

Child Poverty (Scotland) Bill

Policy memorandum

Introduction

1. As required under Rule 9.3.3 of the Parliament's Standing Orders, this Policy Memorandum is published to accompany the Child Poverty (Scotland) Bill introduced in the Scottish Parliament on 9 February 2017. This Policy Memorandum has been prepared by the Scottish Government to set out the policy behind the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.

2. The following other accompanying documents are published separately:

- statements on legislative competence by the Presiding Officer and the Cabinet Secretary for Communities, Social Security and Equalities (Angela Constance MSP) (SP Bill 6–LC);
- a Financial Memorandum (SP Bill 6–FM);
- Explanatory Notes (SP Bill 6–EN).

Policy objectives of the Bill

3. The Scottish Government is ambitious for Scotland's children. The Scottish Government believes that poverty is not inevitable and has promised children a better start in life and more opportunities as they grow up; has offered parents more and better-paid jobs and greater security in which to bring up their families; and has committed to tackling deep-seated inequalities, including in education and health.

4. In order to ensure Scotland is the best place in the world to grow up, and lives up to the Fairer Scotland vision, eradicating child poverty is fundamental. That is why the proposed Bill sets out four ambitious headline

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targets for 2030 that will establish Scotland as the only part of the UK with statutory income targets on child poverty.

5. In July 2015, the UK Government announced its intention to repeal significant parts of the Child Poverty Act 2010 via what eventually became the Welfare Reform and Work Act 2016. The UK Government proposed to replace the four income-based targets with measures on worklessness and educational attainment; to remove the child poverty aspects of the Social Mobility and Child Poverty Commission's remit; and to rename the legislation the 'Life Chances Act'.

6. Scottish Ministers fundamentally disagreed with this approach: in particular, the removal of income-based targets, and the use of alternative measures that do not take income into account. In the Scottish Government's view, this represents a shift towards characterising poverty as a lifestyle choice rather than addressing the social and economic drivers that cause people to fall into or remain in poverty.

7. The Scottish Government therefore requested an opt-out from the UK Government's approach. This opt-out was given effect to by provisions in the Welfare Reform and Work Act 2016 which repealed all parts of the 2010 Act that imposed any duty on Scottish Ministers. A legislative consent motion was passed by the Scottish Parliament in respect of those provisions.

8. In order to set out a clear agenda for tackling, reporting on and measuring child poverty, the Child Poverty (Scotland) Bill contains the following key elements. It:

- Sets out four statutory income targets.
- Places a duty on Scottish Ministers to publish child poverty delivery plans, with the first plan covering the 3 year period from 1 April 2018 and two further plans each covering a 5 year period, and to report on those plans annually.
- Places a duty on local authorities and health boards to report annually on activity they are taking to reduce child poverty.

Proposals

9. The Bill sets out four statutory, income-based targets to be achieved by 2030:

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- Less than 10% of children are in relative poverty.
- Less than 5% of children are in absolute poverty.
- Less than 5% of children are in combined low income and material deprivation.
- Less than 5% of children are in persistent poverty.

10. The Scottish Government's long-term ambition is to eradicate child poverty. The UK Government's austerity programme and the economic uncertainty caused by the EU Referendum result make this an increasingly difficult challenge. The Scottish Government recognise that many of the necessary levers for change are not devolved under the current constitutional settlement. Nevertheless, the Scottish Government will set a bold direction of travel, by setting targets that are stretching and ambitious, but realistic, to ensure that all parties can sign up to playing a part in achieving them.

11. These four measures are well known and understood amongst stakeholders, and retaining them provides a degree of continuity. These measures were chosen following extensive UK-wide consultation¹ and were designed to complement each other, with each capturing different aspects of poverty.

12. The relative poverty target is a recognition that individual and household needs are relative to societal standards of living. Children are considered to be in relative poverty if they are living in households whose combined income is below 60 per cent of median UK household income, calculated in the same year. Note that the poverty threshold for all four child poverty targets is adjusted (equivalised) to take household size and composition into account.

13. The absolute poverty target enables an assessment of whether living standards at the bottom of the income distribution are rising or falling over time. Children are considered to be living in absolute poverty if they are

¹<http://www.bris.ac.uk/poverty/downloads/keyofficialdocuments/Measuring%20child%20poverty%20DWP%202003.pdf>;

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living in households whose adjusted income is below 60 per cent of the (inflation adjusted) median income in 2010/11.

14. The combined low income and material deprivation target assesses whether households can afford essential goods and services. 'Material deprivation' is calculated from questions in the Family Resources Survey about whether people can afford to buy certain items and participate in leisure or social activities. This measure is then applied to households with incomes below 70 per cent of UK median income in the same year. Households which, for example, need to spend a greater proportion of their income on health or education costs, or on servicing debts, are less likely to be able to access the essentials identified on the list of items used for measuring material deprivation.

15. The persistent poverty target is a recognition that living in poverty for an extended period of time is likely to be more damaging than brief periods in poverty. This target also makes sure that the set of child poverty targets are not a "snapshot" of income at one time only.

16. The targets are set on an after housing costs (AHC) basis; AHC measures the disposable income households have once they have paid their housing costs.

17. Setting a target date of 2030 to meet the proposed set of AHC targets is clearly challenging. However, a 2030 target date aligns with the Fairer Scotland Action Plan and other Scottish Government action including taking forward the recommendations of the Widening Access Commission, which itself sets 2030 targets. There is a wide range of activity already in train, and planned for the future, and the Scottish Government wants to build on that to develop a wide-ranging, cross-government approach to reducing poverty. Crucially, a 2030 timeframe would provide an opportunity to fully implement a long-term, comprehensive and sustainable Child Poverty Delivery Plan.

18. Of course, the Scottish Government appreciates that there are a wide range of drivers of poverty. That is why the proposed delivery plans and annual reporting will be based on the existing, widely supported measurement framework, which contains a detailed set of indicators to sit underneath these ambitious headline targets. The measurement

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framework² captures the wide range of drivers and impacts that poverty has on the lives of children and their families. It is based around three key themes: pockets (maximising household incomes), prospects (boosting life chances) and places (building sustainable high quality places in which to grow up). A question on how the measurement framework could be improved was included in the consultation on the Bill. The responses to that question, and engagement with stakeholders over the course of 2017, will be used to develop the measurement framework alongside the first delivery plan (which the Bill requires to be published by 1 April 2018).

19. The Bill also includes a duty on local authorities and health boards to report annually on action that they are undertaking to reduce child poverty. The expectation is that local authorities and health boards will work together to do so, and the Scottish Government will work with these bodies and with other interested parties to develop guidance on how this might best be achieved. The Community Planning Partnership process could provide a helpful vehicle for co-ordinating this work.

Alternative approaches

20. When the UK Government announced their intention to repeal the targets, the Scottish Government worked closely with the Scottish Ministerial Advisory Group on Child Poverty, the Independent Advisor on Poverty and Inequality and other key stakeholders to investigate the options. Alternatives to introducing the Bill would be either not to replace the targets, or to set targets that are non-statutory. There are a number of reasons that the Scottish Government believes a statutory framework is appropriate and has chosen to pursue this approach. The proposed targets are a clear, public statement outlining ambition and the direction of travel. Statutory targets are a useful tool to galvanise action and to drive the sort of cross-Government action that will be necessary to tackle child poverty. The targets, and the delivery plans and associated annual reporting, will allow the Parliament and the public to hold the Scottish Government to account for its progress towards eradicating child poverty.

21. These views are supported on an international level. The UK was examined on its performance under the UN Convention on the Rights of the

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<http://www.gov.scot/Topics/People/fairerscotland/tacklingpovertyinScotland/CP/MeasureFW>

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Child (UNCRC) in May 2016. The UN Committee noted ‘serious concern’ regarding the UK Government’s repeal of the child poverty targets. It recommended that the UK ‘set up clear accountability mechanisms for the eradication of child poverty, including by re-establishing concrete targets with a set timeframe and measurable indicators, and continue regular monitoring and reporting on child poverty reduction in all parts of the State party’.

22. The Scottish Government approach must live up to the recommendation of the UN Committee – a clear agenda for tackling, reporting on and measuring child poverty. The Bill sets out proposals to underpin the targets with a comprehensive delivery plan, including measurable milestones against which progress will be measured. The Scottish Government’s Child Poverty Strategy 2014-17³ already contains an innovative, holistic measurement framework, which has received strong support from stakeholders and gives a good basis to build on. Any delivery plan will need to set out clear milestones, and will require action across portfolios such as economy, social security, fair work, childcare, skills, education, health and housing.

Wider context

23. No child should have to grow up in poverty in a country as wealthy as Scotland. Eradicating child poverty means tackling all poverty and ending the cycle of poverty for good. Ultimately, this ambition will make Scotland stronger, healthier, smarter and fairer. Without progress on tackling poverty, deep-rooted inequalities and poor outcomes will continue to impact on the Scottish Government’s performance across all aspects of government. The Scottish Government cannot resolve issues like the attainment gap or health inequalities over the long term without tackling poverty as a priority.

24. The Government Economic Strategy⁴, which has Inclusive Growth at its heart, will be primarily the way that the Scottish Government can tackle poverty once and for all. Inclusive Growth underpins the dual ambition to tackle inequality and boost competitiveness, so that the benefits of a flourishing Scotland can be shared by all. Without tackling poverty and inequality, deep-rooted inequalities and poor outcomes will continue to

³ <http://www.gov.scot/Publications/2014/03/5304>

⁴ <http://www.gov.scot/Publications/2015/03/5984>

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impact on performance across all aspects of the economy – a challenge that will only become more significant in the context of the result of the EU Referendum in June 2016 and associated economic uncertainty and forecasts. To deliver growth that is genuinely inclusive means creating jobs, promoting fair pay for all and providing the means to ensure people can take up employment opportunities through, for example, increasing child care, ensuring skills and training is available for the future workforce, and supporting people into employment. Tackling child poverty means tackling all poverty, ending the cycle of poverty for good. In this respect, Inclusive Growth is central to the tackling poverty agenda; and vice versa as Scotland will have a skilled healthy productive workforce that can face up to economic challenges and create prosperity in future.

25. As well as the Bill, a number of the other actions set out in the Fairer Scotland Action Plan will help deliver the ambition to eradicate child poverty. For example, the Scottish Government will introduce a new socio-economic duty on public authorities, set up a new poverty and inequality commission, and make sure that people with experience of living in poverty have greater opportunities to influence national and local policy going forward.

Consultation

26. As mentioned above, the Scottish Government has had extensive and constructive engagement with the Ministerial Advisory Group on Child Poverty, Independent Advisor on Poverty and Inequality and others on the proposed Bill. A formal public consultation on the Bill was launched on 8 August 2016. The analysis of responses to the consultation was published on 21 December 2016⁵. A total of 116 responses was received. Thirty of these were from individuals and the remaining 86 from stakeholder organisations.

27. The majority of respondents agreed with the Scottish Government's ambition to eradicate child poverty and to include in statute stretching targets to reduce child poverty. For the most part, there was agreement with using income-based measures; the levels the targets will be set at; setting the targets on an after housing costs basis; and the 2030 date for achievement of the targets. And in general, respondents agreed that the

⁵ <http://www.gov.scot/Publications/2016/12/2834>

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proposal to produce a child poverty delivery plan every five years and to report on the plan annually were appropriate.

28. The commitment to bring forward a Child Poverty Bill was a key action in the recently published Fairer Scotland Action Plan⁶, which was the result of an extensive programme of innovative, grassroots engagement with the people of Scotland. The Fairer Scotland discussion took place from June to December 2015, and in March 2016 the Scottish Government published a summary of the discussion⁷. The summary highlighted key themes, including:

- Work and living standards – ideas around income and employment; pay and conditions; benefits; childcare; and poverty.
- Homes and communities – ideas around housing affordability and access; housing quality; and community environment.
- Early years, education and health – ideas around childcare; education; parenting; mental and physical health; health and social care integration; and carers.

29. It is clear from the key themes that poverty was central to the Fairer Scotland discussion, with a strong sense that as a society everything possible should be done to reduce and ultimately end poverty. Poverty is an issue that is addressed across the whole of the Fairer Scotland Action Plan, with the Bill as a central commitment to achieve the ultimate aim of a Fairer Scotland by 2030.

Effects on equal opportunities, human rights, island communities, local government, sustainable development etc.

Equal opportunities

30. More than one in five (220,000) children live in poverty in Scotland. However, as evidenced in the Equalities Impact Assessment which accompanies this Bill, poverty disproportionately affects those with protected characteristics. Poverty rates are higher for households with a disabled child: in 2014/15 27% of households with a disabled child were in poverty after housing costs (AHC), compared with 18% of those without.

⁶ <http://www.gov.scot/FairerScotland>

⁷ <http://www.gov.scot/Publications/2016/03/8727>

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People from minority ethnic (non-white) groups are higher than for the “White - British” group. Over a third (34%) of people in minority ethnic groups were in poverty AHC compared with 17% of people from the “White – British” group. Due consideration will be given to the particular barriers faced by minority ethnic individuals and other groups with protected characteristics in the development of the child poverty delivery plan.

Human rights

31. The Scottish Government has made clear that concerted and effective action to confront poverty and inequality is fundamental to meeting the UK’s international human rights obligations. The Scottish Government’s ambition to eradicate child poverty, and the setting of clear statutory income targets underpinned by a robust measurement and reporting framework is consistent with the UNCRC’s Concluding Observations as mentioned in paragraph 21 above.

Island communities

32. Poverty in rural areas tends to be dispersed. This factor, along with the small population and sample sizes, means it can be more difficult for island partners to analyse and understand the nature of child poverty in their area. This may make it more difficult to target policy interventions to tackle poverty. However, it should be caveated that poverty is also dispersed in other parts of Scotland so this is not only an island issue.

Local government

33. The Bill places a duty on local authorities and health boards to report annually on activity they are undertaking to reduce child poverty. The Scottish Government has worked with local authorities and health boards in the development of this duty, and will continue to collaborate with them fully. The Scottish Government fully expects to involve local authorities in developing the national Child Poverty Delivery Plan, and will work closely with them and other stakeholders to provide guidance and support for the annual reporting required by the Bill.

Sustainable development

34. Sustainable development is integral to the Scottish Government’s efforts to tackle poverty. The Government Economic Strategy, which has Inclusive Growth at its heart, sets out the Scottish Government’s dual ambition to tackle inequality and boost competitiveness, so that the benefits of a flourishing Scotland can be shared by all. Tackling child poverty means

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tackling all poverty, ending the cycle of poverty for good. In this respect, Inclusive Growth is central to the tackling poverty agenda; and vice versa as it will enable a skilled healthy productive workforce that can face up to economic challenges and create prosperity in future.

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