

SUBMISSION FROM CHILD POVERTY ACTION GROUP IN SCOTLAND

1.0 Context

1.1 One in five of Scotland's children are officially recognised as living in poverty (220 000 childrenⁱ). There is nothing inevitable about such levels of child poverty - in Scotland, and across the UK, they are significantly higher than in other European countries. In Denmark and Norway less than 10% of children live in poverty, whilst Germany has a poverty rate of 15%ⁱⁱ. Nevertheless it is important to note that following dramatic increases in poverty between 1979 and the mid 1990's real progress had been made in reducing the numbers of children living in poverty, with over 100 000 fewer children in Scotland living in poverty by 2010/11 than in 1996/97.

1.2 However independent modelling by the Institute for Fiscal Studies now forecasts that, as a result of UK tax and benefits policy, there will be massive rises in child poverty in the coming yearsⁱⁱⁱ. In Scotland alone forecast trends would suggest between 50 000^{iv} and 100 000^v more children being pushed into poverty by 2020. Welfare reforms and cuts mean that across the UK £20 billion^{vi} is being cut from family incomes, around £2billion in Scotland alone (much of it support for families in employment) undermining parents' best efforts to provide for their children, and all this before taking account of the additional £10billion of cuts to benefits planned by the UK Chancellor.

1.3 In this context CPAG welcomes the Scottish Government's commitment to do all within its power to eradicate child poverty by 2020 and the general thrust of the Scottish Child Poverty Strategy. We have also welcomed the commitment made by Scottish Ministers to do "everything we can to protect people in Scotland from the worst impact of these reforms"^{vii}.

1.4 However it is now vital that the Government delivers on these commitments and uses the Scottish Budget to protect families, mitigate the impact of UK reforms and cuts, prevent as far as possible the huge costs associated with rising child poverty and continue to put in place the building blocks for a Scotland free of child poverty. Whilst CPAG is under no illusions as to the limits to what Scottish Government can do to protect Scottish families within devolved powers there are key areas where we believe investment needs to be prioritised within the Scottish Budget.

2.0 Comments on Committee's Remit of investigation

2.1 If the Scottish Government is serious about delivering on its commitments to reduce inequality and eradicate child poverty an equal focus needs to be placed on these broader goals as on economic recovery and growth. Even when the economy boomed and public spending rose levels of child poverty remained exceptionally, and unacceptably, high, with progress on reducing child poverty stalling whenever efforts to ensure a fairer distribution of the rewards of economic growth slackened. Recent analysis at a UK level by the Resolution Foundation on who will gain from economic growth under current policies up to 2020 suggest that it is the better off who will benefit whilst poorer households continue to see decline in their income in real terms^{viii}. Economic recovery and growth will not, in themselves, deliver on child poverty and inequality targets.

2.2 In relation to assisting economic recovery the fiscal stimulus benefits of increasing the disposable incomes of our poorest families should be considered alongside those of prioritising capital expenditure. Low income families have the highest marginal consumption rates. In other words, they go out and spend their money straight away in their local shops and services to meet basic spending needs^{ix}. Scottish budget decisions that help boost low income families disposable incomes will have wider economic benefits.

3.0 Comments on key issues the Committee wishes to consider

In relation to the key issues the Committee wishes to focus, our evidence (given our purpose and expertise) focuses on the extent to which the draft Budget contributes to making progress on the preventative spending agenda, the governments Solidarity target, fuel poverty and on the impact of allocations within the EET portfolio on tackling poverty.

3.1 What progress has been made on the preventative spending agenda?

3.1.1 There is substantial and compelling evidence that growing up in poverty causes untold damage to children's health, education, wellbeing and life chances. This damage is recognised and well documented, not least in the Scottish Government's Child Poverty Strategy which states that "*It remains vitally important to invest in eradicating child poverty and reducing*

inequality, including income inequality. Evidence tells us not only of the cost to

individuals, but also of the great cost to society caused by child poverty, and of the economic case for shifting resources into early intervention and prevention and especially with respect to the first few years of a child's life^x".

3.1.2 The wider cost of child poverty to society in terms of additional spending on services is estimated at £1/2 -3/4 billion a year in Scotland alone^{xi}. It is hard to think of a more clear or important example of preventative spending than spending which contributes to the reduction and eradication of child poverty.

3.1.3 In 2011 CPAG called for the following key child poverty preventative actions to be subject to investment within the three year spending review^{xii};

- Childcare and early years provision – specifically extending the hours of universal free high quality nursery provision
- Promoting more equal pay distribution – specifically building on the concept of a Scottish Living Wage and increasing rates of pay at the bottom of the public sector pay spectrum
- Improving job opportunities and the quality of employment – specifically ensuring tackling low pay, insecurity, discrimination and family unfriendly practice is placed at the heart of Scottish and local government enterprise and business support priorities.

- Income maximisation advice and information – specifically continuing to support adequate second tier advice, information, training and casework support to ensure frontline agencies are able to support families access the benefits and tax credits they are entitled to and ensuring adequate resources are in place to support and hold local authorities and community planning partnerships to account in delivering agreed income maximization objectives
- Reducing the additional costs of school that families face – specifically taking steps to remove the means test from healthy school lunches

3.1.4 In relation to these priorities we would make the following comments on the progress made;

- The commitment to legislate for an extension to the number of hours of free universal nursery provision families are entitled to is extremely welcome, though detail is now needed on how this will be resourced and implemented so as to maintain the quality of the early years experience and flexibility to respond to parent's childcare needs.
- The commitment to ensure a living wage for those covered by Scottish Government pay policy is welcome, but more could be done by further increasing the share of pay that goes to those on the lowest wages and by promoting the living wage within the wider public, private and voluntary sector.
- There is, to our knowledge, limited evidence that tackling low pay, insecurity, discrimination and family unfriendly practice is being placed at the heart of Scottish and local government enterprise and business support priorities
- Continued support for second tier advice, training and information support is welcome, but with frontline advice providers under increasing pressure and the demands of welfare reform set to ramp up that pressure, priority needs to be given to ensuring services are resourced to respond to and mitigate the impact of UK reforms and ensure families in Scotland receive all the financial support they are entitled to.
- The continued provision of Educational Maintenance Allowance has provided important support to young people, but limited progress has been made in extending free school lunch provision, with the latest data suggesting local authorities are scaling back on universal approaches to free school lunches in P1 to P3. At the same time provision of school clothing grants remains inconsistent and generally inadequate across Scotland

3.2 What progress is the Scottish Government making in delivering it's overarching purpose with specific reference to its Solidarity target?

3.2.1 We have particularly welcomed the Scottish Government Solidarity purpose target and the recognition of the importance of working toward greater income equality. Tackling underlying income inequalities is fundamental to addressing the unusually high levels of poverty, and associated negative social outcomes, that Scotland (like other parts of the UK) faces. However as yet income inequality has

not fallen, and recent and projected trends suggest that without substantial policy changes it is unlikely that income inequality will reduce dramatically^{xiii}.

3.2.2 Whilst it is important to be realistic about the extent to which devolved Scottish government can impact on overall income inequality when key tax, benefit and employment powers are reserved, CPAG would like to see a far greater emphasis on proofing Scottish budget decisions for their impact on the Solidarity target. Further action, as discussed at 3.1 above, to promote more equal pay distribution, extend free school meal provision^{xiv}, improve the quality of job opportunities and ensure low income households receive all the financial support they are entitled to could all play a role in delivering progress against the Solidarity target.

3.3 Planned expenditure on fuel poverty

CPAG welcomes continued investment in fuel poverty programmes as set out in the draft Budget, but believes that significant further investment is needed if the 2016 target to eradicate fuel poverty is to be met. Furthermore it is vital that spending on the new National Retrofit Programme prioritises areas of fuel poverty and deprivation, including areas with high levels of child poverty, and that families with children in fuel poverty living out with the area based schemes continue to have access to fuel poverty programme support.

3.6 Impact of allocations within the EET portfolio on tackling poverty

It is difficult to interpret how budget allocations within the EET portfolio will impact on tackling poverty. As outlined above CPAG would urge the Committee to ensure that all budget lines are systematically proofed by the Scottish Government for their potential impact on both the Solidarity target and child poverty commitments, and that mechanisms are put in place to ensure that within budget lines spending is focussed on tackling inequality and child poverty. As discussed above, specific consideration should be given to ensuring resources spent on enterprise support activity are used to promote the creation and sustainment of jobs that are decently paid, flexible to the caring responsibilities of parents and which are accessible to those facing additional barriers such as disability.

4.0 CPAG priorities for the Scottish Budget

There are three specific areas which, whilst not necessarily within the Committee's direct remit, CPAG believes should be prioritised in order to help deliver on commitments to mitigate the impact of UK welfare cuts and reforms on families in Scotland.

4.1 Passported benefits: investment in free school meals

UK welfare reform requires Scottish Ministers to review how families are 'passported' to crucial devolved benefits like free school meals. This creates an opportunity to build on the progress that has already been made to extend free school meals entitlement, deliver on the 2011 Manifesto commitment that an SNP government "*in time will look at ways of expanding current provision*" and ensure all children at risk of poverty receive a healthy school lunch. Additional investment to move toward ensuring all children in families in receipt of the new Universal Credit are entitled to a

free school meal would free up hard pressed family budgets, help make work pay and ensure more children have at least one healthy meal a day.

4.2 Replacement social fund

The commitment by Scottish Ministers to invest £9.2m^{xv} in the scheme to replace DWP crisis loans and community care grants on their abolition in April 2013, whilst not set out in the draft budget or spending review, is hugely welcome. The funds are a vital lifeline when families face crisis, exceptional pressures or are at risk of being unable to sustain their own homes. Over £29m was provided in DWP crisis loans and community care grants to Scotland's poorest and most vulnerable citizens in 2010/11, a figure rising to £38million if spending on crisis loans for items which have been virtually abolished since 2011 by changing the eligibility criteria is included. Yet, only £23.8million is set to be transferred by the DWP to the Scottish Government to replace the schemes. It is vital that the additional resources committed by Ministers for 2012/13 are sustained across the spending review period and that adequate guidance and review mechanisms are now put in place to ensure vulnerable groups are protected and there is a consistency of decision making across Scotland

4.3 Advice, information and training for frontline agencies

4.3.1 It is vital that frontline agencies across the public and voluntary sectors are supported to help maximize the incomes of the families they work with as the welfare system goes through huge changes. Government needs to ensure Scotland's families receive every penny of support they are entitled to (whether in work, moving into work or unemployed) and to mitigate the negative impact of welfare reform as far as possible.

4.3.2 The budget and spending review must ensure resources are earmarked to support the provision of training and information to frontline staff on the implications of welfare reform and that frontline advice agencies have the capacity to respond to increased demand resulting from welfare reform. Investment should be made to build on the Scottish Government funded Healthier Wealthier Children model developed by NHS Greater Glasgow and Clyde and partners to ensure income maximisation support is integrated into mainstream frontline service delivery. The Healthier Wealthier Children project developed and evaluated^{xvi} a partnership model of providing income maximisation advice at a local level and a strategic approach to linking such service provision with health and other services for the future.

5.0 Additional Comments; the role of taxation

5.1 It is important to note that the budget process should not focus purely on 'preventative spending'. If Scottish Government is serious about delivering on the inequality and anti-poverty ambitions set out in the National Performance Framework attention must be paid to the other potential tool in the budget process– the use of devolved tax powers.

5.2 If Parliament is serious about scrutinizing the Scottish budget for its consistency with national objectives to reduce inequality and tackle the poverty that undermines the country's potential then attention must also be paid to how the tax levers at the disposal of the Scottish Government are used, or not used.

5.3 Whilst the bulk of taxation policy is currently out with the control of Scottish government, local taxation already presents a potential lever to reduce the burden of taxation on the poorest households but also to raise additional resources to invest in services that prevent poverty and the negative social outcomes that poverty causes.

5.4 Consideration also needs to be given to the potential role variation in the rate of income tax, and new tax powers under the 2012 Scotland Act, might play in increasing the resources available to the Scottish Government to eradicate child poverty and support a preventative approach to delivering national solidarity and anti-poverty objectives in the years ahead.

CPAG in Scotland
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ⁱ <http://www.scotland.gov.uk/Publications/2012/06/7976/0>

ⁱⁱ International comparisons are on an before housing costs basis under which 21% of Scotland's children live in poverty *Poverty in Scotland 2011* see Chapter 5 Figures 5.4, p70 and 5.6, p74

ⁱⁱⁱ <http://www.ifs.org.uk/comms/comm121.pdf>

^{iv} Parliamentary Question Joe Fitzpatrick MSP **S4F-00804**

^v The overall impact of UK tax and benefit changes is forecast to increase child poverty across the UK by 800 000 by 2020 (see note ii above) a trend that would wipe out the progress made since 1998/99. Over 100 000 children have been lifted out of poverty in Scotland since 1998/99.

^{vi} <http://www.cpag.org.uk/sites/default/files/Bad%20Friday.pdf>

^{vii} <http://www.heraldscotland.com/mobile/politics/political-news/msps-try-to-mitigate-welfare-reforms.17971555>

^{viii} http://www.resolutionfoundation.org/media/media/downloads/Who_Gains_from_Growth_2.pdf

^{ix} See p8 and 9 www.cpag.org.uk/sites/default/files/Bad%20Friday.pdf

^x http://scotland.gov.uk/Resource/Doc/344949/0114783.pdf_p1

^{xi} <http://www.scotland.gov.uk/Resource/Doc/210463/0055652.pdf>

^{xii} http://www.scottish.parliament.uk/S4_FinanceCommittee/CPAG_in_Scotland.pdf

^{xiii} p76, *Poverty in Scotland 2011*, CPAG, 2011

^{xiv} free school meals are included as income in the dataset used to measure progress

^{xv} www.scotland.gov.uk/News/Releases/2012/10/protectingpoorest21102012

^{xvi} www.gcph.co.uk/publications/359_maximising_opportunities_final_evaluation_report_of_the_hwc_project