

FINANCE COMMITTEE

DRAFT BUDGET 2014-15

SUBMISSION FROM HEAD OF CHILD POVERTY ACTION GROUP IN SCOTLAND

Context

1. CPAG in Scotland's views on the Scottish Government's National Performance Framework (NPF) and its linkage with spending priorities are shaped by a situation where:

- One in five (200 000) of Scotland's children are officially recognised as living in povertyⁱ, a level of child poverty significantly higher than in other European countriesⁱⁱ
- Independent modelling by the Institute for Fiscal studies (IFS) forecasts massive increases in child poverty with an estimated 65 000 more children living in poverty in Scotland by 2020ⁱⁱⁱ, primarily as a result of current UK government tax and benefit policy.
- Child poverty not only damages children and their life chances^{iv} but imposes huge costs on government at every level – on services dealing with the consequences of child poverty, through lost tax receipts from people earning less as a result of having grown up in poverty, in benefits and in lost earnings^v.

2. Such levels of child poverty are clearly at odds with, and undermine, the Scottish Government's overarching purpose of creating a more successful country with "opportunities for *all* of Scotland to flourish" (our italics).

3. CPAG in Scotland has welcomed the Scottish Government's Solidarity purpose target to increase the proportion of income earned by the three lowest income deciles as a group by 2017. Those countries that have low levels of child poverty also have more equal income distribution^{vi}.

4. Many of the national outcomes and associated indicators set out in the National Performance Framework have the potential to support policy and spending decisions that impact on child poverty. Particularly relevant are the national indicators to 'reduce children's deprivation' and 'reduce the proportion of individuals living in poverty'. It is on the Solidarity purpose target and poverty related indicators that the following evidence focuses.

Progress

5. It is disappointing that no progress has been made against the headline purpose target on Solidarity. The proportion of income received by the bottom three deciles has actually decreased slightly from 14.4% in 2004/5 to 14% in 2011/12^{vii}. It is worth noting however that the latest figures on the NPF website relate to 2009/10^{viii} raising concerns that monitoring and demonstrating progress on the inequality dimension of the Solidarity target is not being prioritised.

6. Data on specifically poverty related indicators does show welcome reductions in the numbers of individuals living in poverty and in 'children's deprivation.' However it needs to be noted that the latest figures (for 2011/12) pre-date the bulk of recent UK government cuts to the benefit and tax credit support available to families, cuts that are now forecast to contribute to substantial increases in poverty. Children in both in work and out of work low income households have, as median income fell during the economic crisis, been protected in relative terms by the previous UK government's investment in family benefits and tax credits. That protection is rapidly being removed, posing huge challenges for Scottish government poverty targets.

7. Effectiveness of indicators and targets, and linkage with spending priorities
Progress against both the Solidarity purpose target and poverty related indicators is inevitably subject to tax, benefit and labour market policy levers out-with the control of the Scottish Government. It is therefore vital that the Scottish Government analyses and demonstrates how devolved policy and spending decisions are impacting on inequality and poverty targets, whether in the short term or by contributing to the overall conditions needed for lower levels of poverty and inequality in the longer term.

8. The budget process needs to examine and demonstrate how resource allocation will contribute to, or undermine, the creation of the conditions for a Scotland free of child poverty as well as the impact on immediate reductions/increases in the numbers of children experiencing poverty. To date it has been difficult to see evidence of systematic proofing of budget decisions across government for their impact on poverty and inequality.

9. The setting of the Solidarity purpose target to reduce income inequality is extremely welcome, and progress against it crucial to the long term eradication of child poverty. However CPAG continues to argue that the target should be rephrased so as to refer to increasing the 'proportion of income earned by *each of* the three lowest income deciles as a group by 2017'. To eradicate child poverty it is vital that households right across the bottom of the income distribution see an improvement in their share of overall income.

9. In relation to child poverty the Scottish Government has committed in statute to producing a child poverty strategy and reporting annually on progress against that strategy^{ix}. Clearer linkage is needed between the budget process and the objectives laid out in the child poverty strategy.

10. CPAG has urged the Scottish Government to provide a clearer account of the progress it, local authorities and partners are making against the outcomes and measures set out in the Child Poverty Strategy. More detailed analysis is needed of how the investments and policy frameworks described in the Strategy are actually impacting on, or are expected to impact on child poverty. We have suggested that more specific indicators are needed to help identify and drive progress against the broad measures set out in the strategy. These could include indicators to monitor trends in access to childcare, parental employment rates, the education attainment gap, benefit take-up/income maximization and household costs subject to Scottish Government policy interventions (such as the cost of school meals and energy bills). Given the importance of tackling child poverty both in terms of giving all our children

the best start in life and preventing the huge costs that child poverty generates including such indicators as part of the National Performance Framework as well as within the Child Poverty Strategy should be considered.

11. The 'children's deprivation' indicator is one of four indicators against which the UK and Scottish government measures progress against commitments to eradicate child poverty by 2020 (as set out in the UK Child Poverty Act 2010). It is not clear why the Scottish Government chose this particular indicator as its NPF indicator, particularly given the headline figure generally used is 'relative child poverty' (the number of children living in households with less than 60% of median income). This is an example of where wider consultation in setting performance outcomes and indicators would be helpful.

12. CPAG would like to see a greater emphasis within the National Performance Framework (NPF), and within Ministers presentation of government policy, on the inequality dimension of the Solidarity target. If the Scottish Government is serious about delivering on its overall purpose and on its strategic objective of a Scotland that is not just 'wealthier' but 'fairer' then a far greater focus needs to be placed on targets to reduce inequality and poverty alongside the emphasis placed on economic 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 a decline in their income in real terms^x. Economic recovery and growth will not, in themselves, deliver on child poverty and inequality targets. A rephrasing of the governments overall purpose to better reflect the importance of reducing inequalities in how Scotland's wealth and opportunity is distributed should be seriously considered.

ⁱ Latest 2011/12 figures from Table A1 www.scotland.gov.uk/Publications/2013/06/2493/0

ⁱⁱ International comparisons are for 2008 on an before housing costs basis under which 21% of Scotland's children live in poverty see Chapter 5 *Poverty in Scotland 2011* Figures 5.4, p70 and 5.6, p74 (CPAG, 2011)

ⁱⁱⁱ <http://www.ifs.org.uk/comms/r78.pdf>. Figures for Scotland can be found on p41 table B.2 Column 1. The proportion of children living in relative child poverty (after housing costs (AHC) are deducted) is forecast to increase from 21.4% in 2011 to 28.4% in 2020 – around 65 000 additional children pushed into poverty by 2020.

^{iv} As recognised in the Scottish Government Child Poverty Strategy see p1 <http://scotland.gov.uk/Resource/Doc/344949/0114783.pdf>

^v See <http://www.cpag.org.uk/content/estimate-cost-child-poverty-2013>. CPAG also recently produced a report estimating the costs of child poverty by local authority. Scotland figures on p51 http://www.cpag.org.uk/sites/all/modules/contrib/pubdrcnt/pubdrcnt.php?file=/sites/default/files/CPAG-local-authorities-child-pov-0713-amended_0.pdf&nid=1594

^{vi} E.g. B Jackson and P Segal, *Why Inequality Matters*, Catalyst, 2004, p16

^{vii} <http://www.scotland.gov.uk/Publications/2013/06/2493/downloads> p16/17

^{viii} <http://www.scotland.gov.uk/About/Performance/scotPerforms/purposes/solidarity#a3>

^{ix} <http://www.scotland.gov.uk/Topics/People/tacklingpoverty/ChildPoverty>

^x http://www.resolutionfoundation.org/media/media/downloads/Who_Gains_from_Growth_2.pdf