/asp/2017/6/crossheading/targets-relating-to-child-poverty/enacted>

³ E.g Fraser of Allander Institute (March 2021) <https://fraserofallander.org/poverty-and-inequality-looking-pre-and-post-pandemic/> "The good news is that, based on the assumption of broad economic recovery over the next few years, our analysis shows that meeting these targets is possible with the powers that the Scottish Government currently hold."

investment if required, alongside wider action, in order to meet the interim statutory target in 2023/24.⁴

Bridging payments

The commitment to deliver payments for 6 to 16 year olds entitled to free school meals to bridge the gap to full roll out of the Scottish child payment is hugely welcome. However not all children who will become eligible for the Scottish child payment will, as it stands, benefit from these interim payments. This is because eligibility criteria for free school meals is far narrower than for the new child payment. An estimated 125,000 children are missing out on the interim bridging payments.⁵ The straightforward way to address this gap would be to extend entitlement to free school meals, and therefore the bridging payments, to all children in families in receipt of universal credit or equivalent legacy benefit. The budget should make provision to fully resource such an extension. This would have the added benefit of improving access to healthy food at school for pupils from low income working families who are currently not entitled to free school meals.

Impact of the Universal Credit Cut

If the UK Government continues with plans to cut Universal Credit (UC) and Working Tax Credits by £20 a week in October, 480,000 people in Scotland, including an estimated 220,210 households with children, will have their income cut by £1,040 a year from these benefits alone.⁶ This will push up to 22 000 children into poverty in Scotland.⁷

The £20 cut will also reduce the income threshold for UC,⁸ meaning thousands of low-income families will lose entitlement to UC if the cut goes ahead.⁹ In Scotland, this also means loss of entitlement to top- up benefits such as the Scottish Child Payment.¹⁰ CPAG urges the UK government to abandon its plan to end the £20 uplift to universal credit and instead work with the Scottish government and other devolved administrations to reduce, rather than increase, child poverty.

It is vital that this budget process takes into account that the Scottish Government has the powers to meet the interim child poverty target even with the impact of the UC cut.¹¹ Scottish Government must use this budget to double the Scottish child payment, keeping

⁴ Modelling from the Fraser of Allander Institute has shown that the interim target for 2023/24 could be met using the Scottish child payment alone, although a further doubling to £40 per week would be required <https://fraserofallander.org/mission-not-impossible-how-ambitious-are-the-scottish-governments-child-poverty-targets/>

⁵ CPAG internal analysis

⁶ Joseph Rowntree Foundation, [Universal credit cut - impact by constituency](#), 26 August 2021.

⁷ CPAG internal modelling

⁸ Income earned from employment on UC is “tapered”, with a person’s UC reduced by 63p for every £1 they earn. The annual value of the £20 a week cut (£1,040) means those in work can earn an additional £1,424.80 a year before their UC entitlement ends.

⁹ Internal modelling by CPAG in Scotland.

¹⁰ If the Scottish Child Payment was a stand-alone benefit rather than paid using the Scottish Governments top-up powers, such consequences could be avoided. The Scottish government has committed to review the payments most appropriate legislative route, as part of a wider review of the payment after 2022.

¹¹ Joseph Rowntree Foundation, [Turning the Tide on Child Poverty in Scotland](#), 2021

open the possibility of further investment before 2024, doing whatever is required to meet the interim targets.

The role of other policy in achieving the targets (especially housing)

A range of policy levers are needed to tackle the drivers of child poverty and increase family incomes and reduce the costs they face. In the short term the Scottish child payment will need to do much of the heavy lifting to achieve the interim 2023/24 target. This is vital not just to meet the interim target but to lay a solid foundation on which wider action across government can build in order to meet the 2030 child poverty targets. Other key policy areas that need to be considered in the budget include housing, childcare and employment.

Housing

Housing costs have an important impact on levels of child poverty. In the period 2017- 2020, before housing costs are taken into consideration, 21% of children were living in poverty. After housing costs that figure rises to 24%.¹² This reflects the inadequacy of the actual incomes families have at their disposable once housing costs, over which they often have limited control, are taken into account. Good quality, affordable family housing is still too often difficult to access.¹³

Lack of suitable housing has a severe impact on families on low incomes, who struggle to pay rising costs.¹⁴ Reduced support for housing costs within the UK social security system leaves many families with a shortfall which they must cover from other means, including benefits not meant for housing costs. This can leave families with little or nothing to live on, pushing them into deeper poverty.

The increasing gap between the Local Housing Allowance (LHA - used to determine the level of support with housing costs available within UK social security) and private rents has rendered many properties unaffordable or left tenants having to pay the difference from income or benefits intended for living costs. Analysis by Crisis in 2019 showed that in 15 out of the 18 rental markets in Scotland there was a monthly shortfall between rents and the amount of LHA tenants can receive.¹⁵ Scottish housing policy must take this issue into account.

Assistance for families worst affected by UK social security policy

Mitigation of the bedroom tax and the two-child limit through discretionary housing payments (DHP) has been important in mitigating the impact of UK social security policy on families in Scotland. However, evidence submitted through CPAG in Scotland's Early Warning System highlights that the use of DHPs to mitigate the benefit cap is inconsistent.

Unlike with bedroom tax, there is no guarantee that a DHP will be awarded for the benefit cap. Claimants complain of long processing times (in one case of six months, pre-Covid) and

¹² ['Poverty and Income Inequality in Scotland 2017-20'](#) Scottish Government, 2021

¹³ ['Affordable Housing Need in Scotland Post 2021'](#) Shelter, 2020

¹⁴ ['Government Can Provide a Lifeline in the Coming Economic Storm'](#) JRF, 2020

¹⁵ https://www.parliament.scot/S5_Social_Security/Inquiries/SSCS519SSH20_Crisis.pdf

of increased anxiety of having to make repeat applications, not knowing whether a DHP will be granted or not.

Funding settlements must be adequate, and Scottish government guidance published, to ensure local authorities consistently mitigate the bedroom cap.

Childcare

The expansion of childcare services in Scotland is welcome. It is vital that the expansion delivers high quality services that improve child development and outcomes, as well as enabling parents to work the hours they require. Real gaps exist, particularly for older children, children with disabilities and where parents work atypical hours. Low-paid childcare workers are often also parents living in poverty. This budget should prioritise investment in childcare to ensure childcare policies contribute to reducing child poverty by enhancing children's experiences, removing barriers to work and improving wages and conditions of those who deliver the service.

Employment

The level of paid work in a family is a key factor in providing protection from poverty. In a family where one adult works full time and one part time, the risk of child poverty is 7%, compared to 40% where there is only part time employment.¹⁶ Yet 68% of children in poverty live in households where one, or both, parents are working. There is also conclusive evidence that child poverty, gender and disability are inextricably linked.¹⁷ Analysis suggests that removing barriers to work for mothers and for parents affected by disability, and tackling the labour market inequality they face, is necessary to address child poverty.

The Budget process must help ensure that public body wage setting powers are used to drive improvements in the quality of work, including addressing low pay, particularly in female dominated sectors such as social care and child care. Public spending on supporting business must be used as lever to improve the quality of work available to parents, and the support provided to those with caring responsibilities,

While each of these policy areas is vital to ending child poverty, none of them on their own will allow us to reach the child poverty targets.¹⁸ This year's budget must include appropriate funding for action on childcare, housing and employment and build on the foundation provided by the Scottish child payment to meet the statutory child poverty targets.

Is the Scottish Government taking a 'human rights' approach;

The Social Security (Scotland) Act 2018 placed human rights as a principle at the heart of the Scottish social security system. Alongside the incorporation of the UN Convention on the Rights of the Child into Scottish law, this provides an architecture on which to build the detailed policies that can bring child poverty down from 26% of all children, to below 18% by 2023/24, and fewer than 10% by 2030. However, more could be done to ensure government

¹⁶ [Child Poverty Supplementary Tables](#), Scottish Government, 2020

¹⁷ <https://www.gov.scot/publications/poverty-and-income-inequality-in-scotland-2017-20/>

¹⁸ [Mission Not Impossible](#), Fraser of Allander, 2021.

consistently takes a human rights approach.

Equality impact assessments (EQIAs) are a vital tool in underpinning a human rights approach across government which could be undertaken more consistently and thoroughly. For example, no EQIA was completed for the decision to exclude EU nationals with pre-settled status from claiming Council Tax Reduction. This meant entitlement was removed from a cohort of society without proper examination of the impacts. Ensuring that resources are available so that EQIAs are completed as an integral part of the decision-making process across Scottish Government would be a key step in embedding a human rights approach.

The UN Convention on the Rights of the Child includes the right to social security and the right to an adequate standard of living. Budget decisions, for example on the value of the Scottish child payment, must ensure they are contributing to the full realisation of these rights.

Is the Scottish Government ‘poverty proofing’ all its budget decisions, with a view to meeting the child poverty targets?

Scottish Government has committed to making tackling child poverty a national mission and has set legally binding targets towards its eradication. To achieve this mission and meet these statutory targets reducing child poverty must be put at the heart of the Scottish budget process. A goal of this and every budget should be to resource policies that will achieve the targets in the Child Poverty (Scotland) Act.¹⁹ Tax and spending decisions must all be proofed to assess the extent to which they are contributing to these targets. Whilst there has been real progress within government in recent years to identify how policy across government directorates can contribute to reducing child poverty it is not yet clear that all budget decisions are systematically proofed with a view to meeting child poverty targets. It will be particularly important to ensure Budget decisions aimed at economic recovery and business support contribute to achieving child poverty targets.

¹⁹ See, for example, the work of [Being Bold: Building Budgets for Children’s Wellbeing](#), Carnegie Trust, 2021